

# Implementing a Government-Wide Unified and Transparent Salary System in Slovenia

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## Abstract

A major reform of the public sector salary system took place between 2003 and 2008, where public administration was included as one of the sub-sectors in a broader scheme, covering also the health care and social care sectors, the education sector and other parts of the public sector. The reform was extremely complex, and its development consisted of several phases. The reform resulted in a completely new salary system for the public sector. There are several tangible benefits of the reform; however, there are deficiencies, too, and some of them were amplified by measures inspired by the financial crisis. In our opinion, the changes should be focused on eliminating or drastically reducing *de facto* automatic promotion to higher salary grades, introducing more flexibility into the system without putting at risk its coherence and ensuring the budget for variable (performance-related) pay. Additionally, but with due caution, the option should also be considered and discussed to enable the government to classify certain positions in salary ranks higher than defined in the collective agreement, as a response to the situation on the labour market.

## Keywords:

public administration reform, public sector, salary system, civil service, Slovenia.

## 1. Introduction

Slovenia as an independent state was established in June 1991. A crucial element of building statehood was building up capacities of public administration to effectively take over functions of former federal bodies (customs, border control, monetary

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policy, citizenship, passports, migration issues etc.). At the same time, the process of establishing a politically neutral and merit-based public administration, aligned with the constitutionally established principles of political pluralism and democracy (as opposed to the previous single-party system), was under way.

From 1990 on Slovenia, in only two and a half decades, underwent a series of unprecedented historical events, starting with the first democratic election in 1990, continuing with the establishment of an independent state in 1991, obtaining full membership of the European Union in 2004, joining the Monetary Union and the Schengen no-border zone in 2007, being the first new Member State to preside over the EU Council from January to June 2007 and joining the OECD in 2010. The country was severely hit by the economic and financial crisis from 2009 to 2012. Public administration reform (PAR) was inseparably connected with the historical milestones but also a response to increasing expectations of citizens and businesses for quality services (cf. Kovač and Virant 2011).

The aims of the paper are to present and evaluate the implementation of a government-wide unified and transparent salary system in Slovenia.<sup>3</sup> According to this, the objectives of the paper are to present the reform process and evaluate its outcomes, to analyze the legal regulation of the new public sector salary system in Slovenia and its implementation and to specify circumstances under which we could recommend a reform to other countries in the direction of introducing a coherent salary system for the whole public sector. We will therefore contribute to the existing knowledge on public sector salary systems and reforms, especially in the Central and Eastern European region.

The paper is structured in such a way that it achieves the goals set and consequently its aims. In the second chapter we present the development of public administration reforms in Slovenia. In the third chapter we focus on the public sector salary system, and in the last chapter we summarize our findings.

## **2. Overview of public administration reforms in Slovenia 1995–2017**

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In 1995, a major reform of local government was carried out, producing a strong impact to the re-shaping of central government. Namely, in line with constitutional provisions, a strict separation of local (self-)government functions and functions of central government was established. Central government took over responsibilities in implementing state policies (e.g. registries, personal documents, inspections, land survey, licences and permits, tax administration etc.), and for that purpose a network of de-concentrated central government bodies (“administrative units” and “territorial branches of central government institutions”) was set up. The number of

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municipalities significantly increased, and local governments kept responsibilities for developing and implementing policies only in strictly local matters (Rakar and Tičar 2017; cf. Vljaj 2007).

In the late 1990s and particularly from 2000 to 2004 PAR was closely related to the process of accession to the European Union (Kovač 2011). The emphasis was on setting up a new legislative framework for the organization of public administration (ministries and agencies) and the functioning of the civil service (horizontal aspect of EU accession-related reforms), and, in parallel, on building up the administrative structures and capacities to be able to cope with both the transposition and the implementation of the *acquis communautaire*, as well as to be ready to participate in policy formulation processes at the EU level once being a formal part of these processes (vertical aspect). In 2003 a major step was taken in the area of transparency with the enactment of the Law on Access to Public Information (cf. Kovač 2017). Parallel to that, from 2000 on the Government put a strong focus on improving the quality of administrative services, cutting red tape (the first “anti-bureaucratic programme” was launched in 2000), better regulation, e-government and introducing quality management tools and models (cf. Dečman and Klun 2010).

The reforms took an additional impetus in late 2004 when the Ministry of Public Administration was established, concentrating a vast majority of responsibilities in the area of PAR and taking up a strong horizontal and coordinative role regarding almost all PAR issues (except for the public financial management, strategic planning and a part of the better regulation agenda, which remained in the responsibility of the Ministry of Finance and the Secretariat General of the Government). From 2004 on, reforms focused on cutting red tape and simplifying procedures both for citizens and businesses, e-government, encouraging the usage of TQM tools, further improvements of access to public information (which led the country to a top-five ranking in global governance indicators<sup>4</sup>), introducing more flexibility to the civil service system (a step that provoked some controversy, see below), gradually and painlessly downsizing public administration (a “minus one per cent annually” programme which, in the course of a decade, resulted in substantial downsizing and structural savings). Particularly e-government developments and simplification projects led to relevant and internationally recognized results. In 2007, Slovenia ranked no. 2 in the European Commission-sponsored Capgemini assessment of e-government in the category “on-line sophistication of services”, and two projects of process streamlining, connected with digitalization (e-one-stop shop for business start-up and e-one stop shop for social benefits) were awarded with a UN public sector award.

The Ministry of Public Administration as the key driver of the reforms remained, in broad terms, structurally unchanged from December 2004 onwards, with a short break from January 2012 to September 2014, when the whole range of

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4 See <http://www.rti-rating.org/country-data/>.

responsibilities and structures of the ministry was – as part of the general reduction of the number of ministries – temporarily merged first with the Ministry of Justice and then with the Ministry of Interior, to be restored as a separate ministry in September 2014. The Ministry of Public Administration has been carrying out responsibilities in the vast majority of PAR-related issues: civil service and HRM, organization of public administration, general standards of quality of service delivery, general administrative procedure, cutting red tape, document management, e-government, access to public information, better regulation (in cooperation with the Secretariat General of the Government and the Government Office for Legislation) and management of business premises of government institutions. Recently, legislative steps were taken to even strengthen the role of the ministry in the area of digitalization with the aim to centralize the management of government IT, to ensure a whole-of-government approach and enable savings through cloud-based provision of IT services to all central government institutions.<sup>5</sup> The implementation of these changes is still in progress.

The period 2009–2012 was largely marked by the impact of the economic and financial crisis. Efforts in all policy areas, including PAR, were mostly focused on overcoming the crisis. Efforts for fiscal consolidation marked the period so much that little progress was made in terms of PAR (cf. Randma-Liiv and Kickert 2017b). Records show that the country did not successfully use the crisis as an opportunity (cf. Randma-Liiv and Kickert 2017a). On the contrary, during the period of crisis, Slovenia's rankings in global competitiveness measurements (Doing Business, Global Competitiveness Report) deteriorated.

In recent years (2013–2017) the main trends (reducing administrative burden, developing e-government services, gradually downsizing public administration) have continued, resulting (in combination with other drivers) in gradual recovery in terms of global competitiveness (for example moving up to rank 30 in WB Doing Business 2017 after a set-back to rank 43 in 2010, but then again moving down to rank 37 in 2018).

As regards the strategic framework of PAR, not all periods of time were covered by PAR strategies, and there was no correlation between the pace of reforms and the existence of a strategic plan. The first strategic document was approved in 1997 (Strategic Plan for the Implementation of the Public Administration Reform). The next strategic document was the Strategy of Further Development of the Public Sector 2003–2005. From 2005 to 2015 no separate strategic document was in place. However, in this period the intensity of change was at its highest. Only recently (2015), a new Strategy of Development of Public Administration 2015–2020 was approved, setting the framework for the next steps (Table 1).

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5 Act amending and supplementing State Administration Act of 2016. Available at <https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2016-01-2246?sop=2016-01-2246> (last accessed 7 April 2018).

**Table 1**  
Strategic documents on Slovenian PAR

	<b>Document</b>	<b>Year of Adoption</b>	<b>Period</b>
1.	Strategy for EU Accession	1996	1997–1999
2.	Strategy on further development of Slovenian public sector	2003	2003–2005
3.	Slovenia’s Development Strategy	2004	2005–2013
4.	Exit Strategy (from economic crisis)	2010	2010–2013
5.	Points of departure for further development, organization and legal regulation of public sector (draft)	2011 <sup>6</sup>	2011–2013
6.	Strategy of Development of Public Administration	2015	2015–2020

Source: adapted from Kovač and Pevcin (2017).

### 3. Public sector salary system reform

#### 3.1 Reform content and background

The government-wide salary system reform that took place between 2003 and 2008 is a specific feature of PAR in Slovenia. In this reform public administration was included as one of the sub-sectors in a broader scheme, covering also the health care and social care sectors, the education sector and other parts of the public sector (*infra*, Table 3).

The idea of a public salary system reform first appeared in the late 1990s. The main rationale behind it was an assessment shared by both the government and trade unions in the public sector of a chaotic situation in the area of salaries. The main deficiencies of the salary situation were the following (Government 2002; Tičar et al. 2017):

- While a general “Law on salary ratios in public institutions, state organs and organs of local self-government” (LSR) was in place, it allowed the introduction of allowances via sectoral laws and collective agreements – this was due to the fact that LSR had not provided any mechanism for changes of salary ratios (Klinar 2005). This led to several rounds of salary increases based on the “domino effect” and, in the eyes of many trade unions, distorted the salary ratios between different sub-sectors in the public sector and between different professional groups. The general perception was that the salary level of a professional group depends largely on the strength and political influence of its trade union. This was generally referred to as “salary disparities”.

6 Not adopted due to early parliamentary elections in 2011.

- The described features of the salary regulation in the public sector also led to a high level of non-transparency, as the salaries were more and more built on allowances instead of a transparent basic salary.<sup>7</sup> As increases of the basic salary would require an intervention in the law, the trade unions exercised pressure on the line ministries to introduce new allowances in secondary legislation and collective agreements.
- From the government point of view, a big concern was also the discrepancy of salary growth between the public and the private sectors. From 1994 to 2001, the cumulative real growth of public sector salaries exceeded the growth in the private sector by 5 % (see Ministry of Public Administration 2015).

Based on the explained challenges, in the discussions of a new salary system for the public sector the aim of the reform was to define the common foundations of the public sector salary system in order to 1) enforce the principles of equal pay for work in comparable positions, titles and functions, to 2) ensure transparency of the salary system and 3) to ensure salary incentives (Ministry of Public Administration 2015; Government 2002). Accordingly, the following objectives were pointed out in the Public Sector Salaries Bill (Government 2002; cf. Klinar 2005):

- A more just system where the level of salary would reflect the responsibility and complexity of the job and would not simply be a result of the strength of a specific trade union;
- A more unified system with common elements for all employees in the public sector, however taking into consideration specificities of sub-sectors;
- A more transparent system where the position would be evaluated with the basic salary and allowances would only be exceptional and based on very specific circumstances;
- The trade unions also emphasized the importance of social dialogue so it was decided that salary levels would be established in collective agreements and not unilaterally by the government;
- The government also emphasized the importance of economically sustainable salary growth, leading to consolidated budgets and manageable inflation. This became particularly relevant in the period of preparations for the accession to the Eurozone.

One of the relevant circumstances that has to be pointed out is the traditionally relatively strong role of the public sector trade unions in the Slovenian society and the predominantly participatory, consensual approach to dealing with labour and social issues in the public sector. The trade unions largely influenced the devel-

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<sup>7</sup> For some groups of civil servants allowances amounted to up to 70% of basic salaries (Klinar 2005).

opment and implementation of the reform (see Kerševan 2004, Klinar 2005, Šoltes 2012, Zupanič Tement 2014, Stanojević and Kanjuo Mrčela 2014).

### 3.2 Reform dynamics

The reform was extremely complex due to its scope and type<sup>8</sup>, impacts on public finance<sup>9</sup> and the involvement of actors with conflicting interests. As explained in the previous subchapter, the principal issues addressed and the general solutions proposed made it necessary to be implemented in a step-by-step manner. Development of the salary system reform can therefore be divided into the following phases (Table 2):

**Table 2**  
Salary reform phases overview

PHASE	CONTENT	PERIOD
1	<i>public discussions before designing the reform</i>	1996–2000
2	<i>designing a new Law on the salary system of the public sector, discussions within government and consultations with the trade unions</i>	2001–2003
3	<i>enactment of the Law on 28 June 2002 (coming into force on 28 June 2003)</i>	2002–2003
4	<i>collective bargaining with the public sector trade unions, enactment of secondary legislation; partial freezing of salary increases in order to create a virtual pool of unallocated salary mass for redistribution</i>	2002–2008 (collective bargaining)
5	<i>signing the general collective agreement for the public sector and sectorial collective agreements (education, health care, social care, culture ...) in June 2008; application of the new system started;</i>	2008–present
6	<i>implementation of salary adjustments according to the collective agreements, re-negotiation of the adjustments and negotiation on salary cuts due to the effects of the economic/financial crisis with the aim of fiscal consolidation</i>	2009–2011
7	<i>stabilization, preparation of further reforms – adjustments of the system on the basis of the 2011 OECD review</i>	2011–present

Source: own.

Annual work programmes of the Government provided a clear timeline for the implementation of the reform.<sup>10</sup> However, several steps took a much longer

8 A structural reform that affected around 170,000 holders of public office and public servants, i.e. around 15% of total labour force (Virant and Rakar 2017; Klinar 2005).

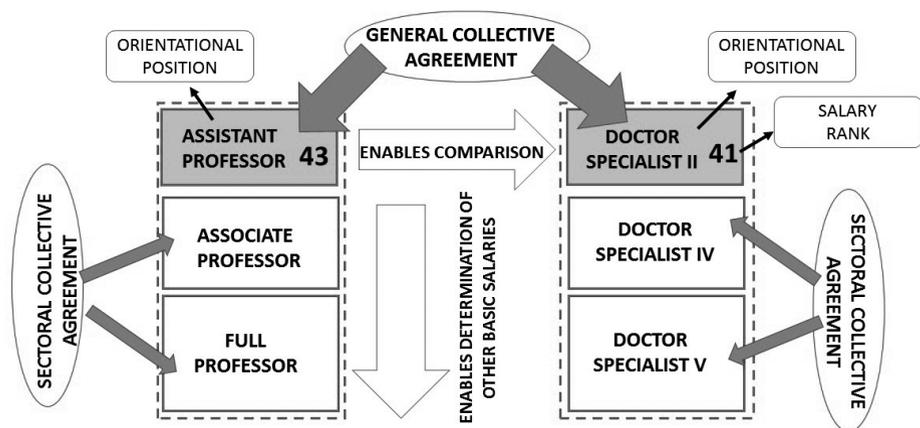
9 In 2000 salary mass represented 10.2% GDP and 21.75% of total public expenses (Government 2002). In 2016, salary mass amounted to approx. 4.5 billion EUR, which is almost 50% of the central budget (Tičar et al. 2017). Current data available at <http://www.pportal.gov.si/>.

10 See the documents at [http://www.vlada.si/delo\\_vlade/program\\_dela\\_vlade/](http://www.vlada.si/delo_vlade/program_dela_vlade/) (last accessed 9 May 2018).

time than initially expected. While the law was enacted just three months later than planned by the Government, it took another six years to sign the general collective agreement<sup>11</sup>, sectorial collective agreements and to enact the secondary legislation.<sup>12</sup> This is due to 1) the issues regulated by these types of acts and consequently actors with conflicting interests involved and 2) the economic crisis.

As to the first reason, we focus on the general collective agreement. The general collective agreement for the public sector determined *inter alia* 1) the lowest salary grade for each tariff class (I to IX, based on education level required; Article 8 of the Act) and 2) so-called orientational positions (work posts) within salary subgroups C to J (see *infra*, Figure 1).<sup>13</sup> Orientational positions enable the comparability of positions and titles within this part of the public sector and therefore tend to achieve three major goals of the reform (*supra*, subchapter 3.1): fairness, transparency and social dialogue. Additionally, these positions represent the orientation for the determination of basic salaries of related positions, which are determined by sectorial collective agreements or governmental decree (Figure 1).

**Figure 1**  
Orientational positions and collective agreements



Source: own, based on legislation.

As for the second reason, according to the Ministry of Public Administration (2015) the implementation of the public sector salary reform was significantly in-

11 The general collective agreement was signed by the Government and 21 of 27 trade unions of the public sector on 5 June 2008.

12 For a list of all secondary legislation based on the Act, see <http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO3328> (last accessed 9 May 2018).

13 For full content of the agreement, see <http://www.pisrs.si/Pis.web/pregledPredpisa?id=KOLP234> (last accessed 9 May 2018).

fluenced by the economic crisis, the beginning of which coincided in Slovenia with the beginning of the implementation of the salary reform. Its consequences significantly changed the envisaged course of the reform, as the planned elimination of the disparities in the salaries of public servants did not take place in the originally envisaged way, nor did the rest of the anomalies in the evaluation of positions start to be resolved, nor did they regularly eliminate the systemic deficiencies or inadequate solutions. Right from the beginning of the introduction of the reform into practice, all attention of the government and trade unions was dedicated to saving measures in the field of salaries.

### 3.3 Reform results and outcomes

The reform resulted in a completely new salary system for the public sector. Basic institutes of public sector salary system are: 1) catalogue of functions, positions and titles, 2) salary group, 3) salary grade, 4) salary rank, 5) tariff class, 6) basic salary, 7) performance-related component of salary and 8) allowances (Tičar et al. 2017).

The catalogue of functions, positions and titles is published by the ministry in charge of salaries in the public sector<sup>14</sup>, which contributes to the transparency of salaries in public sector. When laying down the systemization of positions in a public sector body, the positions or titles should be classified into salary ranks in accordance with the classification of salary ranks in the general collective agreement for the public sector and with the sectorial collective agreements.

The new system is quite unique in the sense that it applies to all public servants (individuals employed in entities of public law) and also to elected and appointed public officials (from the President of the Republic, Prime Minister and ministers to MPs, mayors, judges and prosecutors). Basically, everyone that receives a salary from public funds is included in the system (Table 3).

Annex 2 of the LSSPS of 2002 determined the highest and lowest salary ranks within salary groups and subgroups (see Annex 1 of the paper). It enabled a clear understanding of the transition from the old system of basic salaries, defined by the coefficients, to the new system, based on salary grades. Additionally, it contributed to the transparency of the transition process and the comparability between subgroups within the public sector.<sup>15</sup>

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14 Available at [http://www.mju.gov.si/si/delovna\\_podrocja/place\\_v\\_javnem\\_sektorju/katalog\\_funkcij\\_delovnih\\_mest\\_in\\_nazivov/](http://www.mju.gov.si/si/delovna_podrocja/place_v_javnem_sektorju/katalog_funkcij_delovnih_mest_in_nazivov/) (last accessed 9 May 2018).

15 This annex was removed from the LSSPS in 2008, as by that time all the ranges of basic salaries were determined by other acts: for holders of public office with the law itself, for public sector managers with the decree of the government and for all other public sector employees with tariff parts of sectorial collective agreements (for central administration see e.g. <http://www.pisrs.si/Pis.web/pregledPredpisa?id=KOLP235>).

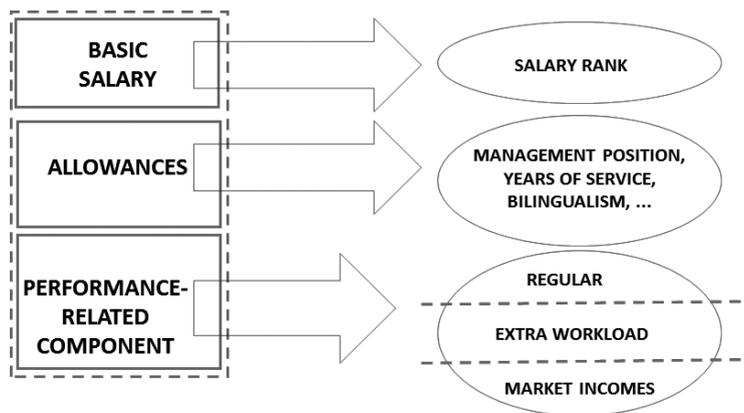
**Table 3**  
Scope of the Law on the Salary System of the Public Sector (LSSPS)

Salary group	Salary subgroup
<b>A – Holders of public offices at central and local level</b>	A1 – President of the Republic and executive branch
	A2 – Legislative branch
	A3 – Judiciary
	A4 – Other central bodies
	A5 – Municipalities
<b>B – Management positions</b>	B1 – Principals and directors
<b>C – Civil servants in central administration, local administration and other state bodies</b>	C1 – Civil servants in other central bodies
	C2 – Civil servants in central administration, judicial administration and municipal administration
	C3 – Police officers
	C4 – Soldiers
	C5 – Financial administration civil servants
	C6 – Inspectors and other civil servants with special authorities
	C7 – diplomats
<b>D – Education</b>	D1 – university teachers
	D2 – primary and secondary school teachers
	D3 – childcare worker
<b>E – Health care</b>	E1 – doctors and dentists
	E2 – pharmaceuticals
	E3 – nurses and midwives
	E4 – healthcare workers
<b>F – Social care</b>	F1 – professional workers
	F2 – professional co-workers
<b>G – Culture</b>	G1 – artistic professions
	G2 – other
<b>H – Science</b>	H1 – researchers
	H2 – professional co-workers
<b>I – Public agencies, public funds, public institutes</b>	I1 – professional workers
<b>J – Supportive work posts (applies to whole public sector)</b>	J1 – professional workers
	J2 – administrative personnel
	J3 – other technical personnel
<b>K – Mandatory social security</b>	K1 – professional workers

Source: LSSPS.

The structure of the salary is as follows from Figure 2.

**Figure 2**  
Structure of public sector salary



Source: authors based on legislation.

The *basic salary* is defined through the classification of a position into a salary rank. There are altogether 65 salary ranks which form the salary grade, with defined nominal values, each of them 4% higher in nominal value than the previous one (see Annex 2). The nominal value of the salary ranks is being negotiated on an annual basis between the government and the trade unions of the public sector. The nominal value of the salary ranks, agreed to by the collective agreement, is determined by the LSSPS.

The functions, positions and titles are classified into salary ranks via the following acts:

- public offices *via* an act of parliament;<sup>16</sup>
- managerial positions via a government decree (LSSPS, Article 11); in certain cases, the decree defines the salary rank of a specific position (e.g. Director of University Clinical Center, Director of National Radio and TV Broadcasting Institution, Director of Police), while in other cases the decree defines the lowest and highest salary rank for a certain type of position (e.g. director of primary school from 42 to 50, director of municipal health care centre from 44 to 55, secretary general of a ministry from 57 to 59). In the latter case, the precise salary rank of an individual position is then determined by the responsible minister

16 At first *via* the decree, but the Constitutional Court of the Republic of Slovenia ruled that this is not in accordance with the Constitution (see decision No. U-I-60/06 of 12 December 2006; available in English at <http://odlocitve.us-rs.si/en>).

within the range and according to criteria predefined by the decree (for example: director of the municipal health care centre of the city of Radovljica – salary rank 57) (LSSPS, Article 11, paragraphs 2–5);

- public servants' positions via collective agreements: approximately 100 "orientational positions" from all sub-sectors are classified in the general collective agreement for the public sector, while the other positions are classified via sectorial collective agreements.

The classification of positions into salary ranks was negotiated on the basis of a pre-agreed methodology of job evaluation and adopted in the form of a special collective agreement (CA) between the government and representative trade unions of the public sector.<sup>17</sup> According to the CA, the following criteria are relevant for the classification: a description of the tasks or the conditions for obtaining a title, required professional education, required additional knowledge, required work experience, responsibility for the results of their own work, responsibility for management, effort (mental, psychological and physical), environmental impacts and restrictions, prohibitions and authorizations (CA, Article 14).<sup>18</sup> However, it obviously turned out that the "value" of a position cannot simply be defined by applying an objective methodology; the classification is therefore a result of a social agreement between the government and the vast majority of public sector trade unions that signed the collective agreements.<sup>19</sup> For public servants, judges and prosecutors the system enables the promotion to higher salary ranks based on annual performance assessment.

*Allowances* are limited to circumstances which are not typical for a position, for example allowance for holiday and Sunday work, night shift (all three paid only for hours worked on Sunday, holiday or during the night-time). However, a general allowance for years of work was kept (0.33 % of the basis salary for each year of service). Only those allowances which are explicitly defined in the general collective agreement may apply. Through this provision the Law made it impossible to distort the system through a number of allowances as had happened in the previous system (see Klinar 2005). The new salary system significantly reduced the number of allowances (from around 150 to 8), and thus also the amount of their financial resources and its share in the total amount of financial resources. This amounts to around 8 %, while the influence of intervention measures has decreased slightly in the past years (Ministry of Public Administration 2015).

There are three types of *performance components*:

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17 Collective agreement on joint methodology of classification of orientational positions and titles in salary ranks, *Official Gazette of the Republic of Slovenia* 57/2008.

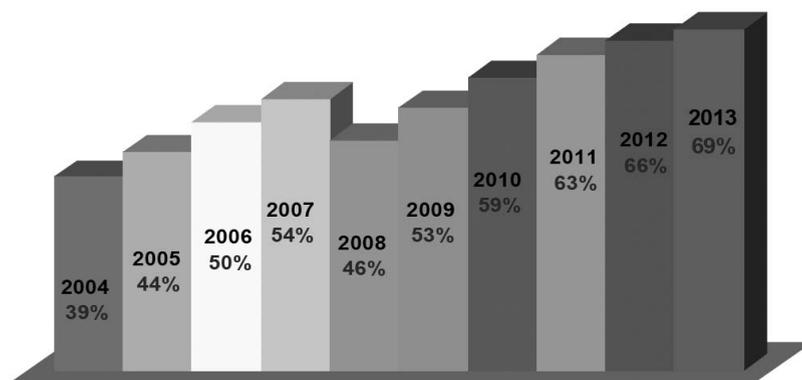
18 These criteria are further elaborated in the CA (Articles 17 to 27).

19 The collective agreement was signed by 24 representative trade unions of the public sector.

- regular incentive based on the assessment of the results of work – individually up to 20 %, generally up to 5 % of the total salary budget, the exact % is established via an annual agreement between the government and trade unions;
- incentive for extra workload – individually up to 50 % (cumulatively with the regular performance incentive), financed from savings from non-replacement of public servants on longer sick leave or on maternity leave, and from extra budget defined by the government for special projects (e.g. EU presidency);
- incentive based on market incomes – amount and conditions for payment are determined by governmental regulation.

As for financial impacts of the reform, the salary reform initially led to a significant increase in the average salary and at the same time the mass of salaries in the public sector (Ministry of Public Administration 2015). The latter is in part due to the fact, that there are no restrictions and quotas for performance assessment grades. Therefore a practice has developed where a vast majority of public servants are assessed as “excellent” (Figure 3), leading to a rather automatic promotion to higher salary ranks and consequently to the increase of the salary budget without any effective benefit for the human resources management.

**Figure 3**  
Share of core public administration civil servants assessed as “excellent”  
in period 2004–2013

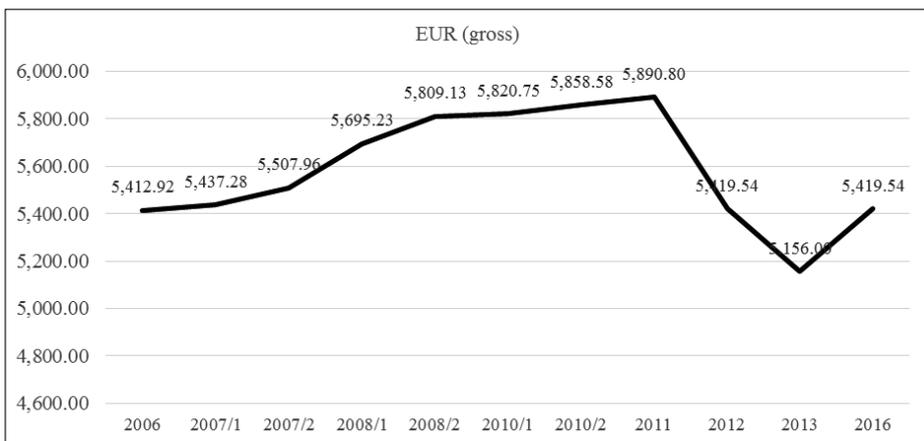


Source: Ministry of the Interior (2015).

Later, the austerity measures slowed down the rising mass of salaries in the public sector, then halted salary growth, and finally reduced basic salaries in 2012 and 2013 (Ministry of Public Administration 2015). The new salary system has therefore been a powerful tool for managing the level of wage bill, particularly during the economic crisis. The fiscal consolidation efforts of the government largely

affected the public sector, including public administration. Measures were mainly achieved in social dialogue, with consent of major social partners (trade unions). As for basic salaries, the crisis affected the envisaged increases for certain professional groups. Namely, collective agreements envisaged gradual adjustments of salary ranks through a period of two years for the positions which were classified to a salary rank, which meant an increase compared to their basic salary before the reform (see Ministry of Public Administration 2015). Due to the crisis, the adjustment had to slow down. Twice (2012 and 2013) the basic salary decreased,<sup>20</sup> but the decrease in 2012 took into account the target salary ranks, so “salary disparities” were finally eliminated (there were also decreases in the basic salary levels, mostly for those with higher salaries) (Figure 4).<sup>21</sup>

**Figure 4**  
Nominal values of 65<sup>th</sup> salary rank in the period 2006–2016



Source: Ministry of Public Administration (2018).

From the managerial point of view, the severe reduction of the budget for performance components of salary pay needs to be pointed out.<sup>22</sup> The budget for

20 The centre-right government that was formed after the early elections held in 2011 tried to implement an immediate radical cut in public sector spending. At the beginning, it intended to introduce a 15 per cent salary reduction in the public sector but, following a general strike by public sector employees in April 2012 and negotiations with the unions’ representatives, the intended cut was reduced to 8 per cent (Stanojević and Kanjuo Mrčela 2014).

21 All these measures were part of the Fiscal Balance Act of 2012, which altered 39 existing laws. The main purpose of this mega act was to enable a comprehensive and substantial reduction of governmental spending of about 500 million EUR in 2012, 800 million EUR in 2013 and approximately 1 billion EUR in 2014 (Pevcin 2014). The public sector wage bill was cut by 3% in 2012 and an additional 1.3% in 2013 (Jazbec 2014).

22 On the annual level this component of salary amounted to approx. 80 mio EUR (Ministry of Public Administration 2016).

regular incentives was cancelled, there were no cases of “special projects” with extra budget for additional workload, and even savings could only partly be spent on incentives. In all negotiations the trade unions first accepted restrictions in the variable (performance-related) pay, and the government always seized the opportunity. The total amount of paid funds for performance amounts to a good 2 % of the funds for salaries, while the nominal amount of total payouts for performance and the share of these payments in salary funds decreased in the period 2010–2014 (Ministry of Public Administration 2015). The reform was assessed by OECD in 2011. The OECD review stated that the new salary system “enables an adequate cost control and has established a coherent salary structure. It covers the entire public sector, as a rarity among OECD member states”, but also indicated critical elements and room for improvements (mainly in the direction of establishing more flexibility and managerial autonomy).

Nevertheless, the tangible benefits of the reform and its results are the following (see OECD 2011; Kovač and Virant 2011):

- A coherent salary system, covering the whole public sector, which is a comparative rarity;
- Systemic transparency of salaries in the public sector. The major part is the basic salary, allowances constitute a relatively small ratio of the salary budget and are based on special circumstances;
- The salary ratios are a result of a general social agreement between the government and a vast majority of public sector trade unions. In this way the “salary disparities” were neutralized, at least to a certain extent;
- Controllability of costs/salary budget as the level of salary budget is mainly controlled through the annual agreement on the increase/decrease in the nominal value of salary ranks. From 2003 to 2013 the real salary level in the public sector increased by 20 per cent points less than in the private sector, which is the opposite of what had been happening before.

According to the Ministry of Public Administration (2015), the reform of the salary system succeeded in achieving some of the set goals, while some of them remained halfway or even departed. The objectives of introducing a single, transparent and publicly manageable system have been achieved. The aim of determining the appropriate wage ratios among public servants, and hence the principle of equal pay for work at comparable positions, was only partly achieved, to a considerable extent due to the method of classifying positions into salary ranks without adequate comparisons of the content of the tasks of positions. The goal of ensuring a flexible and incentive pay system remained unrealized, and therefore the level of salaries of a public servant is not sufficiently linked to the results of work, partly because of a relatively rigid legal regime, which clearly preferred the objective of fiscal control, while also trying to provide clear rights to public servants, and partly due to

the nature of the austerity measures that have interfered with the most stimulating elements of the salary system. According to the Ministry of Public Administration (2015) the majority of public servants are not satisfied with the salary system, which is due to both the deviations from the foreseen method of implementing the new system and the deterioration of the salaries ratio between the public and private sectors (*ibid.*).

As explained at the beginning of Chapter 3, the reform was a response to a “chaotic” salary situation in the public sector, and most emphasis was put on uniformity, coherence and order. After the introduction of the new system, it soon turned out that this approach led to some other deficiencies which will have to be overcome through further reforms/adjustments of the system. The OECD recommended further significant, but gradual reforms in order to “strengthen forward-looking human resource management, support a performance-oriented public administration, and strengthen capacities for effective public governance” (OECD 2011). The OECD emphasizes the need to liaise further reforms with the overall reform of human resources management in the public sector. In a technical sense, the recommendations relate mainly to introducing more flexibility and managerial autonomy (though without putting at risk the coherence of the system) as well as partial decentralization of the salary setting (combined with top-down salary budget planning with coherent affordability restrictions). Recommendations relate also to the renewal of the social dialogue setting in order to strike a proper balance between the role of the democratically elected government and the role of trade unions as social partners.

Unfortunately, the recommendations have not yet materialized. Namely, the Ministry of Public Administration has drafted the necessary legal amendments, but it looks like further reforms are halted due to rejection by the trade unions (which again shows the relevance of the OECD’s recommendation to redefine the meaning of social dialogue in the public sector).

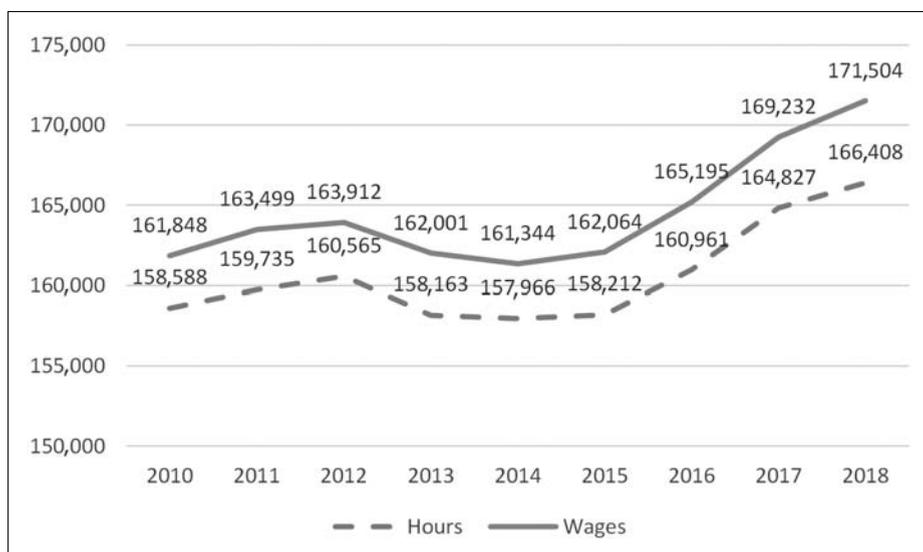
In our opinion, the government should proceed with the changes in the salary setting as soon as possible, recommended by the OECD (2011) and based on the analysis of the Ministry of Public Administration (2015) after thorough consultation with the trade unions, but not seeking their consent at any cost. The fact that the government keeps seeking full approval of almost any change in the system blurs the difference between the law and collective agreement and hinders the government from governing. Taking a move without full consent of the trade unions would already be halfway to reforming the system.

In our opinion, the reform should follow the OECD (2011) recommendations with some additional changes as a response to practical impacts of the new system as presented in the Ministry of Public Administration (2015) analysis. The reform should not be a “big bang”, but a gradual adjustment of the present system without

damaging the benefits of the coherence of the system. Changes should be focused on (cf. Virant 2009):

- eliminating or drastically reducing *de facto* automatic promotion to higher salary ranks, as such salary increases have no connection with performance and efficiency and impede the controllability of the costs (which was one of the main objectives of the reform);
- introducing more flexibility into the system without putting at risk its coherence (for example by introducing some managerial autonomy in establishing the basic salary within a range of salary ranks, both at the moment of employment and later, as a result of recognizing outstanding work results);
- ensuring the budget for variable (performance-related) pay, e.g. by restricting the basic salary increases (related with the forecasted solid economic growth) for a year or two and “canalizing” the resources to performance-related pay; and also by opening the possibility for managers to use all salary savings (e.g. savings materializing via non-replacement policy) for performance-related pay.

**Figure 5**  
General government employment in the period 2010–2018



Source: <http://www.pportal.gov.si/> (2018).

In our opinion, the option should also be considered and discussed to enable the government to classify certain positions in salary ranks higher than defined in the collective agreement, as a response to the situation on the labour market. However, this option, if applied, would have to be carefully designed, managed and

limited to prevent distortions similar to those in the late 1990s and early 2000s that led to chaos and motivated the government to take reform steps. Based on the developments in the last term of the Government, we have some concerns about this option. Namely, the Government concluded two separate agreements – with the trade union of police officers in 2016 and with the trade union of doctors, FIDES, in 2017. This consequently triggered a domino effect as trade unions of public sector education raised their demands. In the spring of 2018 strikes of police officers, health care workers, social security workers, science, education and culture took place. Additionally, employment in the public sector gained momentum, especially in the last two years (Figure 5). This, in our opinion, indicates a lack of both clear strategy and negotiating capacity of the government.

#### **4. Conclusion**

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Salary reform in the public sector is one of the most complex policy (and political) challenges possible. It encompasses ca. 15–20% employed individuals in a country and directly affects their pockets; through fiscal impact it affects all taxpayers.

There are not many countries worldwide where the whole public sector would be encompassed in a unified, coherent salary system. Slovenia is one of the rare examples thereof. The salary reform covered the whole public sector (except public enterprises): all state organs, all organs of local government, public institutions in the areas of health care, education, social care, culture, research and other areas of public services.

The advantage for the reformers was the relatively small size of the country and consequently of its public sector (all in all ca. 170,000 persons), and the fact that some degree of uniformity had existed even before the new system was introduced. A strength lay also in the fact that both the government side and the employees' side (trade unions) shared the idea that the salary setup was in need of a thorough reform.

We would recommend a reform in the direction of introducing a coherent salary system for the whole public sector in the following circumstances (cumulatively): 1) for countries relatively small in size; 2) having significant issues with discrepancies, disorder and non-transparency of public sector salaries, as well as low controllability of the salary budget; 3) provided that a general consensus has developed on the need for such reform between the government and its social partners (trade unions of the public sector).

One of the disputed issues in the Slovenian public sector salary reform has been and still is the role of the trade unions. Similarly to the OECD 2011 findings, we would recommend to countries departing on a salary reform a balanced approach. While social dialogue is important for the acceptance and sustainability of

the reform, the government should be able to govern, and not every move concerning salaries should depend on the trade unions' consent.

The Slovenian case also shows that such complex reform takes time – it took three subsequent government terms and 8 years from the launch of the work on the legislative framework to the introduction of the reform, 4 more years for full implementation. In 2017, it has been 17 years since launching the preparation and nine years since the introduction of the reform, and at least for six years (since the OECD 2011 report), it has been clear that further reform steps are needed in order to adjust the system.

It is also inevitable to allocate special financial resources for a salary reform; in the case of Slovenia, the government and trade unions agreed on multi-annual full or partial freezing of salary increases to establish a virtual “reserve” for redistribution in accordance with the new collective agreements. A comprehensive salary reform is hardly feasible with no additional funds or a “reservation” of funds through multi-annual savings.

Another learned lesson: when a reform is a response to clearly defined deficiencies and challenges, there is always a risk that it will swing too far to the other side. In our case, the fear of undermining coherence and order in the system led, to a certain extent, to an exaggeratedly rigid system. This swing will have to be corrected by further gradual reforms as recommended by the OECD.

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## Annex 1: Highest and lowest salary ranks within salary groups and subgroups

Plačne skupine  PLAČNI RAZREDI	A-Funkcije v državnih organih in lokalnih skupnostih					B-Posl. organi	C-Uradniški nazivi v drž. upravi, lok. skupnostih in v drž. organih						D-Delovna mesta na področju vzgoje, izobraževanja		
	Predsednik Republike in funkcionarji (izvršilne oblasti)	Funkcionarji zakonodajne oblasti	Funkcionarji sodne oblasti	Funkcionarji v drugih državnih organih	Funkcionarji v lokalnih skupnostih	Ravnatelji, direktorji in tajniki	Uradniki v drugih državnih organih	Uradniki v državni upravi, sodni upravi in upravah lokalnih skupnosti	Policisti	Vojaki	Cariniki	Inspektorji, pazniki in drugi uradniki s posebnimi pooblastili	Visokošolski učitelji in visokošolski sodelavci	Preдавitelji višjih strokovnih, srednješolski in osnovnošolski učitelji in ostali strokovni delavci	Vzgojitelji in ostali strokovni delavci v vrtcih
	A1	A2	A3	A4	A5	B1	C1	C2	C3	C4	C5	C6	D1	D2	D3
65	65	65		65											
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1															



**Annex 2:**  
**Salary ranks and their values as of 1 September 2016**

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Salary rank	EUR (GROSS)	Salary rank	EUR (GROSS)	Salary rank	EUR (GROSS)
1	440.380	23	1,043.680	45	2,473.410
2	458.000	24	1,085.430	46	2,572.340
3	476.310	25	1,128.830	47	2,675.250
4	495.370	26	1,173.990	48	2,782.250
5	515.180	27	1,220.940	49	2,893.540
6	535.800	28	1,269.780	50	3,009.280
7	557.210	29	1,320.580	51	3,129.660
8	579.510	30	1,373.400	52	3,254.840
9	602.700	31	1,428.340	53	3,385.030
10	626.810	32	1,485.460	54	3,520.440
11	651.880	33	1,544.880	55	3,661.250
12	677.950	34	1,606.680	56	3,807.690
13	705.060	35	1,670.940	57	3,960.020
14	733.270	36	1,737.790	58	4,118.410
15	762.600	37	1,807.290	59	4,283.140
16	793.100	38	1,879.590	60	4,454.470
17	824.840	39	1,954.780	61	4,632.640
18	857.830	40	2,032.980	62	4,817.960
19	892.130	41	2,114.290	63	5,010.670
20	927.820	42	2,198.840	64	5,211.100
21	964.940	43	2,286.810	65	5,419.540
22	1,003.540	44	2,378.280		

Source: Ministry of Public Administration (2018).