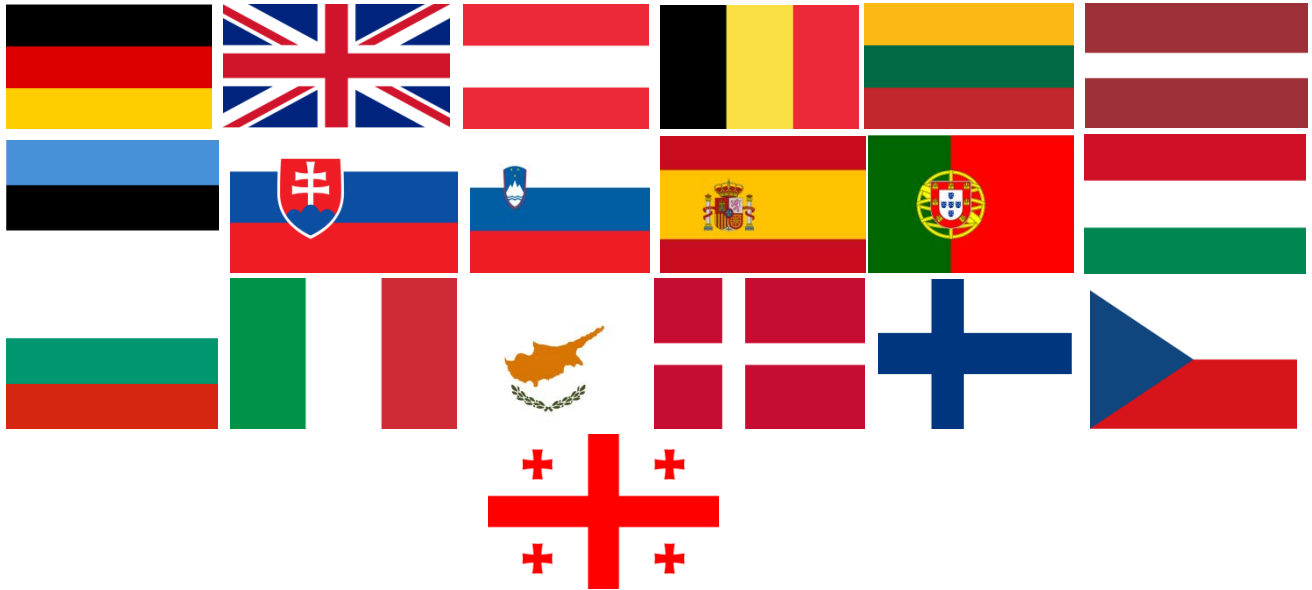


**Remuneration Systems of Civil Servants:
Member States of the European Union and Georgia
(Comparative analysis)**

April, 2013



Author: Nino Tsukhishvili

IDFI Legal Expert/ Recipient of the Open Society Human Rights Internship 2013 (OSF)



Institute for Development of Freedom of Information (IDFI) is responsible for the content of the study. The opinions expressed herein are those of Institute for Development of Freedom of Information (IDFI) and do not necessarily reflect the views of the “Open Society Foundations”(OSF).

The research is copyrighted by Institute for Development of Freedom of Information (IDFI) and may not be used in whole or in part for commercial or other purposes without the prior consent of Institute for Development of Freedom of Information (IDFI).

© *Institute for Development for Freedom of Information (IDFI). 2013. All Rights Reserved*

Introduction

The effective remuneration system of civil servants is an important precondition in the process of establishing transparent and accountable civil service, which requires preparing a common state policy of civil servants' remuneration, adopting detailed regulations by law and implementing them in public service. Analysis of international practice shows that states will pay much attention to civil servants' remuneration and ensure detailed legislative regulations of its all aspects.

The regulation of civil servants' remuneration is problematic in Georgia, because the common standard of defining civil servants' remuneration is not defined and a systematic financial promotion system with regard to bonuses based on an equal performance appraisal of all civil servants is not established by law.

The purpose of the research is to analyze the legislations of the Member States of the European Union (Germany, the United Kingdom, Austria, Belgium, Lithuania, Latvia, Estonia, Slovakia, Slovenia, Spain, Portugal, Romania, Hungary, Bulgaria, Italy, Cyprus, Denmark, Finland, Czech Republic) concerning the remuneration systems of civil servants and compare them to Georgian legislative framework in this regard. The research contains three chapters. The first chapter will analyze the main factors influencing the civil servants' remuneration system, such as the model of the civil service chosen by the state and the legal status of an individual employed in civil service. The second chapter will discuss the main principles of legal regulation and its legal forms. The third chapter will consider the legislative regulations defining the civil servants' remuneration (salary, allowances and bonuses), their legal grounds and will discuss criteria of civil servants' performance appraisal. As a conclusion, the research will present recommendations for improving civil servants' remuneration system in Georgia.

Chapter 1. The factors influencing the civil servants' remuneration system

According to the first chapter, the main factors which influence the civil servants' remuneration system are **the model of civil service** chosen by the state and **the legal status of an individual employed in civil service**. These factors impact the rules of the regulation, the amount of the remuneration and the legal forms of regulation of the civil servants' remuneration. The state may choose one of the three types of models of the civil service: **one based on career, one based on position and a mixed model**. The career-based civil service means that recruitment of civil servants should be exercised by announcing a vacancy, where all interested persons can participate and the remuneration of civil servants does not include a systematic financial promotion by the state authority. The career-based civil service is implemented in the civil service of Belgium, Denmark, Germany, Greece, Hungary, Lithuania, Luxemburg, Slovenia, Slovakia and the United Kingdom. The position-based civil service means that a civil servant is working in the same state administration and his or her promotion depends on his or her increased qualification. In this case, the remuneration of civil servants, besides monthly salary, contains health insurance, allowances defined by law, and performance bonuses, as well as a pension system and a compensation for official expenses. The position-based civil service exists in Bulgaria. The mixed model contains elements of both systems and is implemented in Finland and Lithuania. **Georgia should provide to establish the career based civil service model, which requires defining the remuneration of the civil servants by law and a systematic financial promotion system with regard to allowances and bonuses based on an equal performance appraisal of all civil servants.**

The legal status of an individual employed in civil service should be considered in defining of the remuneration system, which includes **civil servants and public employees contracted by labor law**. The remuneration of a civil servant is defined in accordance to the limits of the salary established by law and may include a fixed remuneration as well as a remuneration between the high and low levels of the salary. The remuneration of public employees is defined in accordance to individual employment contracts. The practice of the Member States of the European Union (Germany, Austria, the United Kingdom, Finland, Latvia, Lithuania, Estonia, Bulgaria, Czech Republic, Denmark, Luxemburg, Romania, Slovakia) recognizes both legal regulation systems, but compared to Georgia, some states (Germany, the United Kingdom, Finland, Denmark) provide more guarantees for public employees contracted by labor law with regard to remuneration, because they require the signing of collective agreements with labor organizations concerning the conditions of individual

contracts and the amount of remuneration. In Georgian civil service, individual employment contracts are signed in accordance to the requirements of the Labor Code of Georgia, which may result in a possibility of non-equal remuneration between civil servants and public employees contracted by labor law. **Georgia should provide to establish financial guarantees for public employees contracted by labor law and match the amount of their remuneration to the remuneration of civil servants.**

Chapter 2. The main principles and legal forms of the civil servants' remuneration

Analysis the legislations of the Member States of the European Union shows that the main principles of the civil servants' remuneration are: **the rule of law, equal remuneration for equal work or for work of equal value, consistency principle, maintenance principle, value for money of the remuneration, financial sustainability of the remuneration system and reasonable interrelationship between salary and other forms of financial promotion.** These principles should be taken into consideration by the states in the process of adopting legislative norms. As for the legal forms of regulating civil servants' remuneration, the Member States of the Union have known two main forms of legal regulations: **the legislative act and sub-legislative act.** In case of the legislative act, the Member States of the European Union use different types of laws to regulate remuneration of civil servants: the Law on Civil Service (Austria, Hungary, Bulgaria, Latvia, Lithuania, Slovakia, Italy, Spain and Finland), the Law on Remuneration of Civil Servants (Germany, Croatia, Estonia, Malta, Slovenia and Romania), the Law on Budget (Cyprus) and the Labor Code (Czech Republic). In case of sub-legislative acts, the remuneration of civil servants may be defined by a Governmental Act. This legal form is used in Poland and Belgium. In Georgia, the remuneration of civil servants is regulated by the Law on Civil Service as well as by different sub-legislative acts adopted by the heads of the administrative organs under the Order of the President of Georgia. Therefore, there is no common system of civil servants' remuneration in Georgia. **In our opinion, Georgia should regulate all aspects of civil servants' remuneration by Law on Civil Service or adopt the Law on Remuneration of Civil Servants and abolish the practice of different sub-legislative acts.**

Chapter 3. The rule of determination of civil servants' remuneration

The remuneration of civil servants contains three main elements: **salary, salary allowances and bonus**. The salary of the civil servants should be determined in accordance to the category granted to the civil position and its place on the salary scale, which should be regulated by law. There are two main systems of determining salary of a civil servant: **defining the amount of the salary by law** and **defining the salary coefficient by law**. The first system means that the law defines a fixed salary or limits between the upper and lower limits of the salary for all civil servants' positions in accordance to their categories and their place on the salary scale. This amount-based system is used in Germany, Slovakia, Austria, Slovenia, Spain, Portugal, Denmark and Cyprus. The coefficient-based system means that the law defines the amount of coefficient for all civil servants and a minimum amount of salary by law. Therefore, the salary of civil servants will be determined by multiplying the minimum salary by the relevant coefficient. The coefficient-based system is used in Latvia and Romania. In Georgia, there is no common system of civil servants' remuneration determined by law. **In our opinion, the salary of civil servants in Georgia should be defined by law.**

The allowance granted to civil servants may be determined in two ways: purposive allowances and functional allowances. Purposive allowances may be granted to a civil servant in case of his/her personal needs and are connected to family conditions, health conditions and other personal things. Functional allowances may be granted to a civil servant according to his job performance and are connected to work in extraordinary situations, night shifts, work on weekly rest days and official holidays as well as work performed outside the normal workload. The Allowances system is implemented in the German, Lithuanian, Romanian and Portugal civil service. In Georgia, the Law on Civil Service recognizes the allowance as a part of remuneration, but does not provide its regulation. **Therefore, Georgia should determine the types of allowances granted to civil servants by law and its limits in connection to the civil servants salary.**

The bonus is a form of civil servants financial promotion which is connected to his/her performance. According to the analysis of legislations of the Member States' of the EU, the decision of awarding a bonus is made based on the rule defined by law and objective appraisal criteria of civil servants. The regulation of awarding bonuses means determining awarding criteria and limits of bonus by law. The bonus system is recognized in the vast majority of the Members of the European Union, including Germany, the United Kingdom,

Lithuania, Latvia, Slovakia, Slovenia, Czech Republic and Denmark. Georgian legislation does not regulate how bonuses should be awarded to civil servants, except the provision of the Law on Civil Service that states that remuneration includes bonuses. Public authority did not have regulations concerning awarding bonuses to civil servants and limits of the bonuses. Therefore, the heads of public authorities have wide discretion in awarding bonuses to civil servants, which is used in practice frequently. **Georgia should determine the criteria of awarding bonuses based on an equal performance appraisal system of civil servants and the limits of the amount of bonuses in connection to the percentage of civil servants' salary.**

Recommendations

In conclusion, we will present the following recommendations for establishing effective remuneration system of civil servants in Georgia:

- **Establishing common state policy to determine an effective remuneration system of civil servants;**
- **Exercising effective measures to establish career-based civil service model which means determination of the civil servants' remuneration by law and providing a financial promotion system;**
- **Providing financial guarantees for public employees contracted by labor law in civil service to achieve a reasonable balance between the remunerations of civil servants and public employees contracted by labor law.**
- **Establishing a practice of signing a collective agreement between the state and labor organizations to improve the standards of individual contract and public employees' remuneration system.**
- **Preparing common classification system of civil servants' categories and position ranks in accordance to the entry requirements of the position, the complexity of the work and its responsibility.**
- **Determining the amount of the salary of civil servant in accordance to granting a salary grade to his/her position;**
- **The amount of salary may be determined as fixed amount or in terms of higher and lower limits of the amount of remuneration;**

- Defining the grounds, the rule of determination and the amount of allowance granted to civil servants in reasonable connection to the percentage of the salary by law;
- Defining the rule of awarding bonuses, the performance criteria of civil servants for awarding bonuses, and limits of bonuses in reasonable connection to the percentage of the salary by law;
- Providing transparency of information regarding awarded bonuses to civil servants by law;

These recommendations will provide to establish an effective remuneration system of civil servants, stimulate public employees as well as support transparency of the spending of state finances and increase confidence to public authorities in the society.