

# Value for Money Division

## Public Wage Bill Spending Review

*teaser*

December 2018

Bratislava

## What we set out to do

- cut fat where it exists
- pay for quality where we lack it
- effective allocation of human resources and competitive pay compared to private sector

### Terms of Reference:

- benchmarking the total number of employees
- structure of compensation
- productivity of (groups of) employees vis-à-vis private sector
- detailed wage-bill & organizational audit in select institutions

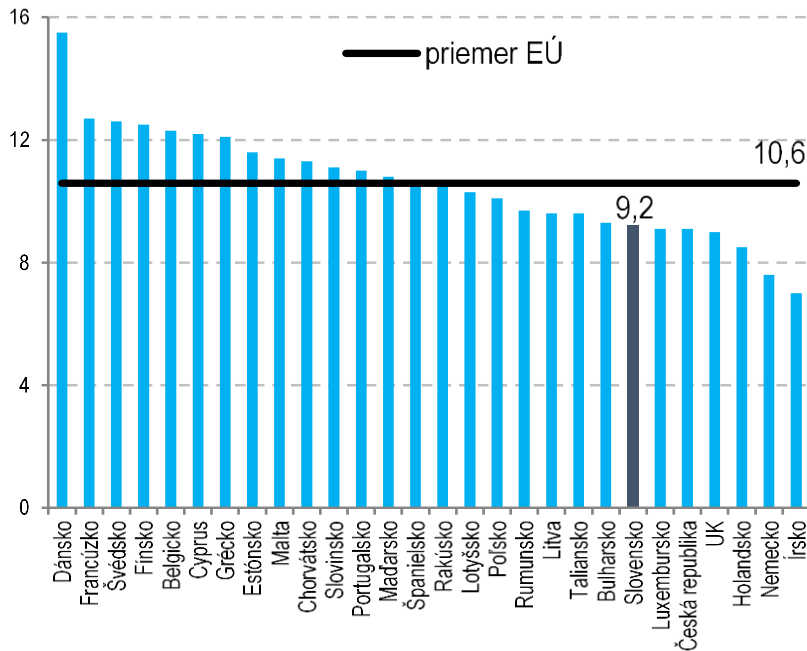
# | Public sector employment myths?

1. Too many bureaucrats in public service
2. Public employees are less skilled
3. Public sector is ageing rapidly
4. Excessive pay in public sector
5. Egalitarian pay across regions

# Aggregate numbers do not stand out. Total public sector expenditures and employment are slightly below EU average

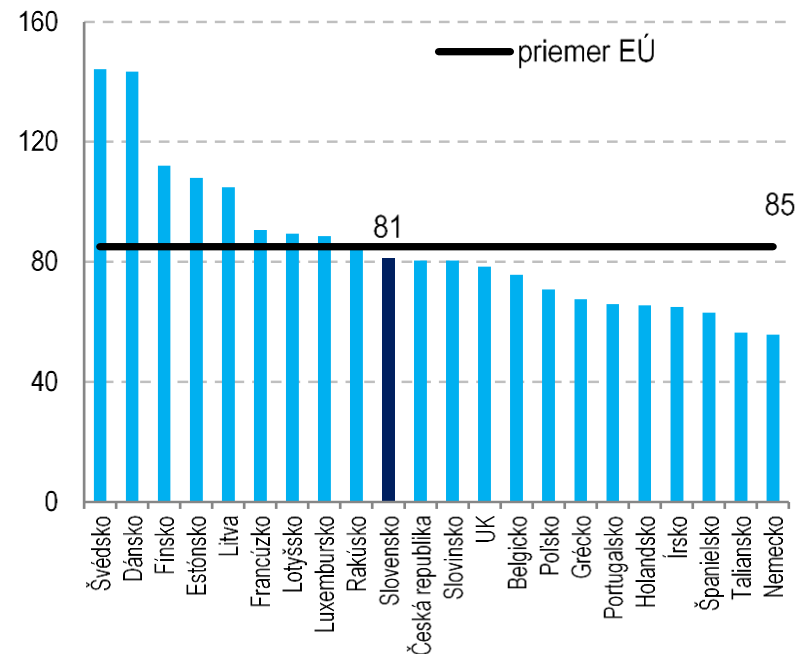
- Smaller GDP share than EU avg. on public sector compensation
- Less than average employees per 1000 capita

Compensation of public sector employees (% GDP, 2017)



Zdroj: Eurostat, Government finance statistics

Number of public sector employees per 1 000 citizens (2016)

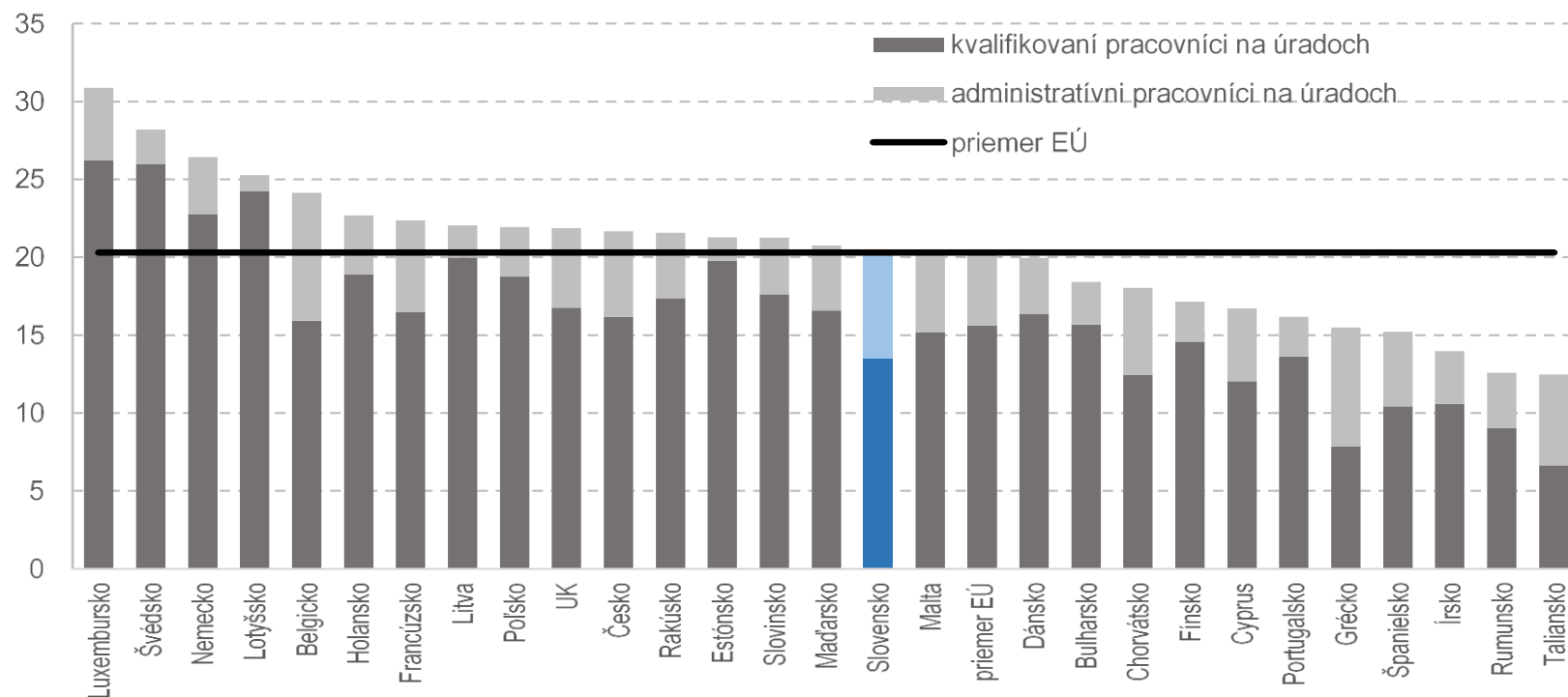


Zdroj: Eurostat, Národné účty, Demografické štatistiky

# Number of bureaucrats is at the EU average

- Share of less skilled support staff bit higher than in most other countries
- Bureaucrats proxy – skilled workers (in O sector, includes municipalities)

Number of qualifield staff in public administration per 1 000 (2017)

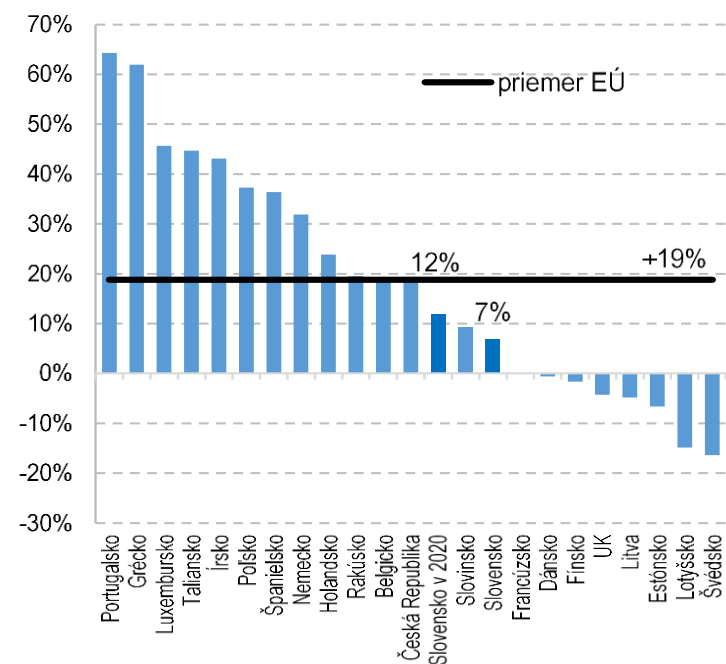


Zdroj: Eurostat z dát Výberového zisťovania pracovných síl (2017)

# Public sector employees earn lower premium than in EU average

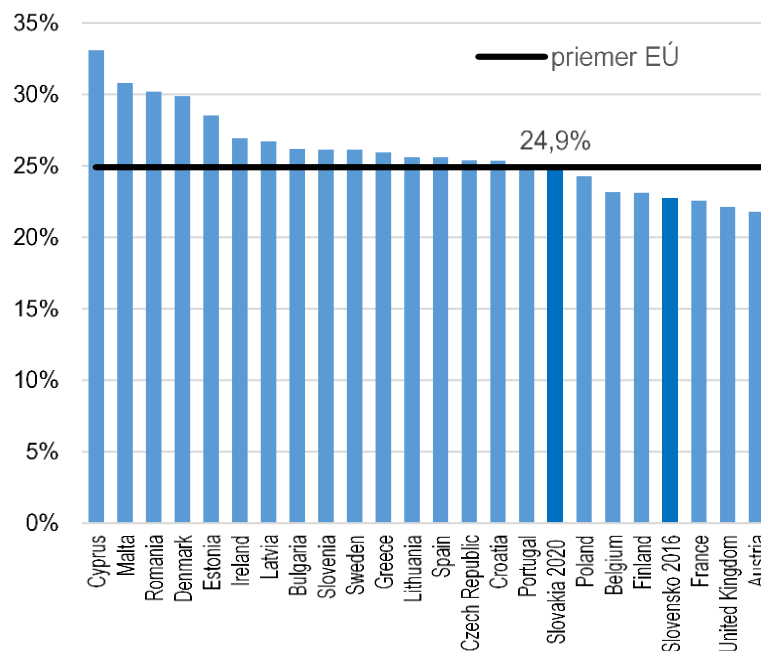
- Public sector employees make more than private, but different structure of employment (construction, industry)
- Planned 2 x 10 % pay rise will cut differential by half & bring wage bill share in public expenditures to EU average

Wage premium of public employees



Zdroj: Eurostat, MF SR

Compensation of employees in 2020 (% of government expenditure)



Zdroj: Eurostat, MF SR

## Pay gaps are wide in some professions

- University-educated in public sector bring home 16 % less than university educated in private sector (~250 eur / month)
- Pay gap is significant for expensive employees, lawyers or analysts up to 20 % less than their private sector counterparts

### Selected professions with higher average wage in private sector (2017)

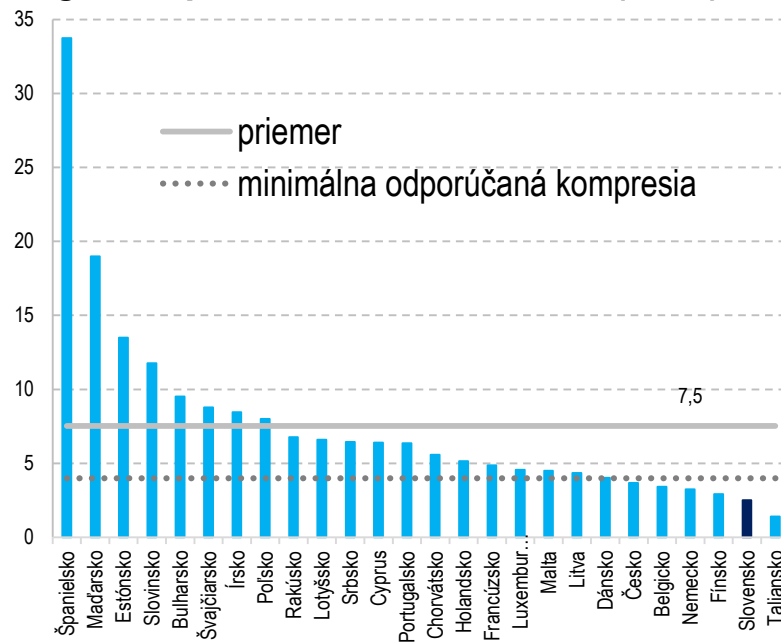
povolanie	mzdový diferenciál (v %)	počet zamestnancov		hodinová mzda	
		verejný	súkromný	verejný	súkr.
Právnici	-20,1%	1 427	1 203	11,2	14,0
Riadiaci pracovníci (manažéri) v oblasti financií	-23,6%	991	5 312	14,8	19,4
Systemoví analytici	-25,2%	424	5 005	11,4	15,2

Zdroj: ISCP, prepočty ÚHP

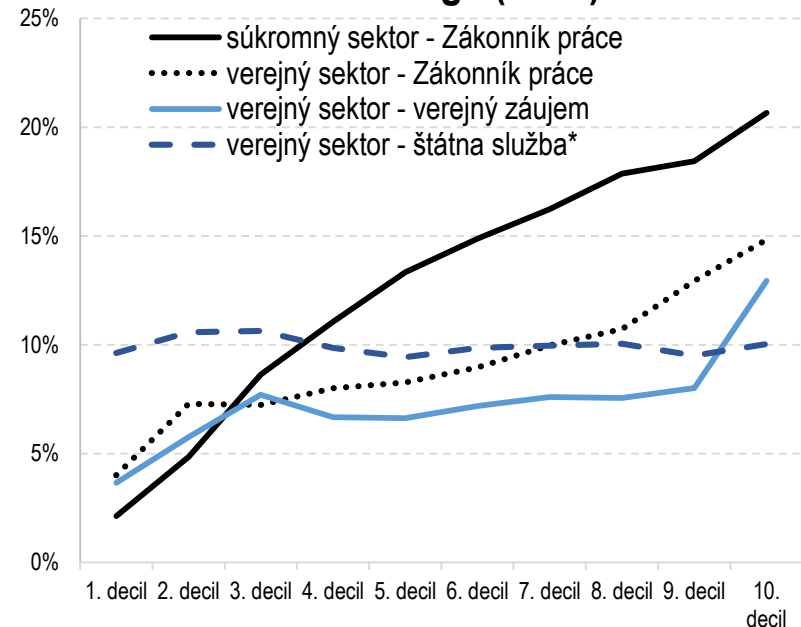
# Egalitarian pay in the public sector

- Ratio of highest to lowest pay is ~4. In private sector the ratio is ~ 8
- Public pay is more compressed than private, emphasizes formal aspects such as tenure and education
- Hard (impossible) to measure productivity and results of public employees
- Bonuses paid out in uniform way (10% in most deciles)

## Wage compression in civil service (2016)



## Share of bonuses on wage (2017)





## Egalitarian pay among regions

- Premium between public and private sector in BA and regions could differ up to 50 %
- Impact on quality is not (yet) measured in education, health care and other sectors

### Selected professions with high regional differences in wage between private and public sector (2017)

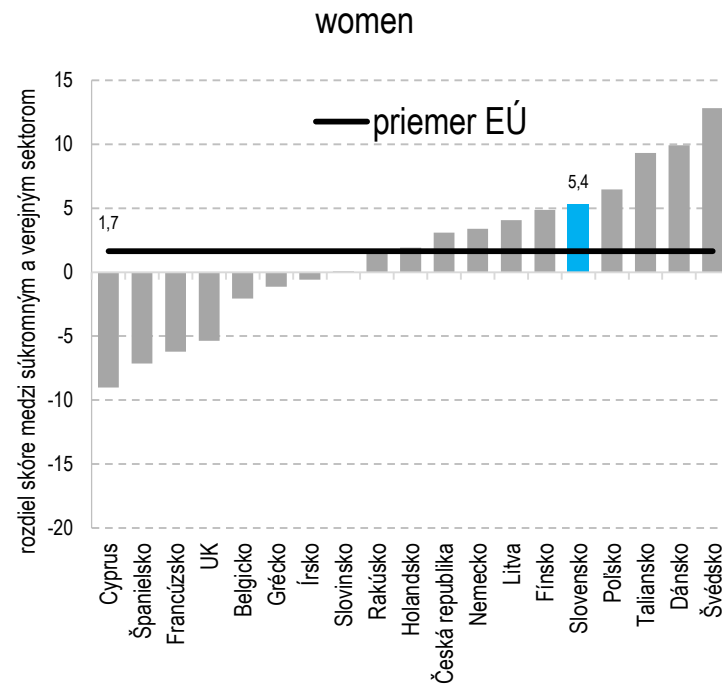
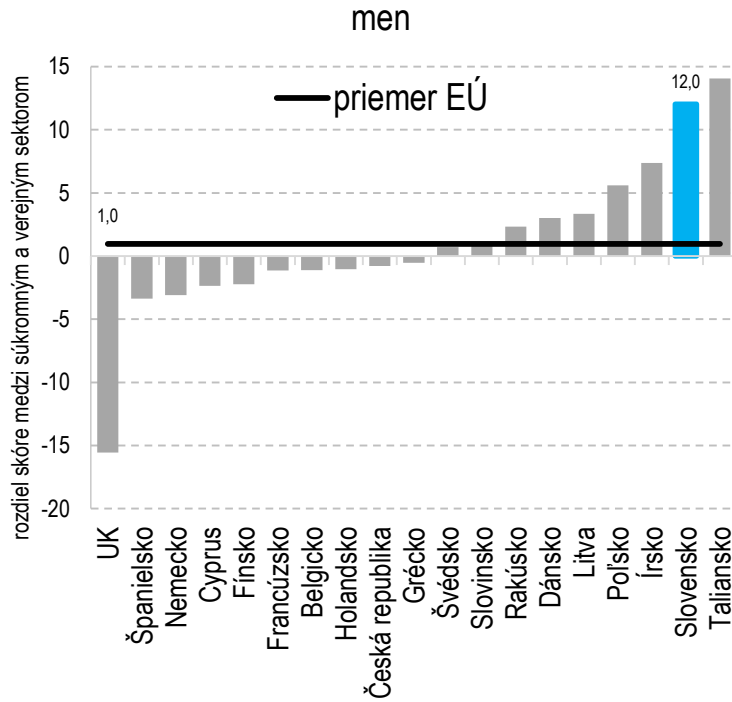
povolanie	rozdiel v BA	rozdiel mimo BA
Operátori stacionárnych zariadení a strojov inde neuvedení	-52%	-3%
<b>Vysokoškolskí učitelia</b>	4%	51%
Admin. prac. v oblasti štatistiky, finančnictva a poisťovníctva	0%	36%
<b>Lekári špecialisti</b>	4%	41%
<b>Učitelia v základných školách</b>	-14%	21%
Zdravotnícki asistenti	-19%	16%
Pomocní administratívni pracovníci inde neuvedení	-32%	-4%
Administratívni pracovníci v oblasti registratúry a reprografie	4%	28%
Odborní pracovníci v oblasti účtovníctva	-18%	5%
Elektrotechnici a energetici	-19%	2%
Technici prevádzky informačných a komunikačných technológií	-29%	-8%
Kuchári (okrem šéfkuchárov)	9%	-5%
Operátori parných strojov a kotlov	-8%	-27%

Zdroj: ISCP, prepočty ÚHP

# Public employees are less skilled than private sector

- Public employees have internationally comparable results
- However much lower score than private employees, especially among men = Slovak private sector is better skilled

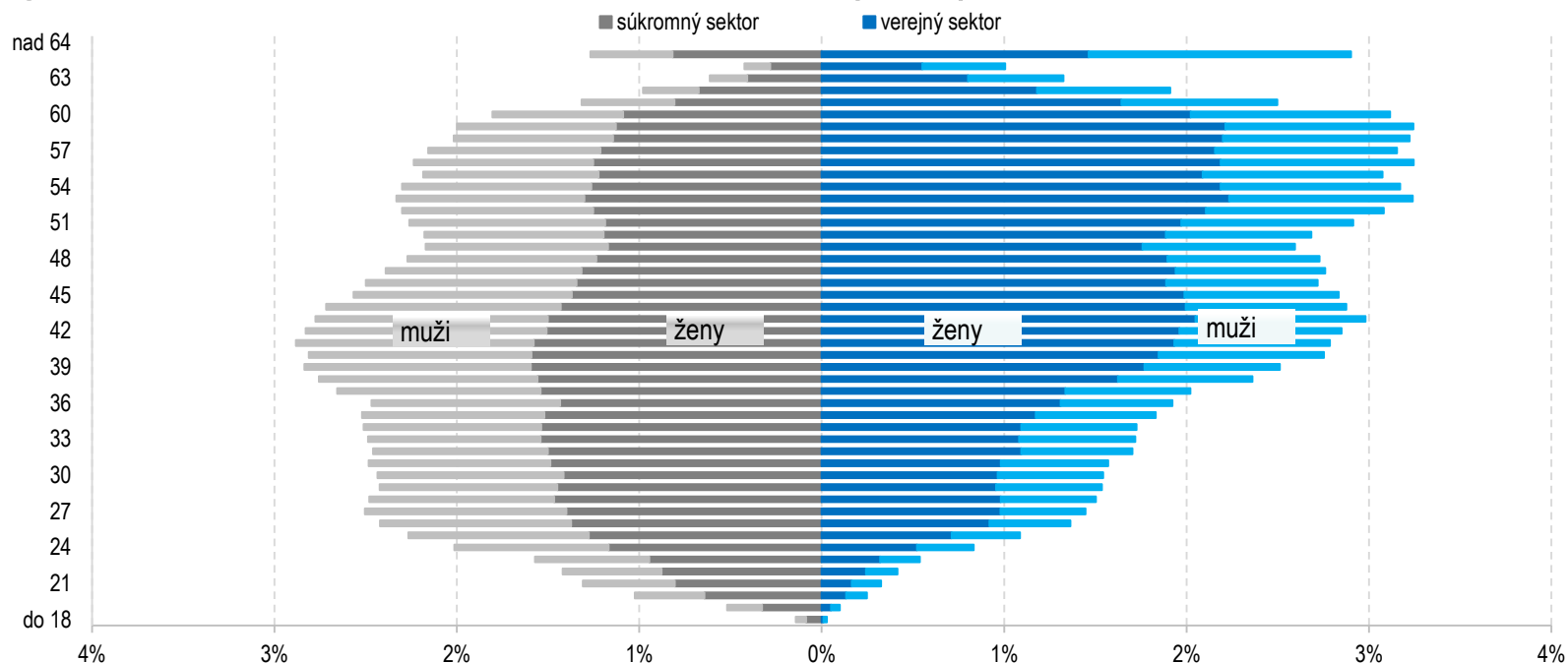
Point difference in PIAAC between educated employees in public and private sector (2013)



# Country and public sector is growing old fast

- One third of employees will reach pension age in 10 years
- Especially teachers, healthcare and social workers
- Chance for „easy“ layoffs. Are we ready?

## Age structure in private and public sector (2017)



# Public sector myths

1. Number of bureaucrats in public administration is **not** too high
  - we are on the EU average, with both employees and envelope
2. Public employees **are** less skilled
  - less skilled than private sector, comparable to public sector abroad
3. Public sector **is** ageing rapidly
  - in 10 years 30 % in pension age
4. Excessive pay **is not** in public sector
  - however, it depends on the profession. Average premium is lower than in EU
5. **Egalitarian** pay across regions
  - true, in expensive regions the gap is higher
  - teachers in BA – 14 % below private sector / outside BA - 21 % above

# Selected case studies - already identified fat worth up to 455 mil. eur in 5 measures

Measure	Savings (mil. eur)
1. Back-office and support functions optimization at ministries*	12
2. Regional schools network rationalization	14
3. Tertiary education headcount optimization	93
4. Slovak Water Management Enterprise (SWME) Optimization*	20
5. Less fragmented local government*	51 - 316
<b>TOTAL</b>	<b>190 - 455 mil. eur</b>

\* Savings also include other wage bill related costs, such as services. Transformation costs are not included.

## ...with more savings to come from:

1. back-office & support functions benchmarking at subsidiary organizations (estimate ~10 mil. eur)
  - analysis in progress
2. abolishing some of the subsidiary organizations
  - decisions will need to be made
3. organizational audits at ministries (new unit at Gov't Office)
  - all ministries within 4 years; with internal capacities
4. (need for) audits at the state-owned enterprises
  - fat cats are awaiting us
5. ideas welcome

# What is ahead

- Public consultation starts
- Final report by April (with recommendations)
- Audits at ministries and major public employers
- Set-up unit at Government's Office to conduct audits at ministries
- Civil Service Law Review



# Thank you for your attention

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