

Mandate for spending review of public wage bill

The spending review of public wage bill will assess employment and wages in general government sector, excluding employees working in two sectors - healthcare and education - or employed under special acts (police officers, etc.). Such scope encompasses approx. 234 thousand employees and amounts to € 3,3 bn (4,1% of GDP; 9,8% of total general government expenditure). The main objective of the review is to identify possibilities of efficiency increase in human resources utilization.

Objectives, tasks and results

The main purpose of public wage bill assessment is to ensure proper operation of public institutions and appropriate public administration execution. Public employment and wages should be managed in a way that guarantees effective allocation of human resource and provides public employees with competitive conditions compared to the private sector.

The review will be focused on three main issues: adequacy of number of employees, level and structure of employees' compensations and productivity of employees. Moreover, there will be several institutions selected for detailed wage audit.

Share of employment in public administration, defense, education, human health and social work activities as a percentage of total employment in Slovakia is lower than both the Eurozone and also EU28 average. Similarly, the position of Slovakia is below the EU average when looking at the compensation of employees in general government sector as a percentage of GDP. The review will examine structure of employment and wages in public sector in a detailed way.

TABLE 1 – Selected employment and compensation indicators

		2010	2011	2012	2013	2014	2015	2016
Compensation of employees in general government sector, % of GDP (%)	SK	8,5	8,3	8,2	8,6	8,8	9	9,1
	V3	9,7	9,8	9,7	9,8	9,8	9,8	10,1
	EU (28)	10,9	10,6	10,5	10,4	10,3	10,1	10,1
	EA (19)	10,7	10,5	10,4	10,4	10,3	10,1	10
Employment in public administration, defense, education, human health and social work activities, % of total employment (%)	SK	20,9	20,5	20,3	20,4	20,6	20,4	20,3
	V3	19,9	19,7	19,7	20,2	20,2	20,3	20,2
	EU (28)	23,4	23,3	23,4	23,7	23,7	23,7	23,6
	EA (19)	23,9	23,8	23,9	24,2	24,2	24,2	24,2

Source: Eurostat

Scope of the review

In 2016, there were over 411 thousand employees working in the general government sector. Sum of their compensations amounted to around € 6,8 bn, which is approximately 20% of total general government expenditure.

The review will assess employees employed under the Civil Service Act, Labor Code and Act on Service in public interest. The review excludes employees of healthcare and education sectors and employees under special acts (e.g. police officers, firefighters, etc.). Total number of employees included in the scope of revision is approx. 234 thousand.

TABLE 2 – General government employees (2016)

	Included in the Review	Number of empl. (th.)	Wages (€ bn)	Personal expenses (€ bn)
Labor Code*	yes	84,6		
Civil service Act	yes	38,6	0,5	0,7
Service in Public Interest performance*	partially	240,4		
education	no	83,5	1,1	1,5

healthcare	no	44,2	0,6	0,9
Special acts	no	49,5	0,9	1,2
Total		411,4	5,0	6,8
included in the review*		234,2	2,4	3,3

* - estimate

Source: MF SR, RIS, UHP

The review will include assessment of total public wage bill based on available international comparison. Subsequently a detailed analysis of personal expenses concerning above mentioned groups of general government employees will be performed. The review will focus on assessment of number of employees, level and structure of wages, employee productivity (taking in account methodological limitations), for all concerned public bodies. Homogenous groups of employees will be defined, so that various comparisons will be possible. Wage level of particular group of employees will be compared with private sector, with other public bodies, as well as among employees internally. Detailed analyses of several selected institutions will also include key processes mapping.

Responsibilities and deadlines

The interim and final reports will be carried out by MF SR. All concerned institutions agree to cooperate in providing complete and detailed data and information for preparation of analyses of the above mentioned issues. The interim report will be prepared by the end of October 2018 and the final report will be prepared and published by the end of March 2019.