

Abstract

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New pay systems in the state administration

The reform of the state pay system has been under way for about ten years. The first actual new pay systems were introduced in 1994. Presently less than 15% of state employees are covered by new pay systems. Agencies have built their own pay systems according to principles decided at the central level. Both building a system and agreeing on it have proved difficult.

The large number of state employees and the large amount of pay make the reform of the pay system significant for the state economy. In 2001 the state budget included 120,500 employees whose pay totalled €3.5 billion.

The goal of the present audit was to see whether the pay system reform in the state administration has proceeded according to plan, whether the use of resources for this purpose has been monitored and whether the objectives set for reform have been achieved. The audit also investigated whether the reform has been directed sufficiently and what factors have helped or hindered the progress of reform.

The audit focused on state agencies where new pay systems have been introduced or are under development. Audit materials were collected from these agencies.

The audit was conducted in stages. In the first stage agencies were surveyed by e-mail to determine the current situation. In the second stage a sample of agencies which had new pay systems and of agencies which were developing their own systems was taken. Representatives of management and employees were interviewed in these agencies. Representatives of the State Employer's Office and employees' central organizations were also interviewed to obtain background information.

The audit indicated that anticipating the progress of reform has been difficult, reform has been prepared poorly and the use of resources for this purpose has been monitored inadequately. The objectives set for reform have also been partly unclear.

The State Audit Office considers it important to prepare a practical timetable for reform and to assign adequate resources and monitor their use. Setting clear objectives for reform would also support the progress of work. Moreover, it is important to monitor the introduction of new pay systems in order to obtain information for the further development of systems. Development work also supports comparisons between agencies.

Benefits of the reform have included regular performance appraisal discussions between employees and superiors, the introduction of a new type of discussion concerning the content of tasks and a partial improvement in recruiting. The State Audit Office considers it important

to create a consistent evaluation culture in each agency and to ensure the quality of performance appraisal and development discussions. The State Audit Office also emphasizes the significance of supervisor training, since new pay systems give supervisors a greater role in personnel administration.

Obstacles to the reform have included distrust, uncertainty and lack of commitment to the reform as well as inadequate resources. On the other hand cooperation, openness and commitment, training, information and sufficient resources have assisted reform.

Shifting to new pay systems has mainly required additional financing. Anticipating costs spread out over several years has been difficult, but the situation has become clearer in the past few years since agreement was reached with employees' central organizations on the binding nature of objective levels during the transition period.

The intensity of the State Employer's Office's guidance has varied during the long development process. Such a major change in operating methods and culture needed deeper cooperation and coordinated planning from the start, however. In the future the State Employer's Office should provide more support in developing pay systems through recommendations, training and information.

Since both the State Employer's Office and employees' central organizations have committed themselves to the reform, the State Audit Office considers it important to ensure adequate information on the problems and benefits of the reform and to make use of the experiences of agencies which have already made the shift.