

The Regulation of Executive Pay in the Public and Semi-Public Sector across the European Union



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Executive Summary

The regulation of top income, especially, the remuneration of senior civil servants, public officials and top-level executives in the semi-public sector has resurfaced as a topic of political and public debates across the European Union since the economic crisis in 2008. In order to control the remuneration of high-level public officials and make them more transparent, different measures have been introduced. This study – articulated in two different parts - aims at investigating, from a theoretical and practical point of view, the regulation of executive pay across the European Union and was conducted upon the request of the Dutch Ministry of the Interior and Kingdom Relations. The underlying overall objective is to develop comparative insights, define possible best practices and focus on themes and systems' elements that should become subject to further research in order to account for an effective policy model.

The **leading research questions** of the first part of the study are as follows:

1. What **regulations** of executive pay in the public and semi-public sector are in place in the EU 28?
2. What are the **arguments** in the political and public debates to introduce a regulatory policy or not?
3. What regulatory **measures, methods and norms** apply in the public and semi-public sector of the respective EU countries?

The **main conclusions and achievements** emerged from this first part of the research are as follows:

1. Almost one third (9 Countries) of the EU member states regulate the executive pay, including rewards for high-level officials, by their **general pay system** (this means that no specific control law has been introduced).

Two main policies dominated the legal reform processes to control the remuneration of executive pay: a **cap** on the salaries of public officials in the (semi) public sector (11 countries) and the introduction of **performance-related pay** (16 countries).

Both cap policies and performance-related pay appear to be applied more extensively in the semi-public sector than in the public sector.

2. Two different needs have been playing a crucial role in the political debate about the introduction or not of a regulatory policy for the remuneration of civil servants and top executives in the (semi-) public sector. On the one hand, the emergency to reduce costs due to the **economic crisis** and on the other hand the necessity to increase the **attractiveness of the public sector as an employer**.
3. Within the cap and performance-related-pay policies, **various methods** are applied: Formal/Informal Reference Points, Adjustment to rates of inflation, Use of Expert-Committees, Pay for Ethics, Contract systems for a group of officials, Extensive contract systems of performance pay, Individual performance contracts (see Table 4-5).

In addition, regarding the objective to define possible **best practices** to account for an effective policy model, the following findings have been achieved:

- Create **A control mechanism**.
- Link wage to a **reference point** like: specific function, base salary or average salary.
- Adjust wage to inflation rates when applying a cap policy.
- When seeking an alternative to the cap policy **use boards and committees** that collectively decide about salaries in agreement with the Ministries.
- Apply some kind of **performance-related pay** to both the semi-public and public sector whenever possible (also in combination with cap policy or committee system).

The above-mentioned results summarised in the first part of the study brought the possibility then, to focus within the **second part**, on best practices and deepen some specific themes and countries systems' elements suitable to account for an effective policy model. Because of this only two countries among those who have been selected (The Netherlands, Belgium, France, Germany, Poland, United Kingdom, Sweden, Italy), which are respectively the most similar and the most different from the Dutch system: Poland and Italy, have been analysed in depth.

The objective of the second part of this study, in fact, was the production of recommendations, based on evidences, to be addressed to the Dutch Ministry of the Interior and Kingdom Relations about:

- the advantages and challenges of changing certain elements of the Dutch Executive pay Regulation, based upon the Italian and Polish best practices and experiences with the current Dutch law.

In order to achieve this objective, the second part of the study focuses on some specific elements included in the best practices found during the research phase 2 for two countries (Poland and Italy) as the following:

- Control Mechanisms
- Reference Point of the Regulation (represented by a political actor or a civil servant)
- Degree of applicability of the Regulation within the system (exceptions to the rule)
- Ancillary Instruments and actors (Committees, Boards...)

This research uses a layered approach by which first the policies across the European Union as a whole were investigated in order to evaluate the use of regulatory policies for senior civil servants' and executives' pay from a general perspective. Second, the political and public discussions of eight carefully selected countries were investigated to better understand the national reasons and arguments used for the (non-) implementation of regulatory policy. Third, the application of policies was investigated in detail in the framework of researching the methods to regulate the remuneration of high-level officials in the public and semi-public sector in the same respective countries

Introduction

This study on the ‘The regulation of executive pay of high level officials in the public and semi-public sector across the European Union’ has been conducted upon the request of the Dutch Ministry of the Interior and Kingdom Relations by the European Institute of Public Administration of Maastricht.

The main objective of the research was to investigate to what extent there are discussions and policies of top income in the public and semi-public sector across the various EU member states. A particular attention, with a strong focus on the implementation strategies put in place, has been devoted to the application of pay caps and performance-related pay with the underlying scope of identifying good practices and lessons applicable to the case of the Netherlands, where executive pay in the public and semi-public sector has been a topic on the political and societal agenda for a considerable time.

In the Netherlands, in fact, the public and political debate over top income in the public and semi-public sector resulted in the introduction of the law of ‘Wet Normering Topinkomens’ (WNT). This study also provides insights into the national backgrounds that explain why policies were introduced - or not - as well as what standards and kinds of methods are applied in the respective EU member states.

Against the backdrop of the economic crisis that impacted on the Netherlands especially between 2009 and 2013 and the following implementation of austerity measures in many European countries, rewards for high-level public officials have recently re-emerged as a topic of hot debate in governments and the public sphere across the European Union. In fact, the political-societal debate about the pay levels and of high positions in private corporations and government itself that concerned especially the question of responsibility, proportionality and equity of the remuneration of high-level officials. A number of different policy measures to regulate the executive pay of high-level officials in the public and semi-public sectors have been enacted across various member states of the European Union, one example of which is the law of the Wet Normering Topinkomens (WNT) in the Netherlands. These measures have received wide and in some cases heated public and political attention as they trigger questions such as: what constitutes an adequate reward of high-level public officials; how transparent and available is information about rewards for high-level officials; should high public officials be rewarded according to the level of responsibility and the functional needs of the job, or according to their incumbent’s performance on that job (Hood & Peters, 1994)?

In addition, the discussion touches on general perceptions among the public of an allegedly privileged, overpaid and under-incentivized senior civil service and executives in the semi-public sector, which is regarded as one of the factors contributing to decreasing levels of trust and legitimacy in government, which leads to a generally larger gap between states and society that may result in decreasing political participation at national level (Brans & Peters, 2012). Therefore, the regulation of the executive pay of high-level officials and managers of the public and semi-public sector from a normative perspective seems to be an appropriate policy measure in the context of the economic recession, even though the degree to which the measures may be substantive or symbolic can vary.

However, this perception bears certain tensions that governments need to cope with: on the one hand, the necessity to decrease public spending and to satisfy a political and public sphere that is decreasingly tolerant of high wages in the public sector, stands in contrast to the need to increase labour market competitiveness to attract and retain high-performers (Dekker, 2013, p. 151). As a consequence, it is important to investigate the political environment of remuneration from a comparative perspective since rewards offered to high-level public employees ‘are not merely formal systems of pay and prerequisites. Rather they reflect fundamental features of the political and administrative systems, and have major political consequences’ (Brans & Peters, 2012, p. 9).

The study focuses on high public officials in the public and semi-public sector of the European Union in order to comparatively investigate the regulatory policies and practices across the EU member states. For the purpose of a comparative analysis the report collects, compares and analyses information on laws, regulatory measures and implementation strategies in the public and the semi-public sectors of The Netherlands, Belgium, France, Germany, Poland, United Kingdom, Sweden, Italy. Moreover, the report collects and compares information on the base salaries of high-level civil servants and political officials including evidence on the salaries of the senior civil servants, Prime-Minister and Ministers.

It is necessary to point out that this study is based on a layered and selective approach to grasp the extensive picture of and to explain regulatory policies in various EU member states comparable to The Netherlands. The reason for such a layered approach is to cope with the difficulty to cover the whole extent of very complex, national pay systems, the lack of transparency on information about top incomes in the public and semi-public sector in some countries, language barriers as well as the significant differences in the definitions of ‘top officials’ and ‘the semi-public sector’ in different EU member states, that remain obstacles to a truly systematic research design. In order to overcome these difficulties, the report zooms in on a sub-set of eight carefully selected member states, which are examined into larger detail.

By answering some research questions, it has been possible to derive a comparative inventory with insights into the factors that cause cross-national variation in regulatory policies, which further allows to identify and assess potential **best practices** – as shown in the second part of the Study –, which may serve as policy models for varying pay systems across the EU.

More specifically, in the first part of the study the international academic literature on the rewards of senior officials was reviewed, giving a general inventory of the regulatory policies on executive pay in the public and semi-public sector of eight selected EU member states, i.e. the Netherlands, Belgium, France, Germany, Italy, Poland, Sweden and the United Kingdom. Moreover, all the political, managerial, legal and societal context of the regulatory policies in each of the eight countries, have been observed and from these analysis, it has become evident how large the cross-national variety is in terms of:

- reward levels;
- structuring of the salaries;
- issues and considerations regarding the level of pay;
- regulation of the pay levels and demarcation of the categories of officials that are subject to the regulations.

However, the commonality is that for each country, the level and structuring of the pay was a matter of political and societal debate: in a number of countries because the salaries are generally seen as too high, not sufficiently transparent and unfittingly generous for public officials, while in other countries the main concern was that the job market for positions in the public and particularly in the semi-public sector have become so close to the private sector executive job market that salary levels in the public sector are effectively too low to attract and retain the right people to fulfil these crucial jobs in the public service.

Out of the analysis implemented and collected in the first part of the study, two countries came to the fore that especially deserved further investigation from the Dutch point of view, i.e. Poland, with its strong focus on a pay cap system, but with very limited scope for performance-related pay, and Italy, which also applied a pay cap, but which in addition has an elaborate system of variable and performance-related pay segments.

Therefore, the specific focus of the second part of the study is to delve more into the precise policies and mechanisms for regulating and controlling the pay of high-level executives in Italy and Poland in order to understand the degree to which the findings and lessons learned for both countries could be transferred to the Dutch system.

For each of the two countries, the focus was on:

- the reforms and policies themselves;
- the precise linking of the remuneration to a formal reference point;
- the approach to the practice of performance-related pay;
- the mechanisms to control pay levels and enforce the regulations;
- the specificities of the regulations in the semi-public sector;
- the control and enforcement regulations;
- the best practices to rule and master the exceptions to the cap system;
- the management of the transition period from the older policies to the new regulations.

The analysis of all the above mentioned aspects of the pay system regulations for the public and semi-public sector in Italy and Poland was essential to estimate to what extent the good practices from these countries could likely work just as well in the Dutch political-administrative context.

The full version of this study (including all the 8 country reports) is available on: <http://www.kennisopenbaarbestuur.nl/thema/topinkomens>.

Research Design

This research project investigates the policy measures to regulate executive pay in the public and semi-public sector within the EU member states between 2008 and 2016, and tries to understand the degree to which the findings and lessons learned for Italy and Poland could be transferred to the Dutch system.

Thereby, this study concentrates on the question to what extent European countries have introduced a cap Policy to regulate executive pay. The project aims at (a) describing what **norms and standards regulating the executive pay of high-level officials** apply in the various EU member states, and (b) explaining **cross-national variation in the norms and standards**; and (c) describing **which lessons learned could represent points of further discussion for the Dutch debate**.

For this purpose, the study is based on a **comparative explanatory multiple-case design** to compare the different policy measures. The research allows for a comparative **insight into the similarities and differences of different pay systems** for high-level officials across the different member states of the European Union. Researching possible patterns of variation across member states helped to explain why some countries follow method A, while other countries apply method B. In this way, insights into potential **best practices** have been derived and were used as policy models.

The term best practice is understood in this study as the method or combinations of methods that lead to the level of goal-achievement. According to Brans and Peters (2012), the system of rewards for public officials and their acceptance are determined by cultural, economic, and political factors. Therefore, this project puts forward the working hypothesis that different norms and standards regulating the executive pay of high-level officials are applied reflecting the national political background and the institutional structures of the various member states' administrations, despite the use of two main regulatory policies of executive pay in the EU.

Case Selection

This research applies a qualitative comparative multiple-case design and therefore investigates the policies of different countries across the European Union. The case selection for the comparative analysis was based on the following objectives: to identify what norms, standards and implementation strategies regulating the executive pay of high-level officials apply in the various member states of the European Union. Consequently, cases were chosen from EU member states that have already implemented regulation policies for the executive pay of high-level officials in the public and semi-public sector. A first investigation of executive pay regulation for high-level officials has identified the existence of regulating policies in the following EU member states: Belgium, France, Germany, Italy, Poland, Sweden and United Kingdom.

However, the implementation of these policy measures varies across the countries and within their framework seven methods to regulate the size of rewards for high-level public officials and public managers are used. An in-depth comparative investigation of the different policies and methods introduced across these countries therefore provided **insights into the various reward systems, their control policies and what factors explain cross-national variation**. For this purpose, the study applies a **most different system design (i.e. cases are selected to form a sample that reflects the largest possible variation in terms of the policies and methods introduced)** that investigates the factors which may explain why different political systems apply the same set of regulations, for example, or take the same political decisions even though they are marked by institutional and structural differences. Thus countries were selected on the basis of four main criteria:

1. The regulatory policy measures of the Netherlands constitute the standard of measurement. (Therefore states had to be, in broad terms, comparable in their structure of the public administration, their pay system and political-social background to the Netherlands.)
2. A rough geographical spread across the EU 28 where Central and Eastern Europe is de-emphasized for the reason explained in the following.

3. Variation on the variable of pay systems and their regulatory. This includes member states that have already implemented one or both of the two identified main policies: Pay cap policies (The Netherlands, Italy, Belgium (pending in parliament), France (semi-public sector), and Poland (semi-public sector)) and/or performance-related pay (Sweden, France, United Kingdom, Germany, and Italy).
4. Cases that appeared as outstanding and particular interesting based on the analysis of the EU28 in phase I. This could be countries with pioneering roles in a certain regulatory policy (Sweden and the UK) in order to understand to what extent certain states took a distinctive approach in regulating policies and why.

The system of rewards for public officials and their acceptance are determined by cultural, economic, and political factors (Brans and Peters, 2012). Taking the political, economic and cultural background of each country into account will thus allow the standards, methods and policy effectiveness to be placed into the national socio-economic context. A first investigation shows that the Central and Eastern European EU member states are currently undergoing a general restructuring of their public management to increase the efficiency and effectiveness of their public administration including, for example, the fight against corruption. These reforms go beyond the regulation of the rewards in public management and assume a diverse political-social background as the general restructuring of the administration has prevailed after the fall of communism (Van der Meer, et al., 2013). Therefore, the Central and Eastern European EU member states might serve the purpose of this research to a lesser extent than countries that have undergone this phase of restructuring already at an earlier point in time. Considering these major differences in the administrative priorities, this research thus includes less of a focus on Eastern European member states of the European Union and will take into consideration countries that are rather comparable at first sight.

Eight countries were selected for the comparative analysis. In order to choose countries that are comparable to the Netherlands to study the pay cap, member states were chosen from Northern and Western Europe in the first way. Academic research has identified the traditions of both geographical parts including the south of Europe as the most interesting traditions when it comes to types of senior civil servants (Painter & Peters, 2010/ Van den Berg, 2011/ Wunder, 1995).

France constituted a suitable example for further research as it has implemented a cap policy for salaries in the semi-public sector and for bonuses of a few selected positions of the top civil servants in the public sector. From Southern Europe, Italy and/or Spain depict comparable cases as both introduced a cap policy in the public and semi-public sector. Yet, in **Italy**, in contrast to Spain, the law for the public and semi-public sector was introduced in 2011 with a pay cap set at the same level for both sectors. This scenario is similar to the policies adopted in the Netherlands and builds a common basis for analysis. As a representative country from Central and Eastern Europe Poland seemed to be an adequate subject for comparison regarding its size, administrative structure and economic performance. In addition, two countries that regulate the executive pay of officials by their general pay system and have not introduced a pay cap are **Germany** from Western Europe and the **UK** with an Anglo-Saxon approach; whereas, **Poland** depicts an adequate representatives for comparison of a countries that does not use performance-related pay but pay caps only. **Belgium** served as an example of a country that is using neither performance-related pay nor a cap policy, because its proposal for the regulation of the semi-public sector is still pending in parliament. **Sweden** as representative country from Northern Europe and the Anglo-Saxon approach of **England**, constituted two crucial examples for the research of the regulation of rewards of high-level officials for two reasons: first, concerning the introduction of performance-related pay, the commercialization of parts of the public administration and the delegation of services to other institutions, **England** and **Sweden** depict the pioneers and were investigated as an example of a completely different and special approach. In addition, while executive pay in Sweden is regarded as moderate due to the heritage of an egalitarian wage culture; the executive pay of high-level officials in the UK is considered as one of the highest across Europe. As a consequence, the countries to represent a balanced and fair approach for the case selection and to be further subjects to study are outlined in the following table:

Table 1: Presence of Pay Cap and Performance-related pay within sample

Country	Pay cap	Performance-related pay
Belgium	Proposal semi-public sector, pending in parliament	No
France	Semi-public sector, bonuses certain positions public sector	Yes
Germany	Semi-public sector, non-binding	No
Italy	Yes	Yes
The Netherlands	Yes	No
Poland	Semi-public sector	No
Sweden	No	Yes
United Kingdom	No	Yes

Finally, by studying the two policies and the seven methods used in the countries selected, an assessment of the current regulative policies of rewards for high-level officials across Europe was undertaken. The findings will provide **insights from a comparative perspective** to the methods introduced across European countries, and thereby allowed considerable conclusions to be drawn about the workings of various reward systems and their control policies.

Empirical Strategy and Data Collection

The study employs a qualitative methodology and combine an in-depth analysis of primary and secondary documents with oral semi-structured interviews to study the norms and standards regulating the executive pay of high-level officials in the various EU member states. The analysis has been based on three different types of sources.

First, the comparison of political measures to regulate the rewards of high-level officials based on the comparison of base salaries. The data to analyse the ceilings of base salaries were collected from primary sources, such as legislative and statutory acts published in the national official gazettes and official tables of pay of high-level civil servants published by websites of official governments. The data provided a neutral indication of the pay system within the respective countries. Special attention was paid to the positions of high level civil servants, the President/Prime minister and Ministers as well as positions that are relevant as reference point for the organization of a pay system. The regulation of benefits in kind, allowances, premiums and bonuses is different and unique in each country, therefore, a detailed analysis of these add-ons will be excluded and information gathered only where possible to complete the assessment to the highest degree attained. Information on these kinds of supplementary benefits is often not transparent or less obvious and therefore ‘difficult to quantify’ (Brans, Peter & Verbelen, 2012, p. 27).

Second, published sources, such as articles in national and European quality newspapers (Volkskrant, Sueddeutsche Zeitung, The Guardian, Le Monde, European Voice, etc.) provided indicative insights into the developments of regulatory policies on and the level of high-level officials’ executive pay in national governments, as well as comparative information regarding the discourse and framing of the issues of executive pay in the various countries.

In addition to these sources, data from statistical bureaus of renowned economic organisations such as the OECD, the International Monetary Fund or the World Bank provided essential information about the economic/political situation of the respective counties in the determined period of time. For the analysis of the countries’ political/administrative features relevant to the pay system, the study consulted publications from academic political science and public administration journals (Painter and Peters, 2010; Van den Berg 2011; Loughlin and Peters 1997 and others).

To refine the research on the policy measures, their objectives, the political debates surrounding the subject, and their unintended outcomes, data were collected by semi-structured elite and expert interviews. The interviewees includes (high-level) civil servants in the respective countries that work in the area of payment (e.g. working groups, financial and human resources departments), politicians, country experts and stakeholders that have been involved in the discussions about and the drafting of the policies to regulate the pay of high-level officials. Criteria for the selection of the interviewees was their prominence (e.g. holding chairmanships, expertise in field), their ranks in the hierarchy and their professional backgrounds. ‘Snowball sampling’ allowed tracing further interview partners by indication of additional contacts through the interviewees.

The data collected were organised in a qualitative data set and coded to provide a comparative overview of the policy measures and their national contexts. Finally, the findings of the study have been tested in the light of the defined assumptions to provide insight into the norms and standards that exist across the different European countries and their policy effectiveness. Based on these findings it was be possible to evaluate current regulatory policy measures of executive pay in the public and semi-public sector.

PART 1

Comparative Analysis of the EU Executive Pay System and Regulations

Belgium, France, Germany, Italy, The Netherlands, Poland, Sweden, United Kingdom



1. General Inventory of Executive Pay Systems and Regulations

Different principles and approaches to remuneration across countries have led to different pay systems and different ways of regulating (and maximizing) base salaries and add-ons. Every state has their own distinct pay system in place, which regulates and administers the base salaries of high-level officials in general. Pay systems usually follow a scale, grid or band system in which officials can climb the scales due to their education, work experience and seniority. In addition, there are ways to control the executive pay of high-level officials and managers of semi-public enterprises by additional ways of regulations such as the use of legal tools and (non-)binding, guidelines and recommendations.

1.1 Executive Pay Systems: the Basics

A first inventory shows that many pay systems of the EU member states have been subject to reforms in the past decades and have introduced policies or regulatory measures to control executive pay in the public and/or the semi-public sector.

The following table thus indicates, distinguishing between the public sector and the semi-public sector:

- a) which countries **determine the executive pay** based on their **pay system only**, meaning that **no specific control law** has been introduced and that remuneration of public officials is regulated by the general pay system of the country; and
- b) which countries have introduced **measures to additionally control** or administer executive pay. Besides the generic pay system as meant under (a), there are two distinct regulatory instruments that aim at achieving this:
 - **by law** (introduction of a remuneration control in varying forms); and
 - **non-binding rules and recommendations** (regulation by, e.g. Corporate Governance Acts, guidelines).

Table 2: Presence of Executive Pay Regulation across the EU

Country	Public Sector	Semi-Public Sector
Austria	Pay system	Non-binding Corporate Governance Act (2012)
Belgium	Pay system	Pay system; Law proposal (2011) pending in parliament
Bulgaria	Law (2012)	Under investigation
Croatia	Law (2014)	Law (2014)
Czech Republic	Under investigation	Under investigation
Cyprus	Law (2014)	Non-binding Cypriot Code of governance (2009)
Denmark	Law (2004)	Non-binding new Danish Companies Act (2001)
Estonia	Under investigation	Under investigation
Finland	Pay system; Proposal to adjust the remuneration of the President of the Republic (2013)	Finish Code of Corporate Governance (2010); Law proposal: Act on Regulation of State enterprises (2010)

France	Ordinance for a cap on bonuses of a few selected positions	Law (2012)
Germany	Pay system, Freezing policy	Non-binding Corporate Governance Acts (2002)
Greece	Pay system	Under investigation
Hungary	Pay system	Under investigation
Ireland	Law; In the framework of Financial Emergency Measures in the Public Interest Act 2009-2013; Public Service Stability Agreement 2013-2016	Law proposal in parliament (2011)
Italy	Law (2011)	Law (2011)
Latvia	Law (2010)	Under investigation
Lithuania	Law (2008)	Non-binding public sector rules
Luxembourg	Pay system	Pay system
Malta	Under investigation	Under investigation
Netherlands	Law (2013)	Law (2013)
Poland	Pay system reform (2009)	Law (2000)
Portugal	Law (2008/2011/ 2012)	Law (2007/ 2013)
Slovakia	Under investigation	Under investigation
Slovenia	Law (2010)	Amendment of the Companies Act (2010); Law (2010)
Spain	Law (2012)	Law (2012)
Sweden	Pay system	Swedish corporate governance code (non-binding) (2006)
Romania	Law Proposal to introduce ceiling to pay in 2016 discussed in labour ministry	Under investigation
United Kingdom	Pay System, freezing policies	Non-binding director's guide, Privatizing policies

With reference to the first research question of what regulations of executive pay are in place in the public and semi-public sector of the EU 28, the table shows that during the period since 2008, the majority of EU member states has introduced **additional, (non-)binding regulations** of rewards of high-level on top of their pre-existing pay system. However, around **one third of the EU member states** have continued to regulate the rewards of high-level public officials by the general grid of their **pay systems** in place, and (*if at all*) introduced other forms of regulation than a standardizing law, such as **non-binding** Corporate Governance Codes for public companies and monitoring committees or the request for the disclosure of rewards. Two countries (Sweden and Luxemburg) had implemented relevant reforms already before 2008 and have not changed their policies since then. For a number of Central and Eastern European EU member states no information about whether executive pay regulation has been introduced was found. Moreover, while four countries introduced control policies in the early 2000s already, **16 countries implemented or further tightened pay control policies especially after 2008**. This clear temporal relation between the economic and fiscal crisis and the introduction of these new measures in a wide range of countries indicates that the reforms cannot be seen as independent from the economic crisis and the austerity policies that followed as a response and the general increased awareness and scrutiny of public spending in the various countries.

1.2 Additional Regulation by Law

Two main approaches of policies seem to dominate the reform process, where laws have been introduced to control the remuneration of executive pay: On the one hand, the agreement on a **cap on the salaries** of public officials in the public and/ or semi-public sector; on the other hand, the introduction of **‘pay for performance’ or ‘performance-related pay’**. Both approaches may be introduced either **separately or in combination**. The degree of the use of performance-related pay may vary across the countries depending on their pay systems, administrative structures and policies used for the rewards of high-level officials and managers in the public and semi-public sector. In order to explain which norms and standards apply across the different EU member states and why they were introduced, an in-depth comparative study of eight countries will be undertaken. Thereby **insights into the differences and similarities** of regulatory measures introduced by the governments of the countries across their public and semi-public sectors will be provided. Based on the findings conclusions about **the different forms of pay systems** will be derived that allow for the identification of **best practices** in different EU member states that may serve as policy models for countries with differing pay systems. The following table presents a **general overview of the two main policy approaches** to be found across the countries.

Table 3: Presence of Pay Cap and Performance-related pay across the EU

Country	Pay cap	Performance-related pay
Austria	No	Yes
Belgium	Proposals for semi-public sector pending in parliament (2011)	No
Bulgaria	Under investigation	Under investigation
Croatia	Yes	Under investigation
Cyprus	Yes	Under Investigation
Czech Republic	Under investigation	Yes
Denmark	Only public sector, non-binding	Yes
Estonia	Under investigation	Yes
France	Only semi-public sector; Ordinance for bonuses of only certain selected positions in the public sector	Yes
Finland	Proposal for semi-public sector	Yes
Germany	No	No
Greece	Under investigation	No
Hungary	Under investigation	Yes
Italy	Yes	Yes
Ireland	Only semi-public sector	Yes
Latvia	Under investigation	Under investigation
Lithuania	Under investigation	Yes
Luxembourg	Under investigation	No
Malta	Under Investigation	Under investigation
The Netherlands	Yes	No
Poland	Only semi-public sector	No

Portugal	Yes	Yes
Romania	Under investigation	Under investigation
Slovakia	Under investigation	Yes
Slovenia	Yes	Yes
Spain	Yes	Yes
Sweden	No	Yes
UK	No	Yes

The main unit of analysis will constitute the policy measures introduced to regulate executive pay. A first investigation over control policies of executive pay in the public and semi-public sector across European countries has **identified two main approaches to policy, namely** the agreement on a **cap** on the salaries of public officials in the public and /or semi-public sector and the introduction of **‘pay for performance’**. These were found in **varying combination** in the EU member states as part of the reform processes in the framework of austerity measures following the economic turmoil in 2008.

In the framework of the regulatory measures, **various methods** may be implemented to achieve the goal of regulating the executive payment of the public management (cf. Brans, Peters, Verbelen, 2012). The following methods of regulating executive pay result from institutional effects and may lead to higher or capped levels of remuneration:

1. The introduction of mechanism to make the decision on rewards automatic by **formal and informal reference points**. These mechanisms can take four different forms:
 - a) Linking the rewards to the average wages in society;
 - b) Pegging the rewards for high-level officials to a standard wage level of one particular function (e.g. the Judges of Appeal or the pay-level of a minister or the head of government);
 - c) Taking ‘civil service salaries as reference points for highly integrated pay systems. (...)’, meaning that top office remuneration may be derived by a ‘percentage-wise deviations from top civil service pay’ (p. 22);
 - d) A set of reference points that are rather loosely coupled.
2. Maximizing pay increases to corrections for inflations by the adjustment of wages to **rates of inflation** to maintain the purchasing power. This way of regulating the executive may result in a capping of the salary if pay increases are limited to the annual inflation rate only.
3. The use of **expert commissions** to decide about wages of public high officials based on a comparison of rewards between corresponding positions in the public and private sector.
4. **‘Pay for Ethics’** by which public officials agree formally or de facto to receive higher but more transparent rewards in exchange for receiving fewer external rewards or less visible allowances of all kinds.

Moreover, the novel approach of ‘New Public Management’ to governance and the public sector implies the use of management techniques imported from the private sector. New Public Management applies the logic that individuals working in the public sector should be rewarded according to their contribution to the success of their organisations/the public sector, which is not easily transferrable to the work and achievements of a government. Among the New Public Management tools there are different forms of ‘performance-related pay’ such as (cf. Brans, Peters, Verbelen, 2012):

5. The implementation of **contract systems for a group of officials** such as public officials in government, which entails possible wage flexibility granted to a distinct group of high-level officials only.
6. The use of less **extensive contract systems of performance pay** that offer rewards to civil servants in the form of a given guaranteed baseline salary which can be topped up by performance-based bonuses rather than fixed permanent rewards.

The use of **individual performance contracts** for high civil servants and ministers, which are not given to a group of employees but agreed with individuals and are in general private and therefore a less transparent means.

This typology of seven possible tools to regulate executive pay will be applied as a conceptual instrument (in chapter 3) to investigate the various methods of regulatory policy measures implemented across the respective European member states.

2. The Political and Public Discourse: Arguments and Discussions

This chapter addresses the second research question that investigated the political debate and arguments to introduce a pay cap policy or not. Evidence collected on the eight case studies provides insight into the arguments in the political and public debates used to introduce a regulatory policy or not.

The political and public discussions about the remuneration of top officials in the public and semi-public sector have varied across the member states of the European Union between 2008 and 2015. The arguments presented in the various national discussions and debates can be divided into two sets. One set of arguments that were found in each of the eight investigated countries and that constitutes the common denominator of the various national debate; and a set of arguments that are more country-specific or are present in a small group of the investigated countries. In paragraph 2.1 of this chapter the common denominator-set of arguments will be discussed below. Further, in paragraph 2.2 the remaining country-specific arguments will be investigated.

2.1 Common Arguments and Discussions on Executive Pay

In the following the ‘common denominator’ set of arguments will be discussed. These refer to object of discussion such as the politicization of the topic of and transparency of top incomes, the attractiveness of the public (semi-) sector versus the private sector and the economic and financial crisis resulting from 2008 onwards. One of the main aspects to which governments had to respond seems to be the **politicization** of the topic of executive pay of high-level officials. It became obvious from the investigation that in countries where intense public and political discussions appeared, executive pay has been politicized dominating the public and the political debate. It needs to be stressed that the degree of politicization has varied across the member states of the European Union since 2008, however. Executive pay of high level officials has been politicized to a stronger extent in Belgium, The Netherlands, France, the UK and Italy compared to Germany, Poland and Sweden where the discussion on executive pay and its regulation have been rather moderate or not even existent. Interestingly, the four countries with a higher degree of politicization of the topic have indeed proposed and/or introduced cap policies in the public and/or semi-public sector. Only in the case of the UK no cap policy has been introduced or discussed which may be explained by a highly complex and traditional structure of senior civil service paired with a relatively large extent of privatization of public companies. It is derived from this evidence that cap policies have also served as a means to render the pay system more **transparent** and thereby reduce the politicization of top incomes as was also indicated by the interviewees.


Moreover, it needs to be pointed out that the public discussion concerns oftentimes **only certain groups of top officials** in a respective country, such as senior civils servants in the UK; members of parliament and ‘politische Beamte’ in Germany, the UK and Belgium; or managers of public companies in Belgium, Italy, Poland and France. The debate concerns, for example, mainly the political and administrative level in the UK, Belgium and The Netherlands; while the discussion evolves especially about the semi-public sector in countries such as in Poland, France and Germany. While, there has been only a weak public and political discussion about top income in Sweden in general.


Another aspect of importance to all eight countries and connected to the (non-)introduction of the regulatory policy to the remuneration of executive pay is the concern for the attractiveness of the public sector as an employer for highly-talented and highly-qualified professionals. Too low salary levels decrease the competitiveness of the public sector vis-à-vis the private sector and will thus have a negative impact on the flexibility and mobility within the public sector as well as between the public and private. An additional resulting effect would be the increase of **efficiency** by keeping the structures of the top level of the **public administration flexible**. These developments were attempted, for example, in Belgium, with the introduction of the Copernicus Plan. However, evidence has proven that the need for candidates or keeping structures flexible differs across the European member states due to the differences in their pay systems, labour mobility, the pay gap between the public and the private sectors, and the non-financial advantages of being a high-level official. This is also reflected in the varying degrees of the introduction of **performance-related pay** that depicts an indicator for the degree of competitiveness of a respective pay system. In addition, the **(partial) privatization of public companies and public services** such as in public transport and post services, for example, constituted a main trend to foster competitiveness and quality in all eight countries.


In all countries apart from Sweden, the **economic crisis in 2008** constituted a trigger for the re-emergence of public and political discussions on the remuneration of top income. While, the public debate was mainly dominated by the rhetoric of **austerity measures**, the countering of public debt or requests for lower salaries of top officials in all seven countries (apart from Sweden); the political discussions were held out of completely diverse national contexts, however.

2.2 Country-specific Arguments and Discussions on Executive Pay

Changes following from New Public Management approaches have in some states led to an overall reform of the regulation of pay systems. In this context, the (potential) **overall reform** of the structure of the **public administration** and on the status of high level civil servants has led to considerations to also reform the pay scheme for top officials in the public sector. This was the case in Italy, the Netherlands, Sweden and Poland (cf. interviews). In most of these countries the (partial) **incorporation of top officials into the corps of civil service** and/or the (partial) privatization of public services and companies went hand in hand with a growing tendency to incorporate a **performance-related** approach to high-level positions (in some countries). Generally, these developments have brought a **change to the perception of the role and tasks of top officials** in the public administration that deviates from the traditional role of the public servant in the Weberian sense and puts an increased emphasis on **managerial tasks** as well as rewards according to performance. This has led to a trend of (parts) of salaries and contracts to be negotiated individually. This results on the one hand in an increase of flexibility and mobility; while on the other hand it may decrease the transparency of a pay scheme. To counter these trends some states have set an overall standard, such as it is the case with a cap introduced in the Netherlands and Italy.

 In **Italy** this new trend of standardizing the public administration is indicated by the fact that all posts of public administration fall under the term ‘managers’ of level I or II. This may be related the fact that public and political debates concerned often the political posts of political appointees and requested moderation of public expenditure for top officials’ payment in the context of the economic crisis and huge national debts. It is however important to mention, that the position of public managers remains under statute (cf. interview). In addition, the need to render the public administration more efficient, transparent and flexible constituted another main concern to the Italian government, which resulted in reforms, such as the introduction of a pay cap in the public and semi-public sector. One aspect of huge importance was the enhancement of ‘a kind of cross-fertilization of expertise and know-how’ (cf. interview) to stir the best match of potential candidates and positions and the mobility in the public sector. This put also the introduction of performance-related pay upon the agenda since 2009. Currently, the system of performance-related pay is under review, focusing on performance indexes of public managers. The public debate centres on the importance of the fact that top public officials should not be bound to political parties, but be more accountable for the results achieved (cf. interview).

 In the Netherlands, the debate is closely connected to the question of the specific character of the public sector and working for the government vis-à-vis working in the private sector. A common standard was introduced by a cap to raise the transparency of the remuneration of top officials in the public and semi-public sector. High-level officials constituted a special group that fell outside of the general scales of the pay system. The cap was thus considered a necessary tool to regulate the amount of executive pay. In addition, there was the idea that there should be a way of standardization and no fundamental difference between a job performed for the government and a job performed for a private corporation¹ that allows for high flexibility with regard to the mobility of qualified staff between the private and the public sector. This notion is linked to the necessity of attracting and retaining professional staff and the fear that public sector officials will divert to the private sector due to higher salaries provided.

 In Poland the political debate in 2008 from which reforms on the public administration and its pay system followed, concerned as well the inclusion of the highest executive posts of the civil service (which had been excluded from the civil service in 2006) into the civil service corps to ensure their right role in the management of the state. The main arguments used in this debate were that the inclusion of these posts would 'favour the consolidation of the professional nature of the corps as well as the politically neutral execution of the state tasks' (cf. interview, 2015). This overall reform was also linked to a transparency agenda that included also the semi-public sector. With regard to the public companies, the political discussion concerned in the first place the necessity to increase the transparency and to lift the limitation of the remuneration of the salaries of managers and CEOs of public companies (cf. interview). To achieve this aim a cap policy was introduced in the semi-public sector. From an economic perspective the increase of the privatization and commercialization of public enterprises were also important steps to respond to the necessity of increasing the flexibility and mobility between the private and the public sector to decrease the amount of qualified staff leaving to the private sector. Also the public calls for lowering the salaries of managers of public companies became louder after the economic crisis in 2008.

In Sweden, there was already a political debate in the 1990 which was determined by the view that the pay system of public administration did not create incentives for top talented people to work in the public sector. This was regarded to render the public sector ineffective. One of the dominant views was that the public sector should implement models used in the private sector to encourage the flexibility of the remuneration of their employees to increase the attractiveness of working in public administration. This led eventually to the introduction of a system based on performance-related pay at that time already. In 2006 until 2009, public discussions led by the media and by political parties about the top income of the public sector re-emerged. These debates were sparked by the understanding that high-level officials and politicians should earn moderate salaries reflecting the Swedish heritage of an egalitarian (wage) culture but had no determining political consequences.

In contrast to the developments set out above, in Belgium, Germany, and France, and the UK the political discussion about the reform of the civil service and its pay system evolve rather around the **protection of the status of high-level officials** in the context of changing structures of the public administration. Still, at the same time, these countries aim at **increasing the mobility** in the public administration for **competitive** reasons by the implementation of **New Public Management** approaches. These countries (apart from the UK) hold a long and 'static' civil service culture and tradition in the Weberian sense, which acknowledges a 'special status' to the *Beamte*, *fonctionnaires*, and *ambtenaren*. Even though the public administration of the UK is not static as compared to the other three countries, also the senior civil service of the *Whitehall model* hold a long tradition of public service that is based upon an advisory than managerial role. This tradition generally still provides 'a lifelong' career path due to the distinguished expertise and dedication to the tasks senior civil servants fulfil in their service for the state (cf. interviews); and even though also these public administration have open their systems and become subjects to changes in terms of flexibility by the introduction of New Public Managements. Nevertheless, the idea of the special status of a civil servant generally still prevails and is protected (which is even the case of Italy), despite the opening up towards New Public Management.

¹ F. M. van der Meer, C. F. van den Berg and G. S. Dijkstra, 'Rethinking The 'Public Service Bargain': The Changing (Legal) Position Of Civil Servants In Europe' (2013) 79 International Review of Administrative Sciences. p. 92.



While in **Belgium** the public debate concerned mainly political posts, the political debate concerns especially the attractiveness of the public sector for highly qualified candidates. In order to address this problem, Belgium has been working on introducing a *Mandaatsystem* with the Copernicus Plan and relocated salaries into a new wage system in 2009. The aim has been to break with the past by opening higher posts to external candidates and to increase the competitiveness of the public sector with the private sector as well as the flexibility in the public administration itself, which is already on the agenda since 2001. Also the increase of transparency and objectivity are major aims of the government. Currently, there are discussions about the introduction of performance-related pay and changing the two-tier system to one. One major problem is the lack of labour force flexibility in the public sector, due to a mandate system that allows senior civil servants to keep their posts for several periods of mandates. Yet, there are still no concrete plans to further realize a reform to change towards a weighing system that is no longer based on the *mandaatssystem*, but instead, on the weighing system of *ambtenaaren*, or the introduction of performance-related pay. For now, managers are still considered statutory personnel for the duration of their mandate and therefore remain subject to statutory rules with exceptions made for specific regulations. With regard to the management of public companies, a cap on salaries has received political and public attention in 2013; however despite the discussion of a cap policy for the semi-public sector in parliament a regulation has not been implemented.



In **Germany**, the concern of the political discussion is mainly rather the opposite than the one in the Netherlands, namely, that civil servants earn not enough money to attract highly qualified candidates instead of earning too much more than their political principals. It is important to stress that administrative pay is used as a means to regulate the pay of politicians rather than the other way around as it is the case in the Netherlands. In addition, since the reunification of Germany the rhetoric dominating the debate about the public administration revolves around ‘moderation’ that aims at reducing the number of civil servants and the expenditure on civil servants’ remuneration ever since, including the posts of senior civil servants. There is to-date no performance-related pay for top officials in use in Germany because of the traditional administrative culture, which rewards top officials for their service to the state. Therefore, there has been no need to introduce a regulatory measure such as a cap. A decentralization of the competence of setting pay level for state-level senior servants has been introduced in 2006-2007, which has however led to a difference in pay levels of 12-15% of senior civil servants across the *Laender*. This development has led to the development that working in public administration is more attractive in some *Laender* than in others. In contrast, the public debate is mainly concerned with the payment of ‘politische Beamte’ whose careers are less certain and may be short-lived as there may be early turnovers of *Laender* governments after which they are dismissed. This leads to the perception of citizens wondering why and how many people are receiving payments being out of office. On the political level, these posts are concerned with their pension rights at the moment. In addition, a law about regulating the timeframe for a ‘politischer Beamte’ to start a career in the private sector after their term of office has ended is discussed to avoid potential conflicts of interest (cf. interview).



In **France** the public and political discussion was held in the context of limiting public expenses after the economic crisis in 2008. On the one hand, the expenses on salaries for the public administration were considered too high, with the notion that salaries of especially the group of hauts fonctionnaires were too excessive. In the other hand, there was the idea to increase the transparency of such salaries. Consequently, the remuneration and bonuses of top officials were reviewed in 2012 in the programme of the 60 policies of François Hollande. As a consequence, bonuses for certain positions in the public sector and the remuneration of executives in the semi-public sector were capped in order to provide an example for saving after the crisis in 2008, which was also held as a priority of the new government in 2012.² This was a way for the state to have more control and transparency³ on the remunerations of directors in the semi-public sector.

² http://www.lemonde.fr/economie/article/2012/06/13/les-salaires-des-patrons-du-public-seront-plafonnees_1717447_3234.html#1O1LD6c7sj1z8kU3.99

³ http://www.lemonde.fr/economie/article/2012/05/14/le-debat-sur-la-transparence-des-salaires-des-dirigeants-dans-le-public-s-impose_1700874_3234.html



In the **UK** the political debate concerned the need for austerity measures following from the crisis from 2008 as well as the introduction of a transparency agenda regarding top income in the public sector. Similar to the German case, the job security and remuneration of the British public administration have been adjusted downward due to a continuous reduction of the number of civil servants and public expenses for salaries of public employees. The political debate is consequently focused on increasing the attractiveness, efficiency and competitiveness of the public sector with the private sector, and the increase in transparency concerning the remuneration of high level officials to decrease the politicization of the issue. The special points of focus of the public debate concerned mainly parliamentarians and senior high level civil servants after first figures revealed that some 'Whitehall senior civil servants' had earned more than the Prime Minister in 2010. However, due to the saving policy of the previous years, the political discourse has also been dominated by rhetoric of solidarity that explained also the necessity of salary freezes in the public sector to overcome the crisis and to successfully implement the austerity measures. A cap policy has not been introduced.

2.3 Similarities and Differences

This chapter provided a comparative insight into the main arguments and considerations discussed and used in the political and public sphere of eight European member states that allow explaining a(n) (missing) introduction of a cap or regulatory policy on the remuneration of top officials in different European member states. The investigation shows that the reasons to reform the national pay systems have differed across the countries including:

- fighting the consequences of the economic crisis;
- the need to increase the attractiveness and efficiency of the public administration;
- increasing the wage flexibility and labour mobility between the public and the private sector;
- the investigation and re-definition of the role of senior civil servant in public administration;
- the increase of transparency on the pay schemes of public administration;
- or the depoliticizing of top incomes.

From the evidence, it may be further derived that countries seem to be split into two groups by a cleavage of their traditional and public culture of administration. The first group consists of countries that have embraced the changes of NPM and the re-definition of tasks of the civil service more strongly, which eventually led to reforms of the pay system and additional regulatory measures such as The Netherlands, Italy, Poland and Sweden (and partially the UK). The second group of countries seems to be rather protective of the traditional status of in the process of implementing New Public Management approaches such as Belgium, Germany, France and the UK. In addition, their public administrations have been subject to reductions in staff and payment over the last decades. These developments avoid a need for decreasing the pay levels of the pay system by additional regulatory measures such as a cap, apart from France that implemented a cap policy.

The following chapter will investigate how states have attempted to solve these issues, by answering the research question of what regulatory measures, methods and norms apply in the public and semi-public sector of the respective EU countries to regulate the executive pay of high level officials in the EU member states, and comparing the base salaries of top officials in the respective European member states.

3. Regulations, Methods and Norms across the EU: comparative perspective

The investigation of the ways to regulate the remuneration of high-level officials in the public and semi-public sector of the respective countries helps to understand the pay system for senior civil servants, which allows for an explanation of how and why regulatory methods vary across the countries. The findings about the use of the two main policies, a cap policy and performance related pay, will be outlined in a comparative way for the eight countries. This way we can derive conclusions about their use and identify possible best practices. For this purpose the findings will be compared with the seven methods which were presented as tools in the framework of the two policy approaches in chapter 1.

3.1 Public Sector

The investigation of regulatory measures, more precisely, the use of a cap policy and the use of performance-related pay, for the control of executive remuneration in the public sector has revealed the following trend across the eight representative member states of the European Union.

Method 1: Formal or Informal Reference Points

First, with regard to methods that might lead to higher or capped levels of remuneration for executive pay, especially three out of the four methods presented are applied across the countries. The most salient method applied is the linking of rewards to formal or informal reference points. This may be done in different ways. Italy and the Netherlands have pegged the remuneration of high-level civil servants in the public sector in the form of a cap to one particular function. While Italy has chosen the Presidency of the Court of Cassation as a standard for the cap policy, the Netherlands has chosen the salary of a Minister. Both are the only countries that use a cap system in the public (and the semi-public) sector. In contrast to a reference point defined by a cap, Germany has linked the level of pay for all political and bureaucratic officials to a standard salary of the federal judges and combined it with a percentage-wise deviation for certain positions. Also the **UK** uses this type of reference points for the minister's salaries. These are determined by the use of an annually changing median salary of the senior civil service pay band (House of Lords). This may be combined with an uprating that is in accordance to the pay band of members of parliament salaries, for ministers sitting in parliament (House of Commons) and may differ along the parliamentary band according to performance. The ministers' salaries are on purpose not pegged to the Prime Minister's salary. This was done for several reasons. Firstly, public-sector workers are operating in a vast number of different markets where the pay varies a greatly; therefore the remuneration even in the public sector needs to reflect this pay.⁴ Secondly, the Prime Minister's pay depends more on politics than on his level of responsibility and this determines his salary. Therefore, if the political situation warrants a lower salary then that is appropriate.⁵ Thirdly, there is a large amount of evidence to suggest that the Prime Minister is more than able to attain a high-paying job after leaving office.⁶ In that sense the Prime Minister's pay is less economic and more politically motivated, and the opposite is the case for the Public Administration and senior civil service, these salaries are more economically justified, therefore they are higher and are less susceptible to changes due to political climate. **Poland** does also not use a regulation by law in the sense of a cap policy. Instead, the salaries are determined by the pay system which regulates the remuneration determined on a base salary with the use of a multiplier and a variable part such as benefits with another multiplier. It can be seen that the **UK** and **Poland** use rather fixed reference point for the base salary but loosely coupled reference points for the determination of bonuses. In their cases these are variable bonuses that are linked to scales in the pay band or a bonus that is multiplied by varying

⁴ House of Commons, Public Administration Select Committee. (2009, December 15). Top Pay in the Public Sector, Sixth Report of 2009-2010, Volume 1, p. 55.

⁵ *ibid.*, p. 55.

⁶ *ibid.*, p. 55.

multipliers. The use of loosely coupled reference points was not found in the other states. The **Belgian** and the **French** state regulate the remuneration of senior civil servants by a mixed approach of using a set of reference points that is coupled to the base salaries of the pay scale of the civil service and the application of decrees that set the amount of remuneration for certain positions. In the case of **France**, the base salary is also further calculated with a range of multipliers to fix the salary. In addition, a cap was introduced for the bonuses of a few selected positions.

Method 2: Maximizing Increases to correct for Inflation

The second method, namely adjusting wages to rates of inflation is used by **Germany**, **France** and **Belgium** in addition to their reference points, which adjust executive wages to a nominal index. The salaries of high-level officials in **Poland**, **Sweden** and the **UK** seem to be indirectly adjusted to rates of inflation by annually changing base salaries according to the government budget law or changing median base salaries.

Method 3: Use of Expert-Committees

With regard to the third method, the **UK** and **Sweden** are the states, which show a very strong use of expert committees, meaning a variety of boards that decide about and set the amount of wages for certain positions in the public sector. These decisions are based on the comparison with similar positions in the public and the private sector. In the **UK** for the public sector non-departmental public bodies, and National Health Service, the pay is decided with a board structure or through the relevant Ministry. These boards generally set their own executive pay levels autonomously and only need to get the approval of a Minister when the government holds shares in the company.⁷ For the parliament, a committee decides on the amount of the base salary based on statute. Concerning public corporations, the Board remuneration committee of each corporation sets the senior/executive pay levels. The government shareholders (of the respective department) oversee the remuneration boards of these public corporations. Consequently, this method is used in addition to the regulation by the pay system for certain group of the public sector in the UK.

Method 4: Pay for Ethics

No example, was however found for the fourth method, the pay for ethics, where public officials receive higher and more transparent rewards in exchange for external high rewards or less visible allowances in kind. However, it is known that in **Sweden** certain high-level politicians have reduced their remuneration upon their own decision. In **Sweden** either the committee sets the salaries due to comparisons with similar sectors in the private market or Ministries negotiate the salaries with individuals based on their performance.

Methods (5-7): concerning Performance-Related Pay

Second, with regard to **performance-related pay** the following evidence was found for the public sectors: Most states do not use performance-related pay for the salaries of high-level officials in the public sector such as it is the case of **The Netherlands**, **Belgium**, **Germany**, and **Poland**. However, several countries such as **Belgium** and **Italy** are currently reviewing the possibility of introducing such a system in combination with an appraisal system. Some states use options for variable bonuses for senior civil servants that are granted for performance and which could therefore be regarded as a light version of performance-related pay, which is the case in **Poland** for example, where bonuses may vary according to varying ranges of a multiples that are fixed for a specific group in order to increase the competitiveness of salaries with jobs in the private sector. The **French** bonus system allows for a variable topping up of bonuses based on performance for certain positions. However, in for certain positions a cap has been introduced to avoid excessive increases. In the **UK**, performance-related pay is applied for high-level executives of non-political governmental bodies such as public corporation and non-political posts as could be seen from the salary grids, particularly that of the Senior Civil Service. This is done in the hope to encourage higher performance in the civil service and to incentivize a good working culture. In particular, this permits some civil servants, public sector executives and non-departmental public body workers having a higher salary than the Prime Minister, even though the rewards are tight to the band schemes and used as a variable reward for performance, such as is the case of the senior civil service. Therefore, the methods applied in the case

⁷ House of Commons, Public Administration Select Committee (2009), 'Top Pay in the Public Sector', Sixth Report of 2009-10, Volume 1. p. 35, 63.

of **France** and the **UK** are a combination of the implementation of contract systems for certain groups of officials (method 5) and a use of less extensive contract systems that offer rewards in the form of a given guaranteed base salary that may be topped up by performance based bonuses rather than fixed and permanent rewards (method 6), since the rewards are variable in the framework of the pay bands only. No information was found with regard to performance contract are negotiated individually and secretly (method 7). In **Sweden** the whole public service is based on performance-related pay and a mixture of method 5 and 7 is prominent.

3.2 Semi-Public Sector

The semi-public sector is differently defined in the eight European countries. Whereas, most countries refer to public corporations in which states hold a (majority) stake of shares by using this term; in other countries the semi-public sector includes other bodies and sectors and is far more encompassing, such as in **the Netherlands**. In countries such as **Germany** and the **UK** even public enterprises with a minor hold of stakes is termed a public company, and will be understood as to belong to the public sector, since the term semi-public sector is not used. Therefore, when this study applies the term semi-public sector it includes these different varieties respectively according to the use of what is determined as semi-public companies or non-governmental bodies in the countries in the following comparison. This is done for the sake of comparison, because all states hold stakes in such types companies or have non-political or non-governmental bodies that operate in the service of the state to varying degrees, which are just termed differently. With regard to the seven methods presented for regulation executive pay, the following comparative assessment may be derived.

Method 1: Formal or Informal Reference Points

First, with regard to methods that might lead to higher or capped levels of remuneration for executive pay, especially the first method, namely linking of remuneration to formal or informal reference points is used in the form of a cap in 4 countries' semi-public sectors or public enterprises and non-governmental bodies. This is the case in **the Netherlands** and **Italy**, which link the standard to a certain reference wage level such as a Ministers salary, or the Presidency of the Court of Cassation. Also **Poland** sets a pay cap, which is however constituted by base salary with a multiplier system that does not allow to excess payment of six times the average monthly salary in the enterprise sector. Equally, the cap is determined in **France** where a the cap salary constitutes 20 times the averages of the lowest salaries paid in the Public Enterprises. However, it is important to stress that as was outlined above, these regulations often include exemptions by, for example, not including all executives or managers, or only companies which operate on the stock market or where the state has a majority share, which minimizes the effect of the cap in the sense that only a minority of the semi-public sector fall under such a law. In **Poland**, even a management contract system is applied, which does not fall under the cap regulation and which allow for more wage flexibility.

Method 2: Maximizing Increases to correct for Inflation

As a consequence, the second method, namely the adjustment of wages according to inflation rates is left open to those salaries that are not fixed and decided upon by these public companies and non-governmental agencies themselves, if they hold the autonomy to do so, for example, by a board and where no minister is responsible. Generally, however the salaries of top executive in the semi-public sector seem to be linked to the comparison of the own performance/ budget and the working of the sector. Apart from **Poland** where changes in economy or the labour market will only be reflected if there is a change in the average monthly remuneration or the change of pay freeze, which can only happen through an Act.

Method 3: Use of Expert-Committees

The **use of committees** seems to be high across the member states of the European countries, especially in countries **where there is no cap** policy applied. These can either be independent committees such as in Sweden and partially the **UK** or boards that are responsible to a minister (UK and Belgium). Salary are then determined based on horizontal comparison within the company but also vertical comparison across the public and the private sector (such as in Germany, however, not by a board). In **Belgium**, it was realized that the board of these semi-public sectors seem to orientate themselves sometimes even towards the pay system of the public sector when setting the wages. Currently, **Poland** is reviewing the possibility of implementing committees, where the cap policy is not implemented in order to increase the wage flexibility and competitiveness, which was limited by the cap law.

Interestingly, the boards may be found **equally in countries that use strong performance-related pay** for top executives of the semi-public sector and public corporations (Sweden UK) **or none** (Belgium, Germany, would be Poland). However, no indications were found for the fourth method of **pay for ethics**, which leaves conclusion about the use of this approach open.

Methods (4-7): concerning Performance-Related Pay

Second, with regard to **performance-related pay** it may be derived that the use of performance-related pay for the semi-public sectors, public enterprises and non-governmental bodies that provide public services is more extensive than in the public sector. It is especially used for bonuses (UK, FR, SW, PL).

There might be the implementation of contract systems for certain groups (method 5) of top officials, or a less extensive contract systems (method 6) that offer rewards in the form of a given guaranteed base salary that may be topped up by performance based bonuses rather than fixed and permanent rewards. The rewards are then consequently linked to the pay bands, but are still variable. This is the case of the **UK** as it was outlined already that a combination of methods 5 and method 6 is used for certain positions. Even though **Poland** does not officially use performance related pay, a similar adapted system seems to apply for the bonuses that are variable according to a range of multipliers for certain groups, which may be provided based on performance to increase the wage flexibility. However, the annual bonus for executives, which fall under the application of the act, is limited to three times the average monthly remuneration. In addition, in most states for all public companies that fully operate privately the use of method 7 might applies, where performance contracts are negotiated with individuals and not given to a group and are therefore negotiated secretly and individually (UK, PL) in order to create incentives for good performance and working in such corporations. Information about this method is however difficult to trace.

3.3 General Overview

The following table presents a comparative overview of the various methods applied in the public sector within the eight countries that have been studied extensively:

Table 4: Methods to control Executive Pay within Sample (Public Sector)

Country Method	NL	B	F	G	I	PL	SW	UK
1. Formal and informal reference points								
Linking to average wages in society	-	-	-	-	-	-	-	-
Pegging to a standard wage level of a particular functions Pay Cap	•	-	•*1	-	•	•*2	-	-
Reference points of civil servant pay scales (with a %-wise deviation or a multiple)		•	•	•	•	•	-	•
Set of loosely coupled reference points (for the bonuses)			•*1					•*1
2. Maximizing Increases to correct for Inflation		•		•		-	•	•
3. Use of expert committees	-	-	-	-	•	-	•	•
4. Performance- related pay	-	-	-	-	-	-	-	-
5. Contract systems for a group of officials	-	-		-	•	-	•	•

6. Less extensive contract systems with a given base salary that can be topped up by performance-based bonuses	-	-	•	-	•	-	•	•
7. Individually (and secretly) negotiated contracts	-	-		-	•	-	•	•
Others:								
Performance system without pay-relation		•	•		•	•	-	-

*1 Only for the bonuses of a few selected positions.

*2 The standard is an average base salary not of a particular function.

As a consequence, it may be concluded for the public sector that the majority of countries regulate top officials' executive pay **by a formal or informal reference point** that can take various forms. The most used ones are the introduction of a **cap that is fixed to standard wage level of a particular function** (The Netherlands, Italy, France), or the use of a **base salary that applies a multiplier and variable parts or percentage-wise deviation** (Belgium, France, Germany, UK, Poland) for example, for extra rewards. The wage standards with regard to **bonuses seems to be loosely coupled** to reference points by the determining values that can be chosen from a certain pay scale or band, or a range of multipliers. It must be stressed however, that loosely coupled reference points render the system more complex and in some ways less transparent (Belgium and France, UK). Three countries also use additional decrees to set the amount of remuneration for certain senior civil service posts (Belgium, France, UK). In addition, salaries are often **linked to rates of inflation** to maintain and balance the purchasing powers, this can also happen in combination with the use of a formal or informal reference point such as a cap or a base salary system. Moreover, countries with a high number of public non-governmental bodies such as agencies in some countries seem to prefer **independent committees** for determining the wages based on a comparison of similar public and private sectors (Sweden and the UK). **Pay for ethics** seems to be a less prominent method applied.

Furthermore, concerning **performance-related pay** it may be derived from these findings that the lack of an extensive use of performance-related pay or high variable bonuses further diminishes the need for additional regulatory measures such as a pay cap. This is the case, because cap policies have been introduced in countries where performance-related pay is strongly used or the remuneration and bonuses of bonuses is not regulated by a pay scale or a committee. This may explain why no cap for the remuneration of high-level officials in the public sector is used in **Belgium, Germany, and Poland**. The remuneration of senior civil service has been fixed and determined by the scales of the pay system already. Equally, it seems to be important to have a control mechanism such as a cap or independent control committee, where performance-related pay, bonuses or the autonomy of public non-governmental bodies such as agencies is high such as is the case on **Italy, the Netherlands, Sweden** and the **UK**. Therefore, performance-related pay is not extensively used in the public sector.

In addition to Table 4, the following table on the next page presents a comparative overview of the various methods applied in the semi-public sector within the eight sample-countries:

Table 5: Methods to control Executive Pay within Sample (Semi-Public Sector)

Country Method	NL	B	F	G	I	PL	SW	UK
1. Formal and informal reference points								
Linking to average wages in society	-	-	-	-	-	-	-	-
Pegging to a standard wage level of a particular functions Pay Cap	•	-	•*1	-	•	•*1	-	-
Reference points of civil servant pay scales (with a %-wise deviation or a multiple)		-	-			-	-	
Set of loosely coupled reference points (for the bonuses)	-	-	•*2	-	-	-	-	•*1
2. Maximizing Increases to correct for Inflation		•	•			-	•	•
3. Use of expert committees to decide about wages		•	•	•	-	•	•	•
4. Performance-related pay	-	-	-	-	-	-	-	-
5. Contract systems for a group of officials	-	-		-	•	-	•	•
6. Less extensive contract systems with a given base salary that can be topped up by performance-based bonuses	-	-	•	-	•	-	•	•
7. Individually (and secretly) negotiated contracts	-	-	•	-	•	-	•	•
Others:								
Performance system without pay-relation		•	•			•	-	-

*1 The standard is an average amount not linked to a specific position.

*2 Only for the bonuses of a few selected positions.

In sum, it may be concluded that **cap policies** are more extensively applied in the semi-public sector than in the public sector across the eight member states (The Netherlands, Italy, France, and Poland). However, these caps do often leave exemptions to certain positions or companies that do not operate on the stock market, or where the state has minority shares only, for example. An **adjustment to rates of inflation** seems to be implied by the fact that salaries that are not fixed by scales, for example, but are agreed in line with the performance of the sector and the private market, apart from Poland. This seems to impact severely on the competitiveness of salaries of the public sector with the private sector. Also the **use of committees** to set executive wages is strong in countries which **do not apply a cap** policy in the semi-public sector, and that use high performance-related pay (Sweden and the UK) or not (Belgium, would be Poland).

In addition, **performance-related pay** is a measure that is widely used to regulate executive pay of high-level officials in the semi-public sector. It is applied to provide incentives for good performance and increasing the attractiveness of the sector. It may also be used in **combination with a cap policy** as is currently investigated by the Italian government and is applied in a different and capped form in Poland for executives that fall under the cap, not based on contract systems but incorporated in the pays system, by the multiplier system. In the semi-public sector, **all three types of performance-related pay** may be found in contrast to the public sector.

It may be applied by contract systems to only a certain group, by less extensive contract systems that offer rewards in the form of a given guaranteed base salary that may be topped up by performance-based bonus that are linked to a certain scale, or be less transparent and higher if negotiated individually and in secret. This way it keeps up the wage and labour mobility that are considered crucial for the semi-public sectors' competitiveness with the private sector. This may explain why its use is more extensive in the semi-public sector than in the public sector. In addition, it must be stressed that the linking of a cap policy to the adjustments of rates of inflation seems to be vital to be able to respond to changes in the market in order to keep the attractiveness of working in the semi-public sector and the competitiveness with the private sector. In Poland, where there is no such flexibility, the cap has led to severe problems of increasing wage and mobility flexibility, that leaves to a loss of potential candidates to work in the semi-public sector.

4. Conclusions

The research is based on a number of research questions provided by the Dutch Ministry of the Interior and Kingdom Relations that are answered in this report. The main findings of the study will be presented by following three main research questions:

1. What regulations of executive pay in the public and semi-public sector are in place in the EU 28?

With regard to research question 1 (the Research Design chapter of this report), the investigation of the 28 member states of the European Union has shown that many pay systems of the European Union have been subject to reforms within the last decade and have introduced policies and regulatory measures to control executive pay. **Two main policies** have been identified that dominated the reform processes where laws have been introduced to control the remuneration of executive pay: First, the agreement on a **cap policy on the salaries** of public officials in the public and/or the semi-public sector, second, the introduction of **performance-related pay**. Both approaches were introduced either **separately or in combination**.

About one third of countries continued regulating executive pay including rewards for high-level officials by their traditional, more or less straight-forward pay systems and has not introduced additional regulatory measures since 2008. Among the other countries that have introduced regulatory measures three countries did so already in the early 2000s (Denmark, Finland and Poland). The remaining 16 countries implemented or further tightened pay control policies especially after the economic crisis in 2008. There appears to be a relation between the economic and fiscal crisis and the introduction of the new measures in a wide range of countries. Overall, **a binding cap policy** for the public and/or semi-public sector was identified in **10 countries: Croatia, Cyprus, France, Italy, Ireland, The Netherlands, Poland, Portugal, Slovenia and Spain**. In some countries that do not use a binding cap policy, a recommendation of non-binding caps may be found. In addition, **performance-related pay policies** were found in 16 member states across the European Union.

2. What are the arguments in the political and public debates to introduce a regulatory policy or not?

Concerning research question 2 (also see chapter 2 of this report) it must be pointed out that two main aspects seem to have played a role in the decisions to regulate the remuneration of civil servants and top executives in the (semi-) public sector. First, the **austerity measures and saving policies** that came about as a response to the economic crisis in 2008 have dominated the public and political debate on top incomes. Excessive rewards or bonus systems were considered not appropriate in times of crisis and have caught public and political attention. In most countries where cap policies have been implemented, this happened after the topic of top income had become a hotly debated political topic. Calls for more transparency on senior civil servants and top executives' rewards in the public and semi-public sector had become louder.

Second, the need to **increase the attractiveness of the public sector as an employer, its wage and labour mobility** were additional factors that played a role in **increasing the transparency** on top income by new regulatory measures. The aim of this approach is to **keep the competitiveness** for qualified candidates of the public sector up on a comparable level with that of the private sector. To achieve this, a cap may be used to top up the salaries to a certain amount or as a control mechanism to bonuses in a system of performance-related pay that is more prominently used to achieve the above-mentioned aims.

It must be stressed, however, that each country entered the crisis under different economic conditions and with a different starting point regarding the reform of the public sector on the agenda. A more detailed overview of the motives and arguments used for the (non-) incorporation of a cap policy or the use of performance-related pay of the respective countries may therefore be found in chapter 2 and the research' annex.

3. What regulatory measures, methods and norms apply in the public and semi-public sector of the respective EU countries?

An in-depth study of the **two main policies** used provided insight into the use of a **cap policy** and the use of **performance-related pay** in chapter 3 of this report. For this purpose, eight countries, namely, the Netherlands, Belgium, France, Germany, Italy, Poland, Sweden and the UK, have been selected to research the two policies identified by the investigation of the EU 28 (also see the in-depth country studies in the annex). For both policies in total seven methods have been introduced which were used as conceptual framework to analyse the instruments applied in the public and the (semi-)public sector for the regulation of executive pay. The discoveries made on the regulation of top income and the methods used among the eight countries with regard to the public and semi-public sector will be outlined in the following section of the main conclusion to be drawn in order to present the most relevant findings.

4.1 Main Findings

Based on the above-mentioned findings the following **conclusions** are drawn on the use and implementation of regulatory measures such as a cap policy and the use of performance-related pay across eight EU member states.

Public sector

- The most salient method applied is the linking of remuneration to formal or informal **reference points** that can have various forms. The most important ones being.
- The use of a **base salary defined by pay scales**. In is in some countries the base salary is complemented with a **multiplier and variable parts or percentage wise deviation** by a pay system such as in Belgium, France, Germany, Italy, Great Britain and Poland. In Sweden base salaries are determined by negotiations of the committee only.
- Some countries use an additionally introduced **cap** for the executive pay that is fixed to standard wage level of a particular function (The Netherlands, Italy).
- Three countries (Belgium, France and United Kingdom) also use additional tools to set the amount of remuneration of high-level political offices, which results in **mixed approach of using** a set of **reference points** that is coupled to the base salaries of the pay scale of the civil service and the application of **decrees**.
- **Loosely coupled reference points** set the wage standards for bonuses by determining salaries through multiplication with values that can be chosen from a certain pay scale or band, and/or a range of multipliers. It must be stressed that loosely coupled reference points render the system, however, more complex and less transparent (Belgium, France and United Kingdom).

- Where there is **no cap policy, the use of expert committees** seems to be prominent (Sweden, United Kingdom) to regulate executive pay. Consequently, the alternative to the pay cap as a tool seems to be the use of boards and committees.
- The need for additional regulatory measures such as a pay cap or the use of expert committees decreases, with the absence of an extensive use of performance-related pay or high variable bonuses, i.e. a no-frills system. This may explain why no cap for the remuneration of high-level officials in the public sector is used in Belgium, Germany, and Poland. The remuneration of senior civil service is fixed and determined by the scales of the pay system already.
- Equally, **a control mechanism** such as a cap or independent control committee is important, in countries **where performance-related pay, bonuses or the autonomy** of public non-governmental bodies such as agencies is **high**, which is the case respectively in Italy, the Netherlands, Sweden and the UK.
- With regard to **performance-related pay**, half of the states researched do not use performance-related pay for the salaries of high-level officials in the public sector such as it is the case of The Netherlands, Belgium, Germany, and Poland.
- Several countries such as Belgium and Italy are currently reviewing the possibility of introducing such a system in combination with an appraisal of their performance.
- Regarding the regulation of bonuses in the public sector, France and the UK use **a combination** of the implementation of **contract systems for certain groups of officials** and a use of less extensive contract systems that offer rewards in the form of a given **guaranteed base salary**. This may **be topped up by performance based bonuses** rather than fixed and permanent rewards, in order to keep the rewards flexible and competitive, however, being **still linked** (and capped in France) in the framework of the **pay bands/scales**.

Semi-public sector

- **The semi-public sector** is **differently defined** in the eight researched European countries. Whereas most countries refer to public corporations in which states hold a (majority) stake of shares by using this term; in other countries the semi-public sector includes other bodies and sectors and is far more encompassing, such as in the Netherlands. In countries such as Germany and the UK even public enterprises with a minor and majority hold of stakes are termed a public company, and will be understood **as belonging to the public sector**, since the term ‘semi-public sector’ is not used.
- With regard to methods that might lead to higher or capped levels of remuneration for executive pay in the semi-public sector and state corporations, especially the linking of rewards to formal or informal **reference points** is used in the form of **a cap applied** in four countries’ semi-public sectors or public enterprises and non-governmental bodies (The Netherlands, France, Italy and Poland).
- In the Netherlands and Italy, the **standard** is linked to **a certain reference wage level** such as a Ministers’ salary, or the Presidency of the Court of Cassation. Also, Poland sets a pay cap, which is however constituted by **base salary with a multiplier system** that does not allow to excess payment of six times the average monthly salary in the enterprise sector. Equally, determined is the cap in France, where the cap salary constitutes twenty times the averages of the lowest salaries paid in the public enterprises.
- **Cap policies** are **more extensively** applied in the **semi-public sector** than in the public sector across the member states (France, Poland).
- However, these caps do often leave **exemptions to certain positions or companies** that do not operate on the stock market, or where the state has minority shares only, for example, which minimizes the effect of the cap in the sense that only a minority of the semi-public sector fall under such a law.

- When using a **cap policy** the adjustment of wages according to **inflation rates via an indexation or annual negotiations** is **vital** to keep the system responsive to changes in the economy or on the job market, in order to maintain the wage flexibility and labour mobility to stay competitive with in the sector and towards the private market. A **missing flexibility** to respond to these changes had **severe negative impacts** on the competitiveness and flexibility of the semi-public sector in Poland.
- The **use of committees** to set and decide about executive wages is high across the member states of the European countries, especially in countries **where there is no cap policy** applied. These can either be independent committees such as in Sweden and partially the UK; or boards that are responsible to a minister (United Kingdom and Belgium). Salaries are then determined based on horizontal comparison within the company but also vertical comparison across the public and the private sector (such as in Germany, however, not by a board).
- The **boards and committees** are found **equally** in countries that use strong **performance-related pay** for top executives of the semi-public sector and public corporations (France, Sweden and the United Kingdom) **or none** (Belgium, Germany, Poland).
- The **use of performance-related pay for the semi-public sector**, public enterprises and non-governmental bodies that provide public services is more extensive than in the public sector.
 - It is especially used for **setting bonuses** (France, Sweden and the United Kingdom). In addition, it is assumed that it is strongly used in **public companies that do not fall under a cap policy**.
 - It is applied to provide incentives for good performance and increasing the attractiveness of the sector. It aims at increasing **wage flexibility** and **labour mobility** to maintain the **competitiveness** within the sector and towards the private market.
 - It may also be used in **combination with a cap policy** as is currently investigated by the Italian government, and is applied in a deviating and capped form in Poland for executives that fall under the cap, not based on contract systems but incorporated in the pays system, by the multiplier system.
 - It may be used **in combination with a committee system** to regulate the bonuses.
 - In the semi-public sector, **all three types of performance-related pay** may be found in contrast to the public sector.

4.2 Best Practices

According to the above-mentioned concluding statements a number of best practices can be identified for the application of the two main policies, namely, the cap policy and performance-related pay. It must be stressed that this part of the research has focused on the general investigation and identification regulatory measures across the EU member states. Therefore, the comparative best practices identified so far apply in the first way generally to policies implemented across the European level. The findings of this phase show that **the method applied in the Netherlands constitutes one of the mainstream models** used for a cap policy for now. A more detailed explanation of the best practices with regard to the investigations made in this report is presented below. The next research phase (phase III) will make a further elaboration of the best practices presented below possible.

The comparative research on the European level about the regulation of top incomes by setting a cap shows that the following conditions are necessary and/ or may be applied:

- A **control mechanism** to limit the executive pay such as a cap or independent control committee is a best practice, in systems **where various forms of performance-related pay, or the autonomy** of public non-governmental bodies or agencies are **high** such as is the case respectively in Italy, the Netherlands, Sweden and the UK.

- The most salient method applied is the linking of remuneration to formal or informal **reference points** that can have various forms. The most salient ones being:
 - The use of a **base salary** defined by **pay scales** (and that applies a multiplier and variable parts or percentage-wise deviation as in Belgium, France, Germany, Italy, Great Britain, Poland or not), which is found in all countries (apart from Sweden).
 - Some countries use an additionally introduced **cap** that is fixed to standard wage level of a **particular function** (The Netherlands, Italy), or an **average salary calculated** (France and Poland).
- When using a **cap policy** the adjustment of wages according to **inflation rates** is a best practice. It is necessary to remain flexible to changes in the job market and the economy, for the purpose of competitiveness within the public sector itself and towards the private sector.
- **The alternative tool to the pay cap is the use of boards and committees** that collectively decide about salaries in agreement with the Ministries.
- **Performance-related pay** may be used in combination with a cap policy in both sectors in order to
 - Provide incentives for good performance and increasing the attractiveness of the sector. It aims at increasing **wage flexibility** and **labour mobility** to maintain the competitiveness within the sector and towards the private market.
 - Be especially used for setting **bonuses**.
 - It may also be used in **combination with a cap policy**.
 - It may be used **in combination with a committee system**.
 - In **public companies that do not fall under a cap policy**.

A detailed explanation of these statements and as well as the in-depth analysis of the regulatory measures in the eight countries, which constitute the examples for the best practices presented, may be found throughout the country studies presented in the annex of this report. First best practices for the Netherlands, to be further extended and studied in the next research phase may be derived as follows from the points outlined above:

- Where an **absolute cap policy applied might be too rigid** to attract competent candidates a **capped performance-related pay** systems may be applied for **certain positions** (such as in France) or for **bonuses** (France, Poland) in order to increase wage and labour mobility.
- The **use of a committee** responsible to the ministry might be an additional monitoring tool to control deviations from an absolute cap policy.

PART 2

**A closer look at the Italian and Polish system:
the reforms, the forms of linking of remuneration
to reference points and practices to rule and
master the exceptions to the cap system for
specific positions**



5. The case study of Italy and Poland: investigating the most interesting aspects of their pay system in the public and semi-public sector

5.1. Italy

5.1.1 The reforms of the pay system and additional regulatory measures: overview of the situation in the Public Sector

In Italy all the civil servants of national, regional and local public administration fall under the term ‘managers’ and are paid according to the same rules⁸.

In general, the pay system within the public sector is characterised by the application of two mechanisms: the pay cap fixed at a standard of a specific position and performance-related pay.

The salary specifications at both national and regional level⁹ are negotiated by the Agency for the Collective Negotiation of Public Administration – ARAN (in Italian: ‘Agenzia per la Rappresentanza Negoziabile delle Pubbliche Amministrazioni’), originally established by Art. 50 of the Legislative Decree No 29 of 1993. This agency, in fact, represents the public administrations within the collective labour agreement (in Italian ‘contrattazione collettiva nazionale di lavoro – CCNL¹⁰’) and carries out all activities related to the negotiation and definition of the ‘collective agreements’ (in Italian ‘contratti collettivi’) of the staff of the various sectors of public employment; including the authentic interpretation of the contractual clauses and the regulation of labour relations in the public administration.

In more detail, the salary composition of the Italian public civil servants at all levels, local and national, and with regard to every position is composed of five different components; the first four are always present and in the large majority of cases the fifth and optional component is also there.

The components are:

Component 1: Fixed base-salary

It comprises a fixed minimum contribution established by the Agency for the collective negotiation of Public Administration (‘Agenzia per la Rappresentanza Negoziabile delle Pubbliche Amministrazioni’ – ARAN) in respect of the general principles described in the collective labour agreement (in Italian ‘Contratto collettivo nazionale di lavoro – CCNL’).

⁸ Art. 23 ter of the Legislative Decree of 201/2011 converted into Law 214/2011 (also called the ‘Salva Italia’ decree).

⁹ As established by Legislative Decrees 29/1993, 165/2001 and 150/2009.

¹⁰ The national collective bargaining of labour (in Italian ‘contrattazione collettiva nazionale di lavoro’ – CCNL) is a procedure through which the main rules and general principles to be respected in the implementation of a working contract are established periodically. The result of such a procedure is the so-called ‘contratto collettivo nazionale di lavoro’ (national working collective contract) and represents the base on which all the contracts within public administrations have to be based. All the rules and basic economic references described in the ‘contratto collettivo nazionale di lavoro’ (national working collective contract) must be respected since they are supposed to represent both the rights and duties for employers, as well as those of the employees. Both categories, employers and employees, are in fact represented during the collective bargaining by their own trade unions actively involved in the procedure.

Component 2: Dual position-based component:

- 2a Centrally determined portion;
- 2b Portion at the discretion of each organisation.

This is a variable contribution that is established and calculated according to the function attributed to the manager. Within this component B, again, there are two more sub- components: the first is again fixed and established within the collective labour agreement (in Italian ‘Contratto collettivo nazionale di lavoro’) and is called ‘retribuzione di posizione’ (position remuneration), and the second is determined by each body/office independently, according to their own resources devoted to the remuneration of their employees.

Component 3: Performance-based component

This is the so-called reward component (in Italian ‘componente premiale’) which is assigned according to the results of the individual performance evaluation.

Component 4: Seniority-based component

This comprises the amount of money established for the individual seniority pay (in Italian ‘retribuzione individuale di anzianità – RIA’).

Component 5: Optional: Allowances

This comprises some supplementary or personal allowances.

All five components of the Italian public civil servants’ salaries are summarised in the chart below together with the subject designated to decide the concrete economic value for every single component. The specific role of all the actors involved will be described in detail in the paragraph on the ‘controlling mechanism’.

Characteristic of the salary component	Name of the component	Ratio of the component	Subject designated to decide/calculate the economic value
Always present	1. Fixed base-salary	fixed minimum contribution	Agency for the collective negotiation of Public Administration (ARAN)
Always present	2. Dual position-based component	Variable contribution calculated according to the function attributed to the manager	ARAN The belonging administration
	2a. Centrally determined portion (position retribution)	Fixed amount established within the CCNL	
	2b. Portion at the discretion of each organisation	Variable contribution established in relationship to their own available economic resources	
Always present	3. Performance-based component (reward component)	Variable contribution assigned in relation to the individual performance evaluation ¹¹	The belonging administration in compliance with the general principles described in the C.C.N.L.

¹¹ According to the Law n.150 of 2009 for highest level managers (which have to be maximum the 25% of the overall number of employees working in the belonging institution) the performance related pay component of the salary has to correspond to the 30% of the entire retribution.

Always present	4. Seniority-based component (R.I.A)	Contribution calculated on the base of the years of service	The belonging administration respecting the general principles of the CCNL
Optional	5. Allowances	Variable contribution calculated on the basis of supplementary or personal allowances	The belonging administration

In practice, of course, the incidence or the specific economic volume of the above-mentioned five components may vary among the salaries of different managers according to the different services, offices or ministries they belong to.

The current asset in Italy is the result of a long and challenging reform path of the overall public administration system started during the 1990s and having the general aim of simplifying, modernising and improving the efficiency and effectiveness of the administrative machine in order to comply with the EU and OCSE standards. One additional but no less important factor that played a very relevant role in the public debate about the need for a reform in the public administration was the growth in public debt and the very high financial impact of the public expenditures¹².

The various public administration reforms adopted during those years, from 1992 until 1999, have been implemented with more than 10 Legislative Decrees and are still remembered in the country by the names of the ministers that drafted them: Minister ‘Cassese’, Minister ‘Bassanini’. During those years, the reforms tried to renew the image of the public administration, to shorten the bureaucratic procedures and improve the overall performance of the system intervening in three levels: the structure of the public administration, the personnel (managers and employees) and the type of activities and services delivered¹³.

With regard to the reform of the structure of the public administration, the very aim was to ensure a better distribution of the powers between national and sub-national authorities (regions and municipalities) and more fiscal independence and coordination¹⁴.

The reform of the public administration personnel, instead, was focused on the promotion of a better distinction and distribution of responsibilities and powers between politicians and managers. From the 1990s onwards, in fact, the formal distinction was established between political functions (policy-making civil servants like ministers) and administrative ones (policy-implementing civil servants like managers of a public administration department at national level). As described in the Legislative Decree No 29 of the 1993, for example, ministries are only responsible for the design of the policies (they have political responsibility), but not for their implementation (administrative responsibility). The administrative tasks and responsibilities in fact belong fully to managers (so called ‘*dirigenti – capi dipartimento – segretari generali*’) working within the competent ministry¹⁵.

Finally yet importantly, the 1990s reforms first introduced, and later fostered, a result-based management approach based on a system of ‘incentives/premium’ for public administrations’ managers on top of their basic component of salary to promote and reinforce the efficiency of the public sector¹⁶. The disbursement of the bonus component for public sector managers’ remuneration was, in fact, introduced and connected to the assessment of their performance in relation to the objectives attained by them within their functions.

¹² L. Giuliano ‘Lo sviluppo qualitative della pubblica amministrazione’, 2008.

¹³ *Ibidem*.

¹⁴ MINISTERO DELL’INTERNO – DIPARTIMENTO PER GLI AFFARI INTERNI E TERRITORIALI ‘Testo unico delle leggi sull’ordinamento degli enti locali’ approvato con Decreto Legislativo 18 agosto 2000, n. 267.

¹⁵ The way in which this specific distinction between political responsibility/function and administrative ones has been conceptualised and implemented in Italy is very unique and not present in any other European assets where ministries continue to be responsible also for the implementation policies adopted by the managers (‘*Dirigenti*’) working within the Ministry they head.

¹⁶ R. Occhipulo and L. Rizzica, ‘Incentivi e valutazione dei dirigenti pubblici in Italia’, Banca D’Italia, 5 Gennaio 2016.

In 2009 and 2011, the Italian government again introduced a series of reforms aiming at modernising once again the overall structure of public administration and cutting salaries of the top-level public administrators to reduce public debt after the economic crisis in 2008.

The reform of 2009, also called the ‘Brunetta reform’, again from the name of the Minister who drafted the text, was implemented with the Decree 150/2009 that reinforced – within the Italian pay scheme – a performance management system in the Public Administration based on performance-related pay. Because of this reform, monetary rewards related to individual performance are assessed via a structured ‘system of appraisal’ and must represent the 30% of the total salary for managers belonging to the highest range. According to the decree 150/2009, every single administration has to identify autonomously its own objectives and indicators to measure its own success. This structured procedure, which involves four main actors for its correct implementation, is called ‘Performance cycle management’ (Ciclo di gestione della performance) and is composed of three different stages. The roles of the several actors involved, together with the stages which are part of the ‘performance cycle management’, will be explained in more detail in the paragraph devoted to ‘performance-related pay’.

The 2009 reform also introduced the obligation for public administrations to differentiate the evaluations of their individual employees by the introduction of different ‘merit ranges’ (fasce di merito) within which a different ‘result-related compensation amount’ was associated. According to the reform every administration is obliged to identify at least three different ‘merit ranges’ with the bigger economic compensation reserved for managers belonging to the higher one.

In addition, because of such a new structured performance measurement system within public administration, the 2009 reform also led to the creation of some new bodies actively involved in the performance cycle at different stages and with different responsibilities, as already mentioned above. The first new bodies created were the ‘Independent Evaluation Organs’ (Organismi indipendenti di valutazione) with the aim of monitoring – within every public sector organisation – the correct implementation of the performance cycle¹⁷. The second new actor created by the reform is an additional controlling body, this time an external one, called: ‘Commission for the evaluation, transparency and integrity of public administrations’ (in Italian ‘Commissione per la valutazione, la trasparenza e l’integrità delle amministrazioni pubbliche’ C.I.V.I.T). The ‘Commission’ started to operate in 2010, fully independent from the central government, with the main mission to support the optimisation of productivity, efficiency and transparency of the Italian public administrations. Law No 15 of 2009 specifically entrusted to the Commission the task of directing, coordinating and supervising the performance evaluation in relation to the functions of the government, ensuring the transparency of the system and the visibility of the indices produced to measure the operational performance. Next to this task – which is principally intended to promote the efficiency and quality of public services provided for citizens, also recognising and effectively rewarding the good work of individuals and groups in administrations – there was the task of ensuring total transparency of all the authorities in elaborating their own performance indicators. In concrete terms the Commission had to guarantee the accessibility of those data regarding the operational performance of authorities in order to promote a transparent shared control of the public sector between institutions and citizens. The intention of the Reform, by fostering and promoting the transparency of the data, was to ensure the integrity of government the accessibility of data and thereby reduce the serious phenomenon of corruption.

After 2012, with Law No 190, also called the ‘anti-corruption law’, adopted during the government of premier Mario Monti, the ‘Commission for the evaluation, transparency and integrity of public administrations’ changed its name to ‘National Authority for Anticorruption, transparency and evaluation of public administrations’ (in Italian ‘Autorità nazionale anticorruzione e per la valutazione e la trasparenza delle amministrazioni pubbliche – ANAC). In 2014, with Law No 114 of 2014 adopted during the government of Matteo Renzi, the ANAC was totally abolished and all its functions, together with the personnel, were absorbed by a new agency – created with the same law – simply called ‘National Authority for anti-corruption’.

¹⁷ The (OIV) Independent Evaluation Organs (Organismi indipendenti di valutazione) have a very relevant monitoring role within the performance management cycle. For example, they validate the performance reports and control the correct implementation of the awarding and evaluating system.

In 2011, another reform principally adopted to reduce the public debt by cutting the costs of public administration and for this reason also known as Save Italy (in Italian 'Salva Italia'), was implemented with Law 214/2012. Art. 23 ter. of Legislative Decree of 201/2011, converted into Law 214/2011, established that within 90 days from the adoption of the Law all the people having working relationships with the national public administration and paid by using public resources would have a total annual economic compensation not exceeding the salary of the first President of the Court of Cassation (primo Presidente della Corte di Cassazione). Specifically Art. 23 ter established a fixed maximum reference point for remunerations of national public administration managers.

As of 2012, all salaries of national public administration managers including those of top officials have become subject to such an imposed cap. Moreover, Art. 13 of the Legislative Decree No 66 of 24 April 2014 established the maximum limit for the remuneration of the first President of the Court of Cassation at €240 000 gross per year. Therefore, as of 2014, no salary in the national public administration should exceed this amount including public managers up to the Prime Minister. Art. 23 ter of Law 214/2011 also sets a limitation on cumulative salaries, introducing an 'anti-cumulative provision': even in the event that a person holds more appointments in the public administration (plurality of appointments), he/she cannot receive more than 25% of the total amount of the salary received for the first appointment (including bonuses and reimbursements).

Consequently, Italy uses a reference point that pegs the rewards for high-level officials to a standard wage level of one particular function, in this case the salary of the first President of the Court of Cassation (primo Presidente della Corte di Cassazione), together with a performance-related pay component in the calculation of public administrators' salaries.

The standards do not regulate hourly rates but only set standards that tie the maximum remuneration that is received by top managers in public administrations. As already underlined, salary specifications (including hourly rates) at both national and regional level are in fact negotiated by the 'Agency for the collective negotiation of Public Administration' ('Agenzia per la Rappresentanza Negoziata delle Pubbliche Amministrazioni' – ARAN) in compliance with the general principles described in the collective labour agreement (in Italian 'Contratto collettivo nazionale di lavoro – CCNL') and have to be included and respected in every working contract with public administration.

At the beginning of the Renzi presidency (from February 2014 until now), the discussion about the cutting of costs of high-level public administrators was still ongoing, and focusing on several aspects, not only the purely financial ones. The main changes under discussion, in fact, regarded the introduction of more meritocratic career paths for managers, the increase of their managerial accountability and responsibility, as well as the review of the taxation system of the public administrators' salaries.

Because of the above-mentioned sociopolitical context, on 7 August 2015 a new Law for the reform of public administration was approved and entered into force on 28 August of the same year: Law No 124/2015 that is also known as 'Legge Madia' from the name of the Minister who initiated it. This Law, being a 'delegated act'¹⁸, is part of the Italian regulation, but with regard to some specific chapters and topics will actually start producing all the expected effects only once the Government adopts and implements all the executive decrees. The areas in which the Government is required to adopt and implement the executive decrees are: public management, central and local reorganisation, digitisation, simplification of the administrative procedures, rationalisation and control of subsidiary companies, anti-corruption and transparency. At the moment most of the executive decrees have accomplished the legislative process and most of the above-mentioned topics have been covered, but overall the implementation of the Law is not complete yet.

In general the reform aims at modifying the recruitment, granting and revocation methods of appointments; as well as the training, education and bonus system for public administrators at all levels; not only national. The overall expected results of the reform, addressed to the overall public administration system (national – regional – local) is to foster a more 'professionalised', competitive and accountable system.

¹⁸ The 'delegated act', according to the Italian constitutional asset, is an ordinary law adopted by the Parliament that recognises the Government as being responsible for exercising the legislative function on a specific given topic contained in the delegated act in order to concretely implement the main contents and general principles of the Law.

In particular, the topic of public managers and performance evaluation is contained in Art. 11 and the executive decrees on this topic have now been adopted and implemented by the Government.

Art 11 of Law No 124 of 2015:

- Re-introduces the concept of the ‘unique role’¹⁹ (ruolo unico) not exclusively at national level, as it was in the past with Law No 80 of 1998, but within all levels of public administration. Through this concept or mechanism there will be a better homogenisation of all the public managers’ salaries, which despite the existence of a unique pay system and a cap applicable to all managers, is still too much characterised by high differences in the economic volume of individual salaries among managers belonging to the same public administration level: national, regional or local. In addition to this, always to foster harmonisation, there will also be a homogenisation of the recruitment and careers access procedures mainly based on a clearer and unified identification of requested skills and recognition of performance merits. The expected side result of such a harmonisation, at both economic and human resources management level, should be the support of workers’ mobility²⁰ among agencies or bodies of public administration.
- Dismisses the distinction in two ranges among national public managers (Dirigenti Fascia 1 – Dirigenti Fascia 2) together with the connected difference between the two economic values of such salaries: managers of level I were gaining a higher salary than managers of level II, as was explained in the Art. 23 and 28 of the Legislative Decree 165/2001.
- Establishes some ‘independent commissions’ within each level of government: national, regional and local, which will be responsible for the monitoring and control of the granting rules, together with the adoption of valuable performance evaluation systems. The members of these commissions will be selected according to a more specific and more transparent procedure, which will ensure a higher level of independence and competency.
- Confers all the managerial tasks through the adoption of a ‘selective comparative procedure’ (in Italian: ‘procedura selettiva comparata’) based on the publication of an official notice/tender in which all the requirements and criteria laid down by the interested public administration will be described. Those requirements and criteria will be described following some general recommendations and principles previously identified by the competent ‘Independent Commission’. In granting the tasks also the professional competences, the previous performance evaluations and past working experiences of the candidate will be considered.
- Establishes that every appointment can last a maximum of four years for all the public administration managers, with the possibility of being renewed only once subject to participation in the public notice/tender. The revocation of the appointment, before completion of the regular term of four years, can happen only for ‘objective circumstances’: if or when the manager does not succeed in the accomplishment of the objectives connected with his role and position. This failure to achieve the targets needs to be verified by the competent ‘Independent Commission’. In addition, the Law maintains the existing condition according to which is possible to revoke the appointment of a manager at any time ‘in case of the internal reorganisation of the administration’. The only thing that changes is that now the revocation can be done only after having asked for the opinion of the ‘Independent Commission’, which is mandatory, but not binding.
- Reinforces and promotes a more independent evaluating system able to better measure the effectiveness and quality of the services delivered by the public administration through the implementation of some pre-established ‘standards’ capable of measuring both: the performance in relation to the individual results and the overall results reached by the organisation. From now on, the performance evaluations will matter more in the assignment of managerial positions and promotions.

¹⁹ Within the ‘unique role’ measure for the national public administration managers will fall into the following categories: the managers of the national administration, the managers from the national non-economic public entities, those from the public universities, public research institutes and governmental agencies. The ‘unique role’ for regional managers will instead comprise: the appointed regional managers, those working within the regional non-economic public entities, those from the regional agencies, chamber of commerce, industry, craft and agriculture; and those working for the national health system. When it comes to the ‘unique role’ for managers working at local level, the following are included: local managers and provincial and regional secretaries.

²⁰ Law No 124 of August 2015 Chapter III ‘Personnel’.

- Reinforces the role of the ‘Agency for the collective negotiation of Public Administration’ (‘Agenzia per la Rappresentanza Negoziabile delle Pubbliche Amministrazioni’ – ARAN) in relation to its controlling functions over the trade union prerogatives, together with its technical support to public administrations in the measurement and evaluation of performances and in the human resources management through the stipulation of an ex-ante agreement between the interested public administration and the Agency.
- Reconfirms the cap applicable to all managers with the fixed reference point already explained in Art. 23 ter and specifies that the ‘accessory part of the salary’ – i.e. the components of the salary different from the fixed base part such as the position-based, performance-based and allowance components – must represent 50% of the total compensation of the manager excluding the seniority-based component.
- Establishes, with regard to the performance-related component, that it has to represent 30% of the overall compensation calculated according to the above-mentioned rules.

In addition, the topic relating to the need for a clearer distinction between administrative responsibility and managerial responsibility is also included in the Law. The differentiation between political duties and administrative duties are in fact considered essential to increase the managerial autonomy and performance responsibility of managers.

Nowadays, according to the National Institute for Statistics (in Italian ISTAT) and the data collected by the ARAN agency, it is possible to affirm that at least the issue about the need to reduce costs of the public sector seems to be going in the right direction. The graphic below in fact, available on the website of the National Institute for Statistics, shows that the salaries of public administrators have not grown since 2009; instead they have been constantly decreasing.

Per capita trend in salaries of the Italian public administration



Chart taken from the [ISTAT website](#)
original title: ‘Il crollo delle retribuzioni dei lavoratori pubblici: lo dice l’Aran’
(Title: The collapse of the salaries of public workers: the Aran agency confirms).

To have a clearer and more detailed idea of the current precise economic value of public administrators’ salaries at managerial level, it is possible to refer to some data collected and elaborated by the ISTAT and summarised in the chart below. The chart shows – on average – the salary amount received by public administrators’ managers belonging to different sectors of administration in 2015, as for example: ministries, people working in the field of research (national research institutes), hospitals and military personnel and so on.

Sector	Salary as of 2015 prices
Ministries	€61 880
Tax agencies	€58 625
Presidency of the Council of Ministers	€71 263
Non-public economic entities	€60 901
Regions and local self-government	€55 794
National health service	€57 614
NHS – doctors / veterinarians	€71 789
Research	€45 963
School	€51 312
Universities	€56 000
Police	€60 000
Military	€75 000
Fire departments	€71 833

Chart taken from the [ISTAT website](#), original Title ‘Gli stipendi della pubblica amministrazione’ (Average salaries of public administrators managers).

5.1.2 The linking of remuneration to formal reference point

In general, in the framework of the regulatory measures, various methods may be implemented to achieve the goal of regulating the executive payment of the public management (cf. Brans, Peters, Verbelen, 2012). The following methods of regulating executive pay result from institutional effects and may lead to higher or capped levels of remuneration:

Method 1: The introduction of a mechanism to make the decision on rewards automatic by formal and informal reference points (pegging). These mechanisms can take four different forms:

- Linking the rewards to the average wages in society.
- Pegging the rewards for high-level officials to a standard wage level of one particular function (e.g. the Judges of Appeal or the pay-level of a minister or the head of government).
- Taking ‘civil service salaries as reference points for highly integrated pay systems. (...)’, meaning that top office remuneration may be derived by ‘percentage-wise deviations from top civil service pay’.
- A set of reference points that are rather loosely coupled.

Method 2: Maximising pay increases to corrections for inflations by the adjustment of wages to rates of inflation to maintain purchasing power. This way of regulating executive pay may result in a capping of the salary if pay increases are limited to the annual inflation rate only.

Method 3: The use of expert commissions to decide about wages of public high officials based on a comparison of rewards between corresponding positions in the public and private sector.

Method 4: ‘Pay for Ethics’ by which public officials agree formally or de facto to receive higher but more transparent rewards in exchange for receiving fewer external rewards or less visible allowances of all kinds.

The Italian case falls within the 1b case. Italy uses, by an automatic mechanism, a fixed reference point that pegs the rewards for high-level officials to a standard wage level of one particular function, in this case the salary of the first President of the Court of Cassation (primo Presidente della Corte di Cassazione) paired with the use of performance-related pay.

In particular, art. 23 of Law No 214 of 2011 (Reform ‘save Italy’, in Italian ‘Salva Italia’) recognises as a reference point for the establishment of the cap on the salary of the First President of the Court of Cassation. In addition to that, art. 13 of the Legislative Decree No 66 of 24 April 2014 also establishes a cap itself on the salary of the First President of the Court of Cassation. This cap on the salary of the First President of the Court of Cassation is €240 000 gross of pension contributions and income taxes per year. According to this and starting from 1 May 2014, none of the salaries of national and regional Public Administration managers can exceed this amount.

5.1.3 Performance-related pay (PRP)

In general, the impact of the introduction of PRP within the pay system for public administration managers has to be analysed according to the multiplicity of objectives for introducing it. The main argument put forward by countries for implementing PRP is that it acts as a motivator, by providing extrinsic rewards in the form of pay and intrinsic rewards through the recognition of effort and achievement. Overall, however, the types of objectives pursued with PRP vary across countries, with Nordic countries focusing more on the personnel development aspects, most Westminster countries focusing more on the motivational aspect and others such as France or Italy stressing the leadership and accountability of top civil servants²¹.

Since 2009, with the ‘Brunetta’ reform mainly aimed at improving the quality, efficiency, transparency and competitiveness of the public administration, the performance-related pay system component of managers in the Italian public sector has been reinforced and based on a more structured procedure called ‘Performance Cycle Management’.

The rationale behind this choice of reinforcing the relevance of the performance assessment at national, regional and local level is connected with the necessity of better recognising the merit of the best employees and economically rewarding them in order to maintain and foster a better quality of services, the productivity of the personnel and introduce a result-oriented approach. On the other hand, it aimed at discouraging the bad practices of public administrators, which were – at the time of the reform – compromising the quality of the services and animating the public debate due to low efficiency, high absenteeism, limited transparency and low accountability of the overall system²².

According to the law every single public administration body must have a ‘performance cycle’ which includes three successive stages: the programming (Piano della performance), the measuring and evaluation (sistema di misurazione e valutazione della performance) and the report on the achievements due at the end of the year (relazione sulla performance). It involves four different actors. Three of them are internal to the public administration body and one is external. They are, respectively:

- the political/administrative authority;
- the managers/employees;
- the independent assessment bodies (OIV);
- the ‘Commission for the evaluation, transparency and integrity of public administrations’ (C.I.V.I.T); nowadays replaced by the ANAC: Anticorruption, transparency and evaluation National Authority (Autorità nazionale anticorruzione e per la valutazione e la trasparenza delle amministrazioni pubbliche).

²¹ Performance-Related Pay For Government Employees, OECD, www.OECD.ORG, page 3.

²² G. Rebori (2015) ‘La nuova riforma della PA e Il fascino discreto del performance management’ available at: <http://www.funzionepubblica.gov.it/semplificazione/le-semplificazioni-del-governo-renzi>

The role of the involved actors within the ‘performance cycle’ can be summarised as shown by the chart below:

Role / Task	Responsible authority/body
Identification of the basic methodologies to apply in the performance management cycle	Commission for the evaluation, transparency and integrity of public administrations (C.I.V.I.T); now replaced by the ANAC
Establishment of the policy priorities	The political/administrative authority
Implementation of policy priorities through the management of activities in service delivery for citizens	Managers and employees
Methodologically supports the implementation of the performance management cycle and ensures the application of the methodologies prepared by the Commission (C.I.V.I.T)	The independent assessment bodies (OIV)

With regard to the stages of the ‘performance cycle’, they are as explained below.

1. The first stage: ‘the programming’ (Piano della performance) is the most challenging one. It has to be adopted annually by each public sector body and must contain the strategies, policies and operational objectives, together with the indicators for the measurement and evaluation of both: individual and collective performance. To set the objectives there are some explicit criteria to observe which are identified in the Law and are summarised by the acronym ‘SMART’. This means that the objectives must be: specific, measurable, assignable, realistic and time-related.
2. The second stage of the performance cycle, the measuring and evaluation (in Italian ‘sistema di misurazione e valutazione della performance’), has the aim of identifying and establishing ex-ante the modalities for the measurement of the collective and individual performance. The individual performance of managers or top-level executives must be measured in a different way from the one used for the other ‘lower level employees’. For managers, in fact, the performance measurement has to be ‘objective’ and ‘subjective’. In detail, when it comes to the ‘objective performance evaluation’ the managers must be based merely on the ways they manage to contribute to the achievement of the ‘individual targets’ for which they have been appointed or assumed. In contrast, in the case of ‘subjective performance evaluations’ there are the professional competences, skills and working approaches, the elements which are put under examination. For the other employees, those belonging to the lower levels, the measurement and evaluation of their performance is based merely on the way they manage to contribute to the achievement of the body, agency or office objectives they belong to, their professional behaviour, their team working approach and the delivery of good quality results. Their ‘personal contribution’ is less relevant and influencing than it is for the top-level managers.
3. The third and last phase of the performance cycle management, which consists of reporting the achievements and is done at the end of the year (in Italian ‘relazione sulla performance’), underlines both: the collective and individual results/objectives achieved in relation to what was programmed for the body/office with the available human and financial resources. It is within this report that all the criticalities, changes, challenges or failures has to be denounced and evaluated as well. The validation of the performance report, which falls under the competence of the ‘independent assessment bodies (OIV)’ is the obligatory condition needed to receive the performance-related economic awards.

In consideration of the fact that there is a big variety and there are operational differences in the nature of the objectives and functions among public administration offices, the Reform only outlines the mandatory steps of the performance cycle, the internal and external actors to be involved together with their role, but does not adopt a unique system for performance measurement and monitoring itself. With regard to performance measurement and monitoring, in fact, it just sets out some general principles, such as the one mentioned above about the identification of SMART objectives in the programming stage, and relies on the support of the Commission for the respect of the general principles and the specific application in the different contexts where a specific public administration

body/office operates. The Commission (CIVIT), created with this Reform, acts in full autonomy and is responsible for directing, coordinating and supervising the evaluating functions.

The specifications for the economic volume of the performance-related awards are explicitly described in the Law. When the reform was adopted, the distinction between two ranges of the management was still valid and it was established that:

- to those managers belonging to the first range (fascia 1) – which were 25% of the total number of employees – was assigned 50% of the total amount of the resources devoted to the performance-related award.
- For those managers belonging to the second range (fascia 2) the total amount devoted to the performance award was the remaining 50% of the total amount devoted to the performance-related awards, but considering that the personnel belonging to the second range represents 50% of the total numbers of employees, the amount devoted to them (fascia 2) is economically less since it has to be distributed among a higher number of people.
- The volume of the performance related pay component of the salary for those public administrators belonging to the highest range must be the 30% of the total compensation.

To have an idea of how much the performance-related pay component is economically relevant within the payment of public administration managers, the chart below can be helpful. It shows the salaries of ministerial managers of both ranges²³ (fascia 1 – fascia 2) with all the five components which are part of them (as explained in paragraph 1.1.), among which there is the performance-related one named ‘result’ (in Italian ‘risultato’).

	Managers level 1 (25% of the total number of employees)	Managers level 2 (50% of the total number of employees)
Tabellare	56 510	43 493
Posizione fissa	36 309	12 113
Posizione variabile	72 614	16 703
Risultato (result)	16 728	10 643
Altro	6 264	3 174

The chart shows that the performance-related pay component, the fourth row from the top ‘Risultato (result)’, has a higher economic volume for managers belonging to Level 1 (dirigenti fascia 1), numerically smaller than that of managers belonging to Level 2 (dirigenti fascia 2). Numerically the value of the performance-related award for managers belonging to Level 1 is 16.728 and that for managers belonging to Level 2 is 10.643; confirming that the economic volume of this component is higher for managers on the first level then for those belonging to the second one. As already mentioned before, since 2009 the performance related pay component of the salary has to represent the 30% of the total amount of the compensation.

In addition to this general rule about the volume and incidence of the performance-related pay component within the salary for top-level public officials belonging to both ranges (fasce), by the way, it is still possible to encounter big differences in salaries among managers belonging to different ministries. Still observing data from 2012, in fact, it is possible to see that the performance-related pay component of the salary of a manager working for the Ministry of Justice, for example, is one-fifth of that received by a manager working for the Ministry of Education. This difference is connected with the influence of several factors, for example the different economic volume of the other components that compose the salary: the seniority-based one, the position-based component and so on. Also the total amount of money devoted in each department to the performance related compensation can be different, as well as the number of employees among which the performance related pay budget amount has to be divided.

²³ R. Occhilupo e L. Rizzica, ‘Incentivi E Valutazione Dei Dirigenti Pubblici In Italia’, 2016, p.15.

According to most of the academic literature and some studies carried out by national and international institutes, the effect of the introduction of a performance-related pay component within the salaries of public administrators is questionable. In Italy for example, even if the French and English models have constantly inspired the country, due to some structural differences,²⁴ the effects are having a different and less remarkable impact.

The questionable success of the performance-related pay experience in Italy, according to most of the literature and studies, is determined by two endemic elements: the Italian regulatory design and some structural factors.

With regard to the structural factors, the most influential aspect is the low flexibility of the model adopted for the measurement of the performance. Despite the fact that the model contains just the general principles and conditions, the way it is designed does not take into consideration the different dimension and the type of activities carried out by the different public administration bodies, together, and the expected outputs which are extremely different and imply a different level of responsibility for managers²⁵.

Considering the regulatory design, the problem is connected with the fact that the evaluation of the performance is done only at the final stage of the 'performance cycle management' with the ex-post report and its effectiveness might be compromised by the quality of the previous stages composing the overall cycle. For example, if the quality of the ex-ante programming step done at the beginning of the 'performance cycle' is not excellent (piano di programmazione) in matching the objectives with the strategy, the quality of the final stage – the ex-post report – properly dealing with the measurement of the performance may consequently also be compromised.

The last but no less important factor, which according to the literature can compromise the PRP in Italy, is connected with the poor managerial and administrative autonomy granted to the managers, especially after the 'Brunetta' reform. The latter, in fact, by introducing some fixed procedures within the performance cycle, makes managers' positions less flexible and forces them to assume more legal responsibilities that might compromise their managerial and administrative autonomy. This situation is extremely evident, for example, in the financial planning when it comes to the planning and management of expenses: managers are obliged to respect timing and conditions to be in line with the performance management cycle, but their managerial and administrative skills and strategies might be compromised.

Also the role of the controlling and monitoring agencies – involved in the performance cycle management – influences the impact of the performance-related pay system. The following paragraph will focus on a more in-depth analysis of these bodies and the way they operate.

5.1.4 Control mechanisms

In order to assess the compliance with the regulations it should be pointed out that the limits and standards established by law for the remuneration of top managers in national and regional public administrations and for the compensation of the President of the Italian Republic only concern the case in which the salary is paid by the state. This means that top managers are not prohibited from receiving salaries and compensations higher than the existing cap applicable in private institutions or ownership of private assets. Law 214/2011, in fact, sets a **limit on cumulative salaries only in public administrations**, so only when the compensations are paid by public administrations.

²⁴ One of the main structural differences between Italy and France, for example, is connected with the educational ad hoc training of French public administrators and the very rigid selection procedure embodied in the system, which ensures the training and selection of high-qualified administrators. With regard to the comparison between England and Italy, the structural differences are connected with a clearer separation of duties and responsibilities between 'Departments' and 'Agencies'. In England the 'Departments' are responsible for the political strategy and the 'Agencies' are responsible only for the operational and implementing duties. This clear separation is not present in the Italian system.

²⁵ G. Reborà (2015) 'La nuova riforma della PA e Il fascino discreto del performance management' available at <http://www.eticapa.it/eticapa/wp-content/uploads/2014/10/riforme-rebora-RU28sett.pdf>

Specifically, Law 214/2011 establishes that when holding two appointments in public administration, one cannot receive more than 25% of the total amount of the salary received for the first appointment (including bonuses and reimbursements); but it does not regulate or put thresholds on the incomes from the private sector, even in the case of second appointments. In this situation, also the controlling and monitoring procedures of the entitled bodies are not allowed to be executed.

The above-mentioned situation, together with **no encompassing system of disclosure** of data on the salaries of all managers of the Public Administration, provokes weaknesses of the controlling mechanism. Despite the existence and involvement at different stages of controlling/monitoring authorities in fact – as for example the ‘Agency for the Negotiating Representation of Public Administration’ which collects annually the salary declaration of managers, the nature of the collected data is incomplete. In fact, it only concerns the salary received by top officials in their public function and does not show additional private income or assets. Moreover, there is **no law imposing the disclosure** of the full assets of top managers in public administration, even if those holding political offices (such as ministers and the Prime Minister) often have their income disclosed by national media.²⁶

Not even the change introduced by the 2009 reform that obliges public administrations to publish online all their reports of the ‘Performance cycle management’ together with the amount of money given to every employee according to their performance-related pay part of the salary, can be evaluated as an effective or binding control mechanism.

The only effective or binding control mechanism, which includes also a sanction in case of bad management of public resources together with the potential payment of salaries higher than the amount established in the threshold, is described in Art. 28 of the Italian Constitution and the Decree of the President of the Republic No.3 of 1957. These legal sources describe in general the concept of ‘administrative responsibility’ for both: offices and single employees, recognising them responsible for the application and respect of the rules regarding the correct management of public money in the implementation of the administrative function.

In case, due to the ordinary control mechanism implemented by the involved agencies, will be proved that public money have not been spend according to the principles described into the Constitution, the Civil code and/or the administrative law code by a certain public administrator (the payment of too high salaries is also contemplated within one of these cases), the employee personally responsible of that will be punished with a ‘sanction for loss of revenue to the state’ (in Italian ‘danno erariale nei confronti dello stato’). According to this procedure, the responsible person will repay the State back for the same amount of the evaluated economic damage he/she provoked in the implementation of the administrative function.

In addition to that, by observing the overall payment scheme adopted in Italy, it is possible to identify four main actors involved in the control, monitoring and reporting on the correct implementation of the pay system regulations, which are:

1. The *Agency for the Negotiating Representation of Public Administration - A.R.A.N.*
2. The *Department Of Public Functions*
3. The *Independent Evaluation Bodies - O.I.V.*
4. The *Anticorruption, transparency and evaluation National Authority - A.N.A.C*

1. The Agency for the Negotiating Representation of Public Administration - A.R.A.N.²⁷ was established by the Legislative Decree No 29 of 1993 with the aim of legally representing the public administrations within the national

²⁶ See for instance the news item published on a National newspaper disclosing the assets and income of members of the government. Information retrieved at: <http://www.repubblica.it/politica/2014/05/22/news/guadagni-86831697/#gallery-slider=86808412> (Last access on 30 June 2015).

²⁷ The Agency has a Steering Committee composed of five members whose appointment occurs through a decree by the President of the Council of Ministers. Three of them are chosen by the President of the Council of Ministers by agreement with the Minister of the Treasury, one by the ‘Conference of Presidents of Regions’ and the other by the ‘Conference of Municipalities’ together with the ‘Conference of Provinces’ (‘ANCI’ and UPI). The members of the Committee are usually people with huge and high-level knowledge in the labour law field and cannot hold any elected or political position. The term of office is four years and they can be re-elected only once. Within his team, the Agency can recruit all the employers necessary according to its mission, with no numerical limit and through public competitions. (‘Art. 50 Legislative Decree No 29 of 1993, Law No 15 of 2009’).

collective labour agreement²⁸ (in Italian ‘contrattazione collettiva nazionale di lavoro’ – C.C.N.L.) and giving them technical assistance for the correct interpretation and implementation of the contents, general principles and rules described in the C.C.N.L. With specific regard to the control and monitoring functions the Legislative Decree establishes that the Agency – in cooperation with I.S.T.A.T (the Italian Statistic Institute) – collects and drafts every three months a report on the economic retributions of national public servants to be shared with the Government, the stakeholders committee and the competent Parliamentary Commissions. In order to draft the above-mentioned report properly, the Agency has also access to the data collected by the Ministry of Treasury, such as the state budget, the economic programming and the provision of public labour costs.

In addition to that, still according to the Law, national public administrations are obliged to send to the Agency all the subscribed contracts within five days indicating, for each of the salary components, from where the money will come with reference to the annual financial budget.

With regard to the procedures and fields of applications of the labour agreement (in Italian ‘contrattazione collettiva nazionale di lavoro’ – C.C.N.L.), the 2001 and 2009 reforms brought some changes in the procedure and the role of the Agency itself. Everything is described in Art. 46 and 47 of the Legislative Decree 165 of 2001 and Art. 2, 5, 40, 41, 46, 47, 48, 55 of the Legislative Decree 150 of 2009. The reforms of 2001 and 2009 on the role of the ARAN and fields of application of the collective labour agreement (in Italian ‘contrattazione collettiva nazionale di lavoro’ – C.C.N.L.) wanted to ‘reorder’ the national collective labour agreement for public administration to reinforce the competitiveness of the public sector with the private sector. Because of this, the reforms limited the field of application of the C.C.N.L and the role of ARAN only to some specific components of the overall salary of public administrators such as: ‘the fixed based salary’ and the ‘Centrally determined portion’ (please refer to paragraph 2.1 for more detailed references). The other components are decided by the belonging body or office, always in compliance with the general principles described in the CCNL, but with more decision-making and economic freedom²⁹.

More specifically the C.C.N.L and the decision-making role of ARAN cover only the following fields:

- rights and duties connected to the employment relationship;
- relations and trade unions’ prerogatives;
- disciplinary proceedings;
- performance appraisal;
- mobility and economic progressions;
- constraints, limits, actors and resources devoted to the ‘supplementary bargaining’ (contrattazione integrativa);
- contract structure.

On the other hand, the following topics are excluded:

- the organisation of the offices;
- the areas subject to trade union participation;
- acts connected with the management of labour relations;
- the appointment and revocation of executive/management positions.

²⁸ The national collective bargaining of labour (in Italian ‘contrattazione collettiva nazionale di lavoro’ – CCNL) is a procedure through which the main rules and general principles to be complied with in the implementation of a working contract are periodically established. The result of such a procedure is the so-called ‘contratto collettivo nazionale di lavoro’ (national working collective contract) and represents the basis on which all the contracts within public administrations have to be based. All the rules and basic economic references described in the ‘contratto collettivo nazionale di lavoro’ (national working collective contract) must be respected since they are supposed to represent both the rights and duties for employers, as well as those of the employees. Both categories, employers and employees, are in fact represented during the collective bargaining by their own trade unions actively involved in the procedure.

²⁹ M. Delfino ‘La nuova contrattazione collettiva nel lavoro pubblico: soggetti e procedimenti’, available at http://www.regione.emilia-romagna.it/affari_ist/rivista_5-6_09/707%20delfino.pdf

2. The Department of Public Functions. This Department, thanks to Law No 114 of the 2014, took over all the performance monitoring and evaluating procedures once assigned to the ANAC: Anticorruption, transparency and evaluation National Authority (Autorità nazionale anticorruzione e per la valutazione e la trasparenza delle amministrazioni pubbliche). The ‘Department for the Public Function’ (Dipartimento di Funzione Pubblica), created in 1983 with Law No 93 and reinforced in its functions and responsibility by Law No 124 of 2015; collects and publishes all the performance reports and data received from the several ‘Organismi Indipendente di Valutazione’ (independent evaluation bodies) on a public website called ‘Performance Portal’ (in Italian Portale della performance) available at the link www.performance.gov.it. It offers citizens unique access to all the data published by the administrations, a direct way to check the level of transparency within administrations and the achievement of the performance objectives. More specifically, with the contribution of all the public administrations and public servants themselves, the available data concerns:

- the list of the managerial positions existing in all public administrations,
- the list of the people holding those managerial positions in every public administration,
- the curriculum vitae of all the managers,
- their position in the ranking of the competition with whom he/she had access to the position.

Within this Department, according to a preliminary discussion carried out on the 25 August 2016 over a new Legislative Decree which will be implemented in the context of Law No 124 of 2015 (Riforma Madia), a new Commission will be created: the ‘Commission for the state public management’³⁰. This Commission, when and if the above-mentioned Legislative Decree is officially approved by both parliamentary chambers, will be created to ensure a higher level of transparency in the selection and appointment of top-level managers to avoid political abuse and at the same time ensure the administrative implementation of the policies. In this way the power of the political body (the Government at national level or the political body of any other public administration office at regional and local level) to identify people to appoint as top-level managers (in Italian ‘dirigenti generali’) stays, but there will be a supervisor of the whole apparatus. The Commission, in fact, can intervene ex-ante or ex-post confirming or not the procedures for the appointment of top-managers. In practice the national administration will send to the Commission the list of the potential candidates for a top-manager vacancy (those who have applied to the public competition) with all the relevant documentation and the Commission, within the following 30 days, will select the best five profiles among which the public administration can select the preferred one. In this way, a high level of transparency will be ensured together with a very objective evaluation of the profile of candidates.

3. The Independent evaluation bodies - O.I.V. These are agencies established within each public administration by their own political-administrative organs. They independently perform monitoring functions in the process of measuring and evaluating the performance. They can comprise a single member or a panel of three members.

In practice they:

- verify the proper adoption of the performance evaluation system together with the validation of the final individual performance reports;
- verify that as part of the performance cycle the administration realised a substantial integration between economic and financial planning and strategic management planning;
- promote the proper use of the performance assessment results for the monitoring and evaluation of the overall objectives of the organisation;
- promote and certify compliance with obligations related to transparency and integrity measures;
- verify the results and good practices for promoting equal opportunities.

4. The Anticorruption, transparency and evaluation National Authority - A.N.A.C. This agency was created with Law 190/2012, and then the Legislative Decree No 90 of 2014 converted into Law No 114 of the same year redesigned its institutional mission. Nowadays, by the way, this agency is no longer involved in the controlling and monitoring of the pay-scheme rules, since these kinds of tasks have been given to the ‘Department of Public

³⁰ Next to the Commission established at national level, two more commissions for regional and local public administrations will be created and named: ‘Commission for the regional public management’ and the ‘Commission for the local public management’.

Function'. It is possible to affirm that the Agency was doing the same tasks that are now being implemented by the Department and the same information has emerged from the interview.

In conclusion, concerning the national public administrations, moreover, **no sanctions are foreseen in the event of exceeding salaries**, either in the Legislative decree or in Law 214/2011. Rather, public administration bodies are encouraged to rectify deviations from the standards, but there are no indications of specific modalities and timing.

5.1.5 Overview of the situation in the semi-public sector in Italy

The semi-public sector in Italy comprises all companies with a public participation, i.e. when the state or other public institutions own shares. Such companies to be classified as 'semi-public' need also to pursue a public goal and receive funds issued from the state using public money. In addition, according to Art. 2449 of the Italian Civil Code, if the state or public institutions participate in a company, the statute may entitle the state or the participating public institution to nominate one or more members of the supervisory body.

Public companies are completely subject to private law. Therefore, the salaries of top executives of semi-public companies are **contracted individually** between the person who will hold the position and the company itself. Nevertheless, generally, public companies also have to comply with Legislative Decree No 66 of 24 April 2014 that **established a cap of €240 000 gross per year (maximum salary of the first president of the Court of Cassation)** for the executive pay of public managers.

But, the semi-public sector pay system is characterised by several 'exceptions' from the general pay scheme. In fact:

- public companies have not been subject to the Brunetta reform (legislative decree No 150/2009), which introduced a performance management system in the public administration that tightens the link between public executive pay and performance. The reason for this exclusion from the reform may be that the commercialisation of public companies has already led to structures of increased performance-related remuneration.
- The 'salva Italia' reform of 2014 was not aimed at the salaries of top managers of certain companies of the semi-public sector, companies which have a part of their shares owned by the State, but which exclusively issue financial instruments other than shares³¹. (Check the debate between prime minister Renzi and the CEO of the company 'Ferrovie dello Stato' (the Italian railway services))³². According to this restriction the cap **does not apply** to the salaries of managers of companies with **direct or indirect public control which are present or not present in the stock market and which do not publicly issue shares but exclusively other types of financial instruments**.³³
- Art. 23 ter of the Legislative Decree of 201/2011 converted into Law 214/2011 in conjunction with Art. 13 of the Legislative Decree No 66 of 24 April 2014 applies to the salaries of **managers** of companies partially owned by the State which issue shares as well as other financial instruments. But, since the legislation defines *managers* as CEOs and top executives, the cap does not affect directors of semi-public companies who do not exercise executive functions.

Due to this scenario, the cap seems to apply to only a handful of semi-public companies, and certainly not to the biggest ones. Companies like Eni (the company controlling the flow of gas and other fossil energies in Italy), Enel (the company controlling electric energy in Italy), Finmeccanica (the biggest IT group in Italy), Cdp (the agency

³¹ Amendments have excluded the application of Art. 23 ter of the Legislative Decree of 201/2011 transposed in Law 214/2011 to semi-public companies which issue exclusively 'financial instruments' different from shares.

³² Information retrieved at: <http://www.ilgiornale.it/news/interni/minaccia-moretti-renzi-se-mi-tagli-stipendio-vado-1003855.html> (Last access on 30 June 2015).

³³ Art. 23 ter of the Legislative Decree of 201/2011 converted in Law 214/2011 in conjunction with Art. 13 of the Legislative Decree No 66 of 24 April 2014.

specialised in deposits in Italy), Poste Italiane (the National Postal Services) and Ferrovie dello Stato (the National Railway Service) are excluded from the cap.

The standard does **not regulate hourly rates** but only sets a cap that limits the maximum remuneration that can be received by top managers in semi-public companies which issue bonds. Hourly rates are negotiated individually in each contract. Furthermore, the salaries of public managers of public companies are **negotiated individually** between the person who will hold the position and the company itself. As a result, the hourly rates and remuneration arrangements are also determined individually.

On top of this framework, in which the limits and standards established by law on the remuneration of top executives (CEOs) of semi-public companies that **issue shares as well as other financial instruments** only concern the salary to which the state contributes by virtue of holding shares of the company, **top executives are not prohibited from receiving salaries and compensation paid by private institutions or owning private assets annually.**

Another interesting point is that there is no agency that regularly collects all data regarding the salaries of managers and CEOs of public companies. Thus, there **is no encompassing system of disclosure** specifically for top executives in the semi-public sector. However, the information can be retrieved indirectly, as every natural person needs to disclose his or her income annually by law to the *Agenzia delle Entrate* (the agency that collects taxes in Italy). Although there is no law imposing the disclosure of the full assets of top managers in public administration, media channels often publish the statistics and amounts of salaries of top executives of semi-public companies.³⁴

5.1.6 Control mechanisms in the semi-public sector

Since the 2009 reform on performance-related pay did not directly apply to the semi-public sector (because the commercialisation of public companies has already led to structures of increased performance-related remuneration) and considering the restriction in the application of the cap for managers of those companies with **direct or indirect public control which are present or not present in the stock market and which do not publicly issue shares but exclusively other types of financial instruments**, an additional controlling instrument has been introduced.

Ministerial Decree 166 of 2013, in fact, establishes that the salary of CEOs of such semi-public companies should not be increased by more than 75% of the previous salary; but this corrective measure does not rule out the possibility of those managers having salaries higher than those of top officials in the public administration; this is also due to the fact that the specific composition of their salary does not need to conform to the stipulations of Legislative Decree 165 of 2001 (for instance, in 2012 the CEO of the National Railway Service received a salary of €873 666).³⁵

The law does not refer to any monitoring mechanism that would involve **accountants**. However, because the salaries of top executives of semi-public companies are contracted individually between the person who will hold the position and the company itself, it is possible that the company monitors the management of executive pay through accountants. For instance, in companies that have a **two-tier structure, the supervisory board** may hold this function. In companies with a **one-tier structure, the shareholders may exercise a monitoring function over the appointed CEOs**.³⁶ Hence, CEOs of companies (including semi-public ones) need to report to their shareholders and in the case of a two-tier structure also to the supervisory board. Because the state or public bodies hold shares in semi-public companies, CEOs need to report their actions also to them as shareholders sitting on the board.³⁷

³⁴ *Ibid.*

³⁵ Information retrieved at: <http://www.ilgiornale.it/news/interni/ecco-stipendi-dei-manager-pubblici-1003908.html> (Last access on 30 June 2015).

³⁶ Dorresteyn A., Monteiro T., Teichmann C., Werlauff E., European Corporate Law, Second Edition, Kluwer Law International (2009).

³⁷ Dorresteyn A., Monteiro T., Teichmann C., Werlauff E., European Corporate Law, Second Edition, Kluwer Law International (2009).

It is important to stress in this context that pursuant to Art. 2449 of the Italian Civil Code, if the state or public institutions participate in a company, the statute may entitle them to nominate members in one or more of the supervisory bodies.

Each semi-public company that issues shares as well as other financial instruments is encouraged to monitor the compliance of the salaries of its officials with the new standards established in Art. 23 of Legislative Decree 201/2011 converted in Law 214/2011. **Monitoring is assigned to each company** rather than to one national monitoring agency. More precisely, a memo of July 2013 from the Presidency of the Council of Ministers invited all bodies concerned to report to the government whether:

- There had been a deviation from the standard imposed by Art. 23 of the Legislative Decree of 201/2011 converted in Law 214/2011.
- The deviation had been corrected to fall within the aforementioned standard.
- The body has established internal regulations to classify all salaries issued to managers and determine whether a deviation from the standard is registered.³⁸

It may be derived from these guidelines that there seems to be **no sanction system** per se. The legislation enacted so far to support the provisions of Art. 23 ter of Legislative Decree 201/2011 converted in Law 214/2011 in conjunction with Art. 13 of Legislative Decree No 66 of 24 April 2014 (for semi-public companies which issue shares as well as other financial instruments) does not present any sanctions that would exist if salaries were exceeded. Rather, companies are encouraged to rectify deviations from the standards. This may imply having the manager in question return the portion of the salary exceeding the cap.

5.1.7 Ruling and mastering the exception to the cap system for specific positions in the public and semi public sector

As already stated, the Italian pay system within the public sector is characterised by the application of both mechanisms: the pay cap fixed at a standard wage level, the reference point being the salary of the first President of the Court of Cassation (primo Presidente della Corte di Cassazione), and performance-related pay.

In addition to the cap, according to which none of public administration and/or Independent Administrative Authorities (Autorità Amministrative Indipendenti³⁹) managers – including public managers up to the Prime Minister – can receive a salary higher than that of the first President of the Court of Cassation (about €240 000 gross per year), one additional rule to limit the salary of managers has been established.

This additional rule, included in Law 214/2011, does not apply to a specific position, but regulates a particular case. It is devoted, in fact, to those public functionaries holding two appointments: one in the public administration where he/she belongs and the second in a ministry, in a national public agency or in one of the Independent Administrative Authorities (Autorità Amministrative Indipendenti).

³⁸ Information retrieved from the official document circulated by the Presidency of the Council of Ministers: <http://www.funzionepubblica.gov.it/media/1084356/nt%2033516%20del%2015-7-2013-disposizioni%20su%20trattamenti%20economici-monitoraggio%202013.pdf> (Last access on 30 June 2015).

³⁹ The independent administrative authorities, within the Italian legal system, are public bodies governed with legal personality. They were born in the 1990s with the aim of ensuring the proper functioning of the market rules, especially after the entry of European Community law within national law, with a particular focus on those markets that have been for years a monopoly. In practice their role is to protect public interests in specific economic and social sectors because of the presence of numerous and different interests, categories and operators. The appointment of the members is carried out by the Parliament or the Government to ensure the independence and impartiality of the authority as a whole, over the interests of the operators involved. The authorities have the legal nature of public non-profit institutions.

Art. 2 of Law 214/2011 states that: ‘in order to avoid the accumulation of economic treatments, staff who are called – preserving the income recognised by their membership of the public administration body they originally belonged to – to exercise managerial or equivalent positions... at ministries or national public bodies including independent administrative authorities, cannot receive as remuneration or compensation for the assignment or for reimbursement of expenses more than 25% of the total amount of remuneration received for the first appointment⁴⁰’.

As specified in Art. 3 of the Law, the implementation of the limit requires the necessary cooperation of the recipients of the discipline. In particular, the competent staff or human resources departments within public administrations must ensure the collection of the financial statements made by the managers. The statements have to contain all the assignments in place paid by public finance, together with the identification of the appointing administration and the related fees. The statements must be made in the form of ‘substitutive declarations by notarised deed’ (dichiarazione sostitutiva di atto notorio) and must be addressed to the authority or administration with which the manager is running the economically prevailing assignment.

The collection of all the declarations must be made by 30 November each year. The implementation of the reduction, if the limit of €240 000 gross per year is exceeded, must be implemented either directly by the belonging administration of the employee or by the appointing one (the one for which he/she has been asked to deliver services). Therefore, the belonging administration or the one conferring the economically prevailing assignment, whether at state, regional or local level, must act as a ‘subject of coordination’ with regard to all the other administrations involved in order to make the application of the reduction effective.

When, according to the declaration collected by the competent body, the public administration manager receives overall remuneration exceeding the limit, there will be a calculation of the difference between the payable remuneration and the admitted remuneration specified by art. 3 of Law 214/2011 of €240 000 gross per year. This amount, in practice the calculated difference between the payable remuneration and the admitted remuneration specified by art. 3 of Law 214/2011, will then be shown in the payroll as ‘deduction (trattenuta)’ under Art. 3 of d.d.l. 201 of 2011’, subject to prior notification within a reasonable time to the interested person.

In general, by Law, there are not exceptions cases allowed within the Italian system for any specific position, despite the case of employees from the ‘Constitutional Bodies’ and the ‘Italian Central Bank’. According to the Chapter 4 of the Italian Constitution, in fact, legislations about the payment system cannot apply to ‘Constitutional Bodies’ and the ‘Italian Central Bank’ due to the ‘nature and mission of them and the necessity to preserve the maximum level of independency for the correct implementation of their own functions⁴¹’.

Among the ‘Constitutional Bodies’ there are the President of the Republic, the Parliament, the Council of Ministers, the Constitutional Court and the Judiciary. These bodies, together with the ‘Italian central Bank’ can determine the payment system by themselves as established within the Constitution.

For all the other positions and bodies, instead no exceptions are allowed, as also emerged from the report of the interviews, due especially to the very high reference point and threshold established by the system. Also with regard to the rule against the accumulation of economic treatments, law allows no exceptions; even if within this case more episodes of wrong application of the Law, with the consequent wrong and higher retribution perceived by the interested employee, happened during past last 5 years especially at regional level⁴².

With regard to the semi-public sector pay system, the situation is a bit more complicated due to the definition of semi-public companies itself and the existence of several ‘exceptions’ from the general pay scheme.

⁴⁰ Presidenza del Consiglio dei Ministri – Dipartimento di Funzione Pubblica, Circolare N.8/2012 ‘limiti retributivi’ – Art. 23 d.l. No 201 del 2011 convertito in l.n. 214 del 2011 – d. P.C.m. 23 marzo 2012 (G.U. 16 Aprile 2012 No 89).

⁴¹ Art. 55-82, Chapter 4 ‘the republic system’, Italian Constitution.

⁴² L. Olivieri ‘Dirigenti locali: il cumulo degli stipendi è un illecito’, available at www.leggioggi.it

According to the general definition of semi-public companies as described by Art. 2449 of the Italian Civil Code, in fact, the semi-public sector in Italy comprises all companies:

- With a public participation, i.e. when State or other public institutions own shares;
- That pursue a public goal;
- That perceive funds issued from the State using public money.

For those companies, in general, the cap applies regularly, but due to the latest development of the pay scheme regulations there are two major cases of exceptions that have also caused several scandals and debates during the last ten years.

The first is connected with the content of Art. 23 of Law 2014/2011 that establishes the cap for ‘managers’, ‘CEOs’ and ‘top executives’ of semi-public companies. Among the above-mentioned listed managerial positions which fall under the limitation, by the way, that of ‘directors who do not exercise executive functions’ is not explicitly included. As a consequence, it is possible to have, within a semi-public sector company, a ‘director’ who earns more than EUR 240,000 gross per year in the case of companies such as: ENI (the company controlling the flow of gas and other fossil energies in Italy), Enel (the company controlling electric energy in Italy), Finmeccanica (the biggest IT group in Italy), Cdp (the agency specialised in deposits in Italy), Poste Italiane (the National Postal Services) and Ferrovie dello Stato (the National Railway Service).

The second exception is connected with the ‘Salva Italia’ or Save Italy reform of 2014 (transformed in Law 214/2011). Since this reform was not addressed to managers of those semi-public companies which have a part of their shares owned by the State, but which exclusively issue financial instruments other than shares; in practice the cap for managers does not apply to companies with direct or indirect public control (whether or not they are listed in the stock market) and which do not publicly issue shares but exclusively other types of financial instruments.

At the beginning of August 2015 – for example – a big debate, connected with the above-mentioned cases of exemption from the application of the cap for semi-public managers, exploded in the most popular national newspapers. The company concerned was RAI ‘Radio Televisione Italiana’, the company responsible for the provision of radio and television services on a national scale. Within the period of public consultation for the re-elections of the CEO and managers of the Company, the existing managers have decided to start to undertake ‘debt issues’ (titoli di debito) quoted on the financial market. In this way RAI no longer falls under Law 214/2011, since it becomes a semi-public company which does not publicly issue shares but exclusively other types of financial instruments, and its incoming managers and CEO can practically receive a compensation higher than that imposed by the cap: €240 000 gross per year⁴³.

⁴³ S. Feltri – C. Trecce ‘Rai, il trucco per aggirare il tetto stipendi: così nuovo dg potrà prendere 500 mila euro’, Il fatto Quotidiano, 2 Agosto 2015, available at <http://www.ilfattoquotidiano.it/2015/08/02/rai-il-trucco-per-aggirare-il-tetto-stipendi-cosi-nuovo-dg-potra-prendere-500mila-euro/1928324/>



5.2. Poland

5.2.1 The reforms of the pay system and additional regulatory measures: overview of the situation in the public sector

The remuneration of top level officials in the Polish public sector is determined by the national pay system, most specifically by the ‘Law on the Salaries of Persons holding Managerial Public Posts’, made in 1981. Currently there is no additional regulation by law in the sense of a cap policy to regulate the salaries of top officials in the public sector.

In practice, the ‘Law on the Salaries of Persons holding Managerial Public Posts’ establishes that remunerations are determined on a base salary with a multiplier, and a variable part – such as benefits – with another multiplier. The level of pay is defined by a decree of the Prime Minister. It is based on a multiplier system in which the positions of the civil service are divided into several groups and for which each is assigned a different multiplier (coefficient). A relevant number is assigned according to the position of the public official and multiplies this base salary. (The definition of the multipliers’ range has been derived from the research and analysis of 120 000 positions in public administration.) The remuneration is thus determined by the product of a given multiplier and a base reference wage, which is defined every year by the Budget Law.

State administration in Poland combines open and closed systems of employment and career development. The structure of public administration in a broad sense encompasses state administration and self-government administration. The state administration covers organs and institutions that perform functions of the state by virtue of legal provisions.

Civil Service in Poland is a concept of a narrow scope of government administration existing in ministries and central offices at national (i.e. central) level and voivodeship offices at regional level as well as services, guards and inspections, strictly defined by law, that act on the regional and supra-local level.

The model of Polish civil service differentiates between:

1. Members of the ‘Civil Service Corps (CSC)’ such as *civil service employees* and *civil servants*. A civil service employee stands for an individual employed person on the basis of an employment contract in accordance with principles set forth in the relevant statutory provisions. A civil servant stands for an individual employed person on the basis of appointment in accordance with principles set forth in the relevant statutory provisions. The number of civil service corps members as of June 2009 was 121 004, including 5 348 civil servants, representing 0.8% and 0.03% respectively of all employees in the national economy.
2. Other categories of public employees not included in the civil service corps, such as self-government, health, education, the judiciary, etc.⁴⁴

The Law from 1981 also defines the pay of the ministers. Their salaries consist of a base amount plus a function bonus that is determined again through a multiplier system defined by the ordinance of the President of the Republic of Poland. The base reference wage is also defined by the Budget Law, as for the group of senior civil servants. Because of this, the base reference wage changes every year⁴⁵.

⁴⁴ ‘Employment statuses of those two groups are regulated by two different legislative acts. In both cases workers are divided into those employed on the basis of regular job contracts and acts of appointment’, p. 2 ‘Poland: Working conditions in central public administration’, Eurofound, available at <http://www.eurofound.europa.eu/observatories/eurwork/comparative-information/nationalcontributions/poland/poland-working-conditions-in-central-public-administration>

⁴⁵ In principle, annual changes in the base reference wage are derived through the deliberations of a tripartite commission. (The three parties in the commission are the Government, the labour unions, and private sector employers. Discussions of public sector wages are only one item in the tripartite commission’s agenda. The commission also discusses other major social issues such as increasing the retirement age. (Hence the presence of private sector employers.) In practice, the Government’s proposals have prevailed in recent years. From 2003-2009, the base wage increased each year. In 2010, the base wage was frozen at its 2009 level and remained frozen until the end of 2013.

During the economic crisis of 2008, the debate on the salaries of high-level officials in the public sector opened again. It concerned whether to freeze the salary levels of the top officials and, indeed, this was done in 2008. In 2009, moreover, the posts of senior civil servants were re-incorporated into the civil service corps, after being excluded in 2006 with the aim of including the senior civil servants in the management tasks of the state and rendering the composition of the remuneration of senior officials the same as for the rest of the civil servants in public administration.

Various legal changes were consequently introduced in the years 2008-2012 which influenced, to some extent, career and employment security in the Central Service Corps and public offices. The new ‘Act on civil service’ (from 21 November 2008 with amendments), for example, extended performance appraisals also to the employees of the civil service corps – previously only civil servants had to undergo assessment – with the first assessment to be implemented between the first eight and 11 months of work.

During the last three years the debate, however, was focusing on whether wages were high enough to attract and retain qualified staff. According to the literature and political debate the system seems still capable of motivating staff and attracting people, but when the still ongoing small economic slowdown stops (according to the forecasts within 2016-2017⁴⁶), the private sector might return to being more attractive than the public sector and the Public Administration salaries might not turn out as competitive as they are currently.

According to the EC Country report, in fact, the Polish economy continues to experience a stable economic expansion driven by domestic demand. Real GDP is expected to grow at robust rates of 3,5% per year in 2016 and 2017, well above the EU average. These growth rates might reinforce the private sector and foster the discrepancy between private and public sector wages for the highest-level professionals and managerial positions may make recruitment and retention for such positions more difficult.

5.2.2 The linking of remuneration to formal reference points: use of a base salary defined by pay scales for Poland.

In Poland, the ‘Law on the Salaries of Persons holding Managerial Public Posts’ substantially links the remuneration to a rather fixed reference point for the base salary, but loosely coupled reference points for the determination of bonuses. These are variable bonuses that are linked to scales in the pay band, or a bonus that is multiplied by varying multipliers.

In general, the base salary of staff in the civil service is composed of two elements:

1. a base reference wage, which applies to all civil servants and is adjusted on a yearly basis;
2. the so-called multiplier which applies to individual staff and is applied to the base reference wage to yield a base monthly salary.

In addition to the base salary, composed of the two elements listed above, staff also receive another part of compensation in the form of:

- a length of service bonus (a percentage that increases in monthly salary for each year of service up to 20 years);
- an anniversary bonus (a one-time bonus granted to staff after 20 and 30 years of employment);
- a ‘thirteenth month’ salary, i.e. an additional month’s pay at the end of the calendar year.

⁴⁶ ‘It is expected that Poland will drop below the 3% deficit ceiling within 2016-2017’ p. 13 ‘Poland: reforming Government Pay Setting Practices’ available at <http://www.worldbank.org/en/news/feature/2013/07/18/poland-reforming-the-public-sector-pay-system>

Taken together, the base salary and the three bonuses represent 85% of the total compensation. The remaining 15% can be composed by:

- an award for particular achievements in professional work;
- a bonus for belonging to the ‘civil service cadre’;⁴⁷
- a task bonus for temporally taking on additional work, typically to cover staff leave;
- hazard pay which, in the case of civil servants, applies to tax collectors in charge of delinquent accounts and staff working in adverse environments, such as mines).

These latter bonuses do not represent a large part of compensation. The award for professionals’ achievements, for example, constitutes about 8% of compensation and the remaining bonuses about 7%.

In a more conventional system, each position in the civil service would be assigned to a grade and each grade would have a single multiplier, but the Polish system is considerably more flexible. Until 1999, the Polish civil service had no grade structure per se. Positions had titles, but there were many different titles, set out in many different laws, each pertaining to some subset of the civil service. In 1999, the Government attempted to group position titles within the civil service into grades and continued those efforts in 2009 following the approval of the new Civil Service Law from 2008. As stated in the Government Ordinance 211 of December 2009, such grades (listed below) were identified, but in the following year, the grading system was refined again. The grades are:

- High level civil servant
- Mid-level management
- Coordinating and ‘independent’ civil servant
- Specialist
- Support level civil servants

In the following years, after 2009, the grading system was refined more and more. Each ministry was required to evaluate its civil service positions according to a common methodology, assigning each position a number of points, and grouping its positions accordingly.

In principle, the classification should have been based on the job requirements of each position: the technical background required, the scope of management responsibilities, etc. Some ministries, however, tended to classify positions according to the characteristics of the current occupant, rather than according to the requirements of the job itself. As a result, current position classifications do not necessarily reflect the actual requirements of the jobs to which they apply.

At the same time, no attempt was made to try to link grades to specific salaries. Instead, the resolution authorising the new system merely incorporated the existing range of multipliers for all the positions in a given grade. Thus if the current multipliers for staff assigned to a particular grade ranged from 2 to 8, the range for that grade was fixed at 2 to 8. As a result, the range of multipliers in each grade is extremely wide. As shown in Table 3, multipliers for support staff (the fifth group in the original five-grade classification system) ranged from 0.8 to 2.7. For high-level civil servants, they ranged from 2.2 to 8.0. Under this system, a support staff could have a higher multiplier than a high-level civil servant. In the second round of grading, some ministries expanded the number of grades and narrowed the range of multipliers in each grade. The Ministry of Education, for example, now has eight grades. The range within each grade nevertheless remains extremely wide.

In practice, the range of coefficients assigned to a given position tends to be fairly narrow. As shown in the Table 6 (‘Concentration of Multipliers within Civil Service Positions’) the vast majority of staff with a given position title receive approximately the same coefficient. This is particularly true for lower level positions and becomes less common for higher positions.

⁴⁷ Within the civil service, the Polish legislation recognises a particular status to ‘civil service cadre’. This status is assigned to individuals (ad personam) and not to positions. Thus, a civil service position within public administration may be filled by a personal member of the cadre – i.e. holding this status personally - while another, identical, can be filled by an ordinary civil servant free of this status and relative economic rewards. When established in the late 1990s, the ‘civil service cadre’ was supposed to become an ‘elite core’, constituting around 20% of the total civil service. Currently, the cadre has only 8 000 members, constituting about 6% of all civil servants.

Table 6: ‘Concentration of Multipliers within Civil Service Positions’

Position title	Common range of multipliers	% of staff within common range
Department director	5.3 - 5.9	46%
Deputy director	4.1 - 4.7	69%
Division head	3.2 - 3.8	84%
Chief specialist	2.3 - 2.9	85%
Senior specialist	2.0 - 2.6	86%
Specialist	2.0 - 2.6	88%
Clerk	1.7 - 2.3	93%
Secretary	1.7 - 2.3	82%
Inspector	1.4 - 2.0	87%

For example, 82% of secretaries and 93% of clerks are assigned a coefficient between 1.7 and 2.3. 88% of specialists and 86% of senior specialists are assigned a coefficient between 2.0 and 2.6. The difference between multiplier ranges becomes wider in more senior positions, for example only 46% of department directors receive multipliers within a similarly narrow range (5.3-5.9). No categories up to the one of ‘Senior specialists’ share the same multipliers range; they are all different from each other.

At ministerial level, the task of allocating the wage budget among individual management units involves a struggle between the director general (DG) of the ministry and the managers of each unit. Within the budgetary sphere as a whole, there are thousands of separate budget management units, each of which is, for legal purposes, a separate employer.

Within a given ministry, the manager of each unit, in principle, has the authority to alter the wage coefficients (multipliers) of individual employees. In principle, unit managers can use this discretion to reward high performing staff, or to offer an attractive wage to a potential new recruit. This discretion is, however, checked by the DG of each ministry. DGs are responsible for ensuring that the aggregate wage spending in the ministry remains within the ceiling fixed in the ministry budget. The interests of the two parties therefore differ. While a unit manager may wish to increase the salaries (i.e. multipliers) of the staff in her domain, the DG must ensure that the ministry’s overall wage bill remains within the ceiling set in the annual budget.

To this end, the DG must fend off demands from all the unit managers within the ministry. No clear rules govern this process. Individual unit managers must negotiate individual requests with their DGs. The likelihood of success is increased if a unit manager can show savings elsewhere in the wage bill. Thus the departure of a senior staff (with a high multiplier) may free up funds to increase the multipliers of the remaining staff in the unit. However, there is no guarantee that the freed-up funds will remain in the unit. The DG can assign them elsewhere.

5.2.3 Performance-related pay (for the bonuses)

As discussed in the paragraph above, even though Poland does not officially use ‘pure’ performance-related pay for the public sector staff, a similar adapted system seems to apply for the calculation of the bonuses, which represent a minor part of their overall compensation.

These performance-related bonuses can be variable and in general do not represent a large part of compensation: the award for professionals’ achievements, in fact, constitutes about the 8% of the overall total salary and is usually assigned as an award for particular achievements in professional work, without any additional specific criteria or structural evaluation procedure.

As already discussed, since the Polish economic slowdown is expected to stop within the current or the coming year – and it is expected that the private sector will return to be more attractive, at governmental level there is a big discussion on how to reinforce the attractiveness of the public sector. Among the discussed options, the introduction of ‘performance-related pay’, albeit in a more effective and structured way within the calculation of public administrators salaries, is still strong and ongoing, even though a large part of the stakeholders involved in the debate are still afraid of its effectiveness due to some empirical records which demonstrate all the challenges and difficulties of performance assessment; especially when management skills are weak.

‘For Poland, the best option may be to rely on promotions to reward staff performance. Annual performance evaluations can be used as an opportunity for managers to discuss performance issues and career prospects with individual staff, but not as a basis for financial rewards’⁴⁸.

5.2.4 Control mechanisms

With regard to external forms of control, in the Polish system there is no formal obligation for collecting or publishing salaries. Despite this, some salaries become known thanks to the intervention of other two laws: the ‘Law on Access to Public Information’ and the ‘Law on Persons Holding Managerial Public Posts’.

Despite that, an internal mechanism for self-regulation of pay exists with regard to the pay calculation for senior civil servants and is described in the ‘Civil Service Human Resources Management Standards’. This law determines the element that should be taken into account by the director general when calculating the basic pay of a civil service corps member. This might be, amongst others, the result of the job evaluation, performance and job market determinants. The standard does also stipulate which elements should not be included, such as competences of the employee that are not related to the tasks or relevant to the office held.

Because of this, by the way, several unintended effects happened:

- Unjustified differences in pay of senior posts.
- A formal differentiation/multiple existence of organs authorised for the calculation of the pay of a person holding a DG position.

For example: if a person holds a position outside the civil service, the Head of the Civil Service decides the level of pay; and if a post is held in the civil service, the pay is calculated by the political Head of Office, and does not require the involvement of the Head of the Civil Service. This has led to differences in pay of senior civil servants and high-ranking state positions on the expense of the latter.

At ministerial level, moreover, aggregate control over the wage bill is exercised through the budget. At the start of the budget cycle, the budget circular sets out the aggregate budget ceiling for each first tier budget user (e.g. each ministry). While it does not specify wage bill ceilings for each ministry, it does specify the methodology that is to be used to calculate the wage bill, so that in practice the wage bill for each ministry is fixed at the start of the budget process. Prior to the 2008 economic downturn, there appears to have been considerable game playing between the sectoral ministries and the Ministry of Finance in the estimation of each ministry’s wage bill requirements⁴⁹. For each ministry, wage bill estimates were based on the number of authorised positions (head counts) in each ministry, multiplied by the average salary of staff in that ministry in the previous year. As not all authorised positions were filled (some were temporarily vacated due to maternity leave, for example) wage bill estimates exceeded actual requirements. The surplus was used to increase salaries of existing employees. Since the wage freeze went into effect, the use of head counts has been abandoned. Instead the Ministry of Finance merely allocates each ministry the same amount as it was allocated in 2009.

⁴⁸ Page 23, ‘Poland: reforming Government Pay Setting Practices’ available at <http://www.worldbank.org/en/news/feature/2013/07/18/poland-reforming-the-public-sector-pay-system>.

⁴⁹ The World Bank (2013) ‘World Bank recommends reform of Poland’s public pay system’ available at <http://www.worldbank.org/en/news/press-release/2013/07/18/world-bank-recommends-reform-of-polands-public-pay-system>.

The budget, once reviewed by the Ministry of Finance (MOF), adopted by Government and enacted by Parliament, sets out an overall budget ceiling for each ministry in the form of 'parts' ('czesci' in Polish). One or more 'czesci' comprise the wage bill ceiling of a given ministry. Within each 'czesc', each ministry is free to allocate its wage bill ceiling among budget management units as it sees fit.

Looking at the current situation it is possible to affirm that the system for controlling the aggregate wage bill works fairly well. Aggregate wage bill spending has remained a fairly constant percentage of GDP over last ten years. This success reflects the ability of the MOF to enforce spending ceilings at the stage of budget preparation and wage ceilings (at the 'czesc' level) on individual first-line budget users during budget execution. But it also reflects the influence of the EU-imposed 'excessive deficit procedure' (EDP), which Poland must observe as long as its deficit exceeds three percent of GDP. Although the EDP does not set a ceiling on the government wage bill, it does set out an aggregate general government deficit target of three percent of GDP and requires the Government to present an acceptable plan for reaching it. The plan presented by the Polish government includes a wage freeze, which went into effect in January of 2010. Once Poland drops below the three percent deficit ceiling, however, the EDP will no longer be in effect. To replace it, the Government proposed to impose its own fiscal responsibility rule, which will limit the growth of central government expenditures to the trend growth rate of GDP, once a structural deficit of one percent of GDP is achieved.

With regard to the monitoring of individual wages, at present the MOF does not do it. This information is monitored, instead, by individual ministries. It is, however, accessible to the MOF. Information on staffing levels and wages at the subnational level (except for teachers) is not easily obtained. Local governments in Poland are independent employers. Subject only to national legislation and collective bargaining agreements, they determine their own staffing needs and wage levels and are not required to report them to the central government.

A very important and relevant actor in the field of controlling the implementation and respect of the remuneration system is the 'Supreme Chamber of Control' which, by Constitution, is the highest controlling and auditing organ of the state. The *Law on the Supreme Chamber of Control* gives the power to the Chamber, which is the highest external entity that controls the organs of public administration, to audit the Parliament's chambers Chancery, the President's Chancery, the Highest Court, the Ombudsman, the Senate's Chancery, National Council of Radio and Television, the Institute of National Memory – the Commission Persecuting Felonies Against the Polish Nation, the General Inspector of the Protection of Personal Data, the Constitutional Tribunal, the National Election Office and the Labour Inspector's Office.⁵⁰ The institutions enlisted need to make all the documents requested available to the Supreme Chamber of Control.⁵¹ The authorised members of the Supreme Chamber of Control can enter the premises of the offices under control freely, collect the relevant documentation, hear witnesses and demand information from third parties, with the help of specialists.⁵²

Another important actor to ensure compliance with all the regulations on working conditions in public administration is the 'National Labour Inspectorate (NLI)'. The most important controlling and supervisory tasks of the NLI include:

- health and safety at work
- observance of the law in the area of employment relations
- remuneration for work and other due benefits
- working time
- holiday leave
- entitlements connected to parenthood
- employment of the disabled

There are also specific areas of working conditions which belong to the competences of other authorities. In case of CSC, some responsibilities are – for example – shared by the Chief of Civil Service, the Council of Civil Service, and the Minister of Finance.

⁵⁰ Art. 4(1) Ustawa z dnia 23 grudnia 1994 r. o Najwyższej Izbie Kontroli.

⁵¹ *Ibid.*, Art. 29(1).

⁵² *Ibid.*, Art. 29(2).

Conflict cases connected to work relations are solved by ‘labour courts’, with minor exceptions, when the directors of superior offices, disciplinary commissions or the Prime Minister are the appropriate bodies.

5.2.5 Overview of the situation in the semi-public sector in Poland

The salaries of semi-public officials, officials working in state-owned or state-run enterprises, are regulated by ‘Law on Salaries of People Managing Certain Legal Entities’ or the so-called ‘Remuneration Act’ introduced in 2000. This law introduced a cap policy for remuneration in the semi-public sector. It covers different topics: the functioning of the cap, the bonus system and the extra benefit system.⁵³ It has been designed as a tool to make the system of payments more transparent and to lower the salaries. The financial crisis of 2008 has influenced the calculation of the base salary of managers in the semi-public sector, which is taken into account to establish the salaries of top officials. The reason was the state of public finances and government’s attempt to fight the crisis. In addition, since 2011 the base salary has been frozen.

In more detail, the Law (Journal of Laws No 26, item 306) applies to the managers of organisational units and their deputies, members of management and supervisory boards, chief accountants, heads of independent public healthcare funds and liquidators. Under this law, the maximum monthly remuneration of the managers concerned cannot exceed a certain multiple of the average monthly remuneration in the corporate sector in the fourth quarter of the previous year. For more details, refer to the table below about statutory limits on salaries of senior managers in state-owned enterprises.

Maximum salary	Type of entity
Seven times average wage in the corporate sector	Commercial law companies with shares owned by companies with a majority holding of the State Treasury or local/regional government organisational units exceeding 50% of the initial capital or stake
Six times average wage in the corporate sector	State-owned enterprises, State organisational units with legal personality, excluding universities, sole-shareholder commercial law companies formed by the State Treasury or local/regional government units, commercial law companies in which the State Treasury or local/regional government units hold initial capital or stakes of over 50%, foundations that receive public subsidies from central government exceeding 25% of their annual revenue, State agencies’ research and development institutions, specific funds created by law
Four times average wage in the corporate sector	Local/regional government organisational units with legal personality, foundations that receive public subsidies from local/regional government exceeding 25% of their annual revenue
Three times average wage in the corporate sector	State units and state budget-financed enterprises, excluding public administration and judiciary bodies, auxiliary bodies of state budget-financed enterprises, independent public healthcare funds

Chart taken from: ‘Debate on law capping pay of managers of state-owned enterprises’; EurWork – European observatory of working life; available at <http://www.eurofound.europa.eu/observatories/eurwork/articles/debate-over-law-capping-pay-of-managers-of-state-owned-enterprises>

⁵³ <http://www.eurofound.europa.eu/observatories/eurwork/articles/debate-over-law-capping-pay-of-managers-of-state-owned-enterprises>

In addition, the law regulates the principles of granting annual bonuses and various extra benefits, such as welfare and transportation benefits. The law also capped the salaries of councillors and members of the management boards of local/regional government units formed by legislative bodies at these levels. Since an administrative reform in 2002, the law can be applied to the remuneration of municipal (gmina) executive officers (voits), mayors, city presidents and their deputies elected by direct suffrage.

Nowadays the *Law on Salaries of People Managing Certain Legal Entities*⁵⁴ is criticised for not being flexible because of the lack of the flexibility of salaries, as it is impossible to adjust the salary to the enterprise's needs, the responsibilities of the manager, as well as the results the manager achieves.⁵⁵ As a consequence, the rules for remuneration of managerial staff in State Treasury companies have been subject to numerous analyses which have contributed to attempts to change the *Remuneration Act*, and which is currently still being reviewed.

At the time the Law was adopted it appeared that it was not only ineffective but also detrimental. Its ineffectiveness was reflected in the variety of ways of evading its provisions, while its detrimental effects have two dimensions. On the one hand, some managers may tend to succumb to a kind of passivity, resulting from a lack of new candidates for the managerial posts in certain state-owned companies. They avoid the risk of taking up a job in private enterprises, where stronger motivation in the form of higher salaries is always accompanied by fiercer rivalry and stricter assessment criteria. On the other hand, the law fosters the stereotype of 'unjustly high salaries' for management staff – a cliché frequently used by trade union officials.

Because of this animated debate, in 2014, in fact, the Ministry of State Treasury drew up the '*Draft Principles (assumptions) of the Bill on Rules of Exercising Certain Rights of the State Treasury and Local Government Units*', which introduces rules according to which remuneration of management board members of certain companies would be determined by the supervisory board or another statutory supervisory body under remuneration rules (regulations). It is still unclear, however, which kind of companies will be included in the proposal. The conditions of paying out remuneration and awarding other benefits connected with work performed by members of management bodies of crucial entities for the State Treasury would be determined in accordance with separate rules. Determining remuneration in the above-mentioned way would *not* be subject to the limits set out in the Remuneration Act. Rather the remuneration of managerial staff at State Treasury companies should be made more flexible in such a way as to make their level depend on, first of all, the economic and financial condition of the individual entities.

The *Remuneration Act*, however, has not been changed until now and remains the basic legal act applicable to remuneration of managerial staff at State Treasury companies following the aim to reduce excessive salaries.

The rules stipulated in the Act are effective for people who are in charge of entities in which the State Treasury has **a majority share**. (For companies with the minority share of the State Treasury, everything is decided by supervisory boards or general meetings of management board members. In the case of agreements on providing management services, a common practice is used: to determine fixed monthly remuneration, variable remuneration which depends on achievement of targets and lack of income/benefits from subsidiaries, etc.).

The most important rules for remunerating management board members include:

- maximum monthly remuneration of such persons may not exceed six times the average monthly remuneration in the enterprise sector (i.e. currently PLN 20 727.48 gross);
- what constitutes the basis for determining the maximum monthly remuneration amount is currently the average monthly remuneration in the enterprise sector in Q4 2009;
- maximum three-monthly severance pay is applicable;
- depending on the financial results achieved or the extent of completion of other tasks an annual bonus may be awarded whose amount may not exceed three times the average monthly remuneration. In the case of bad or deteriorating economic and financial results, the annual bonus for the president and members of the management board is not awarded;

⁵⁴ Ustawa z dnia 3 marca 2000 r. o wynagradzaniu osób kierujących niektórymi podmiotami prawnymi.

⁵⁵ <http://biuletyn.piszczy.pl/component/content/article/98-archiwum-biuletynu/biuletyn-20-luty-2013/375-kominowka-wci-budzi-wtpliwozi192>

- the reference point for the base salary is the average of monthly salary (media) in the enterprise sector (without any additional rewards which are based on profit) from the fourth quarter of the **previous year** as issued by the President of the Central Statistical Office.⁵⁶ (before the amendment of 2011).

Because of the above-mentioned principles, **the salary for the top officials employed in the companies can be a multiple (depending on the position: max. six times) of the base salary.**⁵⁷ The law provides limits on the salaries. Therefore, such a salary is a maximum, which functions as a cap. This also means that a company can propose lower salaries.

In 2011, however, due to an amendment to the law, the base salary from 2009 was reintroduced as a fixed reference point, and the base salary of the previous year no longer applies.

Later on, in **2013**, as a consequence of the implementation of the emended law, a significant number of managers left public companies because – when the companies were acquired by the state – their salaries went down.⁵⁸

To try to solve this side-effect the ministry adopted, later in April 2013, the document: *‘Good practices in the field of determining remuneration amounts and components in the case of entering into managerial contracts with management board members of certain State Treasury companies’*⁵⁹, which defines guidelines to be used in the determination of remuneration set out and paid out on the basis of managerial contracts. Its main principles include:

- The contract’s amount should not differ from the average remuneration level on the market (+/- 10% for a given sector), and should consist of two components – a fixed (60%) and a variable (40%) part.
- The variable part of the remuneration should depend on the achievement of targets and be linked to such ratios and financial results, such as: net profit, income, EBITDA, profitability or liquidity, as well as the completion of investment processes.
- At fuel and energy sector companies, 50% of the remuneration’s variable part should depend on completion of investment processes, with consideration given to, in particular, their scale, innovativeness and timely completion.

Another important aspect of the Remuneration Act is the one concerning the ‘managerial contracts’ within which, under precise circumstances, **the law is not applicable**. Those are contracts which may be signed by a natural person, or a person who conducts his own business activity and who will implement a pure ‘management services agreement’ with a company.

Within these type of contracts, if the person:

- establishes personal or material security for possible claims arising in connection with non-performance or improper performance of the contract;
- or at his/her own expense takes out third-party liability insurance in connection with management.

the limitation under the *Remuneration Act* does not apply and makes the Law inapplicable for these positions. In fact, when one of the two above-mentioned circumstances apply, the Remuneration Act become inapplicable; this means that the ‘managerial contracts’ can be included among the exceptions to the general cap system.

⁵⁶ Ustawa z dnia 3 marca 2000 r. o wynagradzaniu osób kierujących niektórymi podmiotami prawnymi, Art. 8(1), 8(3).

⁵⁷ Ustawa z dnia 3 marca 2000 r. o wynagradzaniu osób kierujących niektórymi podmiotami prawnymi, Art. 8(1), 8(3).

⁵⁸ <http://tvn24bis.pl/wiadomosci-gospodarcze,71/odprawy-odszkodowania-szefom-panstwowych-spolek-ustawa-kominowa-niestraszna.416478.html>

⁵⁹ <http://nadzor.msp.gov.pl/nad/program-profesjonaliza/25353,Dobre-Praktyki-wynagradzania-menedzerow.html>

5.2.6 Control mechanisms in the semi-public sector

Art. 15 of the *Law on Salaries of People Managing Certain Legal Entities* states that the salaries have to be published and are not covered by the law on the protection of personal data; but in the case of ‘managerial contracts’ within companies supervised by the Ministry of Treasury (i.e. companies in which the State Treasury has a **majority stake**) the salary cannot be revealed without consensus among the interested parties.

With regard to sanction methods, Art. 13 of the law states that if the salary, the annual award, and additional benefits exceed the limits given by the law, it means that *the surplus given is de iure void*. Art. 14(2) prohibits the appointment of persons having been a part of the supervisory body when Art. 14(1) was infringed for the next term.

Furthermore, Art. 202(1) of the Constitution stipulates that the ‘Supreme Chamber of Control’ is established as the highest controlling, auditing organ of the state. The Law on the Supreme Chamber of Control gives the power to the Chamber, which is the highest external entity that controls the organs of public administration, the National Bank of Poland, the state legal persons,⁶⁰ the organs of the local self-government, self-governing legal persons,⁶¹ other self-governing entities as well as other entities such as enterprises in which public means are used.⁶² Art. 10 of the law prescribes that the documents produced by the Supreme Chamber of Control are made public except for those protected by the law of secrecy.

5.2.7 Ruling and mastering the exceptions to the cap system for specific positions in the public and semi-public sector

The Polish system allows for deviations from the general civil service pay determination scheme for five categories of public sector personnel. Each of these five will be discussed below.

1. The civil service cadre. One of the benefits that membership of the cadre offers is a salary bonus. The size of the bonus depends on the professional rank of the employee within the cadre (ranging from rank I, which has a multiplier of 0.47; to rank IX, with a multiplier of 2.05). In practice this amounts to a bonus for cadre membership ranging from PLN 881 (rank I) to PLN 3841 (rank IX). The World Bank has been critical of these additional benefits for cadre members because they result in pay inequities and unequal pay for identical jobs (WorldBank 20143: 13).
2. Second, there are the uniformed services, who are rewarded based on their own base wage, which is about 15% below the normal civil service base wage. During the 2011 election campaign the army and police (but not the fire brigade) were promised an increase in base salary, despite the pay freeze that had been imposed in response to the economic crisis. This was granted in the 2012 budget.
3. Third, judges and public prosecutors have their own variant of the multiplier system. Their base reference wage is the average wage in the economy as a whole. Actual salaries of judges and prosecutors are then calculated as multiples of this base. In this way, wages for judges and prosecutors rise (or, in theory: shrink) automatically with wages in the economy as a whole.
4. Fourth, teachers. The large majority of teachers in Poland are employed by local governments, only a small number employed by central government. Their salaries are determined according to the methodology specified in the teachers’ charter.

⁶⁰ Art. 2(1) Ustawa z dnia 23 grudnia 1994 r. o Najwyższej Izbie Kontroli.

⁶¹ Art. 2(2).

⁶² Art. 2(3).

5. Lastly, the group of non-statutory public servants, of which there are about 120 000 in Poland, falls outside the multiplier mechanism. It used to be the case until 2010 that their wages were determined entirely at the discretion of managers, subject only to minimum wage legislation and the aggregate budget constraints on each ministry. Since 2010 there has also been a grade system for non-statutory public servants. It ranges from grade 1 to grade 21. The salary range in grade one is relatively narrow: the highest earning officials in grade one receive 17% more than the lowest-earning officials in that same grade. This range per grade becomes wider as the grades go up. In grade 21, the top of the range is seven times that of the bottom of that range.

6. The management of the transition period in Italy and Poland: characteristics and lesson learned

The preceding chapters have described and analysed the background, content and implications of traditional and new policies and regulation concerning the management of executive pay in the public and semi-public sectors. We have shown that different specific motivations, ideas and constraints occur in the different countries, and that each system has its own set of stakeholders, which are organised and related to one another in country-specific ways. Designing and formulating the pay regulations in such a way that fits the motivations and interests of the various stakeholders has emerged as an important factor for the success or failure of a given remuneration policy. The *content* of the policy determines for the largest part what will be the positive and negative consequences for the various stakeholders involved, such as the individual managers in the public and semi-public sector, the political executive responsible for the performance of the administrative apparatus, parliament and the wider public.

In this chapter, we devote attention to specific and very important aspects of pay regulation and its reform: transition periods and transitional provisions. With this concept we refer to, on the one hand, the period of time between the final announcement of the new policy and the complete implementation of it and, on the other hand, the provisions that are taken in order to let the transition from the old regime to the new regime take place as smoothly and effectively as possible.

Implementation specifications, transition periods and transitional provisions have been a very important part of the considerations in the Dutch debate on the new laws on executive pay and have been one of the focal points of the Council of State in their obligatory advice on the legislative proposals. Transition periods and transitional provisions are of great relevance, for a number of reasons.

First, executives and their salaries are protected against arbitrary pay cuts by means of the European Convention of Human Rights, and in most countries by their national civil service law or labour law. This means that political leaders must tread carefully when reforming the rewards regime, as it could be in violation of legal provisions.

Second, most of the new and reformed remuneration policies have been aimed at limiting the increase in executive pay, making parts of it conditional on specified performance levels, freezing it, or even bringing it down to lower levels. As such, most of the reforms are aimed at achieving a more austere approach to rewarding the managers, going against the interest of the managers in financial and in prestige terms. This aspect has made the effecting and acceptance of the policy by the individuals involved difficult, and it is also what has made the debate on more moderate rewards in the Dutch public and semi-public sector difficult in recent years. While it is a matter of fact that with most policy reforms there will be some stakeholders that benefit more than others from the new regulations; in the case of executive pay this aspect is of particular salience. This situation exists because the primary stakeholders – the public managers – are also the same people who are advising their ministers on policy and are the ones who need to implement and enforce the same policy reforms. Therefore, public managers are not only an important group, but also the most important and powerful stakeholders, ready and able to defend their interests. In this way, non-acceptance by executives is likely to hinder the effectiveness of the policy. This means that if political leaders want their remuneration policies to succeed, attention must be paid to dampening the negative effects on the main stakeholder-implementors.

Third, if the new regulations are too sudden and too detrimental to the position of executives in the public and semi-public sector, this can create shock effects which produce undesired side effects of the policy. For instance, resignation of high-performing managers, or a sudden loss of interest on the part of potential executives in taking up a position at the top of the public and semi-public sector may in the end defeat the purpose of the policy.

For all of these reasons, it is important that the new policies are well thought-through in terms of their ‘implementability’ and the degree to which the negative consequences for the stakeholders involved can be eased, take gradual rather than immediate and complete effect, involve some sort of compensation on a non-financial aspect which may maintain levels of attractiveness in the labour market, etc.

Policies and measures aimed at the regulation of executive pay have a substantive component (i.e. how high or low is the cap, how big a portion can be earned by high performance, what are the applied conditions and exemptions etc.). However, as argued above, it is important to note that there is also a significant procedural component to the topic, which can have a strong impact on the acceptance and effectiveness of the new policy, and that is the way in which the policy is implemented and what kind of provisions are made to make the transition from the old pay regime to the new one as smooth in general, and in which the negative consequences for the individuals involved are eased.

Choices can be made in terms of gradual implementation in the sense that the scope of individuals to which the policy applies is gradually widened (hierarchical grade by hierarchical grade, function type by function type, organisation type by organisation type) or in terms of the intensity of the policy (if the pay needs to be cut by 5%, it could be cut by 1% each year for a period of five years rather than an overnight cut of 5%). Alternatively, it could be decided that the new policy only applies to new hires or new appointments and that individuals on existing appointments continue to fall under the old regulations. Such transition policies can be attractive from a political point of view because the new measure can be announced in its full stringency, but can for the moment only be applied in a less far-reaching variant, thereby avoiding shock effects in the public sector labour market which could drive sought-after officials out of the executive ranks. On the other hand, such policies have their drawbacks in the sense that they cannot lead to the same immediate results as the main policy intends, and it can be financially costly. In this chapter, the transition policies that were applied accompanying the main policies as described in chapter 2 are better described and commented.

6.1 Italy

Reforms related to the level and structure of executive pay in Italy have taken on a particularly gradual character. This has not exclusively been with the purpose of ensuring a soft landing for the new policies (reasons of political feasibility, increasing necessity, and trial and error also played a role here), but the overall result has been a long-term reform path. In some ways this reform path has been largely linear, and in other ways the reform path has been capricious, when the implementation process of one government’s policy change was not yet completed before the government fell and the next government decided to partially dismantle the reforms introduced by the previous government, while the public administration had not yet fully digested the reform (Ongaro, 2009: 225).

The present arrangements are therefore the result of a long path of reform (involving more than 10 consecutive Legislative Decrees) which effectively started in the 1990s and has not yet reached a definite completion. Reforms in executive pay in Italy need to be seen in the context of wider public sector and public management reforms, which have been aimed at simplifying, modernising and improving the administrative apparatus, as a result of fiscal tightness as well as encouragement by international organisations such as the OECD, the EU and the OSCE. Consequently, the general implementation of change to the level and structure of executive pay have been ongoing and gradual over a multi-year and even multi-government period of time.

More concretely, it is important to make a distinction between the implementation processes of (a) pay caps and (b) performance-related pay. Concerning the pay cap that was introduced in 2011, which pegs the salaries of all public officials to the maximum of the salary of the President of the Court of Cassation, this too took immediate effect after its introduction and was not accompanied by transitory provisions or gradual steps for the salaries of those involved. This cap, which was introduced as part the larger ‘Salva Italia’ austerity operation, only applied to new appointments; the existing salaries of already appointed civil service executives were not adjusted downward.

Concerning the implementation of the ‘anti-cumulative provision’ of 2012, however, which was meant to put an end to the accumulation of multiple salaries, the measure introduced was that the salary for individuals fulfilling multiple jobs could not be higher than 25% of the salary of the first appointment. In order to enforce this, an enforcement and disciplinary policy was developed. The latter states that if it is detected that an individual’s total remuneration exceeds this 25% ceiling, the person involved will be notified and the exact amount of money that he or she received in excess will be calculated and automatically deducted from his or her monthly pay cheque (see Art. 3 of d.d.l 201 of 2011).

Concerning the introduction of performance-related pay, the decision was made in the 1990s to disburse the bonus component that the managers used to receive regardless of a form of assessment of their performance, and replace that bonus with the possibility of receiving a similar amount of money if their performance was on a par with the objectives set beforehand. In this way, the introduction did not, in and of itself, entail a lowering of the salary as such, but only a conditionality that was applied to receiving the annual bonus. Well-performing public managers were able to maintain their old salary level, whereas underperforming managers would see their income decrease. With this arrangement, it is questionable whether the performance-related pay really helped to incentivise overall performance, since in comparison to the pre-reform situation, overperformance was not rewarded as much, whereas underperformance was penalised.

Although the general implementation process has been gradual, the performance-related measures of 2009 and 2011 introduced overnight, i.e. without a transitory period in which the executive was given a chance to get accustomed to the new situation, an assessment without the sanctioning instrument of higher or lower wages. In addition, as a way of package-dealing and to ease the negative impact and potential labour market shocks as a result of transitions from one pay regime to another, in its recent reform plans the Italian government has chosen to not isolate changes in the pay arrangements from other reforms. Because of this they made financial reforms part of a greater reform package that also included meritocratic criteria for selection and recruitment and increases in managerial responsibility. In this way, it was intended to allow the loss of attractiveness for executive jobs caused by downward adjustments in remuneration to be compensated in part by fairer criteria for selection, recruitment and promotions and greater managerial responsibility.



6.2 Poland

In Poland, there have been a number of policy changes and reforms over the years, where choices have had to be made with regard to the implementation strategy and period. Where measures were aimed at moderating or lowering the salary of executives, or where the structure of the grading system is involved, it is important to focus the attention on how they have been implemented, both from an effectiveness point of view and from an acceptance point of view. The account below addresses the implementation of remuneration reforms in Poland in chronological order.

In 2000, the Remuneration Act was adopted, introducing a cap policy to remuneration in the semi-public sector, but the Polish Confederation of Employers (KPP)⁶³, representing many state-run enterprises, has long opposed the legislation, which it believes violates EU law. In September 2004, KPP threatened to lodge a complaint with the European Commission, unless the government repealed the law. Meanwhile the government has announced

⁶³ Employers’ organisations have always been opposed to the enforcement of all or most of the controversial provisions of the 2000 law. The most ardent critic is the Polish Confederation of Employers (Konfederacja Pracodawców Polskich, KPP) (PL0209104F), which represents such major state-run enterprises such as the PKN oil group (Polski Koncern Naftowy Orlen, PKN Orlen), the National Lottery (Totalizator Sportowy), Polish Post (Poczta Polska) and the Polish Airports State Enterprise (Przedsiębiorstwo Państwowe Porty Lotnicze). On 2 September 2004, the president of KPP, Andrzej Malinowski, stated that the law was a legislative fudge adopted merely for populist reasons. According to KPP, the limits imposed on remuneration should apply solely to the management staff of public entities redistributing benefits, such as public healthcare funds, while for State Treasury-controlled companies the regulations violate the principle of equality of private and state economic entities. The KPP president pointed out that in 2000 the European Integration Committee Office (Urząd Komitetu Integracji Europejskiej, UKIE) expressed two contradictory views of the draft law. Initially, it stated that the draft complied with EU law. Later on, however, following the case law of the European Court of Justice, it stated that the law lacked legal clarity.

proposals to relax some aspects of the statutory pay limits. The implementation of the law capping the salaries of the managers of state-owned entities has provoked relatively little controversy as regards its consequences for local and regional government units. The maximum monthly remuneration of municipal executive officers, mayors and city presidents stipulated by the law far exceeds that actually paid by most local and regional governments. However, the law has prevented these people from receiving an extra bonus that was customarily granted by many local and regional legislative bodies. These rules have been challenged by the regional authorities, which have had their position upheld by the Supreme Administrative Court (Naczelny Sąd Administracyjny, NSA).

However, heated debate has arisen over the law's provisions on the salaries earned by the managers of state-run enterprises. Opponents of the law argue that, as a result of its provisions, State Treasury-controlled companies often cannot employ eminent managers because of the unsatisfactory remuneration they can offer. The majority of specialists are much more interested in better-paid posts in the private sector. Only a minority are attracted to the state sector by the challenge of managing a large enterprise. Others are motivated by their state sector employers through extra bonuses, such as extra pensionable benefits, training, business travel or company credit cards. According to the managers, there are many ways of evading the law – such as being a member of supervisory boards of other companies or being paid for preparing analyses for affiliated companies. An illustration of the point may be the ownership structure of the Gdynia Shipyard (Stocznia Gdynia). Its management staff are reportedly not paid in accordance with the law. Despite the fact that the State Treasury has 73% of votes in the general assembly of shareholders, it holds only 45% of the company's shares.

Also the new Act on civil service (2008) introduced extended performance appraisals to senior civil servants.⁶⁴ The Civil Service Act of 21 November 2008 entered into force on 23 March 2009 as one of the measures taken on the basis of the Resolution of the Council of Ministers of 2008 on the finalisation of public administration reform. The year 2009 was devoted to implementation of the provisions of the new act and to legislative work on implementing provisions. These regulations refer mainly to remuneration issues, disciplinary procedures, performance evaluation, qualification procedures and procedures on cooperation between directors-general and the Head of Civil Service.

Another new measure taken up under the Civil Service Act is the elaboration and implementation of a strategy on the management of human resources in the Civil Service. The strategy should contain a diagnosis of the Civil Service, a definition of its strategic aims, implementation system and financial framework. The result was that in the Civil Service Act of 2008 there is considerable emphasis on implementation provisions, and transitional and harmonising provisions. For instance, the law gives detailed guidelines about the competencies, role and composition of the Civil Service Council, a group of 15 members from the administrative apparatus and parliament who advise the Head of the Civil Service and the responsible minister on all issues relating to the functioning of the civil service, including remuneration. What is striking is that the Civil Service Act often refers to other law, such as the Budget law and the Labour law, as the legal instrument to turn to if and when the Civil Service Act itself proves to be insufficiently specific for a given case. In addition, the Civil Service Act has a detailed chapter on transitional and harmonising provisions, where in 22 articles it states which rules apply during the transition period. For instance, for recruitment procedures that have not yet been concluded on the day the law takes effect, the previous regime still applies. The same applies to preparatory service initiated and uncompleted until the day the Act would enter into force, and periodic evaluation of Civil Servants, uncompleted prior to the day the Act enters into force. Also, the various exemptions of positions that are excluded from the new policies are summarised.

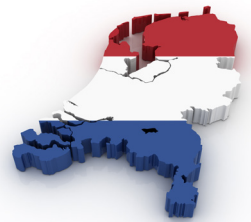
The Government Ordinance of December 2009 introduced a new grade system. The implementation of the new grading system was not a complete success, given that the allocation of the new grades should have been based on the job requirements of each position, but in a considerable number of cases it was the characteristics of the current occupant, rather than the characteristics of the task, that determined the grading.

⁶⁴ https://dsc.kprm.gov.pl/sites/default/files/pliki/ustawa_-_wersja_english.pdf

In Poland from 2009-2010, there was a salary freeze in response to the crisis of 2008. In the case of a wage freeze, no real implementation choices need to be made: the Ministry of Finance just continues to allocate each ministry the same amount it was allocated in 2009. From a financial point of view, the wage freeze has worked fairly well as a means to control the aggregate wage bill.

In 2013, private companies were bought by the state, and this meant a decrease in the salaries of their executives. In response to the relatively drastic salary cut, a significant number of managers left the newly nationalised companies because of the salary cut. The cut was implemented based on the document: *‘Good practices in the field of determining remuneration amounts and components in the case of entering into managerial contracts with management board members of certain State Treasury companies’*, which defines guidelines to be used in determination of remuneration set out and paid out on the basis of managerial contracts, but it could not prevent considerable numbers of executives from resigning.

7. Present context and arrangements in the Netherlands



7.1 Political-administrative system

In line with the Continental Rechtsstaat concept, in the Dutch political-administrative tradition, law is seen at the primary source of authority. This is the result of two foreign factors: firstly the influence of France's occupation in the early 19th century and secondly the impact of the legalist tradition of thinking about the state as was dominant in Germany in the first half of the 19th century. Moreover, at least until the period after the Second World War, public administration in the Netherlands was dominated by lawyers. Nonetheless, the Dutch version of the Rechtsstaat diverges slightly from the more closed Rechtsstaat regimes in, for instance France and Germany, in the sense that government is relatively open to external ideas, expertise and interest representation (Kickert and In 't Veld, 1995; Pollitt and Bouckaert, 2004, Van den Berg 2011).

Neo-corporatism in the Netherlands

From the 1880s to the 1970s the divisions in Dutch society were pacified and governed by means of the system of pillarisation, meaning a social and political system in which on the one hand communities were relatively separated and on the other hand elites cooperated in governing the country.

The main pillars were the protestant, the Roman Catholic, the socialist and the liberal pillars. Each pillar operated by means of its own separate institutions: churches, broadcasting associations, newspapers, trade unions, schools, hospitals and housing associations. While at the community level segregation was the norm, at the elite level conflicts and tensions were relatively effectively settled by means of consultation and negotiation. Individualisation and deconfessionalisation in the 1960s heralded the collapse of the pillarised system. New political parties emerged and challenged the old established parties, leading to additional political fragmentation.

The structure and style of Dutch politics has changed in various respects since the early 1980s. It became generally accepted that a continuation of the elaborate social security, high wages and high state intervention that had characterised the post-war model, were not helping to address the fiscal problems of that time. In line with the Dutch tradition of consultation and negotiation, state actors, employers' organisations and trade unions devised the 1982 Wassenaar Agreement, implying a combination of restrained wage development, policies of new public management and the extension of involvement of third sector organisations (Visser and Hemerijck, 1997). This pact proved economically successful and acquired international fame as the Dutch neo-corporatist Polder Model, in which government worked together with the social partners (employers and unions) and the often deconfessionalised successors of the formerly pillarised civil society organisations.

The political system

Politics in the Netherlands is based on a system of proportional representation, resulting in a multi-party landscape and generally minimal winning coalitions. In the Netherlands, ‘deliberation, consultation, and pursuit of compromise and consensus form the deeply rooted basis traits of [...] political culture’ (Kickert and In ‘t Veld, 1995: 53). These principles and their accompanying practices have proved effective in administering a society characterised by the political, religious and regional cleavages as the Netherlands is. No party has ever possessed an absolute majority in parliament, which makes coalition governments a necessary condition for government stability. In addition, coalition majorities have often been narrow enough for governments to choose to co-operate and negotiate with minority parties and interest groups as well.

The parliamentary nature of Dutch executive government corresponds to and reinforces the consensual and deliberative nature of Dutch governance in which there is no central figure or body that can easily push through drastic policy shifts (Pollitt and Bouckaert, 2004: 270).

The administrative system

In the Netherlands, the public domain consists of all those actors and organisations responsible for the collective interest (Van Braam 1988: 155). This is divided into the ‘public-public’ and the ‘private-public’ domains. The public-public domain refers to the public administration under public law, including its ancillary organisations such as government foundations and state owned enterprises. The private-public domain comprises societal self-governance by citizens, societal groups, civil society and private companies that are contracted to contribute to the implementation of tasks in the collective interest.

Historically, and from the late 19th century onwards under the pillarised society heading, non-governmental organisations under private law have always been heavily involved in the delivery of tasks in the collective interest. Indeed, for a number of tasks the government was also not responsible for the funding of these activities. As the pillarised society started to erode from the 1960s onwards and finally dissolved in the early 2000s, both the funding and the influencing of areas such as health care, education and social housing by the state increased. This went hand in hand with a transformation of these organisations from organisations traditionally legitimised by pillarisation to management-driven intermediary organisations.

In the 1980s and 1990s, many of the health care organisations and schools that were formally linked to either pillarised constituencies or local public authorities merged, scaled up and/or privatised to become such management-driven organisations. As part of this transformation, executive pay increased, while democratic legitimisation and accountability decreased, which has been called the post-pillarisation syndrome (Van der Meer, 2014).

Thorbecke’s 1848 constitution consolidated the administrative system of national, provincial and municipal government and the water authorities. Central administration consists of the totality of the ministries and the executive organisations which fall under the responsibility of ministries (agencies). The constitutional task of the central administration is to prepare and implement the agenda of the government and parliament. While all ministries have their headquarters in The Hague, the executive agencies are located throughout the country.

Next to agencies, independent administrative bodies have become an important category of national level administration since the 1970s (see section below). Moreover, Dutch administration contains various kinds of semi-governmental organisations and ‘almost every sector of government policy consists of a myriad of consultative and advisory councils, which are deeply intertwined with government and form an ‘iron ring’ around the ministerial departments’ (Kickert and In ‘t Veld, 1995: 53).

Civil service staffing principles

The Dutch civil service system is traditionally a departmental civil service with very few characteristics of a unified civil service. The only part of the national civil service that can be seen as a unified, career structure is the Foreign Service, but as this section of the national civil service is limited to only one department, it does not alter the fact that the civil service is organised per department, rather than as a general service at the disposal of the government (Van der Meer and Dijkstra, 2000).

It must be noted that a truly unified civil service would be difficult to sustain in a system in which the ministers have a large degree of autonomy concerning the issues within their policy areas and their ministry. To a certain degree, the unlikelihood of a unified civil service in the Netherlands can be understood in terms of the political fragmentation of Dutch society: political fragmentation leads to coalition governments, coalition governments prevent a centralisation of power within the core executive, absence of strong central power in the cabinet allows for high ministerial autonomy and high ministerial autonomy implies that each minister is largely free to develop and implement their own personnel management policies and practices. This is where we see the political context at work in constraining the range of options for civil service systems design (Van der Meer and Dijkstra, 2000).

Besides attempts to unify policy processes, the unification of personnel policy has been on the agenda since 1945 too. The decentralisation of personnel policy has created considerable variation across departments, which is seen as undesirable. Therefore, interdepartmental personnel support units have been created. Interestingly, in this respect, a differentiation is made to separate the senior civil service from the rest of the civil service. The senior civil service is now served by the Algemene Bestuursdienst (ABD), which will be discussed below. The rest of the civil service, which includes the vast majority of national civil servants, is appointed to the national civil service in general, but their staffing arrangements are managed at the departmental level. The departmentalised nature of the general civil service stands in contrast to the top of the civil service, for whom a service-wide career structure was set up within the Ministry of Home Affairs in 1995, the ABD.

7.2 Law on Standards for Remuneration of Executives in the Public and Semi-public Sectors

The present Law on Standards for Remuneration of Executives in the Public and Semi-Public Sectors, which goes by the shorthand WNT, took effect in December 2012. It prescribes a pay cap (§2) of about €180 000 (including holiday allowance and end-of-year bonus) before tax for all executives in the public and semi-public sector. Each year the maximum is calibrated by ministerial decree based on the development of the contractual salary costs of the government, informed by calculations by the National Bureau of Statistics (CBS). The cap applies to:

- At the central government level: secretaries-general, directors-general, inspectors-general and the other members of the so-called top management group within central government, vice-admirals, generals, lieutenant-admirals and lieutenant-generals and the executives of independent administration bodies.
- At the sub-national levels of government: secretaries of the provinces, secretaries of the water authorities and city managers, and clerks within the provincial government and municipalities.
- The chief executives (incl. the supervisory board) of public bodies and other neo-corporatist structures, including public hospitals, public schools and public broadcasting associations.
- The chief executives (incl. the supervisory board) of regulatory bodies and equivalent public entities.
- The chief executives (incl. the supervisory board) of semi-public bodies (for example museums, charitable institutions) of which 50% or more of their income, and at least €500 000 per year, for three consecutive years, is derived from government grants.
- The chief executives (incl. the supervisory board) of semi-public organisations in which the government has a substantial amount of influence, for example in the selection of the board members or in the decisions that are made by the board.

Enforcement is carried out by the responsible minister, in response to information that accountants, the Tax Service, pension funds and insurance companies are legally obliged to provide. The WNT also created an advisory board for the policy on standards for executive remuneration, which submits a report to the government at least every four years about the remuneration policy and about the improvement and effectiveness of the WNT.

8. Transferability aspects to be used in the Dutch executive pay regulation

8.1 Key institutional differences between Italy and the Netherlands

The Italian political-administrative system operates in a way which is – in broad terms – similar to that of France, Spain and other southern European countries: the so-called ‘Napoleonic tradition system’. Like other Continental systems, the law is an ‘*instrument of the state for intervening in society rather than serving as a means of conflict resolution between different societal actors*’ (Knill 2001: 65). Separate systems of public law regulate relations between the state and citizens. Administration is closely bound up with the law and there is a complex hierarchy of constitutional law, statutes, regulations, administrative notes and circulars that define the scope and content of all administrative action. Where administration discretion is exercised, it is checked by a system of judicial review, the scope of which is much wider than in the Anglo-Saxon traditions.

The main features of these types of political-administrative systems (Italy, Spain and France) include a unitary organisation of the state, a technocratic orientation toward decision-making and a prominent nation-building role for government (Chevallier 1996a: 67-68). More so than in the Germanic tradition, unified administrative rather than political or legal arrangements impose uniformity. The civil service is led by an exclusive administrative class, most of whose members are trained and recruited in a few key educational institutions. All roles of public office, whether elective or appointive, are constrained by the legalistic, etatist tradition. In legislative terms, there is a high degree of legal formalism – or ‘management by decree’ (Panozzo 2000) – coupled with sectoral and local ‘clientelism’.

Despite this, in Italy, significant devolution processes have modified the originally strongly unitary organisation of the state. One of the major processes affecting the relationship of state and society has been privatisation. The influence of privatisation is more subtle and includes the establishment of independent administrative authorities for regulation of the privatised sectors and the diffusion of independent public bodies (in Italy nine independent administrative authorities were established *ex novo*, or their tasks and power were significantly revised from 1990 to 2006). These developments have distributed public powers among numerous institutions and contributed to breaking the monolithic structure of the state, and this may have contributed to attenuating the previously dominant, strongly organic conception of the state.

Italy has also traditionally known a system of corporatism, where only selected interests have direct access to public decision making at the behest of the state. Political parties used to incorporate corporate interest in an almost organic way, in so-called ‘collateralismo’. This feature has been transformed into a more classic corporatist system, for example in the renouncement of ‘collateralismo’ in 1992 by ‘Coldretti’. Besides ‘Coldretti’, some important associations have also renounced the ‘collateralismo’ and accepted a wide role typical of private interests in public decision-making processes, both at the policy formulation and at the policy implementation level.

Moreover, in Italy, especially since the civil service reform in 1993, there has been a shift from political micromanagement to distinguishing the two spheres – political and managerial – with the consequence that the administrative powers of cabinets have been reduced (Ongaro and Valotti 2008).

Also a gradual shift from party politicisation of tenured, career officials to a spoils systems occurred in Italy, though the picture is more faceted (Ungaro, 2009 chapter 3). Since the enactments of legislative decree 29 in 1993, major changes have included partial formalisation of the civil service, with the civil service being deprived and elements of performance-based reward introduced. At the same time, the latitude of individual public sector organisations has significantly increased. The distinction between the ‘national labour contract’ (C.C.N.L.) and the so-called ‘integrative labour contract of the individual public sector organisation’ (*contratto di lavoro integrativo*) moved the most fundamental decisions concerning personnel management from the public system as a whole (i.e. from central regulators) to individual public sector organisations (Borgonovi and Ongaro, forthcoming; Ongaro 2009).

8.2 Opportunities in terms of transferability for the Italian case

The recent reform programmes and current arrangements regarding the remuneration and other personnel aspects of top executives in Italy have largely had three objectives: first, to contain the degree of politicisation; second, to increase the managerial accountability and responsibility together with the performance level; and third, a review of the taxation system of public administration salaries.

In the Netherlands, instead, the main issue regarding executive pay in the public sector has been the lack of public legitimacy for the executive pay in highest level of public administration and intermediary organisations such as: higher education institutions, hospitals and other health care organisations, social housing corporations and state-owned enterprises (including banks that were nationalised in the context of the 2008 financial crunch).

Despite the fact that the objectives and circumstances within which the performance – related reforms in Italy took place were quite different from the Dutch one, still some aspect of the Italian system could be taken into account to discuss their potential transferability in the Dutch executive pay regulation and mechanisms.

It is important to underline, in fact, how the case study of Italy can offer interesting insights into the overall regulation of executive pay in a country that, originally (during the 90s), had high levels of civil service politicisation and relatively modest instruments for incentivising its top level officials; together with the need of combining legitimization of the public officials and ensure good performance of the public sector. These last two objectives, being also quite popular within the Dutch current debate, offer one additional reason that justify the logic behind the possible comparison of these two countries.

About the aspects and procedures that could be positively considered for transferability it is possible to elaborate the following consideration:

1. The composition of the executive pay articulated in five different components could fit well into the present Dutch context because it could contribute to make the pay system even more stable, structured and transparent; fostering in this way the legitimization within the political and social debate that represent still one of the main challenges faced by the Dutch system. From the point of view of implementation, in addition, since the 2 core relevant criteria, namely position and seniority, are already discounted in the scales and steps of the current BBRA scheme, the inclusion of the additional missing ones could result very easy and fast. Concretely there will be the need to add in the BBRA scheme only the performance related component and the allowances one.
2. The introduction of a Law that fix the percentage of the resources devoted to the performance related pay within the components of the salary, as it is in Italy for employees belonging to the highest range thanks to the Law n.125 of 2009 that imposed the rule of 30%, could also work and contribute to the promotion of higher legitimacy for top level public managers since higher salaries would be proved and justified by better performances and not by not transparent criteria.
3. Performance-related pay, as it has been introduced and then reinforced in Italy with the Law n. 125 of 2009, could have a very high chance of success in the Netherlands. Firstly, it could contribute in limiting executive pay costs (as demonstrated for the Italian case by the data summarised in the chart on pag. 17 about ‘Per capita trend in salaries of the Italian public administration’) and promoting higher legitimacy; and secondly the effectiveness on the level of incentivisation for higher overall performance might have even a higher impact due to two reason. The first one is that the Netherlands, like Italy, have experienced the privatization of the public sector and public employment; the second is that in the Netherlands salaries have not been freeze due to the economic crises of 2009. This means that while in Italy since 2009 the law n. 125 was applied only to new appointed managers (and they have not been that much) due to the economic crises, in the Netherlands a more structured performance related award system - together with a certain fixed percentage of the performance related pay within every salary - could be applied immediately to all the managers and not only to the new one multiplying the effects that have been already positively registered in Italy.
4. As emerged from the desk researches and interviews (check the ARAN interviews’ feedbacks at the end of this document), two types of controlling mechanisms ensure the overall Italian arrangement. The first one is represented by ordinary controlling and monitoring procedures conducted by the involved agencies at

different stages in the implementation of their own functions with no power of sanctions (ARAN, Department of Public Function and ANAC). The second one is a sanctioning mechanism that applies in the event that the set rules are not abided by according to the Constitution. Both aspects: the involvement of different agencies and a sanctioning mechanism established by law or even by Constitution could fit within the culture of the Netherlands due – respectively – to two different factors. The first one is the ‘corporate nature’ of the society in which agencies could easily be introduced. The second one is connected with the motivating culture spread among Dutch public sector managers that is based on ‘working to contribute to the public cause’. A sanctioning mechanism established by law and/or by Constitution as in Italy (Art.28 of the Constitution and Decree of the President of the Republic n. 3 of 1957 about the ‘sanction for loss of revenue to the State’ within the administrative responsibility), in fact, would fit in a productive way within the Dutch culture of public manager, representing an instrument to punish with a sanction all those that eventually might not positively ‘contribute to the public case’ and ruined the public administrators image and culture, compromising in this way also the legitimacy for highest salaries.

8.3 Key institutional differences between Poland and the Netherlands

After the fall of communism in Poland in 1989, public administration in general and the civil service in particular underwent many changes and reforms. Poland could rely on a pre-communist political-administrative culture of its own, which emphasises basic values such as the approach of civil servants favouring the interests of the state, their impeccable civic attitudes, moral integrity, the respect associated with the status of the civil servants, and the idea that service to the country and its society is an honourable activity in itself (Itrisch-Drabarek 2012: 34). While in the 1990s most experts advocated the use of a career civil service model (for reasons of stability for a state facing the process of constant changes), in the early 21st century a position-based civil service was preferred by decision-makers. In their 2003 study, Bossart and Demmke categorised the Polish civil service as a mixed model that was leaning more towards the career model. In Polish society, the civil service still faces accusations of inflexibility, hierarchical nature and the lack of connection between work efficiency and the system of remuneration. In addition, politicians have continued to exert a strong influence on the functioning of the Polish civil service. This leads to ongoing debates concerning the party-political impartiality of the Polish civil service and of individual senior civil servants. As another result of the political influence on the civil service, the civil service itself has been the subject of political bargaining. As such, the administrative apparatus has seen as many new reform plans as there have been governments in the post-Communist period (Itrisch-Drabarek 2012).

8.4 Opportunities in terms of transferability for the Polish case

Also in the case of Poland, it is possible to identify some transferability options suitable within the Dutch system, considering also the fact that these two countries appears to have already quite a lot in common.

Just like in the Dutch BBRA salary scheme, for example, the Polish system takes into account an official’s seniority (a percentage that increases in monthly salary for each year of service up to 20 years), which in the Netherlands is factored in by means of the steps-within-grade system. Also in accordance with the Dutch practice, there are anniversary bonuses (one-time bonuses granted to staff after specified numbers of years of service) and there is an end-of-year bonus, or thirteenth month of pay. In this sense, the similarities between both systems are considerable. With regard to the attitude and culture diffused among public administrators, despite the different historical origins of that for the two countries, it is also possible to find very familiar motivations. In Poland as well as in the Netherlands there is a strong perceived value and respect in working for the interest of the state, a strong moral integrity and the perception of this kind of position as a very honourable one.

Switching the attention from the aspects in common to the particular practices that would fit well within the Dutch system, it is possible to affirm the following.

1. In Poland, the annual base reference wage is determined by the outcome of deliberations within a tripartite commission which brings together representatives of government, trade unions and private sector employers. This deliberative and inclusive way of reassessing and eventually setting the reference wage, is a practice that fits well within the Dutch neo-corporatist practice of making policy decisions; so this mechanism could be easily adopted within the Dutch system.
2. It is relevant to note that Poland in 2006, just like the Netherlands in 1995, created a specific structure for the group of most senior officials (ABD in the Netherlands), excluding them from the pay schemes of the rest of the civil service. In Poland, however, this was reversed in 2009 and compensated by the new possibility for public administration offices' directors to choose more independently the specific multiplier to apply (within the ranges established by law) and have the highest one for the highest position. The reincorporation of the top civil service with the rest could also be possible in the Netherlands if combined and compensated, like in Poland, by side instruments (for example stronger performance related pay components) that will in any case award competency and leadership. The reincorporation of top civil service together with a side compensation instrument might contribute to raise the legitimization, foster public acceptance of public sector managers and salaries, which represent one of the main challenges faced by the Dutch system nowadays.
3. Since in the Netherlands there is a push to moderate the wages, so that acceptance and legitimacy can be safeguarded, the overall Polish system of 'multipliers' together with deliberations within a tripartite commission to decide the base reference wage might be considered as a transferable solution. Establishing every year a set of multiplier that applies to individual staff, and is applied to the base reference wage to yield base mobility might reduce the wages and in that way foster the acceptance and legitimacy thanks to the involvement of all the stakeholders within the decision-making procedure.
4. Lastly, taking into account the Polish semi-public sector where also the multiplier system applies, it is possible observe that a similar system might also work for the Dutch case together with a series of 'implementing and supporting instruments' capable to foster the good practices and limit the potential inflexibility of the system. With this regard, in fact, the Polish case can represent for the Netherlands a lesson learned: in case of application of a multipliers system also in the semi-public sector might be useful to include some side instruments to promote and facilitate both: the effective application of the rules, a certain level of flexibility due to the nature of the sector itself and the promotion of best practices to foster the impact.

Conclusion

The second part of the study on the regulation of executive pay in the public and semi-public sector - implemented through desk researches and interviews - delved into the specific system implemented in Italy and Poland, with the very final objective to estimate to what extent the good practices from these countries could likely work just as well in the Dutch political-administrative context.

With regard to the Italian case, and in comparison with the Dutch system, it is possible to summarise the existing system as follows.

The present arrangement for executive pay in Italy is the use of a fixed reference point that pegs the reward of executives to that of the President of the Court of Cassation (about €240 000 gross per year). The Dutch equivalent of this function would be that of the President of the Hoge Raad, who earns, depending on seniority, between €6,864.06 and €9,159.50 gross per month, excluding allowances. In Italy, the pay for each public administration manager is negotiated individually - always respecting and applying the general principles and parameters contemplated in the collective labour agreement (C.C.N.L.) as established by the A.R.A.N. - whereas in the Netherlands only the civil servants in the very top rank are individually negotiated. Executive pay in Italy is composed of at least four and at most five different components. In the Netherlands, the pay for civil servants up to scale level 18 is established in the so-called BBRA. The BBRA gives an overview of all salaries up to scale 18,

which takes into account position (component 2 in Italy) and seniority (component 4 in Italy). In Italy, the pay cap is then coupled with the use of performance-related pay of on average about 30% of their total salary.

With regard to Poland, instead, from the study emerged that the main legal instrument to regulate the remuneration of top-level officials is the law of 1981. The law specifies that there is:

- a) a base salary which applies to all civil servants and is adjusted on a yearly basis; and
- b) a set multiplier which applies to individual staff and is applied to the base reference wage to yield a base monthly salary.

In addition, there is a variable part (benefits) with another set multiplier, which can amount to no more than 15% of the overall pay. There is no additional regulation that puts a cap on executive salaries. Performance-related pay can be granted at the discretion of administrative leadership, but does not follow specified criteria or a structural evaluation procedure.

Given the variance across political-administrative systems in terms of institutional features, political-administrative traditions and historical experience, it is essential to exercise caution when trying to transpose the good practices from one system to another, as the interventions that were carried out in country A - and were successful in that country's context - might not have the same effect, or might even have the opposite effect in country B.

In order to specify the opportunities and limitations of transferability from the Italian and Polish cases to the Netherlands, we proceeded as follows.

First, we had set out the present context and arrangement in the Netherlands. Then we delved into the Italian case and assess the scope of transferability of the findings for Italy to the Dutch context. The same procedure for the Polish case was followed as well.

It is important to underline how both countries, due to the nature of the systems per-se and since the latest implemented reforms and changes focused respectively on the pay cap system in Poland and the performance related pay in Italy; offered positive and reasonable lessons learned and transferability options for the Dutch case. The study demonstrated that both systems, reforms and mechanisms could offer, in fact, relevant ideas and insights when it comes to the challenge of maintaining the good quality of public service administration together with reducing the costs in order to foster the legitimacy for the executive pay in highest level of public administration. For this reason, it is not possible to affirm which country between Poland and Italy could offer the most suitable solutions, but indeed, it is possible to identify lessons learned for both cases having in mind that the Italian system focuses more on the performance related pay, and the Polish one on the pay Cap.

To summarise, it is possible to say that in both cases, Italy and Poland, offers at least 4 aspects each with a high possibility of transferability to the Dutch system. They are respectively:

- the composition of the executive pay articulated in five different components;
- the introduction of a Law that fix the percentage of the resources devoted to the performance related pay within the components of the salary;
- the fostering of performance-related pay;
- a sanctioning mechanism established by law and/or by Constitution as an instrument to punish with a sanction all those that eventually might not positively 'contribute to the public case' and ruined the public administrators image and culture;
- the introduction of a 'tripartite commission' which brings together representatives of several groups of interests (government, trade unions and private sector employer) to be involved (at least) in the debate and/or decision about the base reference wage;
- the reincorporation of all top civil service together with a side compensation instrument;
- the system of 'multipliers' together with deliberations within a tripartite commission to decide the base reference;
- application of a multipliers system also in the semi-public sector.

Annex

Method / nature of the online questionnaires

At the beginning of the study the implementation of some interviews with officers working for the main authorities dealing with the supervision, monitoring and control of the pay system for both countries were planned, but due to their explicit request and timing the interviews have been carried out in the form of ‘online questionnaire’ supported by integration of telephone interviews.

The online questionnaire, submitted via mail and then double-checked by phone, was semi-structured, which means that:

- An ‘interview guide’ drove the respondent with a list of questions and topics that needed to be covered during the answers.
- The respondent followed the guide, but was able to include additional topical trajectories that may stray from the guide when he or she felt this appropriate or not sufficiently focused.

Aims of the online questionnaire:

With regard to the Executive Pay regulations in Italy and Poland, the aims of the questionnaire were to:

- check and validate with practitioners the findings of our desk research;
- collect practitioner insights and real-life background information on the regulations and their workings;
- collect in-depth insights into the experiences of exception-management in the various countries, from which lessons can be drawn.

Interview guide:

1. Legal arrangements and context

Specific legal arrangements: Together with the questionnaire, respondents will receive information on our desk research concerning their country of expertise.

Relevant circumstances: the main purpose here was to get additional information about the institutional, political and societal context in which the pay regulations (a cap policy in Poland and performance-related pay in Italy) came into being and are presently functioning.

- What were the specific circumstances under which the regulations came about, in terms of:
 - Institutional setting
 - Political landscape of that time
 - Societal sentiments and pressures of that time?
- To what extent have the following aspects facilitated or hindered the successful implementation of the regulations since their implementation:
 - Institutional setting
 - Political landscape
 - Societal sentiments and pressures?

2. Exception management in a cap system

In a cap system, for political or constitutional reasons, there are bound to be some exceptions and exemptions. However, for reasons of clarity, fairness and effectiveness, it is important to restrict the number of these exceptions to a minimum. In this part of the interview, we delved into a number of exceptions in each country, tracing the following aspects of each case:

- How did the case (i.e. specific group of executives to be exempted) come onto the agenda?
 - Who were its main proponents?
 - What were there interests and incentives?
 - What arguments were used to make the case for exemption? What was the nature of these arguments (constitutional, political, utilitarian, other)?
 - What actor or institution was competent to judge whether the exemption was justified?
 - What was the decision taken? Exemption granted or not, and if so, what/how is the exemption formulated and what are the conditions?
 - What measures were taken to contain the scope of the exemption and prevent a spill-over to other groups of officials?
 - How did the implementation of the exemption go?
 - What can be said about the effectiveness of the exemption?
 - Are there, within the semi-public sector, laws that contemplate the possibility of different salary schemes, where the maximum varies for instance with the scale of the organisation in certain sectors (e.g. housing, education) (these maximums are usually lower than the general maximum of the law)?
 - In the Netherlands limited companies (enterprises) are not subject to the WNT. Are there specific regulations in the Italian / Polish laws for limited companies, or are they subject to the same set of rules and maximum salary as the public sector?

3. Control and monitoring mechanisms

- What about the monitoring and controlling mechanisms? Is there any control mechanism (a controller, other sources that contain the same kind of information), to control whether or not all companies deliver information on the salaries and performance of their employee to the responsible authority/body?
- It emerged that often government has to rely on self-reporting by companies and there seem to be no sanctions. Does government get an insight into the percentage of companies that do not obey the law, and if so in what manner?
- Is there any political debate on whether or not this system works and whether or not it is desirable that government maintains the law?

4. Additional specific country case questions

In this part of the questionnaire, due to some specific information that emerged from the desk research, each country replied to specific additional questions:

Italy

- In the Netherlands, based on the ‘Convention for the Protection of Human Rights and Fundamental Freedom’ on property, the salary remains untouched for four years and is then decreased in four years by 25% of the difference between the actual salary and the maximum that the law prescribes. Is such a gradual decrease foreseen in Italy?
- To what extent did the opposite occur: to what extent did privatising public organisations influence salaries earned and to what extent has this been an influence – like in the Netherlands – to standardise remuneration in these sectors?

Poland

- The financial crisis was the reason to introduce a base salary. Was there also a political/ethical discussion like in the Netherlands that a minister’s salary is ‘a decent maximum for all officials in the public sector’?
- If that is the case, how important was that argument and how much support was there for that point of view in the political and/or public debate?
- According to our desk research, during 2013 a significant number of managers left public companies because – when the companies were bought by the state – their salaries went down. Are there also ‘real’ public entities (which were always public and are not nationalised companies) subject to this law, and did they see such a drain of managers as well?
- Did managers, labour organisations and/or ILO object against such a drop in salary with a call upon the right to property in the ‘Convention for the Protection of Human Rights and Fundamental Freedom’? If so, what was the outcome of such objections?

- In the Netherlands, based on the above-mentioned property right, the salary remains untouched for four years and is then decreased in four years by 25% of the difference between the actual salary and the maximum that the law prescribes. Is such a gradual decrease foreseen in Poland?
- To what extent did the opposite occur: to what extent did privatising public organisations influence salaries earned and to what extent has this been an influence – like in the Netherlands – to standardise remuneration in these sectors?

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 - the assessment of needs/demand and supply in administrative capacity to manage European Structural and Investment (ESI) Funds;
 - explore the interest in a new staff exchange instrument called "Common Expert Exchange System" (CEES) for DG REGIO;
 - promote the information and the implementation of the Recommendation "Investing in Children-breaking the cycle of disadvantage" adopted by the European Commission as part of the Social Investment Package;
 - inform and exchange practices on excellent European cases of competent governance with knowledge and collaboration focus in public and private sector
- Responsible of the contract and open activities coordination, as well as the and human resources management of the Unit 2 "Public management" at EIPA Maastricht, the antenna of EIPA in Barcelona and in Luxembourg

Business or sector Education/professional training/research

January 2006 – Nov. 2013

Seconded National Expert

European Institute of Public Administration (EIPA), O.L. Vrouweplein 22, 6211 HE Maastricht, the Netherlands, Tel. + 31 43 32 96 222. www.eipa.eu

- Development and implementation of open **training activities** on PCM, results based management, Logical framework approach and **evaluation**, practical guidelines from the European Commission financial regulation, Contracting procedures applying to all EU external aid contracts financed from the EU general budget and the 10th European Development Fund (EDF), public health and European direct funding for public health, “European Commission Funding Opportunities in the Field of Environment: Policies, Programme and Technical Tools to Present Proposals and Manage Projects”
- Coordinator and project leader of **e-learning modules** on PCM, **evaluation principles** and Logical framework approach implementation within the EIPA e-learning platform (www.eipalab.eu)
- Project leader of a framework project funded by the European Commission DG Employment on delivering training on capacity building in the field of social inclusion and social protection to the 27 EU Members States ESF Managing Authorities, Ministry of labor of candidates and acceding countries. In particular the training is aimed at:
 - Support national and regional governments (in particular ESF managing authorities) and key stakeholders in building technical and administrative capacities
 - Develop skills, competencies and cooperation capabilities for designing and implementing suitable **strategic planning**, instruments and actions to support business creation by under-represented and disadvantaged groups
 - Support and promote social entrepreneurship development (in particular under the next ESF programmes)
- Coordinator and project leader of the ESF funded project “Adriatic Ionian Regional Public Administration School- institutional and capacity building”
- Designing and delivery of a tailor-made program for the Italian Council of Ministers (yearly contract signed in 2010) on Decision-Making ,Comitology System, Technical Tools for an Efficient Negotiation Strategy and **strategic management**” (more than 20 training days delivered)
- Designing and delivery of training modules (March 2010) on **“Projects Monitoring - Evaluation and Auditing”** for the National Centre for Public Administration and Local Government (EKDDA) in Greece (**5 days training**)
- Designing and delivery of training modules for Managers of the Italian Council of Ministers on Project Cycle Management, the Logical Framework Approach and **projects’ evaluation principles (yearly contract signed in 2010 and more than 15 training days delivered)**
- Designing and delivery of several trainings, consultancy and supporting activities for the Italian Ministry of European Affairs since 2011 (Provision of Information Packages, e-Learning Course, Development of an information Website, of an interactive platform on Eu funds and practices exchange, delivery of **2 Training Days per year in all the Italian regions (20) from 2011 to present**) on project cycle management, **evaluation of projects**, partnership agreement and management, budgeting and exchange of best practices.
- Coordinator and Project Leader of a Master program on EU funded opportunities, PCM and **projects’ evaluation principles** at the Luiss University (Italy 2011, 3 training days per year developed and implemented)
- Coordinator and project leader of a Master Programme developed in cooperation with the Molise university (ITALY, 2011) on the **“Strategic planning and Management of EU Funded Projects”** (10 training days delivered on strategic management, Eu funds and project management)
- Designing and delivery of **researches, information materials and tailored training activities** for the SSPAL (the Italian School of Public Administration) within a yearly contract signed on 2012 about **strategic management and planning**: implementing the logical framework approach with the SSPAL (more than 15 training days delivered)
- Responsible for the **designing and coordination** (within the project “Adriatic Ionian Regional Public Administration School- institutional and capacity building”)of the **“Adriatic Euro region Forum: Defining Competences and Skills for Public Managers in the Adriatic Eregion”**: a transnational **meeting and training event dealing with strategic management issues and implementation strategies**, comparative analysis of public sector reforms and identification/exchange of best practices (2012 – 3 training days)
- Designing and delivery of **training activities** for public officials involved in the European Microfinance network (COPIE) on European financial instruments relevant for microcredit (Jeremie, PROGRESS microfinance, the new cultural financial facility) and **strategic planning** within a contract project signed in 2013 and funded by the Italian Microcredit Authority (at least **5 training days per year until present**)
- Designing and delivery of **training activities and technical** assistance services for the Italian Microfinance Institute on strategic planning and financial instruments available for SMEs within a framework contract signed in 2013 (at least 10 training days)

- Jan.2005 – Dec. 2005 **Business or sector** Education/professional training/research
- United Nations Development Program, Kabul (Afghanistan)
- Assisting the Director of the Social Protection Department in the preparation and execution of all the activities related to the peace building operation: **evaluation of programs and projects**, drafting of reports, data analysis, and needs analysis.
- Business or sector** International organization
- Jan.2005 – Dec. 2005 **Consultant**
- UNESCO, Paris (France)
- Coordinator of a cycle of seminars on social protection standards and indicators the African Union In the framework of UNESCO commitment to the New Partnership for Africa Development (NEPAD) My duties were:
 - Responsible for the identification and coordination of sponsor bodies and partners, including the other UN Agencies involved in the project, to organize seminars in Cotonou (Benin);
 - Drafting and finalizing all the seminars background material such as presentations, concept note, simulations and relevant documentation
- Business or sector** International organization
- Oct. 2003 – Dec.2004 **Training officer/P3**
- International Labour Office ,Geneva (Switzerland)
- Organizing and delivering workshops and seminars on the Global Compact training program, which included the Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy;
 - Budgeting, planning and coordinating every action required the finalization of the event; coordinating efforts with partners
 - Ensuring the implementation of information program to publicize Global Compact issues; designing, drafting, revising and correcting various communication documents, reports, training materials and presentations; following up production of relevant material, directing the art work of such documents and monitoring their production by suppliers (graphic designer and printers); collaborating in the design and maintenance of the Global Compact project website and brochure
 - Formulating and organizing public relations procedures adapted for each event of the project in close cooperation with the ILO headquarter and relevant departments by means of a needs analysis based on specifications
 - Establishing working relations with United Nations Global Compact; governments, particularly the concerned ministries, regional and local authorities ;maintaining contacts with key civil society partners at the national and regional level, and undertaking joint projects with them;
 - Representing the ILO-Global Compact project at conferences and undertaking speaking engagements
 - Assisting in the preparation of work plans, progress reports, **program evaluation** reports and other relevant documentation on the project
 - Identification and coordination of sponsors and partners
 - Undertaking relevant mission to the beneficiary countries
 - Elaborating research studies on different aspects of the social dialogue and **gender equality**
- Business or sector** International organization
- Sept.2002 – Sept.2003 **Junior professional Officer/P2**
- United Nations Development Program, Cairo (Egypt)
- Provide policy advisory services to the Governments and other partners in the region on capacity development, including but not limited to institutional strengthening of government agencies undergoing fundamental restructuring following the Arab events
 - Provide policy advisory services in the context of the Regional Bureau for the Arab States regional programmes
 - Participate substantively in respective regional projects as part of efforts to provide integrated services Contribute to the design and formulation of CO programmes/regional programmes drawing upon lessons from programmes and other initiatives in the region and from global experiences
 - Provide effective support, timely feedback and **evaluation reports on implementation of programmes** in support of the practice architecture
 - Strengthen internal capacity on the use of UNDP corporate capacity development framework
 - Provide guidance on cross thematic issues and lead the development of cross practice synergy
- Business or sector** International organization

Sept. 2000 – Aug. 2002

Junior Professional Officer/P2

UNESCO/ILO, Cotonou (Benin)

- Developing and implementation, for the diocesan primary school of Djougou (Benin) a research for a basic education projects in educational areas (education policy, improving educational quality and access and educational assessment of disadvantaged students including orphans and vulnerable children or other children affected by HIV/AIDS).
- Development and implementation of quantitative and qualitative studies on educational research methodologies as the technical aspects of educational assessment, the Modern Item Response Theory and applied statistics.
- Planning, organizing and delivering workshops and seminars to different public administration institutions in Cotonou
- producing all relevant documents on the interreligious dialogue as the main challenge for the governance in the African public administrations, with special focus on the geographic areas where conflicts are increasingly associated with religious belonging;

Business or sector International organization

June 1999 – Dec. 99

Intern

United Nations Information Centre , Rome (Italy)

- Responsible for the preparation and circulation of the daily press clippings
- Development and drafting of press review in English to be sent daily to UN headquarters.
- Assisting the project leaders for the organisation of UNIC **workshops, meetings and public events** on social challenges. (special focus on **gender equality issues**)
- providing visibility campaigns and TV coverage
- assisting the officer in charge in dealing with journalists providing coverage to UN activities

Business or sector International organization

Sept.97 – Mar. 1999

Consultant

CIVITA/Italian Ministry of Culture Agency , Rome (Italy)

- Assisting the responsible of media campaigns in the coordination of media relations, writing press releases and other information materials
- Responsible for organization of cultural events, art-exhibitions and public relations
- Supporting the project leaders in the implementation of the project "tM.A.R.S": bring all Italian museums on-line
- Assisting the accomplishment of the exhibition: "Homo Faber" in the Archaeological Museum of Naples
- Responsible for the design and implementation of cultural events in Monte martini's power station including the exhibition "Le Macchine e gli Dei".

Business or sector Public Administration

Apr. 1994 – Mar. 1995

Consultant

Public National Newspaper/L' Informazione , Rome (Italy)

- Assisting in the organization and elaboration of the literary pages for the "Informazione" magazine

Business or sector Communication

EDUCATION AND TRAINING

2014

PRINCE2 Practitioner Certification

Global Project Management, Bilthoven (NL)

2003 - 2004

MPhil on Project & Programme Management and Public Administration Development

University of Rome La Sapienza, Rome (Italy)

Sept. 1995 - June 2000

Bachelor Degree

University of Rome La Sapienza, Rome (Italy)

- Education/Cultural Anthropology

PERSONAL SKILLS

Mother tongue(s) Italian

Other language(s)	UNDERSTANDING		SPEAKING		WRITING
	Listening	Reading	Spoken interaction	Spoken production	
English	C2	C2	C2	C2	C2
French	B2	B1	A1	A1	B2

Communication skills ▪ Excellent communications and interpersonal skills in the context of team-working gained in a range of international organization posts, through voluntary activities and through delivering training activities in multi-cultural environments and developing countries

Organisational / managerial skills ▪ Leadership skills strongly improved after the enrolment within EIPA as the Head of Unit
▪ Strategic planning
▪ Managerial skills

Position-related skills ▪ Analyse the public market/sector for the design /development of future products on public administrators 'training and capacity building
▪ Analyse and produce reports on customers' needs via "virtual" or face to face interview implementation and questionnaires
▪ Supervise and contribute to the acquisition of new projects/strategic activities
▪ Ensure the economic profitability of all of the activities
▪ Stimulate cooperation within corporate EIPA
▪ Delivering lectures, research material and consultancy services on PCM, evaluation of projects, strategic management to several Italian Institutions and Universities
▪ Represent EIPA in the context of stakeholder events and relevant forums

Computer skills Microsoft Office (word, power point, excel,), Internet, LinkedIn, Skype.

Driving licence B

Curriculum Vitae

Author: Paola Bruni



PERSONAL INFORMATION Paola Bruni

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✉ p.bruni@eipa.eu

Sex Female | Date of birth 06/06/1986 | Nationality Italian

WORK EXPERIENCE

July 2013 – up to date

Researcher

European Institute of Public Administration (EIPA), www.eipa.eu

- Research and support of Project leaders for the development of new training activities in the field of European direct funds functioning and management, Project Cycle Management; EU project monitoring and evaluation; strategic management, Public administration policies implementation and evaluations; European Neighbourhood Policy and; EU macro-regional strategies
- Design and Supporting Project Leaders and experts in the preparation of training material (power point presentations, workshops, working group exercise and background documentations)
- Research and implementation of a multiannual comparative study and analysis for the Dutch Ministry of Interior about policy implementation and public sector reforms in the field of salary pay-schemes
- Updating the contents of a website dealing with EU financial programmes for the period 2014 – 2020 and EU direct funds, together with the implementation of the on-line “questions and answers service” for beneficiaries within a service contract between EIPA and the Italian Department for European Policies of the Council of Ministries(www.finanziamentidiretti.eu)
- Updating the “academia” on-line information page of the website www.microcredito.gov.it within a service contract for the Italian Agency for Microfinance
- Supporting the EIPA Tender Officer in the preparation of relevant documentation (CVs, activities report, track records...) for tender application (Lot 2, Eures)
- Cooperation with project leaders in the design, implementation and study – visit organization of ad-hoc training programmes for non - EU groups (Afghanistan Delegation from Kabul, South Korea Delegations) in the framework of requests coming from EU Delegations and/or National ministries and Institutions
- Elaborating researches, mid-term and long-term activities reports, qualitative and evaluation reports, interviews' questionnaires and summaries within an EU project funded by the ESF in Italy (Regione Molise) dealing with the identification of training needs and best practices exchange between public administrators belonging to the Adriatic-Ionian Euro region area (Italy, Slovenia, Croatia, Bosnia and Herzegovina, Montenegro and Albania)
- Supporting the Head of unit and senior experts in the implementation of research, consultancy, training activities and framework contract services between EIPA and some EU DGs in the field of change management, quality management, human resource management, strategic management, use of new technologies in public administration, communications, SMART work, coordination and implementation tools, public administrators training needs analysis and evaluation of policies implementation

Business or sector Training, consultancy and research

June 2012 – July 2013

Internship

European Institute of Public Administration (EIPA), www.eipa.eu

- Collaboration and support of all the projects and activities realised within the EIPA UNIT II “European Public Management” with a focus on “Project Cycle Management” topic and seminars
- Development of monitoring reports on projects financed by the ESF (Regione Molise, IT)
- Supporting the Project Leaders and experts in the research and preparation of training material (power point presentation, workshop, supportive documentations)

Business or sector Training, consultancy and research

January – June 2011 **Coordinator of the University group of study “European Observatory”**

University “la Sapienza”, Rome (Italy)

- Programmes, Seminars, Meetings and Information Campaign’s organization
- Research development and scientific articles writing

Business or sector University

June- December 2008 **Internship**

Office “Europe Service: development of the city and the territory”, Municipality of San Benedetto del Tronto (AP) , 124, Viale De Gasperi, San Benedetto del Tronto (Italy)

- Collaboration with local administrators in the field of project cycle management and project evaluation: in the specific proposition/ elaboration/ realisation and evaluation of territorial projects financed by European direct and structural funds. (Life +; FESR)

Business or sector Public Administration

EDUCATION AND TRAINING

2011 - 2012 **Second level master’s degree**

“International School of government” - Luiss (Rome), Italy

- International public policy and political affairs, EU integration policies, Public administration systems and comparative analyses

September 2009 - December 2011 **Master's degree**

University of Rome “La Sapienza”, Italy

- European studies, European law, financial, environmental and energy policies, financial aid.

September 2004- February 2008 **Bachelor degree**

University of Perugia , Uni PG, Italy

- International relations, international and European economy, law, history.

PERSONAL SKILLS

Mother tongue(s) Italian

Other language(s)

	UNDERSTANDING		SPEAKING		WRITING
	Listening	Reading	Spoken interaction	Spoken production	
English	C2	C2	C2	C2	C2
French	B2	B2	B1	B1	B1

Communication skills

- Efficient management and diffusion of material and information via internet websites/ mailings and social media gained within the implementation of contract activities and technical assistance services at EIPA
- Good skills in offering trainings and lectures, together with practical workshop and case studies deepened supporting my Head of Unit and other Experts at EIPA

Organisational / managerial skills

- Good skills in organization and implementation of ad-hoc training programmes, study-visits, public events and workshop gained during my University experience and deepened within my professional experience at EIPA
- Good skills in the selection, elaboration and writing of comparative researches and training material

- Job-related skills**
- Aptitude for teamwork activities in a Multilanguage and Multicultural environment
 - Total flexibility and adaptability
 - Predisposition to travels, missions and working-abroad experiences

Digital competence

SELF-ASSESSMENT				
Information processing	Communication	Content creation	Safety	Problem solving
Proficient user	Proficient user	Proficient user	Basic User	Independent User

Other skills Painting and Photography

Driving licence B

European Institute of Public Administration (EIPA)



www.eipa.eu



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