

PERFORMANCE RELATED PAY FOR PUBLIC OFFICIALS

EXISTING PRACTICE IN GEORGIA AND ABROAD



GEORGIAN YOUNG LAWYERS' ASSOCIATION

PERFORMANCE RELATED PAY FOR PUBLIC OFFICIALS

**Existing Practice
in Georgia and Abroad**

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INTRODUCTION

1. Scope and objectives of the research

Public officials' remuneration is regarded as one of the most important aspects for the functioning of public offices both in Georgia and elsewhere in the World. Issues such as effective fight against corruption in public office, attracting qualified candidates to government jobs, keeping public servants motivated and ensuring high quality of work performed are all linked with remuneration. Accordingly, improvement of the pay system must become a priority for any public office reform.

The Action Plan for the Implementation of the Georgia's National Anti-Corruption Strategy adopted in 2010 envisaged reformation of the public servants' remuneration system. Pursuant to the Action Plan, public institutions were to gradually move towards a contracted pay system in 2012 – 2013.¹ However, no significant steps have been made to this end to date. According to the concept paper about a Public Service Code developed by the Public Service Bureau in 2011, a political and a State official shall, within the sums allocated, determine the quantities and titles of positions available within the office of the political and the State official in question. The concept paper goes on explaining that "the above-referenced pay systems differs from the American system where an individual receives salary according to the federal system of remunerations whereby the amount of the salary depends on the individual's education and work experience. Sweden and New Zealand have adopted a more flexible approach, which implies that, in government agencies, salaries are determined individually, as a result of negotiations between an employer and an employee. The latter system's advantage is that it helps attract qualified personnel offering individually-tailored work conditions (salary, vacation, work time, social protection guarantees, etc.)."² To the best of our knowledge, which is mostly based on information spread by the media sources, the new Government is planning to change the above-mentioned pay system in favor of a career development model of public servants.

¹ Decree of the President of Georgia approving the Action Plan for the Implementation of Georgia's National Anti-Corruption Strategy, 14 September 2010

² The Public Service Bureau, a Concept Paper about a Public Service Code, 2011; see http://www.csb.gov.ge/uploads/_03.06.2011.pdf (last updated 1 May 2013)

The Georgian Young Lawyers' Association (hereinafter, "GYLA") is actively involved in developing a new Anti-Corruption Strategy and Action Plan, which are meant to come into force next year. Through these documents, it is intended to regulate, *inter alia*, the issue of public officials remuneration and specific mechanisms of its reform.

In the present research, we intended

- a) to evaluate and analyze the status quo in terms of payment of bonuses to public officials, since the very bonuses are part of public officials' remuneration usually paid on the basis of subjective criteria; and
- b) to research international experience and existing practices in terms of payment of bonuses to public officials.

2. Methodology

We applied the following methodology to carry out the research:

- At first, we analyzed the applicable legal basis. In particular, legal provisions of the following normative acts were examined: the Law of Georgia on Public Service, the Law of Georgia on the State Budget and other legislative acts and bylaws;
- We then requested public information from the Chancellery of the Government of Georgia, the Administration of the President of Georgia, the Georgian ministries, including the offices of the State Ministers, and the Parliament of Georgia. In particular, we requested the following information: legal acts determining rules of payment of bonuses to the officials of the above-listed institutions and information about amounts of bonuses factually paid to public officials in the period of 1 October 2012 – 1 April 2013 (in the case of the Georgian Parliament, we requested the same information for a period ending 1 January 2013). Having received the requested data, we analyzed the obtained public information.
- At the final stage of the research, we researched international experience in terms of payment of bonuses to public officials.

3. Basic findings

GYLA's research has revealed a number of important shortcomings:

- A majority of administrative bodies covered by the research does not have regulations on payment of bonuses to public officials describing rules and procedures of making decisions about such payments;
- Decisions on payment of bonuses to public officials are not supported with reasoning explaining for which specific achievements or successes it was decided to reward the concrete public official with a bonus payment;
- Bonuses paid form a substantial part of emoluments earned by public officials as a result of their employment in public office and the amounts of the bonuses significantly exceed an average figure of similar payments in developed countries of the World.

These and other findings, together with relevant recommendations, are described in details.

THE RULE FOR PUBLIC SERVICE PAY ACCORDING TO GEORGIAN LEGISLATION

General rule of public service pay is provided in the Law of Georgia on Civil Service. According to the Law, a civil servant shall have a right to receive remuneration (salary) from the day of the entry into the service to the day of the dismissal. Remuneration (salary) of the servant includes **(a) wage, (b)bonus and (c)additional pay envisaged by the law**. Additional pay shall be made within the limits of assignments set by the budget law for spending agencies.³ The source of the Salary Fund of the civil servants is a relevant budget. Reduction of budgetary assignments cannot be made at the expense of reducing remuneration (salary) and financing of other guarantees envisaged by this law.⁴

1. Wage

Remuneration for civil servants is determined on the basis of various normative acts. According to Paragraph 1, Article 9 of the Law on Civil Service, remuneration of the President of Georgia, Member of the Parliament of Georgia, Member of the Government of Georgia, Member of the Constitutional Court of Georgia, Member of the Supreme Court of Georgia, as well as those officials, appointed or elected by the President of Georgia, the Parliament of Georgia pursuant to the Constitution of Georgia are defined by the Law of Georgia. In view of this general principle, remuneration of high officials of all the three branches of the state authority is determined by the legislative act of the Parliament of Georgia. The Law of Georgia on Remuneration of the President of the Georgia is an example of such regulation. It provides that monthly salary of the President of Georgia amounts to GEL 4 720.⁵ The Law of Georgia on Remuneration of the Members of the Constitutional Court also provide, monthly remuneration of members of the Constitutional Court of Georgia is determined as follows: (a) The head of the Constitutional Court of Georgia – GEL 5 650; (b) Deputy Chairman of the Constitutional Court of Georgia, Secretary of

³ The Law of Georgia on Civil Service, Article 37, Paragraph 1.

⁴ The Law of Georgia on Civil Service, Article 37, Paragraph 4.

⁵ The Law of Georgia on Remuneration of the President of Georgia, Article 1.

the Constitutional Court – GEL 4800; and (c) member of the Constitutional Court – GEL 4400.⁶

The Law of Georgia on Civil Service also provides that by his order the President defines the maximal and minimal margins for reimbursement of other state officials, according to the positions in public service, and afterwards relevant institutions are free to determine remunerations and positions. Presidential order “on arrangement of pay system of public servants of the government of autonomous republic and local self-government bodies” is an example of similar act issued by the President.⁷ Presidential order establishes the maximal margin for public employees of state agencies of autonomous republics, executive and representative bodies of self-governing cities and municipalities.⁸

2. Bonus

The second component of remuneration (salary) is a bonus. Legislation of Georgia (including the Law of Georgia on Civil Service) does not provide for the exact definition of the bonus and the rules regulating its definition. Lack of such rules, increase the risks of making unreasoned decisions by public agencies. In view of the meaning and international experience of bonus system, it should be noted that it is the form of public servants’ motivation for individual achievements and outstanding performance.

Although there are no rules for definition of bonuses at the legislative level, requirements established by the General Administrative Code of Georgia should apply in terms of the decision on granting the bonus, as to the individual administrative act. According to Article 53 of the Administrative Code, an administrative decree shall include a

⁶ The Law of Georgia on Remuneration of the members of the Constitutional Court, Article 1.

⁷ The Order of the President of Georgia “on arrangement of pay system to public employees of the government of autonomous republic and local self-governing bodies”, N 726, August 29, 2005

⁸ The Order of the President of Georgia “on arrangement of pay system to public employees of the government of autonomous republic and local self-governing bodies”, Article 2.

justification and the justification shall precede a conclusive section.⁹ Furthermore, if during the issuance of an administrative decree an administrative agency acted within its discretionary authority, the written justification shall include reference to all factual circumstances that were substantially important for the issuance of the decree.¹⁰

3. Add-ons prescribed by law

Pursuant to the Law of Georgia on Public Service, add-ons prescribed by law must be paid within the allotments appropriated to a spending institution under a budget law. The head of a public institution is authorized, in view of the overtime work performed and the functional workload of special responsibility, to reward the public servant with other add-ons according to established rules for a period of a financial year, within any annual salary fund savings.¹¹ The applicable legislation does not shed light to whether such add-ons differ from bonuses and why the two types of reward have become necessary to be paid as part of an employee's emoluments (salary). This question becomes even more relevant taking into consideration the nature and the basis of payment of such add-ons, which are payable on account of a public servant's overtime work and functional workload of special responsibility. Rewarding public servants with bonuses would be sufficient without the need for introducing another concept such as an add-on.

Payment of add-ons has gained a special public interest after the Georgian Prime Minister decided to reward ministers and the chief of the Government Chancellery with a monthly add-on amounting to 4,335 Georgian Lari for a period of a financial year¹². As regards payment of bonuses to ministers, as media sources have reported, each member of the Government will receive a bonus once a year for distinguished activities or other specific achievements, based on a decision of the Prime Minister. On the one hand, the above-mentioned decision ab-

⁹ The General Administrative Code of Georgia, Article 53, para. 1,2.

¹⁰ The General Administrative Code of Georgia, Article 53, para. 4.

¹¹ Law of Georgia on Public Service, Article 37, paragraph 2

¹² Order of the Prime Minister of Georgia No. 53 rewarding Ministers (State Ministers) with Add-ons; Order of the Prime Minister No. 52 rewarding the Chief of the Government Chancellery with an Add-on.

rogates the improper practice of payment of bonuses without legal basis and can thus be regarded as a positive step. However, on the other hand, it would be rather prudent to increase the remuneration of Georgian ministers and the chief of the Government Chancellery not by means of add-ons but through amending the legislation and raising the official salaries of the mentioned public officials. The add-ons, as they are being used nowadays, are not a correct form of remunerating public officials for their work; in fact, add-ons are used to replace official salaries. What strengthens the latter proposition is that add-ons are awarded only for a period of a calendar year, since orders (decisions) to pay add-ons are issued on the basis of a Law of Georgia on the State Budget. It means that the Georgian Prime Minister will have to issue the same order determining add-ons for public officials each year anew. Had the legislation been amended to raise the salaries of these public officials, none of these problems would have arisen.

In the recent period, add-ons have been used to replace bonuses in other instances too. According to information obtained by the Institute for the Development of the Freedom of Information, the Ministry of Economy and Sustainable Development has altered the type of remuneration for the first quarter of 2013; in particular, the Ministry has been paying add-ons instead of salaries to its employees (public servants).¹³ It shows a general trend towards embedding improper practices and not dealing with the actual defects.

¹³ Salary add-ons instead of bonuses: the Ministry of Economy and Sustainable Development; see https://opendatablog.wordpress.com/2013/05/15/saxelfaso_danamatebi_premiebis_nacvlad_ekonomikis_saministro/ (last updated 16 May 2013)

RULES OF PAYMENT OF BONUSES BY ADMINISTRATIVE BODIES

GYLA addressed the Georgian ministries, including the offices of State Ministers, the Chancellery of the Georgian Government, Georgian Parliament and the Office of the President of Georgia demanding copies of legal acts governing the payment of bonuses to public officials employed by these institutions. In addition, we requested (a) copies of all of the legal acts determining staffing tables, lists of staff members and salaries applicable within these institutions and (b) amounts of bonuses paid to anyone employed by these institutions since 1 October 2012 broken down per months.

Government Chancellery

The Chancellery of the Georgian Government responded to GYLA's request on 31 January 2013 informing us that decisions on payment of bonuses to public officials employed at the Government Chancellery made pursuant to the annual Law on State Budget, the Law on the Structure, Competences and Rules of Operation of the Georgian Government and the Resolution of the Government No. 244 dated 6 July 2012 approving the Statute of the Chancellery of the Government. However, the above-listed legal acts simply refer to a general competence of the Prime Minister to issue bonuses to the employees of the Government Chancellery without stipulating specific rules the Prime Minister should adhere to in doing so. The Government Chancellery also indicated there is an ongoing process of drafting a legal act to regulate remuneration-related issues and payment of bonuses by public institutions. Accordingly, the Government Chancellery does not have specific regulations determining grounds and procedures of payment of bonuses to those employed at the Chancellery.

Further, pursuant to the information provided to us, the Government Chancellery paid bonuses to its employees amounting to GEL 388,130 in October 2012, GEL 5,358 in November, GEL 343,925 in December, GEL 125,109 in January, and GEL 132,310 in February. In total, GEL 994,310 was paid to the Chancellery employees as bonuses during the requested period.

Ministry of Internal Affairs of Georgia

The Ministry of Internal Affairs of Georgia responded to GYLA's application on 1 April 2013 providing us with information about legal acts that govern rules of payment of bonuses to the employees of the Interior Ministry.¹⁴ These acts, according to the information provided, are the Law of Georgia on Police and the Order of the Interior Minister approving the Disciplinary Statute of the Georgian Ministry of Internal Affairs.¹⁵

The Law of Georgia on Police has been substantially amended since its adoption on 27 July 1993. Article 29 of the Law deals with of the public employees' incentives, stating that a bonus is one of the forms of rewarding the Ministry employees for exemplary performance of official duties, long and honest service or fulfillment of an especially difficult or important task.¹⁶ In addition to bonuses, the said provision envisages other incentives for police officers such as official commendation, pay bonuses, value gifts, a Ministry's diploma, breast insignia, a Ministry's locket, a Ministry's medal, premature award of a subsequent special rank, premature release from a disciplinary punishment imposed, reward with a civilian or service firearm and proposition for a State Award. Pursuant to the Law, several incentives may be applied at a time. Article 29 of the Law also envisages that the Minister of Internal Affairs determines rules and procedures of rewarding the Ministry's employees.¹⁷

On 4 January 2013, the Minister of Internal Affairs issued an Order approving the Disciplinary Statute of the Georgian Ministry of Internal Affairs.¹⁸ The Order replaced a previously effective Order dated 24 June 2003 approving the Disciplinary Statute of the Georgian Ministry of Internal Affairs. Both Orders contain identical rules when it comes to types of incentives and rules of proposition for and reward-

¹⁴ This means, under Article 40(1) of the General Administrative Code, that the Ministry has breached a maximum term of 10 days prescribed for the release of the requested public information.

¹⁵ Letter from the Georgian Ministry of Internal Affairs, #608490, dated 1 April 2013

¹⁶ Law of Georgia on Police, Article 29(2)(b)

¹⁷ Law of Georgia on Police, Article 29(5)

¹⁸ Order of the Interior Minister No. 4 approving the Disciplinary Statute of the Georgian Ministry of Internal Affairs

ing the Interior Ministry employees. Only the ministerial order now in force will be examined in hereinafter.

Article 6 of the Ministerial Order repeats the text of Article 29 of the Law on Police enumerating the same types of incentives. Article 7 of the Order lays down rules of rewarding the employees of the Interior Ministry (including rules of payment of bonuses). Pursuant to Article 7, an employee will be rewarded by a direct chief of the agency upon recommendation;¹⁹ **the recommendation must be supported with a description and reasoning of specific merits of the employee.** Based on such a recommendation, an employee may be rewarded through one of the above-listed means.²⁰ The Order also lists officials authorized to apply rewarding measures to the Interior Ministry employees; in particular, the following officials are empowered to apply such measures: the Interior Minister, deputy Interior Ministers, heads of structural units of the Interior Ministry, heads of territorial offices of the Interior Ministry, and heads of public law entities and under-departmental units of the Interior Ministry.²¹

The above-discussed legal acts suggest that the employees of the Georgian Ministry of Internal Affairs may be rewarded only on account of specific merits/services and in accordance with the procedures set forth in the ministerial order.

Finally, according to the information provided by the Interior Ministry, the Ministry paid bonuses to its employees amounting to GEL 170,864 in October 2012, GEL 43,940 in November, GEL 477,004 in December, GEL 122,022 in January, and GEL 203,880 in February. In total, GEL 1,017,710 was paid to the Interior Ministry employees as bonuses during the requested period.

¹⁹ Order of the Interior Minister No. 4 approving the Disciplinary Statute of the Georgian Ministry of Internal Affairs, Article 7, paragraph 1

²⁰ Order of the Interior Minister No. 4 approving the Disciplinary Statute of the Georgian Ministry of Internal Affairs, Article 7, paragraph 2

²¹ Order of the Interior Minister No. 4 approving the Disciplinary Statute of the Georgian Ministry of Internal Affairs, Article 7, paragraph 3

Ministry of Defense of Georgia

The Ministry of Defense of Georgia responded to GYLA's request on 30 January 2013 providing us with a copy of the Order of the Minister of Defense of Georgia on the Remuneration, Social Protection and Monetary Support of Military Servants, Persons with Special State Ranks and Civilians under the Georgian Defense Ministry.²² The Order determines salaries, add-ons and per diems for military servants and civilians employed by the Defense Ministry but does not prescribe rules of payment of bonuses. Accordingly, the Defense Ministry does not have specific regulations determining grounds and procedures of payment of bonuses to those employed at the Ministry.

Moreover, according to the data received from the Defense Ministry, the bonuses paid by the Ministry to its employees amounted to GEL 793,901 in October 2012, GEL 4,843,940 in December, GEL 6,603 in January, and GEL 19,287 in February. In total, GEL 5,663,731 was paid to the Defense Ministry employees as bonuses during the requested period.

Ministry of Labor, Health and Social Affairs

The Ministry of Labor, Health and Social Affairs responded to GYLA's application on February 11, 2013²³ and reported that the Ministry distributes bonuses in view of employees' performance and functional workload within their competence on the basis of Law on Civil Service and within assignments envisaged by the Law on State Budget of the relevant year within "remuneration" budget line.²⁴ Accordingly, the Ministry of Labor, Health and Social Affairs does not have specific regulations determining grounds and procedures of payment of bonuses to those employed at the Ministry.

Moreover, according to the data received from the Ministry, the bonuses paid to the employees amounted to GEL 57,575 in October 2012,

²² Order of the Minister of Defense of Georgia No. 560 on the Remuneration, Social Protection and Monetary Support of Military Servants, Persons with Special State Ranks and Civilians under the Georgian Defense Ministry

²³ Accordingly, the maximal 10 days term envisaged for disclosure of public information as per Para. 1, Article 40 of the General Administrative Code of Georgia has been violated.

²⁴ The Ministry of Labor, Health and Social Affairs, letter #01/9675, February 11, 2013.

GEL 60, 510 in November, GEL 262,860 in December, GEL 61,915 in February and GEL 71,040 in March. In total, GEL 513,900 was paid to the employees of the Ministry of Labor, Health and Social Affairs as bonuses during the requested period.

Ministry of Culture and Monument Protection

The Ministry of Culture and Monument Protection responded to GYLA's application on February 11, 2013²⁵ and reported that the Ministry has no legal act determining rule of bonus payment and bonuses are distributed on the basis of the Minister's order.²⁶ Accordingly, the Ministry of Culture and Monument Protection does not have specific regulations determining grounds and procedure of payment of bonuses to those employed at the Ministry.

Moreover, according to the data received from the Ministry, the bonus paid to the employees amounted to GEL 126,250 in October, 2012, GEL 50,000 in November, GEL - 188,060 in December, GEL 58,936 in January and GEL - 70,470 in February. In total, GEL 493,716 was paid to the employees of the Ministry as bonuses during the requested period.

Ministry of Justice of Georgia

The Ministry of Justice of Georgia responded to GYLA's application on February 6, 2013²⁷ and reported that the Ministry has no separate relevant legislative act determining the rule for bonus payment. According to submitted information, the issue is regulated as per Article 74, clause b) of the Law on Civil Service and the Order No. 104 of the Minister of Justice of Georgia approved according to internal regulations of the central office of the Ministry of Justice. According

²⁵ Accordingly, the maximal 10 days term envisaged for disclosure of public information as per Para. 1, Article 40 of the General Administrative Code of Georgia has been violated.

²⁶ The Ministry of Culture and Monument Protection, Letter №04/11-424, 11 February, 2013.

²⁷ Accordingly, the maximal 10 days term envisaged for disclosure of public information as per Para. 1, Article 40 of the General Administrative Code of Georgia has been violated.

to Paragraph 1, Article 13 of the regulations, the form of motivation envisaged by the Law of Georgia on Civil Service is applied in case of outstanding performance of official duties, for long term and honest service and for fulfillment of especially complicated or important task.

The Ministry of Justice also submitted information about pecuniary incentives system applied within the Ministry. As reported, the Ministry has two forms of pecuniary incentives: bonus system and monthly adds-on. The bonus system is applied on a quarterly basis and is focused on target oriented management. In particular, in the beginning of the year, targets are set for each employee and at the end of each quarter the head of the department assesses the quality of performed objectives and grants relevant scores thereto. Accordingly, the final results are submitted to the supervisor deputy minister and ultimately to the Minister, who gives consensus on granting of quarterly bonus or rejects it. As regards the monthly adds-on, the employees of the Ministry receive monthly additions to the base salary. However, according to submitted information, the rule of employees' motivation is not regulated by relevant legislative acts.

As reported from the Ministry of Justice, since November 2012 the reform of employees' motivation is underway with a view to observe equity and fairness within the central office of the Ministry, as well as in legal entities of public law under the administration of the Ministry. The Ministry also intends to regulate elaborated new polices by relevant legislative acts.

Moreover, according to the data received from the Ministry, the bonus paid to the employees amounted to GEL 185,933 in October, 2012, GEL 186,014 in November, GEL 238,511 in December, GEL 157,237 in January and GEL 66,857 in February. In total, GEL 834,552 was paid to the employees of the Ministry as bonuses during the requested period.

Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia

The Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia responded to GYLA's application of February 5, 2013²⁸ and reported that the Ministry distributes bonuses among the employees on the basis of the Law of Georgia on the State Budget and Article 74 of the Law of Georgia on Civil Service. Accordingly, the Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia does not have specific regulations for determining grounds and procedures of payment of bonuses to those employed at the Ministry.

Moreover, according to the data received from the Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia the bonus paid to the employees amounted to GEL 56,585, GEL 191,204 in December and GEL 1,600 in February. In total, GEL 249, 389 was paid to the employees of the Ministry as bonuses during the requested period.

Ministry of Sport and Youth Affairs of Georgia

The Ministry of Sport and Youth Affairs of Georgia responded to GYLA's application on January 29, 2013 and reported that the Ministry has not specific legal act for determining rule of payment of bonuses. According to submitted information, the Ministry distributes bonuses among its employees on the basis of Minister's individual administrative act, as per Article 37 of the Law of Georgia on Civil Service and paragraph 3, clause g) of Article 6 of internal regulations of the Ministry approved by Government Resolution #183 on July 7, 2010. Yet, the act determines only the general competence of the Minister to distribute bonuses to the employee of the Ministry and the document does not envisage rules for regulation of bonus system. In view of this, the Ministry of Sport and Youth Affairs of Georgia does not have specific regulations for determining grounds and procedure of payment of bonuses to those employed at the Ministry.

²⁸ Accordingly, the maximal 10 days term envisaged for disclosure of public information as per Para. 1, Article 40 of the General Administrative Code of Georgia has been violated.

Moreover, according to the data received from the Ministry of Sport and Youth Affairs of Georgia, the bonus paid to the employees of the ministry amounted to GEL 28, 570 in October 2013, GEL 34 900 in November, GEL 154,510 in December and GEL 33,985 in February. In total, GEL 251,965 was paid to the employees of the Ministry as bonuses during the requested period.

Ministry of Environment Protection of Georgia

The Ministry of Environment Protection of Georgia responded to GYLA's application on January 31, 2013 and reported that while determining the issue of bonus payment for outstanding and successful target oriented performance, the Ministry is governed by Article 37 of the "Civil Service Law" and recommendations of the heads of structural units of the Ministry. In view of this the Ministry of Environment Protection of Georgia does not have specific regulations for determining grounds and procedures payment of bonuses to those employed at the Ministry.

The Ministry also submitted that activities are underway on the draft of the Minister's order that will determine the common criteria for employees' financial motivation and make the process more transparent and effective.

Finally, according to the data received from the Ministry of Environment Protection of Georgia, the bonus paid to the employees of the Ministry amounted to GEL 58,760 in October 2012, GEL 22,650 in November, GEL 121,890 in December, GEL 37,520 in January, GEL 30,780 in February and GEL 13,250 in March. In total, GEL 284,965 was paid to the employees as bonuses during the requested period.

Ministry of Economy and Sustainable Development of Georgia

The Ministry of Economy and Sustainable Development of Georgia responded to GYLA's application on January 31, 2013 and reported that the rule of bonus payment to the Ministry of Economy and Sustainable Development of Georgia is determined by Paragraph 1, Article 27 of the Law of Georgia on Civil Service and by paragraph 3, clause a) and q), Article 8 of Government Resolution #77 of September 10, 2004 on "Approval of the Regulations of the Ministry of Economy and

Sustainable Development of Georgia”²⁹, yet the norms of the regulation concern only general reference to the competence of the Minister and state that he manages the Ministry, resolves the issues pertaining to the administration of the Ministry and issues orders on the basis of laws, normative acts of the President of Georgia and government resolutions and for their execution. Accordingly, the Ministry of Economy and Sustainable Development of Georgia does not have specific regulations for determining grounds and procedures for payment of bonuses to those employed at the Ministry.

Finally, according to the data received from the Ministry of Economy and Sustainable Development of Georgia, the bonus paid to the employees of the Ministry amounted to GEL 179,610 in October, 2012, GEL 49,655 in November, GEL 522,882 in December, and GEL 56,500 in the period of January-February 2013. In total, GEL 808,965 was paid to the employees as bonuses during the requested period.

Ministry of Corrections and Legal Assistance of Georgia

The Ministry of Corrections and Legal Assistance of Georgia responded to GYLA's application on January 31, 2013 ³⁰ and submitted that the Ministry does not have any regulations determining the rule of bonus payments.

Moreover, as reported, the bonuses paid to employees of the Ministry of Corrections and Legal Assistance of Georgia in October, 2012 amounted to GEL 38,160, in November it was GEL 22,130, GEL 58,910 in December, GEL 10,665 in January and GEL 20,605 in February. In total, GEL 150,470 was paid to the employees as bonuses during the requested period.

²⁹ The Ministry of Economy and Sustainable Development of Georgia, letter # 08/683, January 2013

³⁰ The Letter of the Ministry of Corrections and Legal Assistance of Georgia, #7986/01, January 31, 2013.

Ministry of Education and Science of Georgia

The Ministry of Education and Science of Georgia responded to GYLA's application on February 4, 2013³¹ and submitted that bonuses are distributed in the Ministry within discretionary power of the Minister on the basis of Article 74 of the Law of Georgia on Civil Service and Paragraph 2, Article 3 of the Regulations of the Ministry of Education and Science approved by the government resolution #37 of May 21, 2004. According to the provision of the regulations, territorial entities of the Ministry, educational resource centers and legal entities of public law make decision on application of monetary incentives (including bonuses), envisaged within legislation, in terms of employees of the entities of the Ministry upon submission of the heads of entities for performance of especially complicated or important task successfully, as well as for implementation of official duties at high quality manner. It should be noted that the rule applies only to territorial entities of the Ministry, in particular, to the employees of the educational resource centers and legal entities of public law within the Ministry, rather than to the central personnel of the Ministry.

Moreover, as reported, the bonuses paid to the employees of the Ministry Education and Science of Georgia in October 2012 comprised GEL 214,510, GEL 950 in November, GEL 210,800 in December and GEL 168,630 in March. As a result, the total of paid bonus amounted to GEL 594,890.

Ministry of Regional Development and Infrastructure of Georgia

The Ministry of Regional Development and Infrastructure of Georgia responded to GYLA's application on February 4, 2013 and reported that the rule and conditions for distributing bonuses are not regulated by legislative acts.³² The Ministry informed that decisions on performance-related pay are made at the session of the advisory board of the Ministry of Regional Development and Infrastructure of Georgia, set up on the basis of the order of the Minister #112/o on November 19, 2012. The issue of performance related pay of employees is dis-

³¹ The letter of the Ministry of Education and Science of Georgia, # 337,56 of February 4, 2013.

³² The Letter of the Ministry of Regional Development and Infrastructure, # 364/c, February 4, 2013 .

cussed upon the proposals submitted by the heads of structural units. Consequently, the Ministry of Regional Development and Infrastructure of Georgia does not have specific regulations for determining grounds and procedures for payment of bonuses to those employed at the Ministry.

Moreover, as reported, the bonuses paid to the employees of the Ministry in October 2012 comprised GEL 133,760, GEL 129, 505 in November, GEL 155,862 in December, GEL 74,806 in January and GEL 78,830 in February. As a result, the total of paid bonus amounted to GEL 572, 013.

Ministry of Finance of Georgia

The Ministry of Finance of Georgia responded to GYLA's application on February 4, 2013 and reported that the central office of the Ministry issues bonuses according to the Law of Georgia on State Budget of Georgia 2013 and the Law of Georgia on Civil Service. In view of this, the Ministry of Finance does not have specific regulations for determining grounds and procedures for payment of bonuses to those employed at the Ministry.

Moreover, as reported, in the period of October-December 2012, GEL 1,285,160 was paid as bonus, while GEL 252, 155 was paid in the period of January-March 2013. Totally the sum of distributed bonus amounted to GEL 1,537,315.

Ministry of Foreign Affairs of the Georgia

The Ministry of Foreign Affairs of the Georgia responded to GYLA's application of March 31, 2013 and reported that the Ministry does not have administrative act determining employees bonus system.

In addition, as reported, in the period of October 2012 –March 2013 GEL 987,006 has been issued totally as bonuses to employees of the Ministry.

Office of the State Minister on Reintegration Issues

The Office of the State Minister on Reintegration Issues responded to GYLA's statement on March 18, 2013 and reported that the Office applies the Law on Civil Service and the Law on State Budget when

paying bonuses.³³ Therefore, the Office of the State Minister on Reintegration Issues does not have specific regulations for determining grounds and procedures for payment of bonuses to those employed at the agency.

Moreover, as reported, the amount of bonuses paid to the employees of the Office of the State Minister on Reintegration amounted to GEL 32,100 in October, 2012, GEL 21,050 in November, GEL 47, 210 in December, GEL 15,650 in January and GEL 15,650 in February. As a result, the total sum of issued bonuses comprised GEL 131,600.

Office of the State Minister of Georgia on European and Euro-Atlantic Integration

The Office of the State Minister of Georgia on European and Euro-Atlantic Integration responded to GYLA's application on March 25, 2013³⁴ and informed that bonus payment is regulated on the basis of individual legal acts (orders) of the State Minister.³⁵ Consequently, the Office of the State Minister of Georgia on European and Euro-Atlantic Integration does not have specific regulations for determining grounds and procedures for payment of bonuses to those employed at the agency.

Moreover, as reported, the amount of paid bonuses to the employees of the Office of the State Minister of Georgia on European and Euro-Atlantic Integration amounted to GEL 25,340 in October 2012, GEL 21, 960 in November, GEL 66,975 in December, GEL 26,334 in January, GEL 24,660 in February, and GEL 31,910 in March. As a result, the total sum of paid bonuses amounted to GEL 197,179.

Office of the State Minister of Georgia on Diaspora Issues

The Office of the State Minister of Georgia on Diaspora Issues responded to GYLA's application on March 22, 2013 and reported that

³³ The Office of the State Minister on Reintegration issues, letter #4-11/267, March 18, 2013

³⁴ Accordingly, the maximal 10 days term envisaged for disclosure of public information as per Para. 1, Article 40 of the General Administrative Code of Georgia has been violated.

³⁵ The Office of the State Minister of Georgia on European and Euro-Atlantic Integration. Letter # №01/1040, 25 March 2013.

bonus system is not determined by the separate legislative act.³⁶ The Office provided that bonuses are distributed according to the Law of Georgia on State Budget, within annual assignment distributed for the Office and on the basis of relevant order of the Minister on granting bonuses to civil servants.

Moreover, as reported, the amount of paid bonuses to employees of the Office of the State Minister on Diaspora Issues amounted to GEL 17,597 in October 2012; GEL 13,500 in November, GEL 29,835 in December, GEL 18,835 in February and GEL 5,835 in March. As a result, the total of paid bonuses comprised GEL 85,603.

Ministry of Energy and Natural Resources of Georgia

The Ministry of Energy and Natural Resources of Georgia failed to submit information about the bonus system in the agency. According to information, based on study of normative acts in terms of operation of the Ministry, it does not possess specific rules for determining the ground and procedures of performance related pay.

The Ministry of Energy and Natural Resources of Georgia submitted information about issued bonuses. As reported, in October, 2012 the amount of bonuses within the Ministry of Energy and Natural Resources of Georgia comprised GEL 104, 030, in November GEL 99,880, in December GEL 148,800, in January 58,680 and in February 64,880. As a result, the total sum of paid bonuses amounted to GEL 476,270.

Ministry of Agriculture of Georgia

The Ministry of Agriculture of Georgia failed to submit information about the bonus system in the agency. According to information, based on study of normative acts in terms of operation of the Ministry, it does not possess specific regulations for determining grounds and procedures for payment of bonuses to those employed at the Ministry.

The Ministry of Agriculture Submitted information about granted bonuses, in particular, the amount of bonuses in October 2012 amount-

³⁶ The Office of the State Minister of Georgia on Diaspora Issues, letter #01-10/217, March 22, 2013.

ed to GEL 187,670, 333,135 GEL in December, 105, 497 GEL in January, 106,968 GEL in March. Totally, the sum of paid bonuses amounted to GEL 733,270.

Parliament of Georgia

The Parliament of Georgia responded to GYLA's request of February 6, 2013 and provided several legal acts prescribing the decisions of assigning the bonuses in the specific period.

- According to the Decision No. 6/18 of the Bureau of the Parliament of Georgia dated 30 June 2008, the monthly budget of the bonuses for the Members of the Parliament in the amount of 37,500 GEL was approved;
- According to the Decision No. 2/3 of the Bureau of the Parliament of Georgia dated 20 October 2012, additional bonuses were assigned to the Members of parliament, as well as other public officials employed at the Parliament to cover the costs of accommodation until 31 December, 2013. The amount of the bonus ranged according to the position of the respective person between 500, 437.50 and 375 GEL.
- According to the Decision No. 8/5 of the Bureau of the Parliament of Georgia dated 19 November 2012, additional bonuses were assigned to the Members of the Parliament.
- According to the Decision No. 14/18 of the Bureau of the Parliament of Georgia dated 19 November 2012, additional bonuses were assigned to the Members of the Parliament, as well as other public officials employed at the Parliament.

Abovementioned legal acts provided by the Parliament of Georgia prescribe the assignment of the bonus to the specific person (or group of persons) and do not define the general rule of assigning the bonuses. Accordingly, the Parliament of Georgia does not have specific regulations determining grounds and procedures of payment of bonuses to those employed at the Parliament.

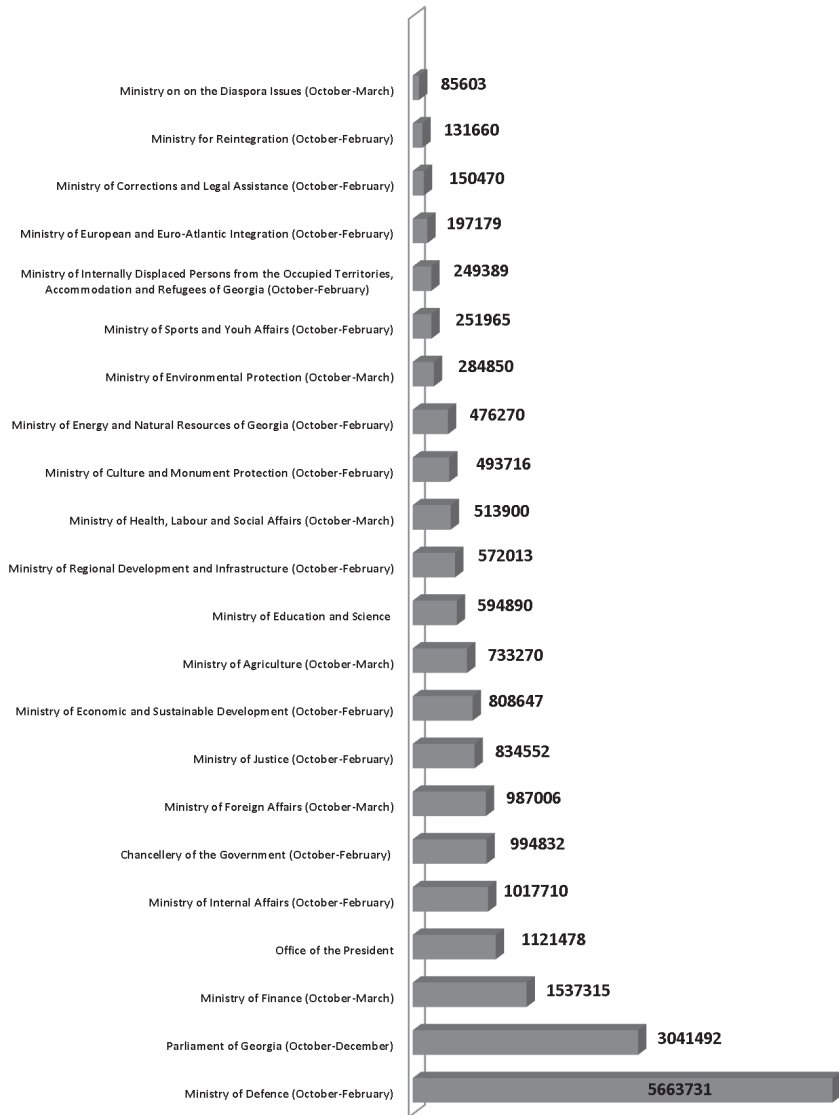
Moreover, according to the data received from the Parliament, the bonuses paid to the Members of the Parliament amounted to GEL 37,499 in October 2012, GEL 477,065 in November and GEL 451,535 in December. In total, the bonus in the amount of GEL 966,100 was

paid to the Members of the Parliament. As to the other Public Officials employed at the Parliament, the bonus assigned to them amounted to GEL 228,610 in October 2012, GEL 896,926 in November and 949,856 GEL in December. In total, the bonus in the amount of GEL 2,075,393 was paid to the Members of the Parliament. The bonus paid to the Members of the Parliament and other public officials employed at the Parliament put together amounted to GEL 3,041,492.

Office of the President of Georgia

The Office of the President of Georgia responded to GYLA's request on 28 March 2013, but did not provide information about the existing bonus system at the office. According to information, based on study of normative acts in terms of operation of the Office, it does not possess specific rules for determining the ground and procedures of assigning the bonuses.

Moreover, as reported, the bonuses paid to the employees of the Office of the President of Georgia in October 2012 comprised GEL 205,185, GEL 244,670 in November, GEL 289,260 in December, GEL 31,410 in January, GEL 58,540 in February and GEL 292,413 in March. As a result, the total of paid bonus amounted to GEL 1,121,478.



INTERNATIONAL PRACTICE

The issue of defining and administering civil servants pay is important in public service research process. Developed countries offer some different versions of the system regulation, which is based on specificities of various countries. As for the international context of the research, the Organization for Economic Co-Operation and Development (hereinafter referred to as OECD) which among other issues works on public employment and management research plays a decisive role. In this report study and analysis of the international practice is based mainly on the research of the organization.

In 2005, OECD published a work, offering systemic research of pay policies of public employees in various countries.³⁷ These are OECD member states and belong to developed countries. According to the research, until 80-90s of the past century, the only form of reimbursement for public employees was a fixed pay and no attention was paid to the quality of performed work. As for employees' motivation, it was mainly promotion, which obviously was accompanied with increase in salary. Yet, for the recent decades, the approach has changed and performance related pay (PRP) became an important part of the remuneration. The amendment was mainly focused on improving individual motivation and performance of public employees.

PRP varies in different countries, yet the comparative analysis allows us to make some findings:

- Bonuses and allowances are provided to high official with managerial functions, as well as to lower tier employees;
- Use of corporate bonus system has an increasing trend. It is linked to fulfillment of a certain task/function by a team;
- Grounds and criteria for PRP also differ, yet they are mainly based on demonstrated performance and specific outcomes. Moreover, bonuses are determined according to performance appraisals and fulfillment of the set objectives;

³⁷ Performance related Pay Policies for Government Employees, OECD Publishing, 2005.

- The scope of the PRP is also a key issue. According to the research, in case of lower tier public employees, it does not exceed 10% of the base salary, and 20% of base salary when it concerns top management.

Canada

In Canada, the main goal of bonus system is to encourage excellent performance by rewarding the achievements of results that are linked to business plans and government objectives and to provide consistent and fair system of reimbursement. In Canada the system is highly standardized and guidelines exists for determining merit increments and bonuses. Budgets are limited to 7% of the departmental management category payroll. Moreover, in order to ensure that program clearly distinguishes levels of performance and makes rewards meaningful, guidelines are issued recommending that no more than 20% be rated as having surpassed their objectives.

Performance of state servants is measured against predetermined goals and objectives which are set and measured annually. In order to ensure transparency and equity, the program is guided by strong set of guidelines; however, the application of the program does not always facilitate the measurement of subjective aspects of performance and the need for flexibility.³⁸

Denmark

The Danish government introduced performance-related pay in 1987 by establishing a local pay scheme with the intention of individualizing the wage payment. The overall objectives of the new pay system are to secure a basis for recruitment and retention of public employees and to balance the pay levels in the public sector with those of the rest of the labor market; strengthen the link between the pay and personnel policy in the individual institutions; ensure that pay reflects qualifications and strengthens the link between the pay and performance; compensate for hard working conditions (overtime, inconvenient working hours, physical hardship, etc.)

The Danish performance-related pay system is intended to be de-

³⁸ Performance related Pay Policies for Government Employees, OECD Publishing, 2005, pg. 94-97.

centralized. The fundamental principle underlying the new pay system is that pay setting—including the establishment of a link between the objectives, personnel and salary policy of the institution – must take place within the individual institutions. Moreover, Performance Related Pay is not defined in any laws. All rules related to PRP have been adopted in the collective agreement with the central employees' organizations. However, this decentralization has to be compensated by the comprehensive control of each institution/agency using the new pay system—to avoid competition between government institutions for labor and to avoid having wage increases in the public sector affect the rest of the labor market in Denmark. In order to monitor the wage level trends, the State Employer's Authority has developed a special online statistical tool –accessible from the Internet – called ISOLA. The database has been important to run, monitor and control the highly decentralized pay system. As for the total scope of the bonus system in Denmark, up to 20% of the total salary payment in the state should consist of allowances and performance related pay. All allowances are decided on the basis of individual appraisals, based on a dialogue between the employee and the line manager. Some institutions use a kind of balanced scorecard for appraisal, but normally the rating is much more informal.³⁹

Finland

In Finland result management as well as result-based budgeting was introduced in the state administration from the beginning of 90s. The pay scales in the previous pay systems were originally created to favor centralized determination of salaries and wages. In practice, such scales led to interconnecting and inflexible pay hierarchies. NPS is used to reach the operative goals by establishing and maintaining the general goals of salary and wage policy (good results, incentives and etc). Individual units have in principle the responsibility for personnel management, yet they use the guidelines set at the central level by the Ministry of Finance. There is both an individual and collective component of the PRP policy in Finland and is based on results demonstrated either individually or in a team.⁴⁰

³⁹ Performance related Pay Policies for Government Employees, OECD Publishing, 2005, pg. 98-104.

⁴⁰ Performance related Pay Policies for Government Employees, OECD Publishing, 2005,

France

In France, the remuneration of civil servants is defined by civil servants act of 1983 defining the elements making up remuneration as salary, residence allowance, and family income supplement and, under certain conditions, the new bonus-points scheme created in 1991. The index salary is the basic pay of civil servants and the amount of salary is set on the basis of the grade and step employees have reached on the position to which they have been appointed. As for bonus system for public servants, it is based on their individual obligations, the work performed by them or their specific technical skills. Apart from this bonus system, in 2003, the France announced introduction of individual performance –related pay for senior civil servants at government level, with a variable component that amount to as much as 20% of their pay.

According to the French system, the Ministry of Finance provides budget allowances for performance-related bonuses to the various civil service administrations and occupational groups. Each administration's budget allowance is determined by multiplying the average bonus rate for each civil servant category by the number of staff in each category provided for by the budget. Afterwards, each ministry is free to decide how the bonuses should be apportioned among its staff, and ministries can also supplement these funds with their own resources. The main methods used to monitor the appropriate use of system are verifications by financial controllers, audits by the General Finance Inspectorate and parliamentary oversight.

According to statistics, only 10% of the civil servants receive bonuses amounting to 30% of their basic pay, while bonuses account for less than 10 % of the pay of 50% of civil servants. On average, allowances represent 17% of remunerations.

Civil servants evaluation takes place on the basis of a special interview. Evaluation reports must be counter-signed by the civil servants and his/her immediate superiors. The procedure aims provision of

bonus system in an unbiased and transparent manner.⁴¹

Germany

Public service pay in Germany is regulated by the Public Service Law adopted in 1997. Prior to adoption of the Law, the public service pay was governed on the one hand, by individual circumstances of a staff member (family status, age and seniority) and on the other hand by job requirements. The additional performance-related element of pay was promotion within a given class of service. The Act to Amend Public Service Law dated 1997 entitled the government to introduce performance allowances and bonuses for outstanding special service for their areas to react directly and quickly in cases of better performance and to increase the motivation of particularly skilled and high-performing staff.

PRP is meant to apply to all categories of staff. The guiding principles are set at the federal level; however, specific rules are worked out individually by the state agencies. In order to prevent performance bonuses and allowances becoming set elements of remuneration and to keep them from becoming routine, there are restrictions in the Civil Servants Remuneration Act. The performance bonus as a one-off payment is the clearest way to emphasize its particular nature as a reward because it is given for a service which has already been provided, and hence does not become a routine additional payment. A bonus may be granted up to the amount of the respective basic starting monthly salary of the civil servant. German system also knows the continuous performance allowance dependant on a positive performance evaluation and limited to (at most 12 months). It is paid monthly up to 7 % of the basic starting monthly salary of the civil servant.

It should also be noted that bonuses are granted on the basis of performance appraisal and the detailed guiding principles are provided in legislative acts. In each unit, no more than 20% of public employees can receive bonuses. The rule aims to distinguish the most outstanding employees.⁴²

⁴¹ Performance related Pay Policies for Government Employees, OECD Publishing, 2005, pg. 114-119.

⁴² Performance related Pay Policies for Government Employees, OECD Publishing, 2005,

Hungary

Hungary introduced its performance assessment system in 2001 when the Civil Service Act was amended, however, in practice this legal instrument was first introduced in 2002. The primary aim was to improve the performance of civil service personnel, to encourage effective work methods, strengthen motivation, and emphasize accountability and responsibility and others. The basic features of the regulation are uniform. The Civil Service Act provides the framework regulation, while detailed rules are defined in the acts elaborated by individual state units. The system embraces the vast majority of civil service personnel from interns to department heads.

In Hungary, bonuses are based on performance assessment system composed of three components: a) the definition of key objectives of the public administration objectives; b) the definition of personal criteria; c) the assessment of civil servants' performance on the basis of performance criteria by the person exercising the employer's rights. The assessment is implemented in a written form.

The practice that preceded introduction of the system in Hungary also attracts attention. An extensive training program was launched and numerous national conferences were held for public servants where the system was discussed and public servants received maximal information and personal appraisal guidelines were published.

While preparing OECD research, PRP was newly introduced and therefore it was impossible to implement comprehensive assessment. Some gaps, however, were still determined linked to *fro-forma* appraisal of the public servants. The approach is mainly caused for the novelty of bonus systems and lack of experience of relevant high officials.⁴³

pg. 120-125.

⁴³ Performance related Pay Policies for Government Employees, OECD Publishing, 2005, pg. 126-129.

Italy

In Italy, performance-related pay was introduced in 1990s with the key objective to improve effectiveness and quality of public administration. PRP is disciplined by law and collective agreements. By introducing PRP, objectives oriented management and flexible public service was ensured. The system also enables managers to set key objectives and specific ways for attaining them, consequently, results oriented management is being introduced.

In Italy, public servants' pay consists of two part, base salary according to the post and pay award tied to performance. Appraisal is implemented annually, in view of preliminary set priorities and objectives.⁴⁴

South Korea

The Korean Government introduced a performance bonus program in 1999, when relevant amendment was introduced to Civil Service Regulation for Pay and Civil Service Regulation for Allowance. Following the amendment, performance-related pay to those with excellent job performance was allowed. Prior to introducing the bonus program, there were no incentives to encourage high performance. In view of this, the main objective the new system was to introduce the principle of competition to the public sector and improve the productivity of the government through the pay-performance link. The system is designed and applied at the central level. All categories of staff are covered by PRP schemes, with a bit different systems applying to top level staff.

The Korean civil servants' pay is composed of three parts: base salary which is the regular pay according to occupied position, allowances –an additional remuneration for various grounds, most frequently for the quality of performed work and other expenses, including meal, household support, traditional holiday bonus and others.

According to applied rules, bonus system is based on comprehensive evaluation of their activities. Top managers are appraised according to

⁴⁴ Performance related Pay Policies for Government Employees, OECD Publishing, 2005, pg. 130-136.

the degree of goal accomplishment. In the beginning of performance review period each unit goal is granted a weight. Results are then compared against objectives and performance rate of high officials is determined based on how well objective were met. Each state agency shall set at least three and not more than seven strategic objectives for the next year.

As for the rest public employees, they are appraised according to individual results rather than organizational outcomes. Performance appraisal includes three major areas: performance (quality and quantity of performance, timeliness of task accomplishment, and process improvement); ability (IT literacy, professional certificate, planning, required fluency of a specific language, if any and others) and attitude (lateness, absence, discipline, and kindness towards the public). Three areas have different weights: performance takes the largest portion (60%), followed by ability (30%) and attitude (10%). Generally, bonus will be granted once a year and it will be a lump sum bonus and will vary in size from 40-100% of monthly base salary per year. Performance bonuses can be provided in various ways (individual base, departmental base and combination of both). Performance bonus by an individual base is the most common form at present.

We should also focus on problems revealed in the South Korea after introducing PRP program. While introducing it, relevant high officials lacked necessary knowledge and had difficulties in setting up specific targets. Moreover, setting of such targets are linked to certain problems, since public employees have to fulfill work that cannot be determined in advance. In response to this challenges awareness raising campaign is carried out on various issue related to bonus system.⁴⁵

Spain

In Spain, bonus system has been introduced within the frames of the civil service reform, when remuneration was separated in two categories: basic and complementary. The intent of introducing this bonus was to introduce remuneration techniques used in the private

⁴⁵ Performance related Pay Policies for Government Employees, OECD Publishing, 2005, pg. 137-145.

sector.

According to applied system, at the beginning of each fiscal year, the Ministry of Finance issues a resolution fixing the productivity mass for each ministerial department. Each departments are independent in the design and development of their own productivity and performance remuneration systems. There are models based on assessing either individual performance or team/units. The rule can be used in all public administrations – central, autonomous and local.

In 2000, the productivity bonus cost represented approximately 9.7% of the remunerations as a whole, with percentages ranging from- 7.7% in the Ministries, 7.8% in the autonomous organizations, 11,4 % in the entrepreneurial business public agencies and 22,1% in the social security.

The main problem of the system in Spain is that in most cases the productivity bonus has been linked to the extra activity (longer working hours), rather than to performance. At the same time, there are different amounts of the productivity bonus by working hours in separate ministerial departments for equivalent positions.⁴⁶

Sweden

Until the late 1980s, the central government was characterized by rigid pay and grading structure. Pay agreements were highly centralized and negotiated increases were applied to the entire civil service. Such approach led to a gap between the public and private sectors in payment, as well as gave rise to inflexible management in a public sector. In 1989 the universal grade system was abolished and gradually replaced by a system for individually differentiated pay at agency level. In 1994, the government took the final step in the process of devolving employer responsibilities to executive agencies. Full autonomy in employer policy matters was granted to heads of agencies. Public sector has been using the system when recruiting, as well as when deciding pay increases for already employed individuals. The Swedish system may be considered a form of pay for performance.

⁴⁶ Performance related Pay Policies for Government Employees, OECD Publishing, 2005, pg. 150-152.

There are no uniform and standardized criteria in Sweden. Nearly all agencies use some kind of performance appraisal or evaluation dialogue and others. General design of PRP policy looks as follows in Sweden:

- Every individual salary is negotiated at local level and is open to public scrutiny;
- Pay should be individually determined and differentiated. The main factors taken into account when determining the pay on an individual employee are: the degree of difficulty of the work performed, the quality of individual's working performance, and the market value of the work in question;
- The system demands that management develop local pay policies that are generally transparent and recognized by most staff;
- Base salary is the major bulk of compensation for employees in central government. Overtime and holiday compensation and compensation for unsocial working hours may form an additional minor part of the monthly income.

More than 90% of Swedish Government employees are on individually differentiated salaries and individual pay determination is much appreciated among employees and employers alike. Moreover, recruitment and retention of good managers is believed to have improved under the individual salary setting scheme. In addition, performance rewards are believed to have merged from 0 to 30 % of base salary in agencies with performance reward schemes.⁴⁷

Switzerland

In Switzerland, performance related-pay system for public employees was launched as far back as 1996. Managers who had already experimented with this side of staff management said that they wanted to be able to reward outstanding performance. As a result, a specific legal norm was established laying the foundations for the introduction of performance-related pay, which was, in principle, to be available to staff at all levels. The previous pay system allowed for a virtually automatic pay increase every two years for all staff (until their wages

⁴⁷ Performance related Pay Policies for Government Employees, OECD Publishing, 2005, pg. 153-158.

reached the ceiling of their respective pay bands.) Therefore, it was impossible to differentiate the employees on the basis of performed work and quality.

The pay system is the same for the whole Confederation, yet its practical implementation is decentralized and public agencies implement it individually and independently. According to the applied system wages rest on three pillars: the function, experience and performance. Nowadays, government's performance management strategy focuses mainly the "performance" component.

The targets set for employees are agreed between the latter and their immediate superiors. First there are targets that are performance related, such as particular project or parts of routine tasks. The next set of targets relates to employee conduct, covering certain personality aspects and working methods. Matters considered here include vocational skills, personal skills, inter-personal abilities and the art of leadership. Performance and behavior are treated as two distinct categories for the purposes of employee appraisal. Managers decide on the percentage to be attributed to each target and category according to their relative importance (weighting). Interviews take place throughout the year to monitor performance and check that employees are not perhaps falling short of targets.

The formal process of performance appraisal takes place shortly before the end of the year and is conducted in writing, using a form, whose main components are drawn up at central level. On the basis of such appraisal the amount of bonus for individual employee is calculated. The system guarantees maximum transparency of the results, while respecting the rights of the individual (data protection.)⁴⁸

The United Kingdom

According to applied system prior to 1996, the state treasury set the terms for reimbursement of state officials, their appraisal and other conditions. The issue was being resolved in consensus of Trade Unions. Consequently, individual state structures could not make influence on the reimbursement of public officials or on any other

⁴⁸ Performance related Pay Policies for Government Employees, OECD Publishing, 2005, pg. 159-164;

issues. The system was altered in the beginning of 1990 and the public sector became maximally decentralized. As a result of the reform, each public entity was determining the conditions of employment individually and it made their operation more flexible and effective. The rule ensures to turn the reimbursement into important incentive to the extent that public employees were able to fulfill their obligations better.

In the process of delegating public service pay issue to individual public entities, they had to consider the following four principles while elaborating the appraisal system: to ensure effective spending of expenses, to increase flexibility of public service pay, to improve budgetary control and effective tie between the performed work and received remuneration.

Public service pay system applies to all public employees, however, the Cabinet of Ministers make decision on reimbursement of high state officials (for example ministers.)

The amount of bonuses varies among different state institutions, since they make individual decisions on PRP. Also there is not a norm determining the scope of bonuses (the maximal and the minimal margins) at the central level. Approximately, 25% of outstanding public employees receive bonuses that comprise 5-20% of base salary.⁴⁹

⁴⁹ Performance related Pay Policies for Government Employees, OECD Publishing, 2005, pg. 165-173.

CONCLUSION AND RECOMMENDATIONS

The above discussion leads to a conclusion that a majority of public institutions researched does not have an administrative legal act determining rules of payment of bonuses to their employees. Nevertheless, the public institutions are not hesitant about intensively paying bonuses to their staff mostly on the basis of unilateral decisions of chiefs of the relevant institutions. Lack of pre-determined criteria renders it impossible to objectively assess the chiefs' decisions to issue bonuses to their employees and the amounts of bonuses issued. Accordingly, a number of important questions as to appropriateness of the bonuses paid remain unanswered.

Pursuant to Article 53 of the General Administrative Code, any individual administrative legal act that has been issued in writing must contain a reasoning in writing, which must precede the resolution part of the said administrative legal act.⁵⁰ In addition, if, in issuing the administrative legal act in question, the administrative body acted on the basis of its discretionary powers, it must also include a description of facts, which were of material importance for issuing the administrative legal act, into the reasoning.⁵¹ Decisions authorizing payment of bonuses to public officials are usually made in writing but they are seldom accompanied with proper reasoning to describe what specific merit or task performed is the relevant public official rewarded for in the form of a bonus. Lack of objective reasoning, on its turn, creates obvious threats related to as misuse of State resources and unequal treatment of public officials.

Under the current practice, bonuses are not used as a means of encouragement of public officials; instead, bonuses have become part of the public officials' salaries due to their permanent nature. Such

⁵⁰ General Administrative Code, Article 53, paragraphs 1 and 2

⁵¹ General Administrative Code, Article 53, paragraph 4

practice undoubtedly contradicts both the general idea of the bonus system and the practices existing in the developed countries of the World.

Having researched current international experience, we have arrived at a conclusion that an overwhelming majority of developed countries does use various systems of bonuses but the award of bonuses is based on a regulatory legal framework and strictly in accordance with pre-determined criteria. Lack of clear regulations in Georgia increases the risk of using bonuses not in the form of incentives to motivate public servants but for the purpose of making corrupt transactions.

As a result of the research and analysis carried out, we would like to propose the following recommendations:

- The applicable legislation should be put into order and the highest State organs must develop a legal framework regulating the rules of payment of bonuses to public servants. Such a legal act must prescribe general criteria of eligibility for bonuses, periodicity of payments, the lowest and the highest rates of bonuses, rules of staff performance evaluation, etc.
- On the basis and in furtherance of the above-described legal act, each public institution should then determine both general and individual objectives for each public servant as well as other criteria against which public servants' performance will be evaluated and rewarded in the form of bonus payments;
- Each individual administrative legal act on which basis a public institution issues a bonus must be accompanied with a proper reasoning in accordance with the requirements of the General Administrative Code.