

DELEGATED PAY BARGAINING: WHY?

-COST ALLOCATION & DIFFERENTIATION

-Empower lower tiers of government/managers

-Adjusting to different Labourmarkets &geography

-Tayloring to individual needs &productivity

-Competition private sector: pay peanuts & get monkeys

Delegated Pay-bargaining: why not ?

Cost of delegation: transaction cost & loss of control

Transaction cost: Extra bureaucracy of specialised staff

Loss of control: Budgetary or Policyrelated

Question: How to strike balance ?

Governing decentralised pay

**Goal: achieving
pay differentiation = flexibilisation = adjusting pay to:**

- i) Specific situation and requirements of each organizational unit;**
- ii) Specific skills, merits and performances of each employee;**
- iii) The competition for skills on Labour market,**

**WITHOUT DESTROYING THE ECONOMY &
Maintaining Social peace**

Experiences in OECD Countries

- (i) Introducing decentralised pay bargaining and/or individualised pay setting= **LEARNING PROCESS;**
- (ii) Vision required on necessity of uniformity in conditions of employment;
- (iii) Financial management arrangements: Separation.
- (iv) Feed-back & assessment mechanisms
- (v) Decentralization increases efficiency, however in an adequate setting only
- (vi) Avoiding mobility-losses: bandwidth & transferability of pensions

Advantages decentralised Pay

- *Recognition of heterogeneity of Public services;**
- *Clarifying organisational goals**
- *Encouraging innovation**
- *Increased investment in training**
- *Realigning pay to market**

Disadvantages of decentralised pay

***Higher transaction cost**

•Wage drift & wage uncertainty

•Opportunities for monopolistic behaviour

•Loss of policy-sensitivity delegated units

•Budgetary losses;visible & invisible(pension)

CONTAINING DELEGATED PAY

- *Affordability : ad hoc or post-hoc ?**
- *Standard adjustments pay enveloppe**
- *Reference models private/public; security & pensions in comparison: pay less**
- *Package Reviews & indices :beware !**
- *Assessing & evaluating & transparency as countervailing mechanism**

CASE FOR A REVIEW BODY

***Government, sets set of values & goals**

***Pay setting organisation respect parameters**

***Professional agency assesses**

Or:

Classical surveillance for bodies with taxation or tariffsetting capabilities

Financial Management arrangements

How to avoid others creating budgetary pressures?

Tight Budgetary procedures

**Separation budget procedures & Salary negotiators
(not facilitating political or unionist blackmail)**

Referencemodels

Beware of pensions:shifting cost to future !

Conclusions

- 1) There is no must, just a possibility**
- 2) Social context/culture important: can it work?**
- 3) Introduction needs learning & preparation**
- 4) Develop vision on necessities on central level & decentral level. Both on Budget & HRM**
- 5) Govern decentralisation: affordability & review**
- 6) Define outcomes and assess.**
- 7) Maintain steering capacities economy**