Social partners role in Pay formation in Swedish central government administration

Swedish Agency for Government Employers (SAGE)
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## Swedish Government HRM Characteristics

<table>
<thead>
<tr>
<th>Discretion</th>
<th>Collective agreements instead of law</th>
<th>Checks and balances</th>
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<tbody>
<tr>
<td>• <strong>Autonomous agencies</strong> that</td>
<td>• Central agreements make up general rules and conditions</td>
<td>• Openness to the public</td>
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<tr>
<td>✓ get overall budget appropriations</td>
<td>• Local agreements that are adapted to business needs</td>
<td>• Strong unions – mutual interdependence</td>
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<td>✓ may decide themselves how to use their resources</td>
<td>• Increasing individualisation</td>
<td>• Co-operative culture</td>
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<tr>
<td>✓ recruit and dismiss their own staff</td>
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<td>✓ between employers</td>
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</table>

- **external** accountability
### Swedish Government HRM Characteristics

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<th>Position-based system</th>
<th>Individual terms of employment</th>
<th>Checks and balances</th>
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</table>
| • Little use of ranking and grading  
• No formal careers  
• No formal senior civil servants career  
• Open recruitment  
• **Merits and Skills** | • Individual and differentiated pay related to  
✓ level of responsibility  
✓ profession, market price  
✓ performance and results | ✓ Openness to the public  
✓ Strong unions – mutual interdependence  
✓ Advanced statistical information open for the social partners |
Co-operative culture

- A constructive climate between employer and unions
- The agreement ‘Co-Operation for Development’ supports motion
  - from debate to dialogue,
  - from confrontation to agreement,
  - from union-based loyalty to work-based loyalty,
  - from strict employers’ perspective to leadership.
Delegated responsibility for employer policy

Aim: The agencies shall form and use HRM-policies of their own as means for their work towards further effectiveness (still keeping a high level of confidence from the citizens).

The Government has...

... delegated the responsibility to heads of agencies for forming and using their own as well as their collective employer policy.

Heads of Agencies decide collectively about...

... provisioned the delegation by stating that the agencies have to co-operate about the development and the co-ordination of employers’ policy in the Government Sector.

Common Employer Policy
That serves as direction for
- negotiations
- relations with the unions and the employees
- safeguarding interest in different matters

The Employer Policy also directs the local HR-policy as regards
- pay
- diversity
- working time and other conditions
- work regulation
- etc.
The System of Framed Appropriations
How does it work?

- An agency receive a framed appropriation to cover their costs, with no restriction on how the appropriation should be used.
- Important characteristics are the possibility to save unused amounts and use them during the following year and the credit facility.
- To compensate the agencies for general price and cost increases each year, the appropriations are automatically adjusted by predetermined indexes calculated by the Statistics Sweden.
- Automatic adjustment of 3 different types of appropriations: appropriations for labour costs (approx. 60%), appropriations for premises (10%) and appropriations for the remaining expenses and administrative costs (30%).
The automatic adjustment technique of appropriations for premises and administrative costs

- Appropriations for *premises* increases with 70% of the Swedish consumer price index.

- Appropriations for the *remaining expenses and administrative costs* increases with a weighted basket of price indexes.
The automatic adjustment technique for labour costs is a bit more complicated

- Appropriations for *labour costs* is increased with the labour cost index (AKI) for white collar workers in the private industrial sector

- ...and deduced by the increase of productivity in the white collar sector.
Figure. Automatic Labour Cost Adjustment (%)
Figure. Automatic Labour Cost Adjustment (%)

Labour Cost Index  Productivity deduction  Automatic Wage adjustment
Responsibilities of each Management

HRM - Policies
Each head of agency is responsible for that agency’s employer duties as regards
- staffing
- skills development/training
- mobility
- pay
- conditions of employment
in order to adapt to the needs for the agency’s activities
SAGE – an employers’ organisation

Cooperate by:
- Representative groups
- Thematic meetings
- Educations
- Networking
- Giving support and advice

SAGE’ office
65 staff

Employers’ council
All heads of agencies.

The Board of Directors
15 members (Heads of agencies)

Advising Delegations and sectoral meetings
HR-directors
Five national priorities – Taken by the Employers Council in October 2010

1. A clear employers’ policy supports effective and efficient business and operations
2. Strategic operational needs shall be in charge for the allocation of skills and competence
3. Our agreements contributes to efficient business and operations
4. Leadership in cooperation with empowered workers develops the business and operations
5. A good work environment triggers good development of the business and operations
3. Our agreements contributes to efficient business operations

- We have a pay formation that focuses operational results while deciding pay and other working conditions in direct dialog between manager and employee.
- Working time is steered by operational demands
- We develop the implementation of agreements through employer cooperation.
Social Dialogue

- Terms of employment are established in collective agreements between the social partners
  
  **Central agreements**
  - General working conditions
  - Pay policy
  - Pensions
  - Job Security
  - Co-operation
  - Other matters …

  **Local agreements**
  - Individual pay
  - Working conditions within the framework of central agreements
Individual pay

- Pay scales abolished in 1990
- Individual pay set on the basis of
  - the difficulties and responsibilities inherent in the post
  - the performance of the employee (skills, results and contribution related to agency objectives)
  - the market situation
The transformation of pay systems

Pay scales → Individual Pay
Pay for classified positions → Pay for performance
Central pay formation → Local pay setting
Negotiations → Dialogue manager – subordinate
Currently promoted development: Pay setting by direct individual dialogue

• Aim: Pay should be set in dialogue between each manager and subordinate.

• Prerequisites:
  – Decentralised budget
  – Visible objectives
  – Trustful relationship
Pay criteria in the central agreement

- Independence, Responsibility, Complexity
- Results and Skills
- "The Market"
- Education, Age, Time in service, Etc.
Why a direct pay setting dialogue?

- Increased visibility of your role as employer and of your leadership
- Increased understanding of the connection between results and pay
- Tool for development of the business
- More effective business
Towards a constructive dialogue

• Be clear and concrete
• Explain and motivate standpoints
• Give the subordinate room to give her/his arguments
• Point out roadmaps for the subordinate how to improve work results and pay
• Be open for a continued dialogue
• If agreed – sign a written agreement

• If not agreed – the matter moves to local negotiations between employer and union.
Thank You
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