

## Reasoning of Basic Salaries as Factor of Growth of Labour Quality of Budgetary Organizations' Staff

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**Abstract:** The article gives reasons for establishing of basic salaries (basic position salaries), basic wage rates in professional qualification groups in order to provide objective differentiation in payment for labour. Faults in realization of the reforms of the wage system are found. The tasks which must be solved in order to achieve the goal of the reforms in payment for labour in public sector-non-biased relationship between labour productivity and wage amount-are defined. Scientifically reasoned principles of formation of position (basic) salaries of employees in public sector are formulated.

**Key words:** Differentiation of wages • Tariff rate (base salary) • Basic salary (basic position salary) • Minimum wage rate • Professional qualification level • Professional qualification group • Employees of public sector

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### INTRODUCTION

In present time conditions of significant differentiation in life level of Russian Federation citizens, the problem of fair payment for labour is actual both for employer/ employee and for state power authorities which influence the level wages.

Priorities of development of economy and social sphere of the country were emphasized in the programs of strategic development initiated by the President and Russian Federation government. Realization of national projects intended for increase in human capital is possible only when all factors determining human capital will be developed, including labour potential of individual. Development of labour potential to a great extent is determined by the quality of employee's life, material interest of the staff [1-4].

Wages as one of the key incentive for labour activity on the one hand determine the level of life of citizens, on the other hand, they can be considered as a tool for structuring labour resources in accordance with

qualification of the employee. Principles of true-to-life (non-biased) differentiation of wages deserve utter attention because they can be used as a tool of social stabilization.

Relying on the definition of the basic salary, basic rate of wages stated in the Labour Code (article 129) we can formulate that minimum salary (position salary) of the public sector employee for some qualification group is salary without different in character stimulating, compensating and social components [5].

In this connection the notion "basic salary, basic rate of wages" is nothing but a minimum salary (position salary, rate) of public sector employee (worker) who works in some position included in professional qualification group (PQG). For example workers of public sector included in the lowest PQG will have as a basis of their wage minimum salary though usually this category of staff is paid in accordance with tariff rate-this in some sense can be regarded as discrimination in comparison with the worker of the same profession and the level of qualification, but working in non-public sector.

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In accordance with performed analysis of huge number of publications on the issues of reformation of the mechanism of the wages in public sector it can be said that this problem has been tried to solve since the beginning of 2000s. Back to November of 2002 at the meeting of the Russian Federation government the concept of new system of wages (NSW) in public sector was considered and most of it was approved. The concept of this reform meant transition from Unified Wage Rates Scale (UWRS) which was a foundation for organization of labour wages system to branch (sectorial) professional qualification groups' system. New system of wages used at present time is aimed for solution of the following tasks:

- Introduction of more total accounting of labour particularities of employees from different branches, including the level of education, special length of work, employee's qualification, character and complexity of the works-all these must provide detailed differentiation in the wage system;
- Gradual and stage-by-stage increment in wages of employees groups-in accordance with differences between branches and inside one branch system depending on socio-economic significance of the branch;
- Putting the payoffs in addition to tariff (rate) in order and providing opportunity of transfer of branch characteristics onto tariff (rate) systems;
- Implementation of differentiated approach to wages in the regions where opportunities of local budgets can be taken into consideration-division between federal center and territories.

However, at that time practical reformation of wages was postponed because realization of it was found to be very expensive. Besides that development of regional systems of wages and their realization needed time.

In 2006, during practical realization, the problems were identified which determined the necessity of creation of the new, the most adequate mechanism of wages for staff of budgetary organizations. Change of principal approaches to assignment of basic salaries is especially up-to-date by now for such categories of budgetary employees as teachers, doctors, art sphere's employees, university teachers. Understanding of existing problems in this sphere by our society made the Government of

Russian Federation initiate a number of changes in the wage system in public sector (Government's Resolution #605; 583), which eliminated UWRS and a transition to wages oriented to particular standards of a branch [6].

Response to current problems of reformation of wages in public sector was different in various regions of Russian Federation. In this connection the success was achieved in Rostov Region in 2006.

Avoidance of UWRS while calculating wages for an employee does not mean refusal from differentiating of its fixed part depending on qualification of the employee and complexity of the works. Establishing basic salaries is based today on belonging to specific PQG and it sufficiently reduces differentiation of basic salaries. For example in the old system there was equal number of categories (18) of UWRS for all sectors; in new system the number of professional qualification levels (PQL) is different: in public health-care-12, in education-10 (if higher education is taken into consideration then by 9 more); in cultural sphere, arts and cinematograph PQLs are not identified and basic salaries are differentiated only by 4 PQGs. That is why the social sphere organizations face some difficulties when developing new staff tables. But in the same time differentiation of the wages inside one PQL and PQG is possible now through the system of stimulating payoffs (payment in addition to fixed part of salary) depending on the branch's particularities more fully.

Advantages of the new system of wages are as follows: the directors of organizations got more independence in re-distribution of funds when they want to stimulate the most valuable employees. Directors are given more authorities for hiring specialists needed by the organization at present moment and distribution of funds for wages. They also can make decision on the necessary number of employees for fulfillment of the tasks which must be solved by the organization. New approach was used-all sources of wages will form single concentrated fund. This will allow to reward by money the best employees in addition to salary, rationally distributing stimulating part of wages fund. Since January 1, 2010 stimulating payoffs are not less than 30% of the money intended by organizations for wages.

Employee's wage is determined by a number of objective factors, which allow to identify the level of professional competence taking into consideration the requirements of regulatory acts which define principles of referring to PQG and by volume and complexity of the

work. Basic salary is established for every PQG. Multiplying coefficients regulate the payoffs (compensating and stimulating) which are calculated in addition to the basic salary.

At present time qualification and tariff an qualification characteristics of the positions and professions are some professional standards which were developed and approved by some state bodies regulating labour sphere. These characteristics are included into the list of Unified Tariff and Qualification Reference-books (UTQRs). But included into them variants of professional characteristics are far from perfection because only some blocks of professional standards drawn by models and approbated in Russia are covered in their sections "position duties/works", "requirement for qualification" and "requirements for knowledge". That is why reforms in wages system must develop such mechanisms which will guarantee accounting of all labour indicators for every specific employee of a budget organization, in the same time not violating the principle of fair distribution of wages fund.

Now it is quite clear that we must form economically reasonable mechanism of differentiation of basic salaries, basic wage rates in accordance with PQGs of the staff of budgetary organizations, especially because of the transition to new mechanisms of financial support of their activity. Issues of updating of wages of the public sector employees must be solved in complex way, for all categories of employees, in accordance with laws in force, based on the same principles and reasoned proportions [7].

Increase of basic level of wages can be regarded as necessary condition for growth of wages. Studying world practices in the sphere of wages policy and pensions in developed countries we found general trend: ratio between minimum cost of living and average wages must be 1:2,5 and between minimum cost of living and pension-1:1,5. Reproduction function of wages will be realized only when these least requirements will be fulfilled by the state. It is common fact. [8, 9].

Principles of wages in correspondence with professional qualification are determined by Labour Code of Russian Federation including requirement of differentiation of wages in PQG. Ministry of public health and social development of Russian Federation established the full list of PQGs by regulatory acts in accordance with which employees in a budget organizations must be differentiated in accordance with their positions and

functions. In the same time there is no distinct mechanism of establishing and regulation of wages' amount depending on qualification level [5]. Besides that recommended minimum salaries to a great extent are determined by the level of financing of supervised organizations but not by professional skills of an employee. Advantage of this situation is that the Ministry of public health and social development of Russian Federation recommended in their regulatory acts to establish minimum salaries for PQGs not less (and preferably higher) than the rates which are in force in accordance with UWRS. In regard to professors and teachers of universities it was recommended to establish multiplying coefficients for position salaries depending on such achievements as scientific degree, scientific rank, qualification level.

But for other categories of staff of federal budgetary organizations it was recommended that multiplying coefficients of basic salaries (or position salaries) reflecting such parameters as qualification, working experience, intensity and complexity of labour should be included in stimulating component of wages. This means that stimulating payoff is not guaranteed but depends on the financial conditions of the institution or organization. One more disadvantage is that amount of multiplying coefficients for equal achievements, for example for employees of the same qualification level, differ greatly.

Great variety of factors of labour activity of staff which must be taken into consideration in their integrity while establishing level of basic position salaries in order to identify proper PQGs with corresponding wages rates. Fair differentiation of level of wages of public sector employees is based on referring of employees to specific qualification group with due regard to grades into this group.

In accordance with these recommendations the principles of establishing position (basic) salaries in all levels (federal, regional, local) must be the same. But in the same time other payoffs are possible (compensating and stimulating ones) determined, among other things, by life level in the region.

In general the role of federal legislation in regulation of NSW is minimized. In fact in current conditions we have dualism in regard to issues of establishing systems of labour wages in public sector. On the one hand, branch particularities influence position salaries, on the other hand the salaries are affected by territorial particularities which are determined by local financial opportunities and regulatory acts of local authorities.

Achievement of main goal of the reforms in the system of wages in public sector is possible only through establishing of non-biased link between labour results and the amount of wages.

Efficient solution is possible when a complex of interrelated tasks will be solved:

- To establish acceptable gap between average levels of wages of budget organization employees and of the employees of other economic entities of the region;
- To fix by regulatory acts the degree of possible differences in wages of employees of analogous state institutions.
- To identify by regulatory acts possible differentiation in wages of directors and other categories of staff;
- To find out and formalize criteria and indicators of labour efficiency of separate employees, of the whole organizations.

Currently functioning mechanism of wages of public sector employees in Russian Federation has some system problems:

- Basic salaries are less than market value of workforce;
- Increments in basic salaries do not allow to make public sector competitive in the labour market;
- Increments in basic salaries do not fulfill stimulating role because there is no distinct boundary between work performed for salary and work which is paid by bonus;
- Often low basic salaries are added by similarly low stimulating payoffs, in fact, without due regard to results of labour and judged by subjective opinion.

It is fair to consider that the goal of changes in the mechanism of wages in public sector must be direct dependency of material remuneration on the quality of works and services. If it was so then we would be able to recognize high efficiency and effectiveness of the reform.

Adequate differentiation of wages must facilitate growth in labour efficiency which is manifested by increase in labour productivity and quality of goods. In the same time differentiation of wages is a tool which facilitates achievement of target indicators of an enterprise-profit, income.

Summarizing all said above it is worth mentioning that the method of basic salaries regulation in accordance with

PQGs must be scientifically grounded, in the same time it must correspond to program requirements of Russian Federation Government and General Agreement for 2011-2013 on the principles of social partnership.

In our opinion such method of reasoning of basic salaries (basic position salaries), basic wage rates in regard to PQGs must be developed, application of which will allow:

- To increase quality of state (municipal) services in public sector, efficiency and effectiveness of labour [10].
- To improve status and attractiveness of work in budget organizations;
- To realize labour potential of organizations in full;
- To build a system of reasoned remuneration for labour activity.

In order to solve these tasks and in order to create mechanism of non-biased differentiation of basic salaries (basic position salaries), basic wage rates in accordance with PQGs it is appropriate to follow the following principles:

- Minimum basic rate of wages must be established for specialist of 1st level of 1<sup>st</sup> PQG not lower than minimum cost of living in a region.
- Difference between minimum basic salary (basic position salaries), basic wage rates and maximum basic salary in all PQGs must not be more than sixfold-in order to provide social stability.
- Differentiation of basic salaries (basic position salaries), wages rates inside PQGs and between them must be determined with due regard to complexity, innovation character, the sale of the tasks solved and value of intellectual and labour efforts of the staff for obtaining knowledge, skills, abilities, competencies which correspond to qualification level of PQG.
- Difference between basic salaries (basic position salaries), basic wage rates must not exceed 15% which must allow the staff to feel significance of performed professional duties.

The conclusion from all said above is as follows: efficiency and labour quality depend on many factors, one of which is motivation of the staff. No doubt that formation of incentives is a multi-aspect task, but provision of adequate material (money) incentives is of primary importance.

Public sector suffers difficulties which can be linked to transformation processes in Russian economy. Low level of budget employees' wages is one of the problems which must be solved urgently. Basic position salaries (rates) in existing and used wages system are different and linked directly to professional qualification level in PQG.

But there is no mechanism which would allow to reason adequateness of basic salary to the complexity of works. It is necessary to develop method of establishing of basic position salaries in which mentioned above principles will be reflected. The base of the mechanism of establishing of true basic position salaries, in our opinion, must be accounting of intellectual and labour efforts of the staff spent to perform the work which in its turn can have different level of complexity, innovation, significance.

Reasoned setting of position salary, in our opinion, will provide transparency of the mechanism of formation of wages which in its turn will create pre-conditions for increase in quality of labour activity of public sector staff. Recognition by an employee for what exactly he receives his wages will definitely motivate him to improve his educational level, labour discipline and as a result of it, quality of his duties fulfillment.

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