

Minimum Wages for Public Sector Workers

Are public sector workers covered?

Practices vary across countries:

- In some countries, the legal minimum wage laws clearly state that public sector workers are included in the laws regarding minimum wages. For example, the minimum wage legislation applies to public workers in the Bahamas. Act No. 1 of 2002 on Minimum Wages in Commonwealth of the Bahamas states that application of the Act includes "... any such employment by or under the Crown in right of the Government of The Bahamas..."¹
- Most frequently, however, the public sector is excluded, in whole or in part, from the general labour legislation, and consequently from its provisions on minimum wage fixing. When the public sector is excluded, wage setting for the public sector is often based on administrative law, which sets out how wages should be determined for these workers. These laws can set wages for public sector workers from national level down to provincial and local levels. While many countries have laws with provisions that set public sector wages higher, some countries do use the national minimum wage set in the private sector as a basis for wage setting for government workers. These minimum wages can be applied to some categories of public sector workers or to all public sector workers in the country.
- In some countries minimum wage laws may apply to some categories of public sector workers, but not to others. Public workers that are not included in these laws in many countries often include the military, security services, and police whose wage levels. In Zambia, for example, the employment law excludes the military, the police and the prison services.² In Uganda, only the military is excluded from minimum wage coverage in the law.³ In countries that exclude some categories of workers, other laws and regulations will set base pay levels for the specific group of public sector workers not covered by other labour laws.

How does the minimum wage affect public sector wage scales?

A major influence on wage levels for public sector workers is the impact that these levels may have on public spending. For this reason, national legislative bodies (e.g. parliament, congress, etc.) will have some level of influence on decisions regarding wages paid to public workers, usually by providing final approval on any wage setting exercise.

Of course, not all public sector workers are paid the same, and minimum wages directly only apply to a fraction of public sector workers. Wages in the public sector differ across workers depending on the grade level of the worker, such as managers who may be on different pay grades or levels than workers. There also may be pay differences based on the level of government in question (e.g. local, provincial/state, national). However, changes in minimum wages can have large impacts on the public sector wage bill. Indeed, the minimum wage can

¹ Act No. 1 of 2002 on Minimum Wages, Application of Act, Section 3. (1)

² Employment Act, Part I, Section 2 of Zambia.

³ Employment Act, 2006, Part I, Section 3 of Uganda.

act as a base upon which public sector wages can be set at higher levels. In this case some categories of public workers will earn the minimum wage, and higher rank public sector workers will be paid for example two or three times the minimum wage. In such a case, the minimum wage acts as a baseline for the wages of many or all public sector workers, and increases in minimum wages can have large “spill-over” or “domino” effects on the entire public sector wage bill. Hence the effects of minimum wages on the public sector wage bill, will depend on how public sector wages are set.

How are public sector wages determined?

(a) Collective bargaining

One method of wage setting in the public sector is collective bargaining between government and public sector unions. Collective agreements between public sector workers and the government can be done centrally, or can be decentralized. Collective bargaining is commonly found in the public sector in Northern European countries, such as Sweden and Finland⁴. In Sweden and Finland wages are negotiated in a two tiered collective bargaining system, in which the central collective agreement specifies an average salary for all public workers, but allows ministry directors to use comparable wages outside of the agency to set wage levels above the collectively bargained minimum level.

In Germany collective bargaining is used, but public sector workers are divided into two distinct groups: civil servants (*Beamte*) and public employees (*Tarifebeschäftigte*). *Beamte* cannot collectively bargain or strike and the government sets terms and conditions of employment, including wages. *Tarifebeschäftigte* are regulated by civil law and similar conditions to private industry including the right to collectively bargain. The negotiations for the *Tarifebeschäftigte* can in principle influence the wage setting for the *Beamte*.⁵ This is similar to the situation in Israel, where centrally organised collective bargaining takes place as a basis for a second collective agreement negotiated with trade unions for professional public sector workers. Brazil has this form with a centralised collective bargaining framework instituted and two forms of remuneration are set for different groups of workers.

In Turkey, public sector trade unions must be legally be consulted regarding any issues affecting remuneration. Negotiations on public sector working conditions, including remuneration, are highly centralised. The result of negotiations on remuneration, including wages, can lead to only one set of agreements that cover all public sector workers. In Mexico, agreement on wages and remuneration between public sector unions and the government is legally mandatory, with this agreement applying to all public sector workers.

De facto negotiations can also be decentralised. For example, in Australia base pay for public sector workers is determined through decentralised negotiations. Departments of the government negotiate base salary with respective public sector unions. While leading to consistent remuneration outcomes for workers within a government department, this also can create significant differences in pay for workers in different government departments.

⁴ This is also in line with Part IV, Article 7, of the ILO Labour Relations (Public Service) Convention, 1978 (No. 151) which encourages the full development and utilisation of the machinery to negotiate working conditions for employees. Both Sweden and Finland have ratified ILO Convention No. 151.

⁵ Keller, B. (2013), Germany: The public sector in financial and debt crisis, *European Journal of Industrial Relations*, 19(4), pgs. 359-374.

It is also important to note that pay can vary between levels of the government. Public workers, who work for the national government, as described above, may be covered by collective bargaining agreements that do not apply to state, regional, or local government. Also, collective agreements may be used in some layers of government, but not others. Similarly, state, provincial or local governments might also determine wage levels to be paid to public sector workers at the respective levels. For example, a provincial governor might legally set pay and remuneration levels for public sector workers based on commission recommendations, collective agreements, or they may have final say on compensation. City mayors and city councils may also be able to set wages in a city. Often the levels of pay for regional, state, or local public workers is less than national government workers, but this may be different if in large or industrial cities in a country.

(b) State decides with or without consultation

Wages for public workers can be set simply by unilateral state decision-making. In these countries the role of the public sector union may be limited to only consultations, not collective bargaining. In addition, the state may rely on recommendations made by state appointed bodies (e.g. committees or commissions) that review wages and remuneration for public sector workers. These bodies then provide this information to the government who make the final decision on wages and remuneration.

The legal requirement to consult can vary by country. In some countries there is a legal obligation to consult on wages. Public sector unions in Japan, by law, must be consulted regarding pay related issues. Base pay is based on the recommendations of an independent examining committee. These recommendations form the basis of remuneration for Japanese public sector workers, which is then centrally negotiated.

In other countries there is not legal requirement for the government to consult public sector trade unions. There is no binding obligation to consult public sector trade unions in Chile regarding any work or employment issue, including wages. However, public sector unions are consulted on a voluntary basis on wage related issues. While consultation requires no legal obligations and offers limited influence on the wage setting process, it can be important as it provides public sector unions with the opportunity to present their views on wage and remuneration issues public sector workers.

In some countries the government decides without consultation. Base salary for public sector workers in the Russian Federation are set by recommendations of the government. While public sector trade unions are consulted on working conditions, base wages are determined and decided by the government.