

## Chapter 3. Public Wages and Employment

*The public sector is a large employer in Uzbekistan and the public wage bill accounts for almost half of the government budget. Concerns have increased about the fiscal affordability of the wage bill. The authorities are planning to reform public employment and human resource management to deliver more effective public services at optimal cost. Reforms need to consider several issues. The current hierarchical salary structure provides little opportunity for horizontal mobility, staff motivation, and career growth in the public sector. The base salary for a position is not linked to performance and the salary structure is inconsistent with international practice. Allowances and benefits are disproportionately high compared to the base salary. At the heart of these issues is a weak human resource management function in the public sector, both in recruitment and promotion, weak performance orientation, and fragmentation of wage bill management responsibilities.*

### CONTEXT

**Attention to performance is important for achieving a high-performing public service.** Performance, in turn, depends on an efficient compensation and human resource management system that is able to attract, motivate, and retain qualified personnel. As the government moves to modernize the public administration, it will be crucial to address several medium- to long-term challenges in the areas of public service compensation, grading, and human resource management (HRM) systems. Currently, compensation levels seem low relative to comparator countries. Public salaries, meanwhile, seem higher on average than the private sector ones, but the latter may be substantially underreported. The public sector wage premium has not been leveraged to improve employee productivity and performance to reduce fiscal stress.

**There have been increasing concerns about the fiscal affordability of the increasing public sector wage bill.** This stems from two main factors: pressure to increase salaries for certain categories of workers and the creation without a clear roadmap of new ministries and agencies in the process of reform. So far, both the level of public wages and public employment are drivers of the increasing wage bill in Uzbekistan. Higher salaries and the multiplicity of allowances not adequately linked to staff performance and productivity are part of the story. The number of public employees has also increased, in part to help deliver the needed public services in the face of low staff productivity and performance. A partial explanation of why salaries of public servants appear relatively low despite the increasing wage bill is the deliberate policy of keeping base pay low and maintaining a significant size of allowances in total compensation which are not directly linked to performance accountability of employees.

**The demand for higher salaries is expected to continue, following recent pay increases for teachers and health sector workers, and boosted by the publication of the salaries of higher-level government appointees, including ministers.** If the number of public servants is large and wage increases are out of line with productivity increases, this would result in a substantial fiscal stress and limit scope for other government spending, including on human capital and infrastructure.

**Another contributing factor to rapid growth of the wage bill is the ongoing government efforts in creating new ministries and agencies.** The process of modernization may indeed

require additional ministries, departments and agencies (MDAs). The sectoral composition of institutions and employment size could change significantly as a result with the demand for wage-bill related costs to implement policies and programs of the newly established institutions.

**The government lacks the policies and procedures to determine the salaries for different types of jobs in the government sector.** Any form of arbitrary pay increases, including the recent ones for some categories of health and education workers, has the potential to create further distortions and inequities in the salary regime and trigger additional demand for wage increase from other job groups. This could lead to a spiraling growth in the wage bill.

**Besides weak pay policies, the authorities have weak HRM systems to manage talent; there is no comprehensive HRM information system to manage public sector remuneration and benefits.** The UZ-ASBO system the government uses is geared for accounting and payroll calculations but is limited in providing the seamless functionality of HR elements regarding employee performance, productivity, promotions and professional career development which are needed for managing pay and the overall wage bill.

**The legal framework governing public sector pay needs to be guided by a comprehensive and coherent medium- to long-term strategy.** The absence of a policy framework to provide systematic and holistic guidance on public administration reform, including remuneration and benefits, could create a situation of continuous non-predictability of the public wage-bill.

## KEY CHALLENGES AND INTERNATIONAL EXPERIENCES

### Wage Levels

**The overall consolidated government wage bill amounted to 10.5 percent of GDP in 2018, among the highest in relevant comparators.** This includes the wage bill both on the budget (9.5 percent of GDP) and off-budget. The item identified as “wages” in the government budget is equivalent to about 6.9 percent in GDP, but it includes just a part of the on-budget wage bill. There are other wage outlays in the budget that are classified as part of “other.” Adding these up produces the 9.5 percent of GDP wage figure on-budget.

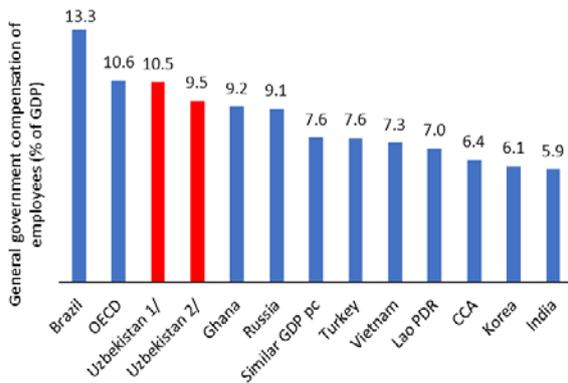
**Uzbekistan’s wage bill is as high as the average for the countries of the OECD, resource-rich MENA, and SSA, and above the average for the other developing regions.** It is higher than the average for middle-income countries (8.5 percent of GDP). Even on-budget wage outlays are substantially higher than the average for the Caucasus and Central Asia (Figure 3.1). Uzbekistan’s wage bill is an outlier when considering only on-budget wage spending, as it is almost half of budget expenditures (Figure 3.2). It is in the middle of relevant comparators when the consolidated wage bill and consolidated expenditures are considered.

### Wage Structure and Components

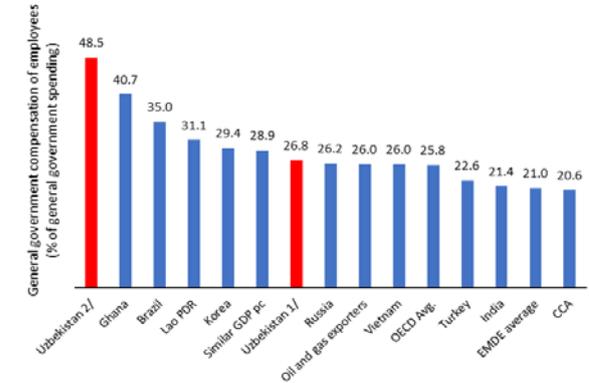
**The current pay and grading structures of the government consist of twenty-two hierarchical levels with limited opportunity for horizontal mobility.** At the same time, all job groups, including political appointees, are on the same base salary spine. This could be used to improve adherence to the key pay principles of fairness, transparency, and equity. The education and health sectors, however, have separate pay and grading structures with little

alignment to the national 22-tariff grid. Compensation structures of the two sectors do not, however, cover employees categorized as auxiliary.

**Figure 3.1. Consolidated Wage Spending**  
(in percent of GDP)



**Figure 3.2. Wage Spending Relative to Consolidated Government Expenditures**  
(in percent)



Sources: Uzbek authorities and staff estimates.

Note: CCA: Caucasus and Central Asia; Similar GDP pc denotes countries with GDP per capita within 10 percent of that of Uzbekistan. Uzbekistan 1 includes the consolidated government wage bill spending and Uzbekistan 2 includes only on-budget wage bill spending.

**The absence of horizontal steps in the pay structures create challenges to understand the dynamics of salary ranges in the public sector and their impact on public sector performance, career quality and wage-bill management.** This has the potential of negatively affecting motivation, professional development, and morale of public sector workers. It also provides performance management and employee appraisal challenges to managers as they plan incentive plans to reward good performance and determine performance improvement zones for weak performers. Sector wages have experienced rapid growth in the last three years, reflecting higher inflation in part driven by the currency devaluation.

**The government pay structure has numerous allowances and benefits which, to a large extent, are not linked to employee performance on the job.** Some allowances and benefits are paid as rewards to celebrate public holidays such as teachers' day. The basic salary-allowance structure is not in line with good practice, as allowances and benefits in most cases are several times higher than base pay. This situation is entrenched, because salaries and allowances of government employees can be increased by means of budgetary and off-budgetary funds of ministries, state committees and agencies at the discretion of the heads of institutions. In February 2019, the MOF published the monthly wages of public employees including ministers and other senior officials which included various allowances and additional benefits. The report also indicated on-budget and off-budget payouts that included allowances amounting to as much as 115 percent of base pay. Other benefits include: (i) working condition allowance for specified staff category – 20 percent; (ii) labor incentive coefficient – 40 percent of base pay; (iii) performance of full-service term – 20-30 percent of base pay; (iv) long service – 20-30 percent of base pay; and (v) material incentive – 15-25 percent of base pay.

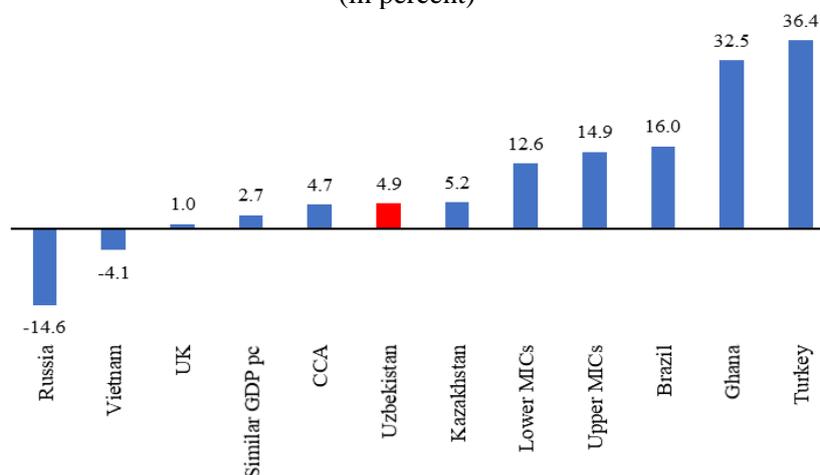
**The base salary as a share of the total compensation varies substantially even within one sector.** The base salary for primary and secondary teachers accounts for 64 percent of the total salary, but it could be as low as 47 percent for primary and secondary teachers in schools with persons with disabilities. The situation is more striking at the higher education level where the ratio of base salary to total salary from the state budget is about 39 percent. The health sector

has better alignment, with the base salary averaging about 77.5 percent for paramedics, 71 percent for middle level doctors, and 75 percent for doctors in managerial positions including heads of health institutions.

**In OECD countries, the base salary accounts for 80 percent of total compensation on average.** In some countries like Switzerland, Sweden, Canada, Australia and Iceland the ratio between basic salary and total salary is 100 percent, meaning there are no allowances. A survey conducted in 2002 indicated that the Canadian Government spends as much as one-third of its HR budget on processing allowances. Many OECD countries have since adopted a “clean wage” policy, in which many allowances and perks have been abolished or consolidated into basic pay. Romania presents another good example: in 2009, bonuses and allowances (then averaging about 32-58 percent of total pay) were reduced to about 20 percent across the public sector.

**The employee premium is an important component of public wages in Uzbekistan.** Public sector employees tend to concentrate in the capital and other big cities where living costs are higher and may require higher wages to attract comparable staff. There is no current comparative data on public-private sector compensation for different occupational groups, but it seems that while senior public sector employees in ministries and agencies enjoy large wage premia, their counterparts in some service delivery sectors including health professionals may be experiencing a wage penalty. Overall, however, the public sector wage premium – although not including all allowances -- compared to all private sector employees was 4.9 percent (2003) in Uzbekistan, 32.5 percent in Ghana, 16.0 percent in Brazil, 5.2 percent in Kazakhstan, and as low as one percent in the UK. There is evidence that in both Brazil and Ghana, public servants on average have better qualification than counterparts in the private sector and enjoy generous conditions of service including generous monetary and non-monetary allowances and benefits. The current public sector wage premium in Uzbekistan could be much higher than the number reported for 2003 due to several salary increases and generous allowances paid to public officials in recent years. During the same period, Russia Federation and Vietnam experienced wage penalties indicating higher salaries in the private sector compared to public sector salaries.

**Figure 3.3. Public Sector Wage Premium Compared to All Private Employees**  
(in percent)



Source: The World Bank Worldwide Bureaucracy Indicators

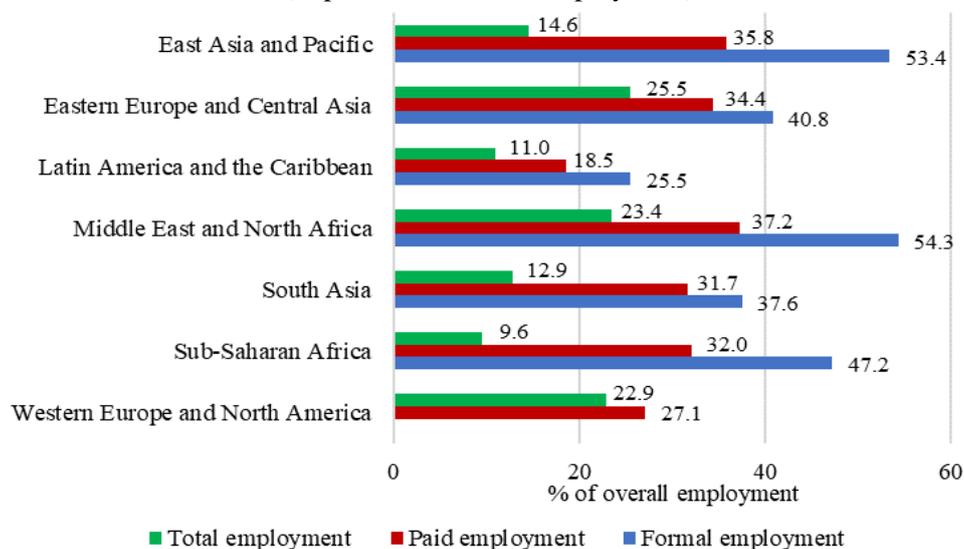
**Large premium earnings for public sector employees could distort the equity compensation principle and send the unintended signal that public sector employees are a privileged group.** Government payment of excessive public sector premiums could also crowd out spending on other economic and social investment priorities.

**There is fragmentation of the wage-bill control function with the potential to inhibit the government’s ability to contain the wage bill growth in the future.** Control of wage bill management is currently fragmented among different organizations including the MOF, the Ministry of Employment and Labor Relations (MoELR), and other ministries, departments and agencies. The specific roles of these institutions with respect to pay and employment management policies and processes including data management are not adequately defined. There is no independent institution responsible for setting remuneration and benefits policies and standards based on proper job classification and evaluation and ensuring adequate application of remuneration and benefits principles.

### Public Employment Structure and Levels

**Globally, the public sector accounts for 15 percent of total employment, 30 percent of wage employment, and about 39 percent of formal employment.** ECA has the highest share of total public employment among all developing and developed regions (Figure 3.4). Public employment accounts for more than half of formal employment in EAP and MENA, with SSA close behind at 47 percent.

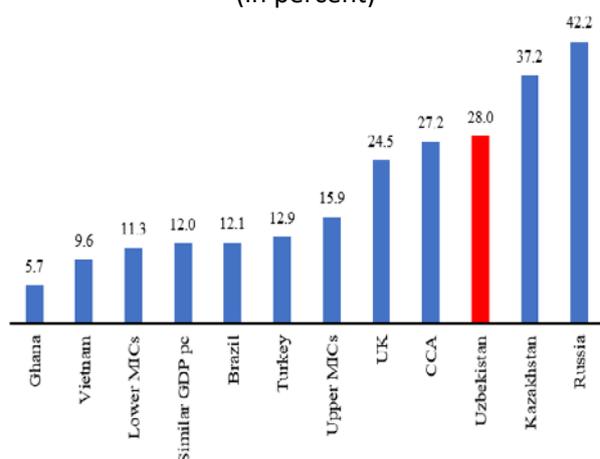
**Figure 3.4. Public Employment Around the World: A Regional Snapshot**  
(in percent of overall employment)



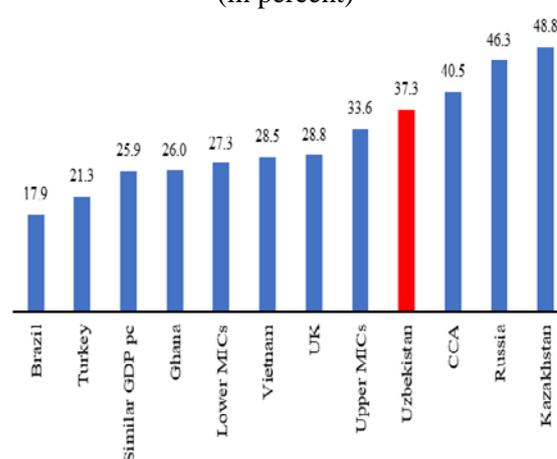
Source: The World Bank Worldwide Bureaucracy Indicators

**Uzbekistan’s public sector employment seems to be like the average for the countries of the Caucasus and Central Asia.** There is no evidence that the high level of employment in Uzbekistan contributes any significant efficiency and productivity dividends to the government as employer, however (Figure 3.5 and Figure 3.6)

**Figure 3.5. Public Sector Employment as a Share of Total Employment**  
(in percent)



**Figure 3.6. Public Sector Employment as a Share of Wage Employment**  
(in percent)



Source: The World Bank Worldwide Bureaucracy Indicators.

Note: For Uzbekistan, the employment covers only the civil service, education and health workers.

## Sector Dynamics of Public Employment and Wages

**Sector wages in Uzbekistan have experienced rapid growth in recent years.** Wage increases have been large in the central state administration and in sectors such as health and education.

### *Wages in Central Government Ministries and Agencies*

**The 22-level tariff grid is mainly applied to central ministries and agencies including their branches and offices at the sub-national level.** Table 3.1 shows wage levels in state administration from 2016-2018. Wages from both budgetary and extra-budgetary sources increased more than 20-fold in three years compared with a 34 percent cumulative inflation.

**Table 3.1. Uzbekistan: State Administration Salary Payments, 2016-2018**  
(in Soms)

Institution	2016		2017		2018	
	Budget	Extra-Budget	Budget	Extra-Budget	Budget	Extra-Budget
Ministries	841,803	155,908	313,133	213,466	1,508,118	339,349
State Committees	21,468	2,939	2,503	7,804	656,356	4,705,551
Agencies	4,384	0	0	0	18,899	70,054
State Commissions	648	93	746	105	3,975	0
Centers	2,503	58,478	2,317	39	13,517	3,382
Others 1/	69,605	0	0	0	15,009	930
<b>Total</b>	<b>941,197</b>	<b>217,417</b>	<b>341,209</b>	<b>221,414</b>	<b>17,223,506</b>	<b>5,118,296</b>

Source: Uzbekistan authorities and Bank staff estimates.

1/ State inspection, Tashkent administration, Higher Attestation Commission, Academy of Sciences.

### *Health Sector Wages*

**The health sector has its own separate salary structure comprising of eleven tariff grades with little alignment to the national 22-tariff grid.** The structure excludes auxiliary and non-medical support staff who are covered under the national 22-tariff grid. In many respects the

health sector salary structure including salary levels is superior to the 22-grade structure of the civil service. This leads to discontent among staff within the sector who have similar qualifications and experience but earn less because they are not physicians or paramedics. There are 8 categories of medical personnel and nurses working in 4 different types of medical facilities that fit into the sector salary structure, with coefficients aligned to grades depending on the type of medical facility. Generally, Head of medical facility is mapped to grades 8-11, Medical Doctor to grades 6-10, Surgical Nurse 2-6 and Paramedic 1-2 (Table 3.6).

**Table 3.2. Uzbekistan: Monthly Salaries of Health Personnel Before Tax, 2016-2018**  
(in Soms)

Personnel Category	Facility Category	Salary		
		2016	2017	2018
Head	General hospital	1,409,120	1,620,470	2,268,510
Head	Emergency center	1,624,150	1,867,750	2,498,950
Head	Specialized hospital	1,435,020	1,650,260	2,30,590
Chief Nurse	Emergency centers	1,306,710	1,502,710	2,106,280
Nurse	Emergency center	1,115,890	1,283,560	1,812,540
Paramedic	Emergency center	758,980	872,820	1,030,760

Source: Uzbekistan authorities and Bank staff estimates.

### Education Sector Wages

**There are three different ministries responsible for education sector policies and programs.** These are the Ministry of Public Education, the Ministry of Higher and Secondary Specialized Education, and the Ministry of Pre-School Education. As in the health sector, the education sector also has its own separate salary structure for teachers and professional employees. Generally, personnel are grouped according to four categories of schools (i) General schools; (ii) Specialized schools; (iii) Schools for challenged children; and (iv) Orphanage schools. Salaries are higher in schools for challenged children and specialized schools than other school categories.

**Table 3.3. Uzbekistan: Monthly Salaries of School Teachers (Before Tax), 2016-2019**  
(in Soms)

Category	Type of personnel	2016	2017	2018	2019
General school	Primary and secondary teachers	1,802,800	2,073,300	2,412,700	2,985,900
	Teachers of high classes	1,622,500	2,030,800	2,412,700	2,985,900
	Directors and deputy Directors	1,546,000	1,778,000	2,092,700	2,437,000
Specialized schools	Primary and secondary teachers	1,822,200	2,095,400	2,717,900	3,369,000
	Teachers of high classes	1,822,200	2,095,400	2,717,900	3,369,000
	Directors and Deputy Directors	2,164,400	2,489,200	2,929,800	3,411,800
Schools for challenged children	Primary and secondary teachers	2,423,700	2,787,300	3,280,700	4,330,600
	Teachers of high classes	2,146,800	2,468,600	3,280,700	4,330,600
	Directors and Deputy Directors	3,323,900	3,882,700	4,499,300	5,444,200
Orphanage schools	Tutor (Instructor)	958,800	1,484,700	1,179,900	1,998,000
	Directors and Deputy Directors	1,291,100	1,102,700	1,697,500	3,133,600

Source: Uzbekistan authorities and Bank staff estimates.

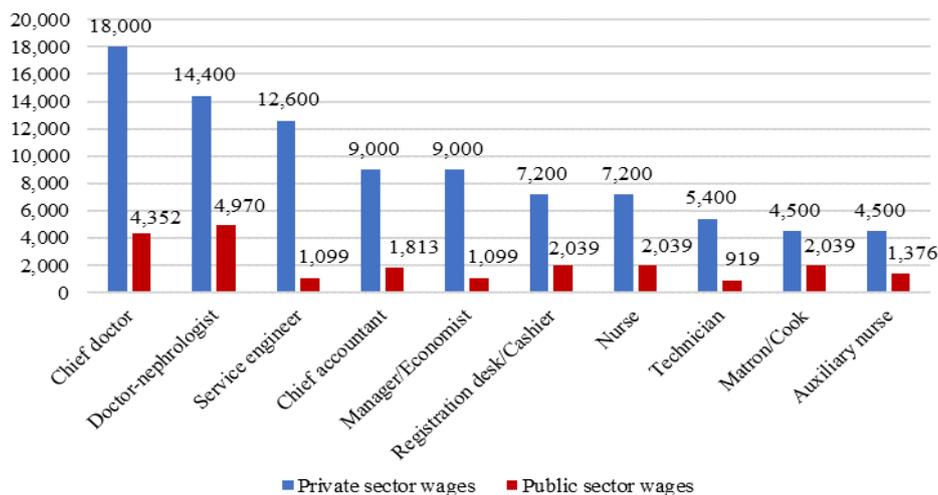
Generally, base salary increases between 2016 and 2019 were below 20 percent for all categories of teachers and managers except for salaries of Instructors and Directors of orphanage schools which increased by 20.8 percent and 24.3 percent respectively. It is

worth noting that base salaries of teachers of high classes and that of primary and secondary schools were at the same level. This means teaching at higher classes which may demand higher qualification and experience could only be differentiated and compensated for through other allowances and supplements. This is not good practice because base salary should be aligned to the functions and responsibilities of the job to be performed and not through supplements. Teachers, however, receive several allowances in addition to base salary including allowances for classroom management, grading of papers and monthly supplements from Director’s Fund up to 40 percent for high education and extra-curricular work, for high performance 25 percent, material incentive 15 percent and in-depth teaching up to 40 percent.

### *Wage Premium in Sectors*

**Wage premiums could differ between different occupations in public and private sectors and within same job families depending on the ministry or agency an employee works.** For example, in Serbia despite evidence of public sector employee wage penalty, specific professional groups enjoy big premiums including Doctors at 53 percent (doctors in the public sector earn 53 percent more than comparable employees in the private sector in terms of age, education, experience, gender, location, and others). The wage premium for legislators, senior officials and managers is 35 percent, for other health professionals it is 33 percent, and for primary school teachers it is 15 percent. For example, the monthly salary of the Chief Doctor in the private sector is over four times more than that of the public sector at UZS18,000 and UZS 4,352 respectfully. The salary of the Doctor-Nephrologist in the private sector is about 3 times more a Nurse in the private clinic earns over 3.5 times more than the counterpart in the public clinic. The private-public wage disparity for non-medical positions such as service engineer and economist are even higher at 11 times and 8 times respectfully in hemodialysis clinics. There is therefore a huge wage penalty in the public sector hemodialysis clinics.

**Figure 3.7: Public-Private Sector Wages in Hemodialysis Clinics in Tashkent, 2019**  
(in Soms)



Source: Uzbekistan authorities and Bank staff estimates.

**Table 3.4. Uzbekistan: Public Employment Level in the State Administration, 2016-18**

Institution	Employment Level		
	2016	2017	2018
Ministries	68,217	20,279	80,899
State Committees	23,549	18,651	31,903
Agencies	399	0	956
State Commissions	30	30	120
Centers	659	606	700
Others 1/	3,833	0	4,480
<b>Total</b>	<b>96,828</b>	<b>39,616</b>	<b>119,795</b>

Source: Uzbekistan authorities and Bank staff estimates.

1/ State inspection, Tashkent administration, Higher Attestation Commission, Academy of Sciences.

the base performing functions that could either be outsourced, abolished or further decentralized. The structure could also benefit from redeployment of some category of staff to jobs that would make them more productive than what they currently do. The public sector will continue to remain a significant employer in the economy in the medium-term, employing most graduates with higher education and commanding a big share of total formal employment, the government would therefore achieve significant improvement in the performance of ministries and agencies and the workforce if it implements results-oriented capacity development policies and strategies.

### Health Sector Employment

**Table 3.5. Uzbekistan: Employment Level of Health Personnel, Latest Available Data**

Professional group	Employment Level
Doctors	90,646
Nurses/Medium grade medical personnel	188,436
Paramedical staff	78,372
Auxiliary staff	68,378
Total	425,832

Source: Uzbekistan authorities and Bank staff estimates.

100,000 of the population. In CIS the average for nurses per 100,000 of population is 800. There is currently shortage of critical medical personnel in rural areas and this exacerbates the medical personnel challenges in the health sector. Table 3.5 shows current employment levels of various professional groups in the health sector.

### Education Sector Employment

**In the education sector, there is a significant difference between funded positions approved in the staff complement schedule and the actual number of staffs working.** As evident from Table 3.6, the total number of staffs complement and funded rose from 587,962 in 2016 to 676,189 in 2018 an increase of 88,220. There is, however, a gap between the funded staff complement numbers and actual people employed. For example, in 2016 the staff complement was 50,244 but actual number of people employed was 43,686 a reduction of 6,558 staff positions funded but not filled. The gap in terms of funded positions that were not filled was 4,179 and 5,168 in 2017 and 2018 respectively. This means

## Public Employment in Sectors

### Ministries and Agencies

**Uzbekistan's central ministries and agencies employ significant number of public servants, yet the public sector faces shortages of skills in several critical areas of policy management and service delivery in terms of quality and personnel.** The structure of employment is down-heavy with many employees possessing general skills and the middle management level and excessive numbers of semi-skilled workers at

**Public employment levels in critical social sectors including education and health are relatively low in Uzbekistan compared to averages in OECD, CIS, and the EU.** For example, the number of physicians and nurses in Uzbekistan in 2014 were 264 and 1,250 respectively per 100,000 of the population.<sup>1</sup> In OECD countries on average in 2015, there were 340 physicians and 880 nurses per

<sup>1</sup> World Bank World Development Indicators.

the MoF is paying for staff who eventually do not get employed and the funds are not returned to the treasury. The situation is problematic and could be a major source of wagebill increases through bloating of funded positions which may not be needed. There is evidence that the excess funds are used to pay incentives to workers. On face value this may sound like a good proposition but in the absence of optimally functioning organizational structures, performance-oriented job descriptions and credible performance management systems, these funds may be subject to abuse. Public institutions could deliberately apply for a budget to pay the full complement of staff with a pre-determined objective of using the funds for salary top ups or additional allowances for existing staff.

**There is further indication of excessive employment numbers in the category of administrative personnel in all types of educational institutions.** The government may want to conduct a personnel audit with the objective of reducing the size of employment and cutting out staff that may not be required for permanent employment or consider outsourcing functions that could be better performed by a non-government actor.

**Table 3.6. Uzbekistan: Employment Level in Public Education Institutions, 2016-2018**

Type of Education Institution		Staff Complement			Actual Employees		
		2016	2017	2018	2016	2017	2018
<b>General</b>	<b>Total Staffing</b>	<b>517,532</b>	<b>547,982</b>	<b>607,221</b>	<b>478,925</b>	<b>522,473</b>	<b>588,026</b>
<b>Secondary</b>	<i>Including:</i>						
<b>Schools</b>	<i>Administrative personnel</i>	201,213	199,382	206,961	156,901	165,269	177,460
	<i>Teachers</i>	316,320	348,600	400,260	322,024	357,204	410,566
	<b>Total Staffing</b>	<b>18,380</b>	<b>19,881</b>	<b>25,066</b>	<b>10,699</b>	<b>12,890</b>	<b>16,569</b>
<b>Boarding</b>	<i>Including:</i>						
<b>Schools for</b>	<i>Administrative personnel</i>	10,774	11,420	14,173	4,402	5,401	7,578
<b>Children</b>	<i>Teachers</i>	7,606	8,461	10,893	6,297	7,489	8,991
	<b>Total Staffing</b>	<b>1,813</b>	<b>1,877</b>	<b>1,962</b>	<b>1,784</b>	<b>1,878</b>	<b>1,945</b>
<b>Orphanages</b>	<i>Including:</i>						
	<i>Administrative Personnel</i>	1,280	1,325	1,389	1,245	1,316	1,364
	<i>Teachers</i>	533	552	573	539	562	581
<b>Optional</b>	<b>Total Staffing</b>	<b>50,245</b>	<b>36,240</b>	<b>41,940</b>	<b>43,686</b>	<b>32,061</b>	<b>36,772</b>
<b>Out-of-School</b>	<i>Including:</i>						
<b>Education</b>	<i>Administrative Personnel</i>	50,245	36,240	41,940	43,686	32,061	36,772
<b>Centers</b>	<i>Teachers</i>	-	-	-	-	-	-
	<b>Total</b>	<b>587,969</b>	<b>605,979</b>	<b>676,189</b>	<b>535,094</b>	<b>569,302</b>	<b>643,312</b>

Source: Uzbekistan authorities and Bank staff estimates.

## Human Resource Management and Establishment Control

**The HR function in government is weak: there is currently no central agency responsible for setting civil service-wide policies and standards that are applied objectively across the civil service.** The lack of clarity in functional responsibilities creates challenges of fiscal control and accountability because the wage-bill is a function of employee numbers and the amount compensated for each role. Public HR data remains fragmented and inconsistent among various MDAs and this limits the ability of government to make sound decisions on wage-bill management, human resource management (HRM) and budget planning. The current situation also undermines efficiency and accountability in staffing which directly impacts wage-bill dynamics in the public sector. There are inadequate coherent policy standards and procedures on merit-based recruitment, promotion, performance management, appraisal and measurement, career development and talent management, and training and competency frameworks that need to be developed/updated monitored and enforced to support achievement of wage-bill management objectives. HR policy framework is required to ensure systematic improvement of functional structuring of public sector institutions and reorient them toward higher

performance and efficiency, and further consolidate HR data to achieve consistency and improve value for money and accountability in staffing.

**Job classification, job analysis and evaluation are important elements for pay and grading structuring, functional reviews could provide job descriptions for all key positions on which basis evaluation of public sector jobs will be done.** There is currently no evidence of recent work done in these areas. Reorganization including functional reviews of government institutions has not been conducted to determine optimal organizational structures, skills and competencies to perform government functions in a holistic and coordinated manner. Establishment control including hiring the right people for the right jobs is weak and not adequately aligned to performance-based management and budgeting in the public sector. This is a major constraint to establishing a medium-term policy framework for public sector remuneration and benefits in Uzbekistan. Compliance to payroll management controls require further strengthening and capacity building.

## **Payroll Management**

**Payroll management controls are in place with reasonably high compliance level.** The staff list of civil service positions is prepared manually by the ministry, department and agency and approved by the Head of the respective organization/budget entity. The MoF registers the staffing list and provides the Bill of Expenditure within which the organization may recruit, promote, and incentivize employees. It is submitted to the accounting unit to be entered into the personnel database which is now integrated into a locally developed software system known as UZ-ASBO specialized for accounting and payroll calculation and integrated into the Treasury management information system referred to as GFMIS. The system incorporates all positions with the respective level of remuneration calculated based on approved scale established for each position. Any modification of personnel database entailing remuneration changes is automatically reflected and it is visible in the Treasury system allowing for budget controls to be made. The major weakness of the process appears to be the HRM link which makes the MoF reactive to key personnel decisions of MDAs instead of being proactive through HR policy hearings as part of the budget process.

## **POLICY OPTIONS**

**As the government continues to implement pay and employment reforms in the public sector, it would be necessary to adopt a strategic approach in making policy choices.** A public sector reform strategic framework is necessary to guide a roadmap for systematic programming and implementation of government's priority interventions.

## **Remuneration and Benefits**

- Develop a common framework grading structure which aligns jobs in different occupational groups into a common salary spine, or pay hierarchy, to enable a comparison of the relative weight or job content across different occupational categories. This needs to be based on common criteria such as specialized knowledge and skills, leadership and managerial requirements, decision-making requirements, level of accountability and others, rather than analyzing and benchmarking each job, for example for different category of physicians, nurses, paramedics, or teachers. Regular checks are needed to ensure fairness across different pay structures.

- Develop a compensation framework that is competitive and fair and supports prudent management of expenditures. Policy choices should include a salary structure with layers, ranges, and bands and appropriate distance between each range. The structure should take account of a hierarchical and horizontal system that enables employees to be promoted from one pay grade to another. There needs to be horizontal mobility that motivates employees' career progression and allows recognition of different rates of pay for performance. At the same time, the pay structure should guarantee a reasonable level of control over internal compression and salary expenditures.
- Consolidate the numerous bonuses and allowances into the base pay to improve transparency and fairness of government pay, address salary inequities, and enforce pay controls.
- The legal framework for civil service management and public sector compensation should be improved. The government should consider the creation of an independent central body to oversee public sector pay policies and standards and a central agency for the civil service and HRM issues.

### **Public Employment and Human Resource Management**

- We invite the government to consider carrying out Functional Reviews that should lead to improved distribution of government functions and implementation of establishment control measures. Some OECD countries are moving from centralized establishment control systems to “running cost” control systems to give more flexibility to managers to choose a mix of staff and resources to implement their programs. For this to work effectively, there need to be functioning systems for effective funds control and performance monitoring and evaluation.
- Develop an HR and performance management framework with adequate integration of career-based common set of rules across the public sector and systems for merit-based recruitment, staff performance appraisal, promotion, productivity improvement, and professional development. Ensure funds from the treasury for payment of salaries are based on actual recruitment numbers and decentralized incentive payments by Head of institutions is based on an agreed public sector-wide performance system with clear criteria and metrics of measurement to reduce subjectivity and increase meritocracy in decisions made by ministries and agencies.
- Develop a human resource management information system (HRMIS) to ensure public HR data is consolidated and improves value for money and accountability. Such an information system will support sound decision-making on wage-bill management, human resource planning and budgeting. The system will need to be integrated with the government financial management system.
- Rationalize the number of support staff and employees in the public sector through the functional reviews by identifying excess ancillary employees in the state administration, education and health sectors and ensure subsequent hiring is done in full compliance with establishment control measures. The government should consider outsourcing administrative ancillary functions that could better and cheaper be delivered by non-government actors.

- The government should consider postponing huge salary increases in excess of inflation until the right-sizing of the public sector is done. Experience of other countries that have carried out successful staff reductions show that better results are achieved, and fiscal and political costs of retrenchments are reduced if employment reductions are first achieved.
- Set up a sound monitoring and evaluation system to track entry and exit of employees. This could be done within the framework of establishment control policy and could be achieved by developing and implementing a 3-year staffing plan with annual reviews as part of the annual budget process.
- Expand capacity development programs and on-the-job training and mentoring to significantly improve the capability and productivity of public sector workers.
- The specific design and sequencing of Uzbekistan's wage bill management reforms should integrate good practice solutions in Uzbekistan country context considering the lessons learned from the extensive experience in reforming the civil service in Europe and Central Asia and other developing regions.