6 Pay Determination in the Spanish Public Sector

Cecilia Albert, Juan F. Jimeno and Gloria Moreno*

6.1 INTRODUCTION

In 1977 the Spanish unemployment rate was below 5 per cent, public employment was less than 10 per cent of national employment, and the compensation of public sector employees, public consumption and total public expenditure amounted to 7.3, 10 and 25 per cent of GDP, respectively. At that time, the Spanish public sector was not only under-developed, but also heavily centralised, and the criteria for the selection and the promotion of public sector employees were mostly political rather than economic. The unemployment rate is now about 20 per cent, public employment is roughly 18 per cent of aggregate employment and the compensation of public sector employees, public consumption, and total public expenditure are roughly 11.6, 16 and 45 per cent of GDP, respectively. In 20 years, Spain has thus developed a public sector of similar size to that of the average European country. The Spanish public sector has also changed in other respects: it is more and more decentralised and human resource management relies more on economic than on political criteria, although there is much to be improved in this field.¹

The growth of employment over the last two decades shows the nature of the changes in the private and the public sector of the Spanish labour market: total employment is at present roughly the same as 20 years ago. Non-agricultural employment has grown moderately at an average annual rate of 0.7 per cent. Employment growth in the public sector has partially offset employment destruction in the non-agricultural, private sector. These changes in the sectoral composition of employment have taken place simultaneously with reforms in the institutional framework of the labour market. The institutional framework of the private sector labour market has evolved towards a situation in which the main characteristics are high firing costs, employment segmentation between permanent and temporary

employees and predominance of collective bargaining at the sectoral level. In the public sector, there are three types of public employees: civil servants (funcionarios), whose employment conditions are determined by state legislation, public employees hired under the labour legislation applied to private employees (personal laboral) and employees of public corporations. The employment conditions of civil servants are determined by the central government, although there is informal collective bargaining between government and civil servants’ representatives. Recently, there has been a strong drive for political decentralisation which has resulted in territorial differences between the employment conditions of central administration employees and the employees of regional and local governments. The employment conditions of public employees who are not civil servants are determined by formal collective bargaining which takes place at administrative units, with a coverage rate of formal collective bargaining for this group of employees of around 50 per cent in central administration and 40 per cent in regional and local governments. As for wage growth, the collective agreements for public employees who are not civil servants often follow the wage growth for civil servants established by the government. Finally, the employment conditions of public corporations’ employees are determined by formal collective bargaining at the firm level, with a coverage rate close to 100 per cent, and bargained wage growth similar to that in private sector collective agreements. Currently, the composition of public employment by these three types is roughly 70 per cent civil servants, 18 per cent non-civil servants and 12 per cent employees of public corporations. We will refer to the first two groups of public employees as public administration employees.

The purposes of this chapter are to provide an account of pay determination in the Spanish public sector and estimate the sources of pay differences between public and private employees. Surprisingly, there are few studies on the Spanish public sector labour market, mainly because of the scarcity of statistical sources on wages and employment conditions. In fact, registered data on public sector employees’ earnings were not available until 1991, and there are few micro-based surveys with sufficient information on employee’s characteristics and their pay suitable for estimating the sources of pay differences between public sector and private sector employees. Aggregate data allow us, to some extent, to distinguish the evolution of pay of the three types of public employees distinguished above, but survey data unfortunately do not always distinguish among them, so that we