

AMERICAN UNIVERSITY OF ARMENIA

A STUDY OF THE EXTERNAL EQUITY OF
PAY DISTRIBUTION OF SENIOR STATE OFFICIALS
IN THE REPUBLIC OF ARMENIA

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Abstract

The job evaluation and analysis are important prerequisite for the normal functioning of the governmental system. In order to have a well-functioning state apparatus, regardless of political changes, it is important to create not only impartial system for choosing high ranking officials, but also precise description of jobs for deciding and classifying their relative values. The system of job analysis and evaluation should become one of the cornerstones for the organization of work in governmental system.

Recently, the members of Parliament of the Republic of Armenia raised the question of pay increase. The Government of the Republic of Armenia undertook an initiative of evaluating jobs of senior state officials and comparing it with international experience to make an appropriate suggestion concerning impartial pay distribution of senior state officials in Armenia.

Drafting wage policy job analysts and position classifiers give importance to the fact that the system reflects internal and external equity.

This policy paper explores government's initiative in achieving external equity in the Republic of Armenia. It presents the current pay system in Armenia and draws parallels with the international experience. Finally, it concludes about the best possible scenario of pay distribution for the high ranking officials to be applied in Armenia.

Introduction

Labor costs constitute a substantial part of the costs in the budget of every country. Public administrators are constantly in search for a more efficient pay system which will provide the same output with fewer employees or more output with the same number of employees. Therefore, the public administrators in different countries try to establish the salaries of government officials approximately on the same levels as in the market. (Rexed, Moll, Manning and Allain 2007)

Salaries on the market level give the opportunity to attract qualified labor into the government sector. In our days the competition for attracting qualified labor is a challenge for every organization, including the public sector. Salary may become one of those factors that will give a comparative advantage to the public sector in this struggle. Otherwise, if salaries in the public sector are lower than in the private one, qualified employees, as a rule, will try to find a job in the private sector more often than in the public sector. (Rexed, Moll, Manning and Allain 2007)

The job evaluation and analysis are important prerequisite for the normal functioning of the governmental system. In order to have a well-functioning state apparatus, regardless of political changes, it is important to create not only impartial system for choosing high ranking officials, but also precise description of jobs for deciding and classifying their relative values. The system of job analysis and evaluation should become one of the cornerstones for the organization of work in governmental system. In many countries of the world current state service system came into being only after introducing the system of job evaluation. (The Committee of State Management System Reforms 2001)

Recently, the members of Parliament of the Republic of Armenia raised the question of pay increase. The Government of the Republic of Armenia undertook an initiative of evaluating jobs of senior state officials and comparing it with international experience to make an appropriate suggestion concerning equal pay distribution of senior state officials in Armenia.

Drafting wage policy job analysts and position classifiers give importance to the fact that the system reflects internal and external equity.

Internal equity is when wages reflect the relative importance of the positions inside the organization. It concerns not the persons or the professionals but concrete positions in the context of concrete organization. Internal equity is achieved through the common methodology of relative analysis of position passports and based on it classifies positions in different groups. External equity is when salaries are in harmony with the development trends of the market, that is, the organization pays its workers market price without overestimating or underestimating.

For the high positions of the Republic of Armenia the usage of this method have difficulties because the positions of high officials, as a rule, do not have precise position descriptions, as well as, there are no easily comparable positions for high state positions in the market. Thus, the initiative of the government involved two dimensions

1. Internal, when high ranking officials express their common self- perception about senior state positions according to the same criteria, and
2. External, when instead of market international experience have been used to compare the ratio of the salary to average salary amount in each country and set salary system.

This paper deals with the external part of this initiative. It aims to set salary system ranges for senior state officials of the Republic of Armenia. Thus, this policy paper will explore the issue of achieving external equity in the Republic of Armenia. The main body of this paper will begin

with the description of the current system, will present the international experience and bring to the necessity of setting salary system ranges of senior state officials based on job evaluation and analysis. Further, it will include methodology used to achieve external equity and present the description and analysis of the results. Finally, this paper will conclude about the common system of pay distribution of senior state officials based on the comparative analysis of the salaries of foreign high ranking officials and will give recommendations about the salary system ranges of these officials.

Problems of the current system

In Armenia the pay distribution of the high ranking state officials is regulated according to the laws about the “Salaries of high ranking officials of Legislative, Executive and judicial bodies of the Republic of Armenia.” According to these laws the salary of the president of the Republic of Armenia is 400000AMD, which is less than the salary of the head of the Public Service Regulating Committee, who gets 720000AMD. Moreover, it is even less than the salaries of the deputy director and the member of the same committee. This witnesses about the lack of systematic approach to the pay distribution of senior state officials and gives rise to the importance of creating a common salary system. (Standpoint of the Salaries of Civil Servants in the Republic of Armenia 2008)

In the salary system of senior state positions of the Republic of Armenia one can with naked eye notice the absence of conformity between input and pay. This is not limited to the example

of the salary incoherence among the president of the Republic of Armenia and the head, the deputy director and the member of the Public Service Regulating Committee. (See Appendix A)

Table 1: Minimum and Base Salaries in the Public Services in Armenia

Civil Service (base salary)	40.000
Tax service (base salary)	55.500
Customs service (base salary)	55.500
Judicial Acts' Compulsory Realization Providing Service (base salary)	25.000
Criminal Court Service (base salary)	12.000
Salutary (Rescue) Service	27.500
National Security Service	28.500
Police	28.500
Defense	28.500
Investigating Chief Office of Police	85.000
Chamber of Control (base salary)	111.000
Diplomatic Service in the Republic of Armenia	134.160
Diplomatic service in the Foreign Countries	72.600
Judge of Common Jurisdiction Court	220.000
Judge of Cassation Court	330.000
Chief Prosecutor	408.375
Public Service Regulating Committee	100.000
Community Services	25000

Data presented about the base salaries of different public service bodies witness that there is incoherence among the salary systems of separate bodies of public service. The right way of verifying approach based on tasks and responsibilities has been broken. Thus, in some cases some workers of the lower level receive more or equal pay than those in higher ranks, breaking

the connection between the lower and upper levels. (Standpoint of the Salaries of Civil Servants in the Republic of Armenia 2008)

International Experience in Pay Determination in the Public Sector

This section introduces the general public sector employment in foreign countries. It also refers to the comparison of average monthly salaries in both public and private sectors in France, Germany, the United Kingdom, the United States of America, and Estonia. Though the immediate concern of this paper is the level of pay of higher officials, systematically, it is done in not very many countries. Among the countries mentioned above only the United States and the United Kingdom can be good examples.

In Australia the level of salaries in the public sector is determined through collective bargaining within the civil service pay system. In Finland, Spain and France the main factor for salary rise in the public sector is inflation, the aim of which is to protect the purchasing power of the government employees' salaries. In Denmark the salaries of public sector employees are raised along with those in the private sector. In this case there is no substantial difference between the salaries in public and private sectors (Standpoint of the Salaries of Civil Servants in the Republic of Armenia 2008).

The current salary structure in France was created in 1946. Though some changes have been made, the main elements remain the same. It includes a formula, consisting of three indexes – an index ranking corps (*indice brut*), an index introducing the figure for salary calculation (*indice majoré*), and an index, refunding losses because of inflation (*point d'indice*). Top civil servants and political appointees have a particular scale of salaries (Elliott et al. 1999). However, there is

an issue of transparency in the French system. Moreover, salaries of equivalent positions vary. For instance, some of the ministers get different salaries (Public Employment and Management Working Party 2008).

Labor unions play a major role in wage setting in the public sector of France. According to Elliott et al. (1999) public sector is more unionized than the private one. The main unions take part in wage negotiations. However, the results of these agreements are not legally binding for the government. The statistics show that the average wage in the public sector is higher than that in the private sector. Elliott et al. (1999) write that the reason for this may be the fact that employees in the public sector, as a rule, are more qualified. The statistics also show, that the rise in wages in both public and private sectors are alike (Elliott et al. 1999).

Dustmann and van Soerst (1997) have found out that the average salary of male employees in the public sector of Germany is higher than in the private sector. But when the age, education and experience are taken into account, the salaries in the private sector are higher. For women the salary in the public sector is higher than in the private sector in all cases. According to Elliot et.al (1999) this difference is due to educational differences. As a rule, workers in the public sector have higher education than those working in the private sector. Additional payments are also higher in the public sector. The study showed that wage increases both in private and public sector seemed to change in a similar manner (Elliot et al. 1999).

The state in Germany guarantees adequate income for public sector employees; they in turn, are loyal to the state and the Constitution. Some public sector employees (with exception of civil servants) have the right to negotiate wages. The salary of public employees in Germany consists of the base salary and additional allowances. There are common tax rules for public sector and private sector employees. For about 15 years of service they get life-time employment. Thus,

there are two different systems for public employment in Germany. The rights of civil servants are regulated by law, while other employees of the public sector have the right to negotiate their wages, like in the private sector (Elliot et al. 1999).

Further, the pay system of the Estonia will be considered. Public Employment in Estonia is regulated by legal acts, adopted in 1996. The legal framework comprises the following acts: the Public Service Act, the Government of the Republic Act, and the State Public Servant Official Title and Salary Scale Act. The latter law regulates the recruitment, evaluation, and salary scales of public employees (Public Management Profiles of Central and Eastern European Countries: Estonia 1999).

In Estonia the salary scales for public servants are determined by State Public Civil Servants Official Titles and Salary Scale Act. It has established a unified system of employment for public administration employees. In case of budget surpluses (when there are vacancies) employees are paid bonuses and allowances but this system is not totally transparent in Estonia (Republic of Estonia: Public Administration Country Profile 2004).

In 2007 the average monthly salary in Estonia was USD 1.124, while in the private sector it was USD 806 (Average Monthly Gross and Net Wages (Salaries), 2007). That is, the average salary in the public sector is higher than that in the private sector of Estonia.

The current pay system of government employees in the United Kingdom was reintroduced in 2002. Its aim was to overcome the limitations of the previous system. It also aimed to coordinate the salaries in public sector with those in the private sector in order to attract qualified labor force (Public Employment and Management Working Party 2008). Studies show that in the United Kingdom both male and female employees in the public sector on average earn more than in the private sector (Elliott et al. 1999).

The last country considered as an international experience is United States. (See pay structure in the United States in Table 2) (The senior civil service in national governments of OECD countries 2008).

Table 2: Pay Structure for Executive Schedule and SES after the Reform in the United States

	\$	\$
<u>Executive Schedule</u>		
Level I	186.600	
Level II	168.000	
Level III	154.600	
Level IV	145.400	
Level V	136.200	
<u>SES</u>		
Agencies with a Certified SES Performance Appraisal System	Max. 168.000	Min. 111.676
Agencies without a Certified SES Performance Appraisal System	Max. 154.000	Min. 111.676

Source: The senior civil service in national governments of OECD countries (2008).

Level I of the Executive Schedule includes pay grades of cabinet officials and secretaries, Level II – senators, Cabinet secretaries and members of the House, Level III – solicitor general, under secretaries, chairmen of commissions and boards, Level IV – assistants, general counsels, members of different commissions and boards, inspector generals, chief financial officers, and chief information officers, and Level V – commissioners, associate and assistant directors, and additional officers. Employees in the public sector on average earn more than in the private sector in the United States (Quarterly Census of Employment and Wages 2004).

Thus, in all five countries studied (France, Germany, the United Kingdom, the United States of America, and Estonia) the average monthly salaries in the public sector are higher than those in the private one.

The next section will present the steps undertaken in Armenia to classify the positions of the senior officials into groups.

Job Evaluation and Classification

In order to establish salary system ranges which will provide both internal and external equity, the following steps must be undertaken:

- Job analysis and evaluation
- Job classification
- Designing and creating an effective compensation plan

Job analysis refers to a purposeful, systematic process that provides descriptive, important job related information that distinguishes job being analyzed from other jobs. A job analysis breaks the job down into meaningful components.

Job evaluation is any method through which relative value of positions is being ranked. It has nothing to do with the characteristic features of separate officials and is not related to the evaluation of the quality of the work done by individuals (The Committee of State Management System Reforms 2001)

Job evaluation is aimed to create fair pay system bringing to conformity the level of the salary and the importance of the job. The most important thing in the evaluation of job value is the process of jobs' comparison, bringing them into one and the same standard through which one can do some acceptable ranking of the jobs expressing relative input of different jobs in the

achievements of the organizational goals. (The Committee of State Management System Reforms 2001)

Job classification involves grouping jobs in terms of tasks, knowledge, skills, and abilities. Factors such as difficulty, complexity, and the amount and kinds of responsibility are also considered. This information helps to establish the similarity of jobs. After similarity is determined, grades or classification levels can be established. Obviously job analysis process provides a means to gather the critical information in order to classify jobs based on similarity. The sources of these types of information include the job incumbent, the immediate supervisor of the job, human resource specialist within the organization, and perhaps clients or customers who interact with the person in the position being analyzed. In gathering information about a job, it is important to realize that job incumbents are likely to be most knowledgeable of the job requirements. (Foster 1998)

Job classification is beneficial not only because it carried the principle of description over from the natural sciences, but also because it supported the twin values of agency efficiency and individual equity. On the one hand, classification helps the line manager and the personnel manager to divide labor more efficiently. On the other hand, it provides for the equitable compensation of employees according to the true worth of their jobs. (Nalbandian and Klingner 2002)

Position classification follows logically from job analysis, for it assumes that each position can be logically placed both vertically and horizontally within a lattice (the organization chart or table of organization). Traditional position classification simplifies job analysis and position management, for it means that a standardized description can be written for an entire group of

positions (those requiring the same qualifications because they comprise the same tasks, conditions, and standards). (Nalbandian and Klingner 2002)

Thus, position classification is simply a means for organizing work into groups (or “classes”) and levels (or pay grades) on the basis of duties and responsibilities. Classification systems were developed in direct response to the disorderly and erratic processes of hiring and paying public sector employees that existed up until the early 1900s. Position classification is called for defining work in terms of the positions needed to carry it out, rather than the people doing the work. (Naff 2002)

For the purpose of this research, initially, a questionnaire was constructed. The questionnaire included five factors – decision making, leadership, job complexity, communication, and qualification. Each factor was divided into two subfactors. (See Appendix B)

Interviews were conducted among ministers, heads of standing committees of National Assembly, heads of independent committees, heads of courts, and the representative of the staff of President of the Republic of Armenia (on the whole 33 high officials - 16 representatives of executive, 5 representatives of judicial and 12 representatives of legislative branches).

Based on the answers given by interviewees the value of each position was counted.

As a result of job classification four groups were formed.

Group one comprises ministers, heads of power structures, the mayor of Yerevan, and the chairman of the Cassation Court.

Group two includes heads of courts, heads of independent committees, heads of the structures under the Government, judges, first deputy ministers, deputy heads of power structures, deputy chairmen of the National Assembly, and heads of the committees of the National Assembly.

Group three consists of deputies of the National Assembly, ministers, heads of independent commissions, deputy heads of the structures under the Government and deputy regional governors, and the head of the Staff of the National Assembly.

Group four includes the members of independent committees.

Five positions were not included in either of these groups. These positions are the President, the Vice President, the Deputy vice President, the President of the National Assembly, and the Head of the Constitutional Court. (See Table 9: Suggested Salary Ranges According to Three Principles)

After the job evaluation and classification the very next step is to design an effective compensation plan. The next section is going to discuss theoretically the steps to be undertaken to create an effective pay system.

Designing and Creating Effective Compensation Plan

The quality of a pay plan is being judged by criteria such as its internal and external equity. Above, have been discussed the steps to be undertaken to ensure internal equity. This part of the paper will introduce the steps to be undertaken to provide salary system which will reflect the relative hierarchical value of each position. (Siegel 1998)

The basic issues of step-by-step approach to constructing and maintaining salary system are (1) design structure and policies and (2) administration of pay.

Step 1. Design Pay Ranges – for the purposes to correlate the point values for benchmark positions derived from job evaluation with the pay rates for these positions it is good idea to go

to the marketplace for these positions. This correlation should produce a tight cluster of values around the average line. Values that significantly vary should probably be removed from the analysis because they distort the average. Once the average line is available it is possible to try out different pay range designs. Many pay ranges are possible each with potential implications for pay policy or administration. For example ranges may represent a straight line, or positively inflected curve, positively curvilinear but with diminishing job evaluation points and higher levels of pay as the curve ascends etc. (Siegel 1998)

Step 2. Conduct a Pay Survey – Even though job evaluation represent the organization's value system for its jobs, the organization still must consider market rates in order to adjust its pay policy relative to market rates and to adjust its pay standardization to market averages. The latter purpose is also important for adjusting pay levels to reflect inflation in the general economy. Survey results from other organizations might be relied upon solely or for comparative purposes.

Step 3. Gather Fringe Benefit Data – If possible data on fringe benefits and perquisites should be gathered in the salary survey, and these rewards should be subtracted from salary and wage data. Perquisites differ from fringes in that they are allocated to particular jobs, services, or organizational levels as a requirement for proper functioning rather than as a form of compensation. (Siegel 1998)

Step 4. Compute a Pay Line – community job average rates must be regressed to determine an average line of best fit. (Siegel 1998)

Step 5. Administrate Pay within Ranges – this is the area where grade range design and compensation objectives come together. (Siegel 1998)

Methodology

As a result of job evaluation and classification we had the relative importance of different positions in the list. Based on which positions were divided into groups. Further, international experience was considered to make appropriate salary recommendations for the high ranking positions of the Republic of Armenia. Countries included were the United States, the United Kingdom, Russia, Estonia, and France. The United States was selected because of the established salary system ranges that exist there. European countries like France and United Kingdom were selected for having established salary system ranges for senior state officials in those countries. The choice of two European countries is connected with the differences in the ruling systems of these countries. France has the same semi-presidential ruling system as it is in Armenia. Estonia shares common background with Armenia. It was also member country of the Soviet Union and now is undergoing a number of reforms in different fields. Russia besides sharing common background with Armenia faces the same challenges as Armenia does.

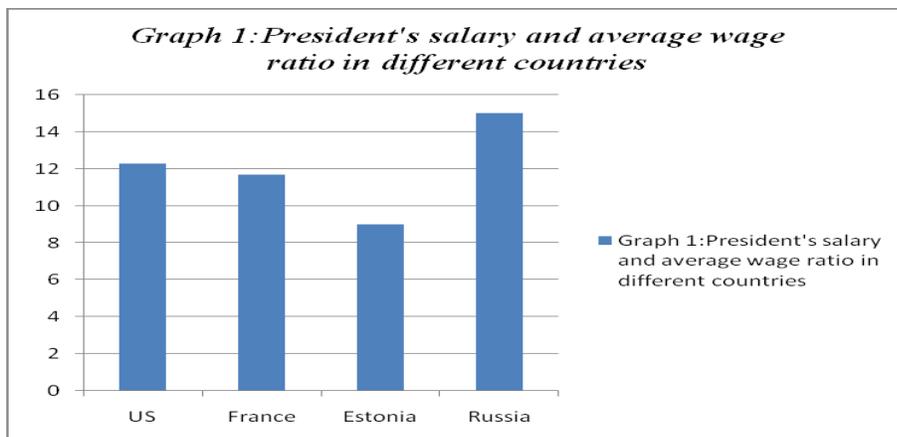
Further, for the purposes of the research to assure external equity of pay distribution of senior state officials in Armenia I have counted the ratio of the salaries of the senior state officials in each of the above mentioned countries to the average wages in these countries. From the resulted ranges I have taken the average and multiplying it with the average salary in Armenia I have achieved the recommended salary size for each group.

Results and Analysis

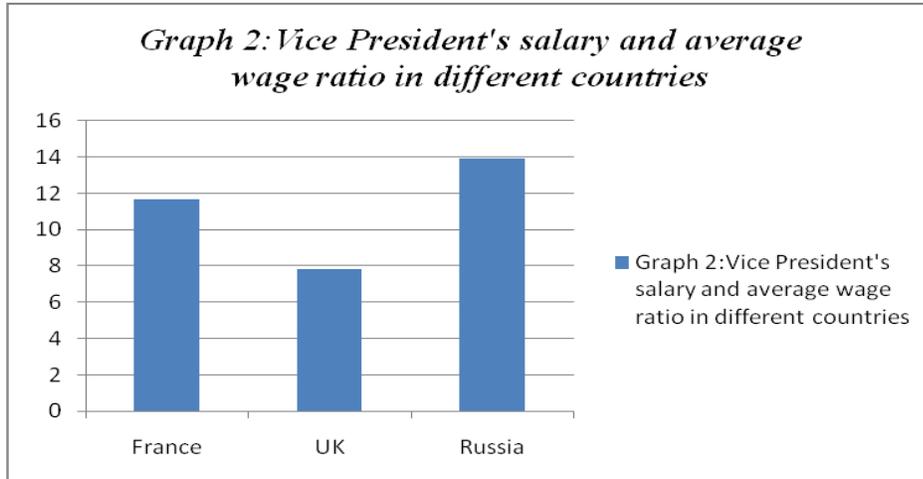
To decide salary size of these positions and the groups, comparative analysis of the international experience has been undertaken. The results of this analysis are presented in the Appendix D.

In the Tables 3 to 7 first columns include the positions of high ranking officials in Russia, United States, France, United Kingdom, and Estonia. In the second columns, correspondingly, the monthly salaries of these officials are presented. In the third columns the ratio of the salaries of the officials and the average wages in the corresponding country is presented. (See Appendix D)

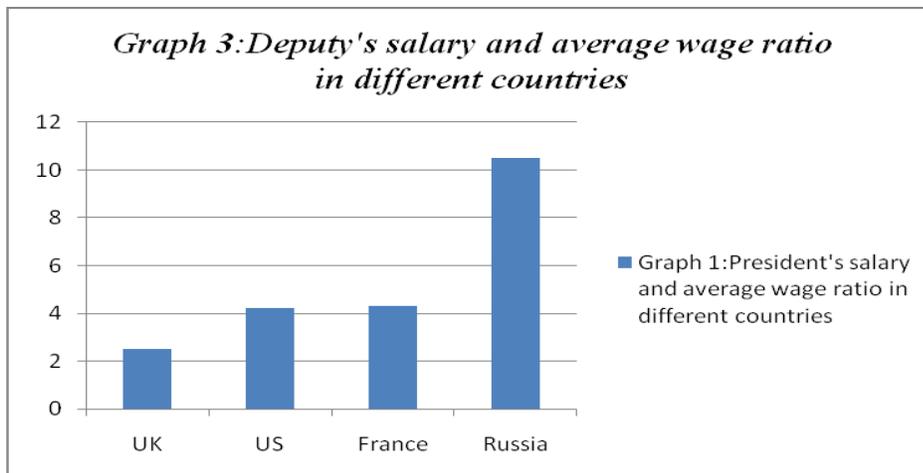
Further, the similar positions in all the above mentioned countries with their ratios of salaries to average wages were compared graphically to see the range of the international experiences. Russia is excluded from the range, because it is the only foreign country among the sample countries compared that provides equal salaries for the ministers and deputies. This approach is anomaly and would rather be ignored. Below you can find comparative graphs for the positions of president, vice president, president of the National Assembly, Ministers, Deputies, Judges, and highest Civil Servants.



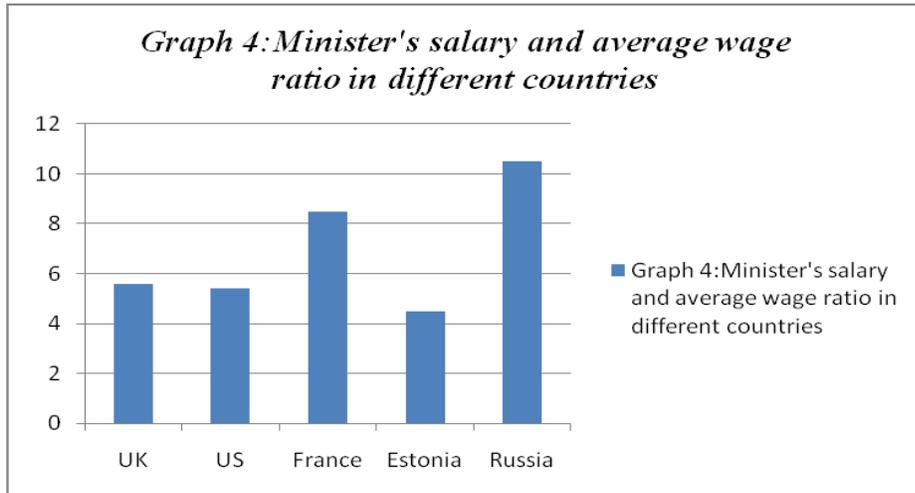
In the comparative *Graph 1* the ratio of the salaries and the average wages in Estonia, USA, France, and UK are presented. The range of the presidents salary and average wage ratio is 8- 12. Russia is an obvious outlier.



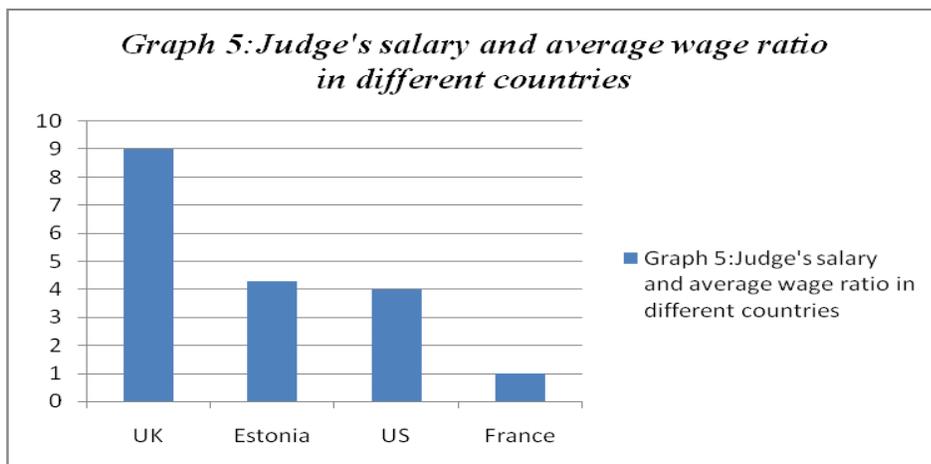
In the comparative *Graph 2* the ratio of the salaries and the average wages in Russia, Germany, and France are presented. The range of the presidents salary and average wage ratio is 8- 11. Russia is an obvious outlier.



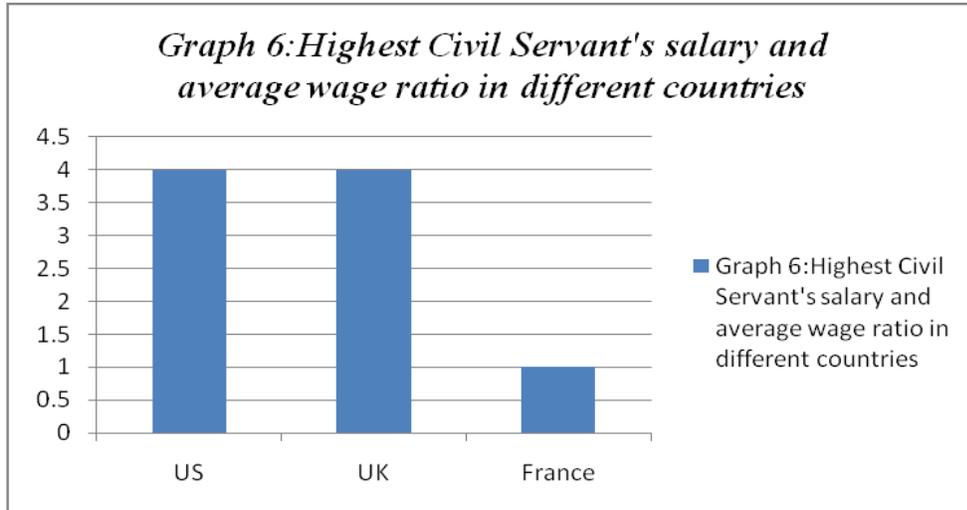
In the comparative *Graph 3* the ratio of the salaries of the deputies and the average wages in Russia,USA, France,and UK are presented.The range of the deputy’s salary and average wage ratio is 2.5 -10.



In the comparative *Graph 4* the ratio of the salaries of the ministers and the average wages in Russia,USA, France, UK and Estonia are presented.The range of the ministers’ salary and average wage ratio is 4 - 8. Russia is an obvious outlier.



In the comparative *Graph 5* the ratio of the salaries of the judges and the average wages in USA, France, UK and Estonia are presented. The range of the judges' salary and average wage ratio is 1-9.



In the comparative *Graph 6* the ratio of the salaries of the Senior Civil Servants and the average wages in USA, France, and UK are presented. The range of the Senior Civil Servants' salary and average wage ratio is 1-4.

Conclusion and Recommendations

The suggested salaries for different groups are based on the comparative analysis of salaries of high ranking officials in different countries. There are some cases when the ratio is taken not from the international experience, but from the grades given by the Armenian officials.

Table 8: Suggested Salary Ranges According to Three Principles

	<i>International</i>		<i>Interim</i>		<i>Armenia</i>	
President of the Republic of Armenia	10	900000	10	900000	10	900000
President of the National Assembly of RA	9	810000	9	810000	9.5	855000

Prime Minister of the Republic of Armenia	9	810000	9	810000	9.5	855000
Head of the Constitutional Court	8	720000	8	720000	9	810000
Deputy Prime Minister	7	630000	8	720000	9	810000
Minister						
Head of the presidential staff						
Head of the governmental staff						
Secretary of Security Counsel						
Mayor of Yerevan	6	540000	7.25	652500	8.5	765000
Chief Prosecutor						
Head of Security Service						
Head of Police						
Head of State Revenue Committee						
Head of Cassation Court						
Head of Court of Appeal						
Head of the Court of First Instance						
Head of the Specialized Court						
Head of the Central Electoral Committee						
Head of the Counsel of National Statistical Service						
Head of the Public Service Regulating Committee						
Head of the Economic Rivalry Protection State Committee						
Head of the Control Chamber						
Human Rights Defender						
Head of the Committee of Public TV and Radio						
Head of the Civil Service Committee						
Head of the Near Government State Governing Body						
Marzpet						
Head of the State Protection Service						
Member of the Constitutional Court	5	450000	6	540000	7.5	675000

Judge of the Cassation Court						
Judge of the Appeal Court						
Judge of the First Instance Court						
Judge of the Specialized Court						
Deputy Minister of the Chief Prosecutor						
Deputy Minister of the National Assembly						
Head of the Standing Committee of the National Assembly						
First Deputy of Minister						
First Deputy of the National Security Service						
First Deputy of the Head of Police						
Deputy of the Head of the Standing Committee of the National Assembly						
Deputy of the National Assembly						
Deputy Minister						
Deputy Mayor of Yerevan						
Deputy Marzpet						
First Deputy of Head of the Near Government State Governing Body						
Deputy of the Head of the Central Electoral Committee						
Secretary of the Central Electoral Committee						
Deputy of the Head of the Control Chamber						
Deputy of the Head of the Public Service Regulating Committee						
Deputy of the Head of the Committee of Public TV and Radio						
Deputy of the Head of the Statistical State Committee	4	360000	5	450000	6	540000
Deputy of the Head of the Economic Rivalry Protection State Committee						
Deputy of the Head of the Civil Service Committee						
Deputy of the Head of the Near Government State Governing Body						

Head of the State Governing Body in Ministerial System						
Head of the staff of the National Assembly						
Deputy of the Head of the Standing Committee of the National Assembly						
Deputy of the National Assembly						
Member of the Economic Rivalry Protection State Committee						
Member of the Central Electoral Committee						
Member of the Control Chamber						
Member of the Statistical State Committee	<i>2.5</i>	<i>225000</i>	<i>3.75</i>	<i>337500</i>	<i>5</i>	<i>450000</i>
Member of the Public Service Regulating Body						
Member of the Civil Service Committee						
Deputy of the Head of the State Governing Body in Ministerial System						
Highest Civil Servants	<i>2</i>	<i>180000</i>	<i>2.5</i>	<i>225000</i>	<i>3.8</i>	<i>337500</i>

Table 8 represents the size of salaries suggested for the President, Vice President, Deputy Vice President, President of the National Assembly, the Head of the Constitutional Court and the four groups. The salaries are suggested based on three principles:

1. “International” - in this scenario the positions are divided according to the common self perception of high ranking officials of the Republic of Armenia, and the salary according to the international experience
2. “Interim” – in this scenario the positions are divided according to the common self perception of high ranking officials of the Republic of Armenia, and the salary according international experience as well as according to the common self perception of the high ranking officials of Armenia.

3. “Armenian” - in this scenario both the positions and salaries are divided according to the common self perception of high ranking officials of the Republic of Armenia.

According to the “international” scenario the ratio of the salaries of the presidents to the average salary in the corresponding countries ranged from 8 to 12. The average ratio 10 was chosen and multiplied with the average salary in Armenia - 90.000 AMD. Thus, it is suggested to pay 900.000 AMD to the president of the Republic of Armenia.

The range for Prime Minister is from 7 to 11. The average 9 was multiplied by 90.000 AMD average salary in Armenia, making suggestion of vice president’s salary equal to 810.000. The salary suggested for the President of the National Assembly is also 810.000 AMD, because of the equal weight to the Vice president’s position according to the common self- perception of the high ranking officials of the Republic of Armenia.

For the Head of the Constitutional Court 720.000 AMD is suggested, while for the deputy prime minister 620000 AMD.

The ratio of the salaries of the ministers to the average salary in the corresponding countries ranged from 4 to 8. The average six was multiplied by 90.000AMD and salary equal to 540.000 AMD is suggested for the first group to which the position of minister belongs.

The ratio of the salaries of the ministers to the average salary in the corresponding countries ranged from 1 to 9. Multiplying the average 5 point by the average salary in Armenia, 450.000AMD is suggested for the second group.

In the “Armenian” scenario the suggested salaries are as follows: President – 900.000AMD; Vice President – 855.000AMD; President of NA – 855.000AMD; Head of the Constitutional Court – 810.000AMD; Deputy vice President – 810.000AMD; first group – 765.000AMD; second group – 675.000AMD; third group – 540.000AMD; and, finally, fourth

group – 450.000AMD. This comes from the appropriate weights equal to 10; 9,5; 9,5; 9; 9; 8,5; 7,5; 6 correspondingly.

The “interim” scenario is the average of the international and Armenian versions.

For all the three versions base equal to the salaries of the highest civil servants was taken. In the international version it is equal to 180.000AMD, for the interim it is 225.000AMD, and for Armenian it is 337.500AMD.

To conclude, the “Armenian” scenario is not very appropriate because of the little difference among the weights of different positions. Besides, it provides small compression ratio that equals to two. “Interim” scenario is possible to put into action; however, its compression ratio equal to 2.6 is also small. Finally, it is the “international” scenario that best fits with the Armenian reality providing compression ratio equal to four. The experience of international comparisons is also comparable to the current salaries of civil servants. This means that the method can be used without any major changes in other pay systems.

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Appendix A: List of the Salaries of the High Ranking Officials in Armenia

Position	Salary
President of RA	400000
Head of the Presidential Staff	300000
President of the National Assembly	340000
Deputy Minister of the NA	310000
Deputy of NA	300000
Head of the Staff of the NA	300000
Prime Minister	340000
Minister	300000
Head of the Governmental Staff	300000
Head of the Customs Committee	394050
Head of Tax Committee	394050
Mayor of Yerevan	300000
Marzpet	230000
Head of the Near Governmental State Governing Body	180000
First Deputy Minister	220000
Deputy Minister	180000
Deputy Marzpet	180000
Deputy Mayor of Yerevan	180000
First Deputy of the Head of the Near Governmental State Governing Body	140000
Deputy of the Head of the Near Governmental State Governing Body	120000
Head of the State Governing Body in Ministerial System	120000
Deputy of the Head of the State Governing Body in Ministerial System	120000
Head of the Constitutional Court	340000
Member of the Constitutional Court	300000
Head of the Cassation Court	412500
Judge of the Cassation Court	242000
Head of the Appeal Court	
Judge of the Appeal Court	264000
Judge of the First Instance Court	220000
Human Rights Defender	340000
Chief Prosecutor	391875
Head of Police	300000
Head of the Security Service	300000
Head of the State Protection Service	180000
Deputy of the Chief Prosecutor	220.000
First Deputy of the Head of the National Security Service	220000

First Deputy of the Head of Police	220000
Deputy of the Head of Police	180000
Deputy of the Head of the National Security Service	180000
Head of the Control Chamber	788100
Deputy of the Control Chamber	677100
Member of the Control Chamber	566100
President of the Central Electoral Committee	300000
Deputy of the Central Electoral Committee	220000
Secretary of the Central Electoral Committee	220000
Member of the Central Electoral Committee	220000
Head of the Statistical State Committee	300000
Head of the Civil Service Committee	300000
Head of the TV and Radio Committee	300000
Head of the Public Service Regulating Committee	720000
Head of the Economic Rivalry Protection State Committee	300000
Deputy of the Head of the Statistical State Committee	180000
Deputy of the Head of the Civil Service Committee	240000
Deputy of the Head of the TV and Radio Committee	240000
Deputy of the Head of the Public Service Regulating Committee	660000
Deputy of the Head of the Economic Rivalry Protection State Committee	240000
Member of the Statistical State Committee	180000
Member of the Civil Service Committee	230000
Member of the Public Service Regulating Committee	630000
Member of the Economic Rivalry Protection State Committee	230000

Appendix B: Questionnaire

Please, evaluate below mentioned factors for each position by 1-10 scaling system. If there is any position, which is problematic to evaluate because of lack of information, you may not evaluate. In all other cases, please, evaluate keeping in your mind the whole list of positions, not comparing with other positions but measuring according to 1-10 scaling system.

Factor	Decision Making		Leadership		Job Complexity		Communication		Knowledge and Skills	
Position	Authorization to establish goals and primary tasks	Competence to make a decision about the realization	The weight of decisions in the country	The weight of decisions in the particular field	Complexity of the concrete sphere	Variety of spheres	The importance of negotiating, persuading, and reaching agreement with individuals	The importance of easily communicating with groups	Knowledge of languages and computer skills	Experience and education of the appropriate field

Please, distribute 1 -25 points between the factors describing the positions so as the sum to be equal to 25.

Factors	Points
Decision Making	
Leadership	
Job complexity	
Communication	
Knowledge and skills	

Appendix C: Groups of High Ranking Positions in Armenia

President of the Republic of Armenia
 President of the National Assembly of RA
 Head of the Constitutional Court
 Prime Minister of the Republic of Armenia
 Deputy Prime Minister

<p>Group 1: Ministers, Heads of Power Structures, Mayor of Yerevan, Head of Cassation Court</p>	<p>Minister Head of the presidential staff Head of the governmental staff Secretary of Security Counsel Mayor of Yerevan Chief Prosecutor Head of Security Service Head of Police Head of State Revenue Committee Head of Cassation Court</p>
<p>Group 2: Heads of Courts, Heads of Independent Committees, Heads of Near Government Institutions, Judges, First Deputies of Ministers and Deputies the Heads of Force Institutions, Deputy Ministers of the National Assembly and Heads of the Committees of the National Assembly.</p>	<p>Head of Court of Appeal Head of the Court of First Instance Head of the Specialized Court Head of the Central Electoral Committee Head of the Counsel of National Statistical Service Head of the Public Service Regulating Committee Head of the Economic Rivalry Protection State Committee Head of the Control Chamber Human Rights Defender Head of the Committee of Public TV and Radio Head of the Civil Service Committee Head of the Near Government State Governing Body Marzpet Head of the State Protection Service Member of the Constitutional Court Judge of the Cassation Court Judge of the Appeal Court Judge of the First Instance Court Judge of the Specialized Court Deputy Minister of the Chief Prosecutor Deputy Minister of the National Assembly Head of the Standing Committee of the National Assembly</p>

	<p>First Deputy of Minister First Deputy of the National Security Service First Deputy of the Head of Police Deputy of the National Security Service Deputy of the Head of Police</p>
<p>Group 3: Deputies of the National Assembly; Deputies of the Ministers, Heads of Independent Committees, Heads of Near Governmental Institutions, and Marzpets; Head of the Staff of the National Assembly</p>	<p>Deputy of the Head of the Standing Committee of the National Assembly Deputy of the National Assembly Deputy Minister Deputy Mayor of Yerevan Deputy Marzpet First Deputy of Head of the Near Government State Governing Body Deputy of the Head of the Central Electoral Committee Secretary of the Central Electoral Committee Deputy of the Head of the Control Chamber Deputy of the Head of the Public Service Regulating Committee Deputy of the Head of the Committee of Public TV and Radio Deputy of the Head of the Statistical State Committee Deputy of the Head of the Economic Rivalry Protection State Committee Deputy of the Head of the Civil Service Committee Deputy of the Head of the Near Government State Governing Body Head of the State Governing Body in Ministerial System Head of the staff of the National Assembly</p>
<p>Group 4: Members of Independent Committees</p>	<p>Member of the Economic Rivalry Protection State Committee Member of the Central Electoral Committee Member of the Control Chamber Member of the Statistical State Committee Member of the Public Service Regulating Body Member of the Civil Service Committee Deputy of the Head of the State Governing Body in Ministerial System</p>

Appendix D: Tables from 3 to 7 Representing Salaries, Average Wages and the Ratios of the Both in US, Russia, UK, France and Estonia

Table 3: Monthly pay of high ranking officials in Russia

Position	Monthly pay in US dollars	Ratio of salary and average wage (rounded)
President	8000	15
Vice President	7400	14
President of State Duma	7400	14
Deputy	5565	10.5
Minister	5565	10.5
Mayor	11430	21.6
Judge	4350	8.2
Head of the Presidential staff	3691	7
Head of the staff of the Duma	3230	6.1
Chief Inspector of Customs Service	1692	3.2
Chief Inspector of Tax Service	1743	3.3
State Tax Inspector	1384	2.6

(Average wage in Russia 528.9 US dollars) Source: Указ президента российской федерации о денежном содержании федеральных государственных гражданских служащих 2006

Table 4: Monthly pay of high ranking officials in United States

Position	Monthly pay in US dollars	Ratio of salary and average wage(rounded)
President	33500 - 41170	10 -12.3
Vice President(President of Senate)	18425	5.5
Senators and Congressmen	14108	4.2
Minister of Justice	18117	5.4
Deputy of the Minister of Justice	14333	4.3
Judge of Highest Court	17342	5.2
Judge of Appeal Court	14592	4.3

Local Judge	13508	4
Chief Inspector of the Finance Minister	12417	3.7
Highest Administrative Positions	13508	4

Average wage in the United States is 3350 US dollars Source: Presidential and Vice Presidential Salaries 2003; Exclusive of Perquisites; Legislative, Executive, and Judicial Salaries 2006

Table 5: Monthly pay of high ranking officials in France

Position	Monthly pay in US dollars	Ratio of salary and average wage(rounded)
President	27930	11.7
Vice President	27930	11.7
Ministers	20580	48.5.3
Deputies	10290	4.3
Judges	3807 - 8820	1;3
Members of Independent Committees	14700	6.1
Civil Servants	3675 - 6248	1;3
Prosecutor	3675	1.5

Average wage in France is 2378 US dollars
Source: Sarkozy Moves to Boost His Salary 2007

Table 6: Monthly pay of high ranking officials in United Kingdom

Position	Monthly pay in US dollars	Ratio of salary and average wage(rounded)
Vice President	32000	7.8
Speaker	23012	5.6
Ministers	23012	5.6
Deputies	10000	2.4
Judges	16398 -38219	3 - 9.3
Opposition Leader	21949	5.3
Chief Prosecutor	21370	5.2
First Deputy of Minister	16873	4.1
Civil Servant	77000 - 137200	

Average wage in the United Kingdom is 4104 US dollars

Source: House of Commons Information Office: Ministerial Salaries 2008

Table 7: Monthly pay of high ranking officials in Estonia

Position	Monthly pay in US dollars	Ratio of salary and average wage(rounded)
President	9166	9.1
Ministers	4583	4.5
Deputy Ministers	3666	3.6
Judges of Supreme court	5924	5.9
Judges of Appeal Courts	4847	4.8
Judges of 1st instance courts	4308	4.2

Average wage in Estonia is 1008 US dollars

Source: Average Monthly Gross and Net Wages (Salaries) 2007