

Author's presentation and official referee's report on the Ph.D thesis of

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having the title

**Relations between the salary system of officers and non-commissioned officers  
and the salary system of the domestic public services  
(Possible impact of a unified salary system of the public services on the  
military salary system)**

[Referee]

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## I. Summary and objectives of the research task

Until now, in the scientific life of the Hungarian Defence Forces, no studies were made that would inspect the salary system of the officers and NCO's. Especially, with respect to the structure of the salary system of the officers and NCO's and its components (basic salary (in Hungarian: *alapilletmény*), additional salary (in Hungarian: *illetménykiegészítés*), bonuses (in Hungarian: *illetménypótlékok*)). Also with regard to the independent payment mechanisms of such salary systems which are different from the salary systems of other national public services, especially from the system of civil servants and, as from 1 January 2002, from the salary system of other armed organisations (border guard, police, catastrophe protection service, penal authorities, customs and finance guard, and the civil national security services).

The relationship between the salary system of the public services and the salary system of the officers and NCO's has a history of almost 150 years. Between 1867 and 1945 salaries of the public servants and the officers and NCO's were payed on the basis of one salary system within the framework of a unified salary system that was used in such period. Following the second world war such unity was suspended for 50 years, and afterwards the two salary systems kept coming near to each other.

Today's newest development is the government's intention to prepare and accept a unified act on the public services, the scope of which would cover the professional and contractual staff of the defence forces.

The basic condition of preparing a unified salary system is to show under today's circumstances (also having respect for the historical backgrounds) whether such conceptional identities exist, which would prove that the unified regulations are reasonable and well grounded. In addition to the knowledge of theoretical connections, what are the conclusions of the experiences of the period following 1996, in which period the salary system of officers and NCO's was mostly based on the elements of the salary system of the public services.

**Based on the above, the grounds for the choise of the subject and the preparation were:**

- the lack of a scientific analysis on the salary systems of the officers and NCO's, and
- with respect to the unified public services act
  - the necessity of clarifying the conceptional identities of the salary systems of the public services and the military salary systems,
  - processing the practical experiences of the salary system of officers and NCO's based on the salary system of the public services, and

- describing a possible alternative system within the framework of the public services act from the point of view of the salary system of officers and NCO's.

**During my research I have focused on the following areas and categorised the tasks as follows:**

- Clarifying the definition of salary and identifying its place in the compensation and motivation system.
- Reviewing the salary policy which was in effect before the research period.
- Studying the connections between the salary system of the officers and NCO's and the salary system of other public services.
- Studying the mechanisms and the consequences of a salary system of officers and NCO's based on the salary system of public services.
- Analysing the elements of the the salary system of the officers and NCO's.
- Studying the real and nominal salaries of the officers and NCO's in the period of 1990 - 2002.
- Studying the possibility of setting up a unified promotion and salary system.

**The following scientific aims were set out in my dissertation:**

- To define the connections between the military salary system and the salary system of other public services.
- To systematise the amendments made to the salary system of the officers and NCO's based on the salary system of the public services and the consequences thereof.
- To make a proposal for a possible alternative of the salary system of the officers and NCO's within framework of the the salary system of the public services.

**I wished to reach the aims set out in my dissertation with the following methods:**

1. Studying the Hungarian and foreign special literature concerning salary and wage systems. (My studies however have not covered the analysing and appraisal of the salary systems of foreign defence forces.)

2. Studying and analysing the acts and other laws and the drafts of such laws concerning the salary system of the defence forces, other armed forces and [rendvédelmi] organisations and also the public services.

3. Consultations with the financial and human resources experts of the public services sector.

4. In relation to the historical parts of the thesis, making interviews with the persons who were actively involved in the relevant matters.

5. As a major part, studying the archives (files) of the Ministry of Defence Central Financa and Accountancy Directorate and making conclusions.

6. Analysing statistical data and making conclusions.

7. Being involved in the preparation of the salary system of the officers and NCO's of the defence forces and in its application in practice.

8. Studying the structure of definitions.

## **II.**

### **Brief summary of the studies and the conclusions**

#### **Details:**

In the **historical background chapter** I studied the circumstances of the years following 1945, i.e. what the status of the salary system of the officers and NCO's was following the ceasing of the unified salary system of the public services.

#### **Conclusions:**

- For almost 50 years following the unified salary system of the public services the salary system of the officers and NCO's enjoyed a relatively great independence. The elements of the military salary system and the payment thereof were mostly set

out by the Ministry of Defence in its sole discretion. The status of the certain branches were determined by central decisions based on the actual political preferences.

- The salary system introduced in 1971, being one of the two milestones in the past 30 years, established a steady structure of salaries. As opposed to such system, the salary system of 1987 created a number of conflicts (together with the problems of the promotion system becoming more and more obvious) which were not capable of being dealt with within the framework of the system.

In **chapter III** I analyse the common conceptual basis of the salary system of public services and the military salary system.

#### **Conclusions:**

- Both promotion systems can be partly categorised as „life long” and partly as „up our out” systems.

- We can also find similarities in the distribution of the hierarchy of the organisation.

- A significant difference is that the organisational hierarchy does not necessarily comply with a person’s place in the hierarchy who is working for the organisation, and such difference needs to be asserted in the salary system.

In **chapters IV-V** the characteristics and experiences of a salary system of the officers and NCO’s being in accordance to the salary system of the public services is summarised. (The current salary system is dealt with in a separate chapter.)

#### **Conclusions:**

- The salary systems of 1996 and 2002 are using the significant elements of the salary system of the public services and also follow the changes of the basic act.

- The full compliance with the salary system of the public services also resulted in negative consequences in the salary system of the officers and NCO’s.

- In respect of the harmonisation of the certain salary systems the issue of identification is getting higher priority, i.e. to achieve nearly the same salaries in the

positions or scopes of activity which qualify at the same level. The method of identification, however is immature and may lead to disputes.

- The salary system of 2002 was a major step forward in respect of solving the problems mentioned above, however the system is still not without conflicts.

**Chapter VI** describes the salary structure and salary levels between 1990 and 2002 using statistical analysis.

### **Conclusions:**

- Until 1996 the salary system had a steady salary structure. The major part of the total salary was the position salary (in Hungarian: *beosztási illetmény*), followed by the rank salary (in Hungarian: *rendfokozati illetmény*), the duty time bonus (in Hungarian: *szolgálati időpótlék*) and finally the other bonuses.

- The 1996 salary system abolished the duty time bonuses, by which the direct financial appreciation of the time duty was taken out from the salary system.

- Subsequently the salary system was restructured step by step. During the course of such restructuring the additional salary given for a higher position in the hierarchy got more emphasis and the bonuses became more significant.

- Due to the several components the curve of the salary of the officers was always above the curve of the salary of the NCO's.

- During the past 12 years (compared to the 1990's) the real salary of the officers made a significant progress. To the contrary, in case of the NCO's, due to the salary development of 2002, the real salary level of 12 years ago could only be repeated recently.

**Chapter VII** is dealing with the possible consequences of the EU accession and a unified public services act.

### **Conclusions:**

- In the EU legislation no provisions can be found regarding the level of salaries, therefore solely based on our EU accession the salaries of the officers and NCO's will not be raised at the time of the accession.

- There are no standardised rules in respect of the structure of the salary systems either, nor for the preparation of a unified public services act. Apart from this, certain tendencies can be found, which reinforce the common use of a unified salary system in the public services sector.

- If a unified domestic public services act is accepted, the promotion and salary system of the defence forces could be included in such act. Notwithstanding the above the special military requirements must be taken into account, including that the currently existing well grounded advantages shown in the salaries must be kept.

- The option of keeping the military salary system's independence must not be rejected. In this case, the main task is to carry out the improvements described above and also to monitor the changes made to the salary system of the public services and to make the necessary adjustments.

### **III.**

#### **Summary of conclusions, scientific results, recommendations**

##### **a) Summary of results**

**The statements and conclusions made in the certain chapters of my thesis can be summarised as follows:**

1.) Until the coming into force of the act on public services and the act on public employment no clear connections could be made between the various salary systems of the public sector, especially in a formalised way. Mostly as a result of this the salary system of the defence forces was relatively independent.

2.) The salary is the most important element of the compensation and motivation system of the defence forces, which had in the past, has in the present and will in the future have the most significant importance in the human resources management of the defence forces.

3.) The existence of conceptual identities between the salary systems of the public services and the defence forces, as a result of which it is possible to build a salary system, which uses the same components and principles. The conceptual

background is proved by the historical precedents, being the unified promotion and salary system of the public servants and soldiers used between 1867 and 1945. In addition to the similarities, specialities can also be found, but these can be dealt with within the framework of the system.

4.) In accordance with the above set out in point 3.), it was reasonable that the preparations to develop a salary system, started in 1992, were based on the salary system of the public servants.

5.) Both the salary system entered into force on 1 September 1996 and the one entered into force on 1 february 2002, have the main characteristics of the salary system of the public services, and also wish to assert the specialities of the salary system of the officers and NCO's.

6.) The full synchronity of the salary systems of the public servants and later the other armed forces and armed organisations was blocked by the fact that no identification system could be prepared, acceptable to each party, that would have been capable of setting out the relationships between the various positions and scopes of activities.

7.) Further it was proved, especially through to the additional salaries and the head officers' bonuses, that the taking over of the salary system of the public services without any special conditions would result in negative consequences.

8.) The salary structures that were steady for many years have been recently changed for a number of times. The position salary has kept its leading role, whereas the rank salary, later called defence bonus (in Hungarian: *honvédelmi pótlék*), got a lower importance and the additional salaries and bonuses became major elements.

9.) Until the mid 90's the real salary of the officers and NCO's kept decreasing, where the salaries of the NCO's suffered the largest devaluation. A raise can be observed since the salary system of 1 September 1996 came into force. However the improvement of real salaries was more advantageous for the officers. The salaries of the NCO's have reached a slightly higher level than the real salaries of 1990 only after the raise of salaries on 1 January 2002.

10.) In case of the government's definite intention, the defence forces should be prepared for a unified public services act which would also include rules regarding the professional and contractual staff. Based on the historical and organisational identities, the conditions of a unified regulation are currently existing, which



encourage the implementation of a unified regulation, especially in respect of the basic salaries (position salaries).

11.) During the preparation of the new act, the additional benefits duly expected by the officers and NCO's must be asserted in the salary system. Where the major instrument would be the keeping of the defence bonus (rank salary) and the leaders' (commanders') bonuses in the system of salaries. In respect of the system of bonuses however we should be prepared for a full review.

12.) If the preparation of a unified public services act would be delayed or the officers and NCO's of the defence forces would not be covered by the scope of such act, the current salary system would be capable of supporting the current promotion system in use.

## **b) Scientific results**

**As a result of my research the following can be regarded as scientific results:**

1.) The definition of the conceptual identities of the salary system of the officers and NCO's of the defence forces and the salary system of public servants.

2.) Setting up a system regarding the background of the preparation of the salary systems included in the acts on services of 1996 and 2002 and the motivation of the principles of such acts regarding the determination of salaries, and the motivation of changes.

3.) Preparing a possible concept of the structure of the salary system of officers and NCO's within the framework of a planned unified public services act, and making a proposal for the professional strategy to be followed during the preparation for the legislation.

### **c) Proposals**

In accordance with the above, I propose:

- To appraise the scope of the positions of the officers and NCO's in the whole area of the defence forces and to match those with the basic positions in the public services sector.

- To review the whole system of bonuses, identifying those which are also used in the civil life and to examine the necessity of the differences between such systems.

- To carry out an analysis of effects in respect of how the differences in the field of bonuses may be abolished provided that the level of the different bonuses would remain the same.

- To collect and systematise the information and statistical data which deal with the composition of staff and salary status of the public servants, public employees and other armed organisations.

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