8th LUMEN International Scientific Conference Rethinking Social Action. Core Values in Practice | RSACVP 2017 | 6-9 April 2017 | Suceava – Romania

Rethinking Social Action. Core Values in Practice

Analysis of a Major Inequity in the Budgetary Wage System: Gerontocracy. Arguments and Solutions

Viorel ROTILĂ, Lidia CELMARE

https://doi.org/10.18662/lumproc.rsacvp2017.66

How to cite: Rotilă, V., & Celmare L. (2017). Analysis of a Major Inequity in the Budgetary Wage System: Gerontocracy. Arguments and Solutions. In C. Ignatescu, A. Sandu, & T. Ciulei (eds.), *Rethinking Social Action. Core Values in Practice* (pp. 730-739). Suceava, Romania: LUMEN Proceedings https://doi.org/10.18662/lumproc.rsacvp2017.66

© The Authors, LUMEN Conference Center & LUMEN Proceedings.
Selection and peer-review under responsibility of the Organizing Committee of the conference

This is an Open Access article distributed under the terms of the Creative Commons Attribution-Noncommercial 4.0 Unported License, permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited

©LUMEN Proceedings

8th LUMEN International Scientific Conference
Rethinking Social Action. Core Values in Practice |
RSACVP 2017 | 6-9 April 2017 | Suceava – Romania

Analysis of a Major Inequity in the Budgetary Wage System: Gerontocracy. Arguments and Solutions

Viorel ROTILĂ[1], Lidia CELMARE[2]

Abstract

In this article, we demonstrate that the influence of seniority on employees' gross salaries in the budgetary sector is exaggerated, leading to significant effects which allow us to legitimately discuss the gerontocracy it reveals, in other words, the wage discrimination based on age criteria. The wage system currently applied for the budgetary employees' wages is characterized by a hierarchical classification based on a dominant criterion, namely the age, which is equivalent to the "seniority in work" indicator (transposed into the six salary grades). Seniority is an exclusive criterion for defining payment hierarchy in the case of identical categories of staff. For each occupational category, the basic salary is hierarchically classified based on seniority and according to the 6 grades; also, based on it all categories of bonuses are established. Thus, the differences in the basic salary are multiplied by each of the applicable bonuses. The maximum level of polarization based on seniority is the when bonuses for working conditions depend on the basic salary which is hierarchically classified according to the accumulated length of service. The result is that different "compensations" for identical working conditions in identical occupational categories are offered. Different compensation for members of the same professional category working under exactly the same conditions flagrantly violates the principles of equity and the provisions of Art. 3, section c) of Law no. 284/2010. We consider that the best solution would be that bonuses should be related to the basic salary, which would correspond to the 0 grade for each of the professional categories. Considering the set of effects caused by wage discrimination based on age and taking into account the reason why they were introduced, we used the term "gerontocracy". Gerontocracy could be one of the risks inherent to democratic societies and created by modernity, which has not been sufficiently studied so far and which is enhanced by the contribution

[1] Associate Professor PhD, „Dunarea de Jos" University Galati, Galati, Romania, E-mail address: viorelrotila@yahoo.com, 0040721246491.

[2] Researcher, MPhil, „Solidarity" Research and Social Development Center, Galati, Romania, lidiacelmare@yahoo.com, 0040723311403.

https://doi.org/10.18662/lumproc.rsacvp2017.66
Corresponding Author: Viorel ROTILĂ
Selection and peer-review under responsibility of the Organizing Committee of the conference

This is an Open Access article distributed under the terms of the Creative Commons Attribution-Noncommercial 4.0 Unported License, permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited

of age-based knowledge (recognition) in a society where science occupies an increasingly important place.

Keywords: Gerontocracy, discrimination, wage system, budgetary employees', payment hierarchy.

1. Introduction

In this article, we use the term gerontocracy in its weak meaning, which is meant to indicate the possibility of either a deviation from a pattern that could be considered normal, i.e. the increase of the importance of personal contribution in determining the salary level, or the necessity of a paradigm shift with the above-mentioned meaning. The central theme of the article is not the distribution of power directly proportional with age, but the use of such a correlation in establishing a wage hierarchy in the budgetary sector, both under the applicable legislation at the publication date of this article, based on Law no. 284/2010, and under the subsequent legislation, as well as in the draft bills proposed by the Romanian Government this year (2017). From this perspective, the article represents a critical approach both to a set of rules in force and with regard to the new public pay policy in the budgetary sector that the politicians intend to set up through the specific bill, playing the role of an impact analysis conducted in this respect. We note that the impact analysis is carried out from several perspectives simultaneously, some of which are the subject of other articles.

When we speak of gerontocracy, we do not focus on the revelation of a form of organization / association "of the seniors against the rookies", as it is a diffuse phenomenon, the result of common interests. However, the gerontocratic interest pole is represented by the participants in the political and administrative decision-making.

The assumption from which we start is not the need for equal pay, regardless of age, assuming and accepting that the career path, based on the increased probability of advancement with age / seniority in work / experience together with forms of reward for carrying out the activity at the same job / in the same sector over extended periods of time, in proportion to these durations, are important elements for the attractiveness of jobs in the public sector. Our focus is the possible excess in this area, namely the danger of making age / seniority the only criterion of differentiating value for similar jobs and the risk of directing all forms of reward / indemnity / incentive according to this criterion, considering that such an approach brings with it the risk of a chain of negative effects such as a decline in the attractiveness of lobs in the public sector, a decrease in the citizens' capacity

to adapt to new technologies and in their satisfaction with the quality of public services.

2. Theoretical Background

Since the context underlying this provision is the legal framework first and foremost, followed only afterwards by the moral criterion and the analyses conducted depending on the occasion and the impact of some measures that have the character of public policies, we will start by indicating the applicable legal provisions in this matter , which, in our interpretation, can be considered as having the quality of previous approaches / stipulations in the field, and which prohibit age discrimination. Thus, we have already implicitly introduced one of the important assumptions of the study, that is, the fact that the draft bill on budget pay, which we analyze and criticize, is discriminatory.

The issue of the impact of gerontocracy on the contemporary society is not new, as it has been raised particularly in the context of demographic changes, leading to a disproportionate increase in the number and social importance of elderly people compared to young people [1]. Craig Berry raises the question of the risk of generational inequality brought about by the contemporary society, and discusses the imbalance that can have a significant impact.

The problems arising from the hierarchical classification of the wage system based exclusively on seniority were also noted by Chiriac and Văileanu's analysis [2], which discussed a few negative effects such as the lack of flexibility and the tendency to reward mediocre performance, instead of superior performance.

From the perspective of the problems that can be generated by gerontocracy, we consider interesting that J. – J. Fazy published in 1828 the brochure entitled De la gérontocratie; ou, Abus de la sagesse des vieillards dans le Gouvernement de la France [3], which addresses some of the effects of gerontocracy on the French society of those times. We believe that the interesting aspect is the possibility of a new research hypothesis, which is tangential to our theme, namely that gerontocracy could be one of the inherent risks specific to democratic societies and launched by modernity, which has not been thoroughly studied so far. Such a hypothesis should also analyze the contribution of age-based knowledge (recognition) in a society where science occupies an increasingly important place.

From contemporary approaches, we note an interesting hypothesis of work proposed by Moffat and Duncan: "increases in the size of a specific

age-education group will have adverse effects on the wages of workers in that group" [3], even if this hypothesis could not be unquestionably demonstrated by the authors based on data in the quoted study.

3. Argument of the paper

The main hypothesis of the study is that the draft bill on budgetary wages is discriminatory in relation to the provisions prohibiting discrimination on the basis of age. The underlying problem is the excessive weight of old age in the pay gap, doubled in some cases by seniority in the same field. Given that the length of service can cause differences of almost 25% between salaries specific to the same functions, it is obvious that it is the most important principle of the wage law. This situation leads to employees' discrimination based on age, which can already be found in Law no. 284/2010 [7]and is emphasized by the draft law on wages issued this year (2017). The maximum level of discrimination based on seniority is when bonuses for working conditions depend on the basic salary which is hierarchically classified according to the accumulated length of service. The result is that different "compensations" for identical working conditions in identical occupational categories are offered.

One of the explanatory assumptions for this situation is the correlation between the decision-makers' age in the field of budgetary wages and the tendency to introduce a system that favors that particular age group; the term decision-makers refers not only to politicians, but also to other categories of participants in the decision-making process, with trade union organizations being the first. Thus, we identify gerontocracy as the main cause of this type of wage discrimination.

Wage gerontocracy in the budgetary sector has a negative impact on society as a whole, as it is partly responsible for generating a vicious circle with a high degree of social danger.

4. Arguments to support the thesis

Age discrimination / discrimination where age is a criterion is expressly forbidden by two normative acts, namely Art. 21, para. 1 of the Charter of Fundamental Rights of the European Union, which expressly provides the prohibition of discrimination on grounds of age, as well as art. 5, para 2, of Law no. 53/2003 (Labor Code) [8], which prohibits employees' discrimination on the basis of age. In our interpretation, these prohibitions apply to both the wage law already in force in Romania and to the new draft

law for wages in the budgetary sector. Insofar as we prove that there is wage discrimination, there is the question of contradictory legal provisions, which can be solved both by appealing to the principle of the hierarchy of normative acts (referring to the fact that the Labor Code is an organic law) and to the EU legislative supremacy principle (in line with the Charter of Fundamental Rights of the European Union and the applicable directives). At the same time, if we consider the intentions of the wage bill in the budgetary sector, which is the theme of this article, we might state that this is a bill that risks breaking the law (in the above-mentioned legal context clarifying the situation).

The legislation applicable to wages in the budgetary sector establishes a hierarchy which is mainly based on the length of service and not on personal value; also, gradations within each grade or step, as well as promotion in professional grades or stages are granted according to seniority in work. In this way, merit-based career opportunities are blocked in the budgetary system, and the whole system is focused upon the assumption of experience deriving from length of service. One of the features of gerontocracy is already obvious in this model. As we shall see below, the draft bill on wages in the public sector has all these gerontocratic features, plus some additional ones.

The underlying issue is that the influence of seniority on employees' gross salaries in the budgetary sector is exaggerated, leading to effects that are significant enough to allow us to legitimately discuss the gerontocracy it brings to light, namely the age-based wage discrimination. The salary system currently applied to remunerate the budgetary employees is characterized by the hierarchical classification based on a dominant criterion, which is age, and which is equivalent to the indicator of seniority (transposed into the six salary scales or gradations). Seniority is the exclusive criterion for the hierarchical classification of pay in the case of identical categories of staff. For each occupational category, basic salaries are hierarchically classified into 5 + 1 gradations (5 gradations added to the basic level). All the categories of bonuses are thus based on the basic salaries hierarchically classified like this; as a result, the differences in the basic salary are multiplied by each of the applicable bonuses.

The maximum level of polarization based on seniority is the when bonuses for working conditions depend on the basic salary which is hierarchically classified according to the accumulated length of service. The result is that different "compensations" for identical working conditions in identical occupational categories are offered. Granting different compensations to the members of the same professional category working under exactly the same conditions flagrantly violates the principles of equity

and the provisions of Art. 3, section c) of Law no. 284/2010 [7](if we consider the legislation in force). The intervention with the most significant impact on the aspect of gerontocracy is the potentiating effect that a rise offered for seniority, transformed into gradations, has on the amounts of money resulting from the application of bonuses to the basic salary, according to Law no. 250/2016 [9]; this model is taken up in the bill for budgetary wages sent to "public debate" at the beginning of 2017.

5. Arguments to argue the thesis

We have not been able to identify any arguments against our theses, especially in relation to the issue of gerontocracy. We believe that the situation is mainly caused by the scarcity of scientific work in the field of salaries of public servants, which in turn is determined by the absence of rigorous specific preoccupations for the management of human resources in the budgetary sector.

We may consider that the Notes underlying Law no. 284/2010 [7] and the draft of the new wage law could be interpreted from this perspective. However, we could not identify arguments to support a hierarchical classification of wages based on seniority.

Basically, the differentiation of wages based on the sole criterion of seniority could have an ethical dimension, provided that the retention in function is based solely on the competence criterion. However, if things depend on informal interventions (notoriety), such an effect would be annulled.

6. Dismantling the arguments against

Given that, as we have seen, we have not identified / there are no significant arguments against the proposed theses, in this section we will continue to point out some arguments to support them.

The rules applicable to the salary system up to 2009 avoided the exaggeration of the gerontocracy by using the bonus for seniority and by calculating all bonuses (including the one for seniority) based on the basic salary.

The climax of gerontocracy in the legislation in force and in the draft bill is the remuneration in the education system, which emphasizes the importance of seniority by adding an additional component that regulates wages hierarchy: the length of service in the field (equivalent to seniority in the specialization). It should be noted that, compared to the period before

2009, the university system had experienced a significant change in the field of staff advancement when the condition that staff should be advanced based on the (rigid and big) thresholds of seniority in the specialty was eliminated. The loss suffered by gerontocracy is, however, balanced by the weight of seniority in the basic salary.

Technological changes lead to a change in the traditional paradigm focused on the importance of seniority, due to the need to adapt to new technologies. The inadequacy of pay systems in this context can lead to significant delays in institutional adaptation to it, one of the effects being the takeover of public services by the private sector due to the inability of institutions to cope with change. It should be noted that the system is inflexible, the situation being identical even in the fields / professions where young age is an advantage.

The existence of a vicious circle induced by such a system can be indicated by the effect it exerts on the increase of youth unemployment, the low level and rigid pay, with total indifference towards professional results, which inhibits the desire of young people to engage in the budgetary sector. The fewer the young people are, the higher the employees' average age tends to be, which in turn brings some significant effects, the most important of which is the increase in labor costs in the public sector due to the direct correlation between age and salary level; the reduction of the overall compliance of the system to new technologies due to low adaptability of the majority of employees, which could in turn lead to a higher cost of public services compared to the same services provided in the private sector; the hindrance of the transfer of experience due to the generation gap.

The main argument in favor of the hypothesis of the influence of a potential union gerontocracy on the determination of the gerontocratic dimension of budgetary wages is trade union leaders' average age. As the negotiations are conducted with the first echelon of trade unions, namely the leaders of confederations, it is easy to identify the average age of the leaders of trade union confederations, especially since none of them has been changed (democratically) in the last 25 years. The potential impact of trade union gerontocracy on salary gerontocracy is also suggested by Fertig and Schimdt: "Unions led by a gerontocracy of functionaries, for instance, might not be in favor of a change in the relative wage structure to the disadvantage of older workers" [5]. The cited authors point to another relevant aspect, "Rather wages tend to be rigid, and the wage structure is likely to reflect non-economic factors, such as the bargaining power of different factions in the bargaining associations." [5], which makes us think that trade union gerontocracy is not (only) generated by the age of trade union leaders, but it (also) reflects the unequal distribution based on budgetary employees' age,

with a disproportionately high proportion of employees with high seniority. Gerontocracy may be a baby boom effect. It tends to emphasize the effect of the baby boom of the 1960s, characterized by a high percentage of employees in the age group of 45-55 years among the employees in the budgetary sector. In other words, the intervention of trade union leaders tends to adequately reflect the interests of the majority of people they represent; the negative impact on the interests of young people has the character of a secondary effect of trade union democracy. In this respect, it tends to explain another well-known situation, namely the hiring freeze in the budgetary sector for long periods of time, which has massively contributed to the appearance of these distortions. This latter aspect is an additional argument regarding the absence of a human resources strategy in the Romanian budgetary sector.

Our analyses have also indicated other negative effects, which we briefly summarize here: contra-selection of staff for reasons of budgetary constraints – staff with minimal seniority may be preferred to more experienced staff; growth / promotion intervals (five years) are a major demotivator; after 25 years, the career path is capped, with predictable negative effect on motivation.

7. Conclusions

In order to eliminate the exaggeration regarding the weight of seniority in the hierarchical classification of wages of the employees in the budgetary sector, which lead to an amplification of the discriminatory character of seniority, we consider that the best solution would be that bonuses should depend on the basic salary that corresponds to the 0 grade for each of the professional categories.

The specific weight of seniority in the field used as an additional criterion for wage hierarchical classification only in the education sector cancels the unitary nature of the wage law and generates additional discrimination at the same time. It is also worth mentioning that the wage law also violates the principle of salary differentiation by function and grade, as the maximum gross basic salary with seniority of an inferior function is higher than the first two salary grades in the immediately higher position; the number of "wage hierarchy inversions" appears in the first three or even four grades.

In this context, we think that a question is relevant: is performance reward a solution that should be considered? Theoretically, yes, provided that the percentage allocated to performance should be close to the one

related to the differences established by seniority. Clearly, the availability of the 5% of the wage costs stipulated by the draft bill (3% in applicable law) for performance reward does not meet this condition. Without being able to bring any significant evidence in this respect, based on the studies conducted so far [6], we estimate that the weight of performance in salary decision-making should be around. 20%. Increasing or decreasing the speed of reaching superior grades in the salary hierarchy based on certain performance indicators may be a solution that is complementary to classifying wages based on seniority.

References

[1] Berry C. The rise of gerontocracy? Addressing the intergenerational democratic deficit. Intergenerational Foundation. [Internet]. May 2012 [cited 2017.03.29]. 3 p. Available from: http://www.if.org.uk/wp-content/uploads/2012/04/IF_Democratic_Deficit_final.pdf

[2] Chiriac A, Văileanu C. What can unions do for a fair payroll system for employees, women and men? Mining on Payroll Policies for Trade Union Leaders. Equality Partnership Center [Internet]. 2007 [cited 2017.03.29].1 4 p. Available from: http://www.cpe.ro/wp-content/uploads/2016/03/Ce-pot-face-sindicatele-pentru-un-sistem-corect-de-salarizare.pdf

[3] Fazy J-J.. De la gérontocratie; ou, Abus de la sagesse des vieillards dans le Gouvernement de la Frace. Paris: De L`Imprimerie de David; 1828.

[4] John Moffat, Duncan Roth. The cohort size-wage relationship in Europe. Joint Discussion Paper Series in Economics. 2013; 46. 12p.

[5] Fertig M, Schmidt CM. Gerontocracy in Motion? European Cross-Country Evidence on the Labor Market Consequences of Population Ageing. IZA Discussion Paper. 2003 December; 956. 12 p.

[6] Rotilă V. Study on the salary system in Health in Romania. Case Analysis: Pay Per Performance. Galați: Editura Sodalitas. 2013.

[7] Legea cadru nr. 284/2010 privind salarizarea unitară a personalului plătit din fonduri publice. Text publicat în Monitorul Oficial. al României. În vigoare de la 01 ianuarie 2011 până la 30 iunie 2017, fiind abrogat și înlocuit prin Lege 153/2017. Available from: https://lege5.ro/Gratuit/geztsnjyga/legea-cadru-nr-284-2010-privind-salarizarea-unitara-a-personalului-platit-din-fonduri-publice

[8] Legea nr. 53/2003, Codul Muncii republicat 2011. Republicat in Monitorul Oficial NR. 345 din 18 mai 2011. Available from: http://www.mmuncii.ro/pub/imagemanager/images/file/Legislatie/LEGI/L53R-2003.pdf

[9] Legea nr. 250/2016 privind aprobarea Ordonanței de urgență a Guvernului nr. 20/2016 pentru modificarea și completarea Ordonanței de urgență a Guvernului nr. 57/2015 privind salarizarea personalului plătit din fonduri

publice în anul 2016, prorogarea unor termene, precum și unele măsuri fiscal-bugetare și pentru modificarea și completarea unor acte normative. Publicat în Monitorul Oficial al României nr 1028 din 21 decembrie 2016. Available from: https://lege5.ro/Gratuit/geztqnjqg4ya/legea-nr-250-2016-privind-aprobarea-ordonantei-de-urgenta-a-guvernului-nr-20-2016-pentru-modificarea-si-completarea-ordonantei-de-urgenta-a-guvernului-nr-57-2015-privind-salarizarea-personalului-plati