

# Remuneration of the Defence Sector Employees in the Context of Legislative Changes

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*This paper focuses on the remuneration of employees of the defence sector in the context of legislative changes. Its target are the periods between 1999–2006 and 30. 6. 2015–2007. In a chronological survey, there are indicated the legislative changes and related ministerial regulations.*

**Keywords:** remuneration, legislation on employee remuneration, salary development

## Introduction

Employee remuneration is based on a well-articulated philosophy—the system of beliefs and guiding principles that correspond to the organization values and help put them into practice. This philosophy recognizes that if the management of human resources is about investing in human capital, from which it demands an adequate, reasonable return, then it is okay to reward people differently according to their contribution and benefits. The remuneration strategies and processes that need to be implemented, must be based on a business strategy. Remuneration is implemented within the corporate wage policy. The salary and wage policy is based on the overall strategy of the company, its market position, development plans, economic situation of the company, organizational structure, technical parameters, production and on the result of an agreement with the social partners. In terms of outside influences, it must respect legal conditions, conjectural situation and the situation of the labour market.

## Remuneration in the Defence Sector

The remuneration of various professional soldiers of the armed forces is specific, it depends on the specific tasks and goals of these institutions and their organisational structure. The issue of remuneration of professional soldiers in the Army of the Czech Republic (ACR) has always been, and still is, a hot topic. The professional soldiers (hereinafter VZP) in the ACR are rewarded on the base of existence of a single salary system in the Czech Republic (CR) [1] as employees of the state, just like the soldiers in Germany or the UK, but unlike other professional armed forces, their remuneration has not been based on a link between the pay system and career structure. [2]

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The remuneration development in the defence sector in the period 1999–2015 can be divided into two periods, as follows:

- the first is in 1999–2006;
- the second is in 30. 6. 2015–2007.

## **Development of Remuneration in the Ministry of Defence (MoD) in the period 1999–2006**

Throughout the period there was the basic Act 143/1992 Coll. On Salary and Remuneration for Work Readiness in Budgetary and Some Other Organizations and Bodies, as amended. [1] The Act had precisely defined what is considered to be a salary, on what charges and in what amount the employees are entitled (such as extra pay for work at night, on Saturdays and Sundays, public holidays, overtime and also pay for on-call). In Section 9 of the cited Act there are featured the amounts for rank premiums, including any amendments thereto.

This law was subsequently issued by the Government Regulation (NV) 79/1994 Coll. about the Emoluments of Staff of the Armed Forces, Security Forces and Services, Customs Administration, Members of the Congregation for Fire Protection, Employees of Certain Other Organizations, as amended. It regulated the provision of salaries of civil servants by determining the grade and so-called Salary scale, various bonuses and salary provision in other than the Czech currency. It included a catalogue of works and functions, according to which the private employees were classified in grades and steps. At that time there existed 12 grades, by educational attainment, which determined the catalogue of works for each function, and 12 steps according to the length of professional experience. The employee salary scale was then determined on the basis of qualifications and the number of years of professional (chargeable) practice. The salary scale was changed in the years 1999–2004 several times.

A specific example for better understanding: for the function—Chief of economic groups, including 10 grades, in 2000 the 6<sup>th</sup> step salary scale was fixed at 9,750 CZK. Changed from 1<sup>st</sup> January, 2001 namely by NV 496/2000 Coll., [3] it was modified to 10,340 CZK, from 1<sup>st</sup> March, 2003 by NV 69/2002 Coll., [4] adjusted to 11,450 crowns and on the first of January 2004 by NV 584/2003 Coll., [5] adjusted to 11,990 CZK. The cited government regulation also considered the defining conditions for personal allowances, extra pay for leadership at all levels of management and command in the army, special bonuses, rewards and other pay.

On the basis of published standards in the Ministry of Defence there were also issued an internal standard order of the MoD 33/1994 Bulletin, Principles for Remuneration in the Ministry of Defence, which closely regulated the bonuses in the defence sector. On 1<sup>st</sup> January, 2004, it came into effect NV 330/2003 Coll., On salaries of Employees in Public Services and Administration, as amended, which abolished the previous NV 79/1994 Coll. This normative dealt, like its predecessor, with the salary class, salary grade and pay fares, personal surcharge, additional fee for management, special bonuses, remuneration and other pay not only for VZP and civilian employees (hereinafter o. z.) of the MoD, but also for other employees in public services and administration. Part of this NV was not a catalogue of work since it also had come into effect on 1<sup>st</sup> January, 2004, in NV 469/2002 Coll.

On a Catalogue of Jobs in Public Services and Administration, as amended (hereinafter NV 469/2002 Sb.), the salary scale underwent the most notable changes around the norm.

The number of grades increased from 12 to 16, and due to many changes in the conditions for determining the amount of the salary rate, there was set up a 5-pay scale instead of one scale that had previously been applicable to all employees listed in NV 79/1994 Coll., For VZP of the MoD the amount of pay scales was determined in 2004 and 2005, according to Annex 4 NV 330/2003 Coll., and in 2006, according to Annex 3 of this normative act. The wage rates valid from 1<sup>st</sup> January, 2004, increased by 4.1 percent, since 1<sup>st</sup> January, 2005 there was a further increase of 7.0 percent. The wage rates valid from 1<sup>st</sup> January, 2006 are presented in Appendix 1.

*Table 1. The pay scale according to grades and degrees in effect since 1<sup>st</sup> January, 2006 suppl. 3 NV 330/2003 Coll., where the first entry is the pay grade, the second the amount of years of creditable practice /until 1, 2, 4, 6, 9, 12, 15, 19, 23, 27, 32 and over 32 years, the next is the pay class. [8]*

Pay grade	1	2	3	4	5	6	7	8	9	10	11	12
Years of creditable practice	1	2	4	6	9	12	15	19	23	27	32	<32
1	7,080	7,290	7,500	7,710	7,940	8,170	8,420	8,660	8,940	9,210	9,490	9,790
2	7,690	7,900	8,130	8,360	8,610	8,870	9,140	9,410	9,710	9,990	10,300	10,620
3	8,340	8,570	8,820	9,090	9,340	9,620	9,910	10,210	10,530	10,850	11,180	11,530
4	9,040	9,300	9,560	9,840	10,130	10,430	10,750	11,070	11,410	11,760	12,110	12,500
5	9,820	10,090	10,380	10,680	11,000	11,320	11,660	12,020	12,380	12,760	13,150	13,570
6	10,640	10,950	11,260	11,590	11,930	12,290	12,660	13,030	13,430	13,840	14,270	14,730
7	11,540	11,890	12,230	12,580	12,950	13,340	13,740	14,160	14,580	15,030	15,490	15,970
8	12,530	12,880	13,250	13,640	14,070	14,460	14,900	15,340	15,800	16,300	16,810	17,320
9	13,590	13,970	14,380	14,790	15,230	15,680	16,150	16,650	17,150	17,680	18,220	18,790
10	14,740	15,170	15,590	16,050	16,530	17,010	17,520	18,060	18,610	19,180	19,770	20,390
11	16,010	16,450	16,930	17,410	17,940	18,460	19,010	19,600	20,200	20,800	21,440	22,130
12	17,350	17,850	18,360	18,900	19,450	20,020	20,630	21,250	21,900	22,570	23,270	24,000
13	18,820	19,370	19,930	20,500	21,100	21,720	22,370	23,060	23,760	24,490	25,250	26,040
14	20,420	21,010	21,610	22,240	22,900	23,570	24,270	25,010	25,770	26,570	27,390	28,250
15	22,160	22,790	23,440	24,130	24,840	25,580	26,340	27,130	27,970	28,830	29,720	30,640
16	24,040	24,730	25,430	26,170	26,950	27,750	28,580	29,440	30,340	31,280	32,240	33,250

Surcharges for leadership in this NV were changed only in specific amounts, but also in the statement of management positions related to these charges. The forementioned NV first determined that the employee is entitled to only one of the special allowances, which did not involve premium for work in difficult and unhealthy working conditions and premium for work performed alternately in the morning, afternoon and night shifts. The amount of the special benefit of the employee is determined by the employer within the range which, under certain conditions, is the best for the employee. For the employees of the MoD, the amount

of special allowances specified in this normative did not change. Since 1<sup>st</sup> January, 2004 other special allowances for VZP and o. z. were newly regulated by the order of MoD 48/2003 and the order of the MoD 49/2003, which were very extensive like the previous order of the MoD 33/1994, so this article does not describe them in detail.

From 1998, until the end of 2003, VZP had, in each half of the calendar year, another salary, if he worked at least 65 days with the same employer in the same service or employment. The amount of so-called “13<sup>th</sup> salary” was the sum of the amounts of salary, rank bonus, extra pay for leadership, personal bonus and a special bonus, with the exception of the premium for employee exposure within the unit of multinational forces outside the country. It was provided only as a half of the amount to which the employee would otherwise be entitled.

Since 2004, there was provided an additional pay in full, which was noticeable for VZP of MoD compared to the half of the amount in previous years, however, providing an additional salary was fully abolished to 1<sup>st</sup> July, 2005. [6]

## **Development of Remuneration in the Defence Sector in 30. 6. 2015–2007**

On 1<sup>st</sup> January, 2007 the Act 262/2006 Coll., The Labour Code, [7] came into force, which caused a “revolution” in the pay gap in the defence sector. The Labour Code replaced the previously valid Act 65/1965 Coll., The Labour Code, as amended. The main reason for establishing the new Labour Code was that the original code was changed 43 times, and became progressively hard to read. The new Labour Code regulates the remuneration of all employees in employment, those receiving a wage or salary. That means that the MoD applies only this law to o. z., as the VZP are employees in service. Of course, during the years 2007–2012 the Labour Code underwent several changes, but the changes in the remuneration stayed almost untouched. The changes were related to the field of occupational safety and health, labour relations and compensation expenses provided to employees in connection with their work performance.

The remuneration of VZP is still, to date, engaged in Act 143/1992 Coll., which has been modified several times, but since 2007, it has been determined not only the remuneration of o. z. of Defence Department but by the Labour Code. These changes resulted in the cancellation of all previously existing NV and order of the MoD, relating to remuneration in the defence sector, namely NV 330/2003 Coll., order of the MoD 48/2003 Coll. and order of the MoD 49/2003 Coll. The issue of remuneration of VZP was recently dealt by NV 565/2006 Coll. On the Emoluments of Professional Soldiers, as amended (hereinafter NV 565/2006 Coll.) and order of the MoD 44/2006 Bulletin, Internal Salary Regulation for Professional Soldiers (hereinafter referred to as order of the MoD 44/2006). For o. z. came into effect NV 564/2006 Coll. On Salaries of Employees in Public Services and Administration, as amended (hereinafter NV 564/2006 Coll.) and order of the MoD 45/2006 Bulletin, Internal Salary Regulations for Civil Employees of the Ministry of Defence (hereinafter referred to as order of the MoD 45/2006).

However, since 2010 there is a valid, for the defence sector, so-called Collective agreement, which replaced order of the MoD 45/2006. This binding agreement governs the relations among the o. z., Ministry of Defence, the Czech-Moravian Confederation of Trade Unions of Civilian Employees of the Army, a Separate Union Association of Employees of

the Ministry of Defence. It reflects mainly the working conditions of o. z. and their claims on employment, health and safety at work. The appendix deals with, among other things, the rewarding of staff, particularly special surcharges.

Apart from these norms, the remuneration in the defence sector in this period was also concerned by NV 469/2002 Coll., On the Catalogue of Jobs in Public Services and Administration, as amended, which was, from 1<sup>st</sup> October, 2010 replaced by NV 222/2010 Coll., On the Catalogue of Jobs in Public Services and Administration, as amended. Furthermore, from 1<sup>st</sup> January, 2011 came into effect the NV 223/2010 Coll., On the Catalogue of Works of Professional Soldiers, as amended, which means that the VZP, as the only public service employees, have their own catalogue of works.

As a result of the entry into force of the Labour Code, there was a significant limitation of the scope of the Act 143/1992 Coll., which, since 2007, regulates the provision of salaries and remuneration for work readiness only for the VZP. The contents of this law remained almost the same throughout the defined period. The only major change was the change in rank premiums from 1<sup>st</sup> January, 2011, which was a response to the amendment of the Act 221/1999 Coll., On Professional Soldiers, as amended, which was also due to a significant change in the rank designation for the VZP. For comparison, there are mentioned in Table 2 the rank premiums valid until 31<sup>st</sup> December, 2010 and from 1<sup>st</sup> January, 2011, including the changes in rank designation. From the table it is evident that not only the rank of Corps team, NCOs and sergeants, but also the rank premiums in all ranks corps underwent distinct changes.

Table 2. Rank surcharges for the VZP. [1: para 9]

<b>Rank until 31<sup>st</sup> December, 2010</b>	<b>Rank Surcharge (in CZK monthly)</b>	<b>Rank since 1<sup>st</sup> January, 2011</b>	<b>Rank Surcharge (in CZK monthly)</b>
Private	800		
Staff Sergeant	1,200	Private First Class	1,200
Sergeant	1,300	Corporal	1,300
Sergeant Major	1,400	Sergeant	1,400
Company Sergeant Major	1,600	Staff Sergeant	1,600
Warrant	1,800	Company Sergeant Major	2,000
Warrant Officer Class One	1,900	Warrant	2,300
Command Sergeant Major	2,000	Warrant Office Class One	2,600
Staff Sergeant	2,200	Command Sergeant Major	3,100
Staff Sergeant Major	2,400	Staff Sergeant Major	3,700
Lieutenant	2,600	Lieutenant	3,100
First lieutenant	2,800	First lieutenant	3,300
Captain	3,000	Captain	3,500
Major	3,200	Major	3,700
Lieutenant colonel	3,400	Lieutenant colonel	4,000
Colonel	3,600	Colonel	4,300
Brigadier general	3,900	Brigadier general	5,100
Major general	4,100	Major general	5,600
Lieutenant general	4,300	Lieutenant general	6,100
Army general	4,600	Army general	6,800

The Government Regulation 565/2006 Coll., on Emoluments of Professional Soldiers, as amended, effective from 1<sup>st</sup> January, 2007 is based on the Law 143/1992 Coll. and follows the structure of, at that time invalid, NV 330/2003 Coll., so it consequently deals with pay fares, personal surcharge, additional fee for leadership, extra pay for work in difficult environments, special bonuses and rewards, and, therefore, there are again described only the essential changes related to NV 565/2006 Coll.

The salary scale again passed through the biggest changes in the regulation of government. For almost all VZP are paid according to the pay scale set out in Annex 1 of this norm. From 1<sup>st</sup> January, 2007, there was an increase in pay scales for the VZP up to 10%. From 1<sup>st</sup> June, 2009, there was implemented flat rate pay scales increase for VZP up by 3.5%, but from 1<sup>st</sup> January, 2011 the VZP wage rates for the first time in the history of the Czech Republic dropped by 10%. The specific pay scale for VZP from 1<sup>st</sup> January 2011, are shown in Table 3.

Table 3. Pay scale for VZP according to the pay classes and grades valid from 1st January, 2011 where the first item is the pay grade, the second—the sum of the years of eligible work experience until 1, 2, 4, 5, 6, 9, 12, 15, 19, 23, 27, 32 and over 32 years, the third—the pay class. [9]

Pay grade	1	2	3	4	5	6	7	8	9	10	11	12
Years of creditable practice	1	2	4	6	9	12	15	19	23	27	32	<32
1	6,680	6,930	7,190	7,460	7,750	8,050	8,360	8,670	9,000	9,350	9,700	10,070
2	7,250	7,530	7,820	8,110	8,420	8,730	9,080	9,420	9,770	10,150	10,530	10,930
3	7,860	8,160	8,460	8,800	9,130	9,470	9,830	10,210	10,600	11,000	11,420	11,850
4	8,520	8,850	9,180	9,530	9,900	10,260	10,660	11,060	11,480	11,910	12,360	12,830
5	9,250	9,610	9,970	10,350	10,740	11,150	11,570	12,010	12,460	12,940	13,430	13,950
6	10,020	10,410	10,800	11,210	11,630	12,070	12,530	13,000	13,500	14,010	14,540	15,090
7	10,870	11,280	11,700	12,150	12,610	13,090	13,580	14,090	14,620	15,170	15,750	16,350
8	11,800	12,240	12,710	13,200	13,700	14,220	14,760	15,320	15,900	16,500	17,130	17,780
9	12,800	13,280	13,780	14,310	14,850	15,400	16,000	16,600	17,220	17,880	18,550	19,260
10	13,880	14,400	14,950	15,520	16,110	16,710	17,350	18,000	18,680	19,380	20,120	20,880
11	15,080	15,650	16,250	16,860	17,490	18,160	18,840	19,550	20,290	21,060	21,850	22,680
12	16,340	16,950	17,600	18,260	18,950	19,660	20,410	21,180	21,980	22,810	23,670	24,570
13	17,720	18,390	19,080	19,800	20,550	21,330	22,130	22,960	23,830	24,730	25,660	26,640
14	19,230	19,950	20,700	21,490	22,300	23,130	24,020	24,920	25,860	26,830	27,850	28,900
15	20,870	21,660	22,480	23,320	24,200	25,110	26,060	27,050	28,080	29,140	30,240	31,370
16	22,640	23,490	24,380	25,300	26,250	27,240	28,260	29,330	30,430	31,580	32,770	34,010

The surcharges for guidance contained in this standard, which, compared with the previous NV 330/2003 Coll., were changed mainly in the number of management positions, which are entitled to them, because it deals only with the normative VZP. The NV 565/2006 Coll., newly do not assess a surcharge for work in difficult environments such as additional cost, so, since 2007, the VZP were paid regardless of the amount of the special allowances, if eligible. The surcharge of 400 to 1,400 CZK per month includes the VZP, if the exercise of the duties associated with difficulties arising from exposure to dangerous influence and measures to reduce or eliminate them. These include dust, chemical substances and mixtures, noise, vibration, biological agents that could endanger health, increasing pressure and radiation. The amount of this bonus is determined by the employer level of risk, intensity and the exposure times of their influence.

In the years 2007–2012 it was still in force, that to the VZP belongs only to one of the special allowances, and the highest, which can be claimed, in addition to the special premium for service performed alternately in the morning, afternoon and night shifts in the amount of 400 to 1,000 CZK. This newly did not apply for a special allowance in other than Czech

currency in the amount of 700 to 4,000 per month, to which a VZP is entitled if included in the business unit of the multinational forces, or detached. The specific types and the amount of special allowances are given in Annex order of the MoD 44/2006.

The award, calculation of the individual components of salary, contributions to social and health insurance, including taxes on personal income, tax credits deductible, etc. were fundamentally the same for the VZP and even o. z. Another significant change in remuneration of VZP dates from 1<sup>st</sup> July, 2015 when there came into force an amendment to Act 221/1999 Coll., On Professional Soldiers. This change is more closely described in another article.

## Conclusion

The remuneration of employees is one of the tasks of human resources management in any organization. A properly set up system of evaluation and remuneration gives employees a healthy level of motivation. Remuneration is dependent on the economic aspects of the employer. Due to historical and social aspects, the salary policy is not left to market mechanisms. Through legislation, the state sets the minimum wage, salary conditions of employees of state and public administration.

Remuneration of employees of the defence sector is dependent on the specific tasks, objectives and organizational structure of the resort. For MoD, there were two pivotal periods: a) the period between 1999–2006, b) the period from 2007–30 June, 2015. For the first period, there was the basic Act 143/1992 Coll., on Salary and Remuneration for Work Readiness in Budgetary and Some Other Organizations and Bodies, as amended, for the second period—the amendment to Act 262/2006 Coll., Labour Code and related legislative changes to departmental regulations.

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