

**NATIONAL UNIVERSITY OF PUBLIC SERVICE**

**Doctoral School of Public Administration Sciences**



Ferenc Gábor KRAUSS

**Paradigm shift in the Hungarian remuneration system of public  
administration**

AUTHOR'S GUIDE TO DOCTORAL (PHD) DISSERTATION (THESIS)

**Scientific Supervisor:**

Dr. Gábor Szakács PhD

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## 1. The scientific problem

It is a widely accepted statement to make that senior management consider human resources as their most important and promising asset from the perspective of managing and operating an organization. This is particularly true for organizations providing services, conveyed mostly by humans, human resources. Common characteristic of such organizations is that significant portion of their costs – even 75-80% – is added up by remuneration.<sup>1</sup> This is no different in public administration.

Human resource management system can be built up from human processes and corresponding human functions. These can be operated in an integrated way, or systematically and separated from each other, or with loose correlation with each other. Accordingly, there is no unified system in the literature of how human resource management can be operated, we can find as many kinds of partitions as authors. However, as per my experience, there are some core processes/functions which generally worth a mention by the majority – for example remuneration. Remuneration as a human function, similarly to the entire human resource management, went through a long development process. Starting from concentrating on only administering salary payment it reached to the stage of strategy-oriented and efficient full scope remuneration management approach.

Proper feedback about the enforcement and the quality of the remuneration human function within public administration is provided by surveys focusing on commitment and satisfaction of public officers. These examine the opinion of officers in a complex manner, including their judgement about the salary and allowance system within public administration. In case we compare the results of the first available survey (2008)<sup>2</sup> with the last (2013)<sup>3</sup>, we can observe a very interesting phenomenon. Based on the answers of the responders we can see that both the commitment and the satisfaction of the officers increased by 20% between 2008 and 2013 (commitment from 40% to 63%, satisfaction from 45% to 66%). However, in this 7 year period, out of the 22 factors examined, satisfaction with salary and allowances did not change

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<sup>1</sup> Bakacsi – Bokor – Császár – Gelei– Kovács – Takács (2000): Stratégiai emberi erőforrás menedzsment, KJK-KERSZÖV Jogi és Üzleti Kiadó Kft., Budapest. p. 239.

<sup>2</sup> Magyary Zoltán Közigazgatás-fejlesztési Program. (MP 12.0) A haza üdvére és a köz szolgálatában. Közigazgatási és Igazságügyi Minisztérium, 2012. augusztus 31. p. 56.

<sup>3</sup> Közigazgatás- és Közszolgáltatás-fejlesztési Stratégia 2014-2020. Miniszterelnökség, Budapest, 2015. p. 20.

in practice and it still brings the lowest results in comparison (for salary it 'increased' from 27% to 29%, for allowances it stagnates at 32%).

This problem has been noticed by the Government as well, so starting from 2010 a new approach started to arise in human resource management of public administration. Strategic documents of this new approach are the Magyary Zoltán comprehensive public administration development Programmes (11.0, 12.0), and the Public Administration and Public Service Development Strategy 2014-2020. The strategic documents discuss remuneration questions as well and they clearly lay out the directions for developing public administration salary system.

It is unequivocal that there is a generic and deep-rooted dissatisfaction against the remuneration system of public administration. As a public administration HR practitioner, I consider it important to understand this phenomenon through investigating its root causes and to facilitate solving these problems. I trust that with successful accomplishment of my above goal I can – at least with modest means – complement increasing satisfaction of all public officers, strengthening their motivation and commitment, and in the end increasing efficiency and effectiveness of our public administration.

## 2. Hypotheses, purpose and methodology of the research

Based on the above I have stated the following hypotheses:

1. The practically closed remuneration system created after the regime change has shifted significantly towards an open system during the last quarter of century (H1).
2. Public officers in 2013 were fundamentally dissatisfied with the remuneration system of public administration and they would have changed it significantly (H2).
3. Remuneration system introduced by Áttv. in practice is closer the open remuneration system (H3A); its principles and practices established are in line with the expectations of public officers (H3B)

Main objective of my scientific research is to foster the development of such a remuneration system both on overall public administration and organizational level that is consistent with employers' expectations and thus drives employees' attitude properly to contribute to the organizational goals.

Main novelties of my dissertation are in its approach, its niche analysis and research of one of the most important human functions, introduction of a new methodology approach, and presenting empirical data never published before. My dissertation summarizes the scientific results of the past five years. I started my research right after earning admission to the Doctoral School of Public Administration Sciences at National University of Public Service in the beginning of September 2013., and I closed my dissertation in the end of September 2018. Dominating research methods during analysing my hypotheses are summarized in the table below.

1. table: Dominating research methods during analysing hypotheses

Number of hypotheses	Literature	Law analysis	Empirical research	Workshop
H1	X	X		X
H2	X		X	
H3A	X	X		X
H3B	X		X	

Source: Own editing of the author

When looking at the table it is obvious the two of the hypotheses (or parts) promise theoretical argumentation (H1 and H3A), while the other two are based on empirical research (H2 and H3B). This subdivision of course does not mean that when examining H2 and H3B hypotheses I would not use theoretical reasoning, or in case of H1 and H3A hypotheses I would not refer back to previous research results and examples.

### 3. Structure of the thesis and description of the analysis

As a first step, in order to prove the hypotheses, I briefly examine the history of development of the remuneration system of the Hungarian public administration. I separately mention the period of regime change, as at that time there was a sharp change in the development. Afterwards I explore in depth the changes in remuneration system from the perspective if the changes/amendments had effects pointing towards open or closed remuneration system at the time. Operation of public administration is fundamentally defined by applicable laws. Funnily they say that those that are not regulated within public administration don't even exist. <sup>4</sup> Accordingly, I also examine changes in remuneration system through regulations.

Through empirical research I examine the opinion of public officers about the remuneration system of public administration (as per the state in 2013). <sup>5</sup> My presumption is that public officers know the remuneration principles of Kttv., although they do not agree with it in many ways. When reforming the remuneration system the Government in the end decided not to amend Kttv. significantly, but they instead created a separate law about public officers in 2016. Strategic documents published since 2011 about human resource management in public administration designated a new development direction. Based on these, a significant move was awaited in the employment act for the field of remuneration towards the open remuneration system. Moreover, I find it important to analyse what challenges the remuneration system in public administration has to cope with and what further development opportunities arise. To this end, I present the SWOT analysis of the remuneration system using numerous previous research results.

Although the practical application of the remuneration system created by Áttv. could have been observed only for a limited timeframe, I study the public officers' opinion about the changes through empirical research as well (as per 2018 state). <sup>6</sup> I expect valuable feedback from the research to see if the employers' practices based on the new remuneration system of the public administration has or has not approximated the expectations of the officers.

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<sup>4</sup> Szakács (2014): Stratégiai alapú, integrált emberi erőforrás gazdálkodás a közzszolgálatban. „Közzszolgálati Humán Tükör 2013” (Ágazati összefoglaló tanulmány). Magyar Közlöny Lap- és Könyvkiadó, Budapest. p. 20.

<sup>5</sup> During the research I used the specific data of the research: ÁROP-2.2.17 „Új közzszolgálati életpálya / Emberi erőforrás gazdálkodás a közzszolgálatban életpálya kutatás”.

<sup>6</sup> During the study I used the specific date of the study: A felmérés során a KÖFOP-2.1.2-VEKOP-15-2016-00001 „A jó kormányzást megalapozó közzszolgálat-fejlesztés”.

I have to mention about the empirical research that Áttv. has not been extended widely in public administration, its scope only covers capital/county level government offices and offices under same legal status. Accordingly, when comparing results of 2013 and 2018 I examine only these affected groups from 2013 as well.



#### **4. Summarized conclusions**

I am dealing with four questions in detail in my thesis about the remuneration system of public administration. First I describe the development history of the remuneration system and then I study the changes amending the law created at the time of the regime change. Altogether the research covering 25 years proved that the remuneration system of our public administration – to a greater or lesser extent – was continuously changing. The direction of the changes was billowy, once moved towards a more closed system, while in other occasions towards a more open remuneration system. Sometimes during the research my sentiment was that while the legislator was willing to create and maintain a system driven by integrated, unified rules and seniority-based classification, employers on the other hand wanted to reach a higher level of decision making and salary determination power. These contradicting interests were forming human resource management and remuneration system in within. Ultimately we can see up till the studied period (till July 2016) that despite of the billowy changes, movement towards the open remuneration system was continuous. The most important factors proving this are the growing freedom of employers to define wages/salaries and who stands in the center of payroll definition: the individual or the job. After reviewing the changes of the remuneration system of public administration it is conspicuous that the New Public Management trend of the early/mid-2000s left the structure of the remuneration system practically untouched. Similarly, the neo-Weberian state theory – which has been dominant after 2010 - did not cause any reversal from the largely open remuneration system.

It is however secondary from public officers' point of view if the remuneration system is rather closed or open. It is much more important to define for what they receive their salaries and allowances. Thus, it is unavoidable to ask the question if the officers are sufficiently familiar with the intention of the remuneration system and if they are satisfied with it. Based on my research results, I can answer the first question with a definite yes; the couple of hundred respondents declared confidently, correctly and objectively what factors play roles in the definition of their salary. Besides this, we experienced based on the 2013 survey results that officers demand changes or shift in emphasis in more than the half of the factors examined. Moreover, in many factors the demanded change was significant.

Majority of the changes expected were structural: role of duty time, organizational salary supplement, different titles or age of the officer in remuneration to be decreased. At the same

time they wanted the value of the job within the organization, role of individual performance, diligence, aptitude and loyalty to be increased. If we add to this the will of organizations of public administration – as employers –, that had been articulated for decades, to receive free hands in defining salaries (from qualitative as well as quantitative perspective), we can easily admit that amending Kttv. by 'opening' it up even more would have not been able to bring the desired results.

Significant change was brought when the public officer law came into force in 2016. Based on the directions set by the strategic documents, Áttv. should have bridged human resource management of the public administration to the job-based system, although after a longer transition period it is clear now that Áttv. could not fulfil this task. At the same time the new law deserves emphasis from remuneration management perspective, as it significantly amended the salary and classification system of public administration – we can say that some well-settled taboos have been broken.

Although the salary system of Áttv. has nominally maintained the seniority-based promotion system, the minimum-maximum values defined for the grades go beyond the salary definition frames of the closed remuneration system of public administration, it is a characteristic more of an open system. To prove this statement I compare remuneration systems of Kttv. and Áttv. from two perspectives: how much freedom an employer has to define salaries; and how increases of salaries happen. By means of this research it turned out that the remuneration system of Áttv. provides significantly greater freedom for salary definition, and, although salary increase system does not follow the open methodology word by word, but it is definitely different from the automatically promoting career system.

It is an eternal truth, that greater freedom comes with greater responsibility. However, the 'new' remuneration system created by the Áttv. cannot be considered as a novelty without antecedents, as before the regime change, remuneration system of public administration was built on similar grounds. Accordingly, when examining the remuneration system of Áttv. I also had a look at the advantages and disadvantages of the system before the regime change, and by the help of previous research results I measured the strengths, opportunities as well as weaknesses and threats of the Áttv remuneration system, in order to bring employers' attention to their intensified responsibility.

Although technically with the use of the new remuneration system employers became capable of catering for their employees' remuneration policy related needs, but based on a few years' experience the question is inevitable: to what extent have the employers have used or have not used this opportunity. My presumption is that employers have used the greater freedom provided by the new human resource policy responsibly and they have created such a practice that is in line with public officers' expectations.

The results of the repeated survey in 2018 pointed out clearly that the organizational practices developed by the employers is greatly consistent with the expectations of public officers articulated five years earlier. However, we should keep in mind that fulfilment of these expectations is not the achievement of the employers, but rather that the Áttv. discontinued the possibility of salary supplements – criticised by many – or the overly complicated system of advisor titles. Moreover, officers have articulated positive development in some emblematic fields of the remuneration practice too, e.g. stronger reflection of a job's value within the organization, stronger recognition of individual performance. Altogether, compared to the 50% ratio in 2013, in 2018 officers participating in the survey articulated amendment needs only against one third of the factors examined. Taking also into consideration that the intensity of these needs is low, in my opinion they express only a need for fine-tuning rather than a generic dissatisfaction.

Based on the above and the body of my dissertation, my hypotheses can be considered as proved.

## 5. New scientific results

During the preparation of my dissertation and analysing research data, I found numerous results and conclusions that can prove to be useful for the public administration operations as well as for scientific medium. I summarize these below in bullet points.

1. During the analysis of Ktv. and Kttv. I examined how the remuneration system of public administration evolved in the last 25 years. I pointed out periods when the remuneration system was moving towards the closed or open public administration systems. I also proved that the wide-spread multinational trends (New Public Management, neo-Weberian state theory) did not have much effect on the Hungarian remuneration system of public administration. In the end I proved that since the regime change the remuneration system has shifted significantly from a closed to an open system.
2. By describing and comparing in detail the Áttv., I found that the remuneration system of our public administration can already be considered as an open system. Taking into consideration the history of development of the remuneration system, we can also say that we have returned to the open system.
3. I prepared a detailed analysis of the new remuneration system and I summarized the strengths, weaknesses, opportunities and threats in a SWOT analysis table.
4. By comparing the results of the comprehensive surveys of 2013 and 2018, I presented the change of opinion of public officers about the remuneration system of public administration in the given period. The results are used as inputs for the previously mentioned SWOT analysis as well.
5. I managed to prove indirectly that the organizations of public administration are capable of developing from staff management level to human resource management level – based on the levels defined by Peretti -, maybe to an even higher level (strategic human resource management). Proof for this statement is that the new remuneration system provides greater freedom for the employers to define salaries, and employers have lived with this freedom in a manner that as a result, employee satisfaction increased.

## **6. Possible practical application of the results**

As an HR practitioner I am also continuously part of the battle of public administration offices and organizations trying to gain more and more freedom to define salaries of their own employees. This battle seems to come to an end with the introduction of the new remuneration system of Áttv. Greater freedom however brings greater responsibility, in the future organizations cannot avoid their own responsibility because of a remuneration system not properly supporting their activities. In my research I have successfully pointed out that public organizations are fundamentally capable of responsibly managing their greater freedom of decision, although I have unfolded some pitfalls too which will have to be managed successfully in the future by decision-makers to maintain satisfaction of their employees and to increase their commitment. We should not forget about the fact that the remuneration system of Áttv. has brought a significant general salary increase, and that threats might not have come to light yet due to the relatively short period of time since its introduction. I consider important for the decision-makers not to build on previous years' results, but rather use the momentum provided by the new human resource policy. Although we have to be cautious with the remuneration system, it can be a pleasant one as well at the same time.

I truly believe that the research results presented in my dissertation can be used by different organizations of public administration in practice when developing their remuneration systems. I trust that I have been able to support in bringing employer and employee side of remuneration related expectations closer together, and I would like to assist to develop the position of public administration in the labor market. I trust that I can contribute to the development of human resource management in public administration and in the end to introduce and operate strategic human resource management.

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2018

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2. **Human Controlling In Public Administration**

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10. **Közzolgálati HR menedzsment** című könyv egyes fejezetei

V. fejezet: A vezetés és az emberierőforrás-gazdálkodás új kihívásai (15%-os társszerzőként)

X. fejezet: Integritás, fenntarthatóság, diszkrimináció, esélyegyenlőség és hivatásetika a közzolgálati emberierőforrás-gazdálkodásban (25%-os társszerzőként)

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## Curriculum Vitae

Name: Ferenc Gábor KRAUSS

Time of birth: 01. 22. 1985.



## Education

2013/09 –	<b>National University of Public Service - Doctoral School of Public Administration Sciences</b> PhD studies	Budapest
2013/09 – 2014/02	<b>National University of Public Service</b> Integrity advisor post-graduate studies	Budapest
2008/09 – 2010/04	<b>Budapest College of Management</b> European Union expert post-graduate studies	Budapest
2003/09 – 2008/06	<b>University of Pécs</b> chartered HR manager	Pécs

## Professional Experiences

2018/09 –	<b>National University of Public Service</b> Instructor	Budapest
2011/05 –	<b>Hungarian Investment Promotion Agency</b> HR generalist, integrity advisor	Budapest
2011/02 – 2011/04	<b>National Institute of Public Administration</b> HR specialist	Budapest
2010/04 – 2011/01	<b>Ministry of Justice and Law Enforcement</b> HR controller, HR generalist	Budapest
2008/09 – 2010/03	<b>Prime Minister's Office</b> Scholarship, HR assistant	Budapest

## Further information

<b>Languages</b>	English (C1), German (A1), Hungarian (native)
<b>Carrier exams</b>	Advanced public administration exam (2014)
<b>Driving licence</b>	B (2003)
<b>Hobbies</b>	Running, hiking, reading, life long learning