

12/2016

STATSREVISORERNE
RIGSREVISIONEN



Extract from Rigsrevisionen's report on
**the regions' management
of administrative and
medical managers' pay**

submitted to the Public Accounts Committee



1849
147.281
237
1976
114.6
22.480
908

1. Introduction and conclusion

1.1. PURPOSE AND CONCLUSION

1. This report concerns the five Danish regions¹⁾ management of administrative and medical managers' salary.

2. Salary costs weigh heavily on the regions' budgets; in 2015, salary costs accounted for between 41 and 48 per cent of the regions' total operating costs of approximately DKK 127 billion. Total salary costs for administrative and medical managers were approximately DKK 2.0 billion in 2015.

Most of the terms relating to regional managers' pay are regulated in collective agreements and therefore relatively easy to manage. In accordance with the agreements that govern the area, however, other terms can be negotiated locally between the regions and the individual manager, and these are more difficult to manage. To complicate matters even further, the many acts, collective agreements and other agreements that govern the area are interdependent and the regions can enter into various forms of employment arrangements with the managers. A manager's fixed salary is composed of a base salary and supplements. A manager engaged either on a permanent or a fixed-term contract will also be entitled to supplements relating to these specific modes of employment. Lastly, a manager's pay may include variable elements such as overtime or performance-related pay.

Rigsrevisionen has initiated the study, which flows from findings made during audits of payroll in two of the regions in the spring 2016. These audit findings showed that the regions did not consistently administer the managers' pay in compliance with the provisions of the relevant agreements. Particularly elements of the pay that were negotiated locally between the regions and the individual managers did not always reflect the provisions of the relevant agreements in regard to permanent and fixed-term contract supplements and overtime. We therefore decided to examine if this was also the case in the remaining three regions.

FIXED SALARY

The fixed salary consists of a base salary and any supplements relating, for instance, to qualifications and job functions. Employment on permanent contracts or fixed-term contracts includes an additional supplement.

VARIABLE SALARY

A non-fixed element of the salary that is not paid monthly. Non-fixed payments include bonus, overtime, performance-related pay and one-off remuneration.

¹⁾ Denmark is divided into five regions: Capital Region of Denmark, Region Zealand, Region of Southern Denmark, Central Denmark Region and North Denmark Region.

3. The purpose of the study is to determine if the regions are managing the administrative and medical managers' pay in compliance with relevant agreements. The study encompasses salaries paid to managers employed at the regions' administrative headquarters, at hospitals and in other regional institutions. The study is based on a sample of 184 administrative and medical managers employed in the five regions, and it concerns salaries paid in 2015 and 2016. In October 2016, the regions employed 1,784 managers.

The incorrectly calculated payments that we detected in the course of this study are not adding up to major amounts compared to the regions' total pay bill, but they may be significant seen in relation to the individual manager's pay. We have also attached importance to the fact that errors in the salaries may lead to incorrect payments being made throughout the entire period of employment, as fixed salaries are generated and paid automatically every month. To this should be added that the study is based on a sample, which means that payments that have not been reviewed may also be affected by error.

CONCLUSION

It is Rigsrevisionen's assessment that the regions have generally managed fixed salaries for administrative and medical managers in compliance with relevant agreements. However, when it comes to supplements in relation to permanent and fixed-term contracts and overtime, the regions have on several occasions failed to manage these in compliance with the relevant agreements. Management of these locally negotiated terms has been inadequate.

Rigsrevisionen encourages the regions to review their business procedures and internal controls to ensure that they manage also locally negotiated elements of the managers' pay in compliance with relevant agreements.

Fixed salary payments to managers employed in public service under a collective agreement or on tenure

Generally, the regions have managed fixed salary payments to managers employed in public service under a collective agreement or on tenure in compliance with relevant agreements.

Fixed salary payments to managers employed on permanent contracts

Generally, the regions have managed fixed salary payments to managers employed on a contract in compliance with relevant agreements. However, in almost half of the contracts reviewed by Rigsrevisionen, the regions had failed to reduce the managers' pay supplements to adjust for improved terms negotiated locally between the parties. Total salary payments to these managers were therefore incorrect.

Fixed salary payments to managers employed on fixed-term contracts

Generally, the regions have managed fixed salary payments to managers employed on fixed-term contracts in compliance with relevant agreements. In a few cases, the North Denmark Region and Region of Southern Denmark have entered agreements that were more favourable with medical managers employed on fixed-term agreements, without having proper authorization from the regional councils. Moreover, the Region of Southern Denmark has employed managers on fixed-term contracts in seven out of 12 cases, despite the fact that it did not appear from the job advertisements that appointments could be made for a fixed term. This practice is not in compliance with relevant agreements.

Every fifth manager in the Capital Region of Denmark is employed on a fixed-term contract, whereas only very few managers are employed on these terms in the other four regions. Up until 2013, the Capital Region of Denmark largely employed staff on fixed-term contracts without offering transfer from the temporary position to a permanent one after expiry of the contract. Instead, the contracts included large fixed-term supplements and severance pay. As a consequence of this practice, the region's costs for severance payments and fixed-term supplements during the period of review totalled approximately DKK 16.7 million and DKK 48.6 million, respectively.

The Capital Region of Denmark changed this practice in 2013, and to the extent possible, managers are now employed on fixed-term contracts with an option to transfer from the temporary position to a permanent one, when their contract expires. The region finds this approach more appropriate in relation to the career patterns of medical staff. Rigsrevisionen finds it satisfactory that the Capital Region of Denmark has changed its practice to a less cost-consuming mode of employment.

Overtime

Contrary to relevant agreements, the North Denmark Region, Region Zealand and Southern Region Denmark have paid large amounts to several of the regional managers for extra hours worked. In some cases, the overtime work has not been of a temporary nature, as prescribed by the relevant agreements, but has continued for several years. To this should be added that in several cases, documentation for the extra hours worked has been inadequate, or altogether missing, which means that the regions have paid for overtime without knowing if the work has actually been done. This is not considered satisfactory by Rigsrevisionen.

Performance-related pay

Central Denmark Region and Southern Region Denmark have managed performance-related pay in compliance with the relevant agreements, although Central Region Denmark has generally failed to document performance against contract. There is no clear connection between targets set (user satisfaction, budget compliance, professional standards and professional quality), results achieved and the performance-related payment made to the individual manager. Rigsrevisionen has noted that, in 2015 all managers that were covered by a performance-related pay scheme in the Central Denmark Region received minimum 100 per cent of the maximum performance pay (maximum payment is 50 per cent of monthly salary). Performance-related payments in the region totalled DKK 2.3 million in 2015. In Southern Region Denmark, seven out of nine regional managers received maximum performance pay. Rigsrevisionen is of the general opinion that performance-related pay schemes that consistently trigger maximum awards should induce the regions to consider, if the schemes are ambitious enough.