



The Big Importance of the Small “Seniority Grade”

Bulgarian Experience and European Practices for Stimulating Professionalism

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- The payment for professional experience and labour service, more known as “seniority grade” has become subject to fierce attacks from Bulgarian employers’ organisations. While it the only guarantee that salaries will be augmented annually, albeit just a little, employers argue this system does not exist elsewhere in Europe.
- Although government does not support the employers’ organisations so far, under mounting pressure from lobbying, certain state officials have started to give in.
- We find that the Bulgarian model has many analogies in other EU countries and beyond. In fact, the majority of the analyzed country do have models of augmenting salaries and/or adjusting base salaries according to professional experience.
- Bulgaria’s model of seniority grade therefore neither stands isolated nor is it outdated.

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1. Professional experience and "efficiency" of the worker

Systems of payment are the foundation for the financial compensation of the workers for their labour. Human resources specialists know different options for career growth and increase in salaries, bearing in mind the multitude of variations of the main systems. Some systems have the ambition of taking into account whole or partial efficiency (individual or group), others claim they acknowledge the skills of the workers. However, the main line of contention between employers and trade unions overall is the choice between systems for remuneration based on seniority or such based on "results".

1.1 Seniority vs "contribution"

In systems for remuneration based on seniority the grounds for salary increase are the labour relations of the worker. The increases are regular, at exact time intervals. In certain variations results can also be taken into account, but professional experience remains the main factor. The whole professional experience of the worker can be taken into consideration or only the part relevant to the current position (as is the current case in Bulgaria). The additional payment can rise every year, or two or three. It can be determined either as a percentage of the main salary or the gross (before tax) salary. What these approaches have in common is that the main factor for the additional payment is professional experience. The advantages of so-called seniority are loyalty of personnel, attracting and keeping experts in a given field, a high level of objectivity in determining remuneration - eliminating all doubt about preferences for some and neglect of others. A disadvantage: it does not account for the particular contributions of each worker to the company results.

Systems for remuneration based on efficiency aim at tying salaries with personal contribution.

Supporters believe that in this way they will create conditions in which all workers will do their best to reach maximum productivity and higher wages respectively. One of the dangers here is that some

workers can become discouraged when they regularly do not receive an increase for their efforts, which could lead to greater staff turnover. Another challenge is that there is no undisputed system for measuring individual contributions to the overall final results of the company success.

1.2 Additional payments in Bulgaria

The current system in Bulgaria is a hybrid - there is a payment for professional experience as well as a bonus for efficiency determined by the employer. The former amounts to 0.6% per year of professional experience (Government act № 147/29.06.2007). The latter that should account for the contribution of the worker are often difficult to determine. Thus the Bulgarian system mitigates the negative effects of the two above-described systems. On one hand, there is a mandatory minimum that the employer has to pay to compensate the acquired professional experience. On the other hand, through bonuses for efficiency entrepreneurs can motivate the workers that demonstrate high productivity.

In addition, employers have a significant leeway in determining which part of the acquired professional experience they deem is relevant to the current position and can choose to pay only that: "When determining the amount of the additional payment for professional experience, the employer takes into account the previous experience of the worker acquired in the same or a similar position in another company" (article 12, paragraph 4, point 1 of Regulation on the structure and organisation of the working wage). It is also well-known that workers often do not receive an additional payment under the pretext that it is already included in the main salary, effectively meaning that it is not paid. Furthermore relevant experience in another company is frequently not accounted for.

1.3 Financial weight of the additional payment

The National statistical institute does not publish the expenditures on this additional payment separately. They are in the group "Additional and

other payments under a collective agreement, civil servant law or another law or regulation", where payments for civil servants are also included. However, a review of published accounts in the Company register of some firms on their number of employees, salary expenditures and others a

few years ago shows that the share of additional payments is around 1.6%-2.7% of all salary expenditures. This includes payments for night labour as well as some others, so that the total share of additional payments for professional experience is even smaller than that.

Report on employees, salary expenditures and other labour expenditures of "Walltopia" for 2008



COMPANY NUMBER	Region	Municipality	Activity	Sector
121622469			0000	100

Section 3. Salary expenditures and other labour expenditures of the employer

		Row code	From the beginning of the year (in levs - whole numbers)	Percentage		
a		б	1	2		
Expenditures on employees	Salary – total (code 3100 = code 3120 + code 3130 + code 3140 + code 3150) (code 3100 = code 1000 c.3)		3100	320559	x	
	Incl.	Base salary for real time of work	3120	294288	91.80	
		Payment on top of the base salary (above the norm and bonuses under the system for labour remuneration)		3130		0.00
		Incl.	Yearly and single payments (designated, overtime remuneration and other payments)	3133		0.00
		Remuneration for paid leave		3140	17644	5.50
		Additional and other payments under the law, Civil servants law, other law, regulation, collective agreement or individual contract.		3150	8627	2.69
	Compensation under the labour law, Civil servants law and social security law		3160		x	
	Incl.	Under art.200 para.3 of the Labour law and art. 104 para.4 of the Civil servants law		3161		x
		Under art.222 para.1 and 2 of the Labour law and art.104 para.1 and para.2 of the Civil servants law		3162		x
		Under art.220 para.1 and art.225 of the Labour law and art.104 para.3 of the Civil servants law		3163		x
	Social and health contributions (incl. the voluntary fund "Unemployment")		3170	53662	16.74	
	Incl.	For Compulsory social security services		3171	53662	x
		For voluntary social security services paid by the employer		3172		x
	Other social security contributions		3180		x	
	Tax on social security expenditures		3190		0.00	
Expenditures on employee trainings		3191		x		
Other expenditures on employees		3192		x		
Subsidies received by the employer		3193		x		

Report on employees, salary expenditures and other labour expenditures of "Walltopia" for 2009

Section 3. Salary expenditures and other labour expenditures of the employer

		Code of the row	From the beginning of the year (in levs-whole numbers)	Percentage		
a		б	1	2		
Expenditures on employees	Salary - total (code 3100 = 3120 + 3130 + 3140 + 3150) (3100 = 1000 c.3)		3100	494 964	x	
	Incl	Base salary for real time of work	3120	456 874	92.30	
		Payment on top of base salary (above the norm and bonuses under the system for labour remuneration)		3130		0.00
		Incl	Yearly, six-month, three-month and single payments (designated, overtime remuneration and other payments)	3133		0.00
		Remuneration for paid leave		3140	30 210	6.10
		Additional and other payments under the law, Civil servants law, other law, regulation, collective agreement or individual contract.		3150	7 880	1,59
	Compensation under the labour law, Civil servants law, social security law		3160		x	
	Incl	Under art.200 para.3 of the Labour law and art. 104 para.4 of the Civil servants law		3161		x
		Under art.222 para.1 and para.2 of the Labour law and art.104 para.1 and para. 2 of the Civil servants law		3162		x
		Under art.220 para.1 and art.225 of the Labour law and art.104 para.3 of the Civil servants law		3163		x
	Social and health contributions (incl. the voluntary fund "Unemployment")		3170	86 414	17.46	
	Other social security contributions		3180		x	
	Tax on social security expenditures		3190		0.00	

Share of additional payments for the two years:

	2008	2009
Salary total	320 559	494 964
Additional payments	8 627	7 880
Share of the additional payments	2,69%	1,59%

1.4 Regulation in Bulgaria

The term "seniority grade" does not exist in the current legislation. It is a remnant from the time before the changes in 1989, after which it was substituted with other terms partially used today.

For the first time in the current legal system (after the changes of 1989) the "seniority grade" was regulated in the Regulation on the additional payments on labour published on 06.08.1993 in force since 01.01.1994 and repealed on 01.07.2007. The term "additional monthly payment for years of

experience" was used to denote the remuneration owed to the workers as a percentage of the base salary for every year of experience. The amount was determined in the individual contract, but it could not be less than 0.6% of the base salary for every year of experience with indexation done every 3 years. The Regulation on the additional payments on labour lists all the hypotheses when a year of service is taken into account:

- This is the time acknowledged as professional experience under the labour law (irrespective of the position or the employer);
- The period acknowledged as professional experience under the already repealed Law of the retirement of agricultural operators;
- The period when the worker occupied a position in military departments;
- Or the worker had social security coverage for all the above-listed cases.

In addition to the Regulation on the additional payments on labour, in force since 01.07.1993, another hypothesis was acknowledged as qualifying: the professional experience acquired under the then applicable Law on pensions.

An addition of the Regulation in force since 01.01.1994 lists two new hypotheses acknowledging professional experience: the time spent on regular military service and in the Construction forces; as well as the time when workers were being covered for all social risks except for work accident and occupational disease. From the same period an amendment of the Regulation came into effect according to which the period for indexation of the additional payment for professional experience was lowered from 3 years to 1 year.

The next significant change happened with the adoption of the Regulation on the employee status of the civil servant published on 22.03.2000 and in force since the same day. An additional monthly payment for the professional experience of the civil servants amounting to 1% of the base salary for every year of experience (including the time acknowledged as continuous work under the law and the time of social security coverage under the then active Law on mandatory social securi-

ty service) was introduced. A monthly payment is owed for every actively worked period (excluding paid leave) during the normal length of the work time and is indexed every year after acquiring at least 3 years of service.

In the meantime the amendments in the Civil servants law from 01.01.2004 demoted the regulation of the additional payments for professional experience of civil servants from the level of law to the level of a simple regulation adopted by the Council of ministers. Thus the power to regulate was taken away from Parliament and given to the government, which has the power to unilaterally decide on this right to additional remuneration of civil servants.

The amendments to the Regulation of the employee status of the civil servants from 06.06.2006 concretised the additional payment for professional experience (the terms have changed in the meantime) by underlining that such payments are due only for the actively worked time from the regular hours. For part-time work additional payment is also allowed for all labour relations until the normal duration of the work time is reached.

The following changes to the same Regulation from 01.07.2008 envisaged the decrease of the periods of indexation of the owed additional payment for professional experience to civil servants from three years to one year.

The Regulation for the structure and organisation of the salary published on 26.01.2007 and in force since 01.07.2007 repealed the hitherto effective regulation. The term "additional monthly payment for continuous work" was substituted by a term identical in its content: "Additional payment for professional experience". The application of the new term is significantly limited - under the Labour law it applies only for acknowledged experience in the current company (including different positions and before the merging or acquisition of companies; as well as professional experience acquired in other companies, but in the same or similar positions. The tripartite negotiation of the minimum amount of the additional payment is introduced (on a national and sector level, re-

spectively between the state and the nationally represented sector associations) as well as the biparty principle (on the company level in the collective agreement between the employer and the unions in the company). The biparty principle on the sector level (in relation to the sector collective agreement) is applied also when negotiating the conditions under which similar professional experience is acknowledged.

With amendments to the same Regulation from 01.07.2007 the employers were given the power to decide the conditions for acknowledging previous work experience acquired in another company in the internal rules of organisation of the salary. The periods for the indexation of the owed additional payment were also updated - they must be no less than 1 year (which does not give any guarantees that the indexation can be "suspended" for an undetermined period).

The changes in the Regulation from 05.02.2008 significantly enlarged the hypothesis for which the additional payment rule applies - they came to include the time spent practising the same profession or having a similar position without a labour contract, during which period the worker still had the mandatory social security coverage for all social risks or for all of them apart from work accident, professional sickness or unemployment; work experience in the same and similar positions acquired by Bulgarian citizens (including members of their family) in another EU member state; the period of work without a labour contract in the same or similar position of a Bulgarian citizen or a citizen of another member state (including member of their family) in a member state when they still had the mandatory social security coverage for all social risks (or all apart from work accident, professional sickness or unemployment).

Further changes in the Regulation from 06.02.2009 overturned the social security requirement for acknowledging the professional experience acquired in another member state by a Bulgarian citizen or a citizen of another member state (including members of their family) without a labour contract in the same or similar position. The social risks for which

social security coverage is necessary are general disease and maternity, disability caused by general disease, old age or death, work accidents, occupational diseases and unemployment.

The latest amendment to the Regulation from 21.08.2009 again overturned the social security requirement for acknowledging professional experience - this time in relation to workers who practised the same or similar work without a labour contract. The required social risks for which coverage is needed were listed again - general disease and maternity, disability caused by general disease, old age or death, work accident and occupational disease and unemployment; or disability caused by general disease, old age and death, general disease and maternity

The changes in the Regulation for employee status of civil servants from 30.12.2011 and in effect since 01.01.2012 repealed the additional payment for professional experience for civil servants. This repeal, however, was reversed by the Council of ministers on 13.03.2012, in force since 15.03.2012, which invalidated the previous Ministerial statute (as a result of which the situation is subject to the former regulation). Another change in the same Regulation in force since 01.07.2012 completely repealed the additional payment for professional experience for civil servants.

The Regulation of salaries of employees in the state administration, in force since 01.07.2012 (which takes out the matter of remuneration from the labour relations of the civil servants) posits that the base and additional payments to civil servants do not include the additional payment for professional experience. Instead of this a new additional payment for results was introduced, which is connected with the yearly attestation of the civil servants and depends on their performance (positive or negative). Depending on these results an additional payment can be determined, according to the minimum and maximum levels of remuneration owed to the given civil servant in a certain administration.

1.5 Demands for change

The nationally represented employers' organisations demand that art.12 from the Regulation of the structure and organisation of the salary and Ministerial act № 147/29.06.2007 (*the act determining the payment and its amount*) be repealed as well as art.244 para.2 of the Labour law (*the article empowers the Council of Ministers to determine the additional payment for professional experience*). It must be heavily underlined that employers do not demand that the additional payment for professional experience be turned into an inseparable part of the collective agreements, nor do they demand its modification. They simply wish for its complete removal, despite its symbolic share in the structure of the salary expenditures.

The official statements and demands of the employers' organisations:

- The removal, with an act of the Council of Ministers, of the additional payment for professional experience, which does not exist anywhere else in the EU.
- The removal of an **anachronism with no replication** in other European countries.
- A thorough analysis of what exists in other countries. This payment exists nowhere else except in Venezuela, Bolivia and Cambodia.

As was pointed out previously there are two systems - based on seniority and a subjective assessment of the contribution of each employee towards the results of the company. In this respect we will look into the practices in several EU states, the USA, Canada and two international organisations.

2. An array of practices

2.1 Europe

Belgium. Workers in the public sector receive an increase in their salaries every year. The amount depends on the position held. In appendix 1 the tables of the employees in the Flemish government (a yearly basis) can be found. The additional payment there is called *geldelijke anciënniteit*.

In the private sphere the seniority payment is determined by sectors. Each sector has a sectoral commission, in which the social partners negotiate the minimum conditions. Companies have to follow them, but are also free to pay more than the negotiated amount, which often happens. In many sectors the salaries are higher than the negotiated minimum, including the additional payments for seniority. In the appendix two examples can be found - CP 310 (bank sector) and PC 200 (additional sectoral commission for around 400,000 employees). These are the collectively negotiated salary levels based on seniority - number of years worked. As can be seen, the minimum wage is increased every year but by a different rate for the different ranks of workers. Employees with a university degree will be in a higher group compared to those without any diploma.

Job description and qualifications are the most important factors that determine the salaries for all those categorised, with relevant experience playing a crucial role in managerial positions. Previous salary level and experience is also taken into account when deciding the salary of a newcomer.

Depending on age¹, the employee falls into a certain group of salary level. Those under 18 receive less than the minimum wage. 17-year-olds receive 76% of the minimum wage, and 16-year-olds receive 70%. University students also receive reduced salaries. On the other hand, a **19-year-old worker with 6 months' experience receives a 2.7% increase in their salaries, while a 20-year-old with 12 months' experience receives a 3.8% increase.**

Austria. The working wage is regulated by law and collective agreements in each sector. An important fact for the Bulgarian debate on the minimum wage is that, although it is not defined by law, since 2008 **Austria has a negotiated minimum wage of 1000 euro.** In effect, collective agreements below this level are not concluded. The deciding factors for the base salary are the job description, qualifications and seniority. The number of years in a similar position is also taken into account. The change in the work conditions and remuneration in Austria can be found under the term *Senioritätssprinzip*.

1. <https://www.eurofound.europa.eu/country/belgium#pay>

Example of a collective agreement in the restaurant and hotel sector,^{2,3}:

Hotels in Vienna – base salaries in euro in effect since 1 May 2017									
	Base salary	6 years' experience	Growth	11 years' experience	Growth	16 years' experience	Growth	21 years' experience	Growth
group 0	2250	2306,3	2,5%	2362,5	5,0%	2418,8	7,5%	2475	10,0%
group 1	2020	2070,5	2,5%	2121	5,0%	2171,5	7,5%	2222	10,0%
group 2	1850	1896,3	2,5%	1942,5	5,0%	1988,8	7,5%	2035	10,0%
group 3	1676	1717,9	2,5%	1759,8	5,0%	1801,7	7,5%	1843,6	10,0%
group 4	1550								
group 5	1475	1511,9	2,5%	1548,8	5,0%	1585,6	7,5%	1622,5	10,0%

In groups 0, 1 and 2 employees are allocated according to their qualification, duties and responsibilities. Groups 3, 4 and 5 reflect the level of education obtained.

A determining factor is the fact that 98-99% of the people recruited are covered by a collective agreement meaning that in reality there is no employee who does not receive an increase due to acquired experience.

After a detailed study⁴ economists from several Austrian universities found that productivity in the industrial and construction sector are negatively correlated to the share of young employees (≤ 29 years). At the same time there is no correlation between the share of senior workers (50+ years) and the productivity in any of the sectors studied. What they did find, however, is that there is a strong tendency for firms with relatively young employees to pay lower salaries.

A study⁵ published by the Austrian ministry of labour and social policy showed that advanced age

is the main deterrent in finding a job. However, the reason is not the seniority payment. The scientists concluded that the reason for having high unemployment rates among senior workers is definitely not this payment.

Slovenia. The seniority payment is regulated in the Law on labour relations⁶ art.129 "Additional payment for experience", which stipulates the following:

Para.1. every employee has the right to an additional payment for experience.

Para.2. The amount of the bonus shall be determined in the collective agreement by sectors.

Art.222 clarifies that the minimum level is 0.5% if nothing else is decided in the collective agreement. Subsequently, this article was repealed and the actual minimum level of payment is 0.33%. However, it is specifically stated that such an additional payment must be included.

Italy. The charts for remuneration based on seniority are included in all collective agreements in the country. The additional payment is called Scatti di Anzianità and is paid every month after reaching a certain level of experience. The reason for having this payment is because the worker has acquired more experience, knows the procedures better and is therefore more productive. The amount or percentage of the seniority payment depends on the qualifications and the collective agreement, and can

2. <https://www.wko.at/branchen/tourismus-freizeitwirtschaft/gastronomie/KollektivvertragNEU.html>

3. <https://www.wko.at/branchen/tourismus-freizeitwirtschaft/hotellerie/gehaltstabellen-2017.pdf>

4. Ageing, productivity and wages in Austria; Bernhard Mahlberg, Inga Freund, Jesús Crespo Cuaresma, Alexia Prskawetz <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3626229/>

5. Austria: Study examines seniority principle in the labour market <https://www.eurofound.europa.eu/observatories/eurwork/articles/labour-market-industrial-relations/austria-study-examines-seniority-principle-in-the-labour-market>

6. Zakon o delovnih razmerjih (ZDR-1) <http://www.pisrs.si/Pis.web/prehledPredpisa?id=ZAKO5944#>

rise periodically. Usually advancing to the next level takes 2-3 years. In the national collective agreement in the trade sector the payment starts from the 3rd year and has 10 levels. In the textile sector the increase is every 2nd year and it has 4 levels.

If the employee is promoted, he keeps his seniority level, but not entirely, unless otherwise negotiated. Periods included in the experience are paid leave, sickness leave, maternity and accidents.

Growth of remuneration in the collective agreement for the textile industry⁷:

level	Rate per hour in euro	Increase in relation to the first level
I	6,71	
II	7,23	7,7%
III	7,75	15,5%
IV	8,26	23,1%
V	9,81	46,2%
VI	10,33	53,9%
VII	11,88	77,0%
VIII	12,91	92,4%

Romania. The negotiations for concluding a national collective agreement for 2011-2014 were terminated, although it was ready for discussion after the previous agreement ended. This happened after the changes implemented in Romania under the pressure of the American commercial chamber in 2011. Since then the additional payment can be included only in the collective agreements on the company or individual level, which is practically impossible. Unionisation and collective agreements are extremely difficult. The reforms were openly anti-labour rights oriented.

Under art.41 of the last national collective agreement the seniority payment was a minimum of 5% for 3 years' and a maximum of 25% for more than 20 years' experience. It can be a percentage

or a fixed amount. The seniority encompasses the whole period of work experience and not only in the given company, which is also currently regulated in the Labour code, despite the lack of a national collective agreement.

Payment does not depend on the type of contract, but only on its conclusion, i.e. it is regardless of whether it is full or part time working hours, definite or indefinite. In practice the steps for the increase in payment are the following:

seniority	Additional payment (%)
between 3-5 years	5%
between 5-10 years	10%
between 15-20 years	20%
20+ years of experience	25%

The levels of the additional payment in Romania were significantly above the current minimum Bulgarian rates. Around and above 1% per year.

Greece. "A modern Greek tragedy" - after incredible pressure from the Troika - the European Central Bank, the European Commission and the International Monetary Fund, several cuts in the social sphere and labour rights were implemented. The until-then indefinite collective agreements became periodic. The decentralisation of the collective agreements to the company level left many employees outside of their scope. The Law (4093/2012) repealed many benefits in the private and public sector. Only four special benefits are left- benefits for children, for dangerous work, the seniority payment and for higher education. However, **the seniority payment is frozen at the current levels, until unemployment goes below 10%**. It is unlikely that Greece will have a quick economic recovery any time soon; the country also faced the biggest migration wave (along with Italy).

Norway. The term used for the additional payment is "ansi-ennitet". It is rarely used in determining the salary, mainly among the newcomers employees in the public sector, depending on the years of experience in a similar position and the previous sal-

7. CCNL - Abbigliamento e Confezioni del 04/02/2014, Ipotesi di Accordo del 21/02/2017, Art. 46 - Aumenti periodici di anzianità http://www.ilccnl.it/ccnl_Abbigliamento_Maglieria_e_Lana_-_Industria.html

ary. The system for determining salaries automatically updates the additional payment, depending on the level of seniority. This happens after negotiations on a national level⁸. The changes come into effect on 1st May. Traditionally negotiations

are not concluded for salaries in May. Usually new updated salaries are paid in June or July.

The agreements between the oil industry and the unions include the seniority payment (annual salary in Norwegian krone)⁹:

Level/ job	3	4		5		6		7	
		Amount	Increase relative to the start salary	Amount	Increase relative to the start salary	Amount	Increase relative to the start salary	Amount	Increase relative to the start salary
A		597 127		610 050	2,2%	622 972	4,3%	635 895	6,5%
B	561 900	574 417	2,2%	586 933	4,5%	599 448	6,7%	611 965	8,9%
C	548 005	560 057	2,2%	572 106	4,4%	584 156	6,6%	596 204	8,8%
E	497 862	507 155	1,9%	516 450	3,7%	525 743	5,6%	535 038	7,5%

Level/ Job	8		9		10		11	
	Amount	Increase relative to the start salary	Amount	Increase relative to the start salary	Amount	Increase relative to the start salary	Amount	Increase relative to the start salary
A	652 342	9,2%	668 189	11,9%	684 036	14,6%	697 536	16,8%
B	628 371	11,8%	644 219	14,7%	657 719	17,1%		
C	612 148	11,7%	625 452	14,1%	638 952	16,6%		
E	548 224	10,1%	555 025	11,5%	568 525	14,2%		

The salary is determined by the amount of experience and professional groups (A, B, C and E). An employee goes to the next level every two years. In the highest paid professions (group A) the additional payment is equal to 0.8% after more than 22 years of experience.

Denmark. The term used is "anciennitet". The system for determining salaries is highly centralised. A study by the OECD¹⁰ shows that in 1998 the system was reformed so as to introduce some kind of a connection between individual results and salaries but the former still plays a small role. The base salary is determined on a central level for all professions and there is an additional payment based on seniority as well as a small payment for individual performance. The unions have to be consulted regarding bonuses. In addition, the growth of salaries

in the public sector is indexed a propos the private sector under "a scheme for updating salaries" with a certain delay. The scheme envisages that if the increase of salaries in the private sector for a given period of time is higher (or lower) than that in the public sector, 80% of the difference is added to the salaries in the public sector for the next period.

A collective agreement in the public sector (civil servants, municipal and regional) for 2016 laid down a scale depending on the years of experience. The private sector is also with a collective agreement which includes such a scale.

9. Agreement between The Confederation of Norwegian Business and Industry (NHO)/The Norwegian Oil and Gas Association and the oil service companies affiliated with the Confederation/Association on the one side and The Norwegian Confederation of Trade Unions (LO)/ Industry Energy and the local union concerned <https://www.norskoljeog-gass.no/Global/Arbeidsliv%20og%20kompetanse/Avtaler%20og%20l%C3%B8nnsstabelle/357%20OSA%20engelsk.pdf>

10. OECD Economic Surveys: Denmark 2013

8. <http://www.oecd.org/gov/pem/OECD%20HRM%20Profile%20-%20Norway.pdf>

The remuneration with a seniority payment in the public sector (excluding managerial positions) in Danish krone¹¹:

seniority	Base salary since 1 april 2016	Increase relative to the start salary
1-3 years	37 769,67	
4-6 years	43 152,06	14,3%
7-8 years	49 949,28	32,2%
9 + years	58 703,27	55,4%

Similar collective agreements are concluded in the private sector as well. The latest agreement in the dentists' sector for 2017 stipulates the following scale for increase of the base salary for the period 2017-2019¹² (in Danish krone):

seniority	Base salary since 1 May 2017	Base salary after 1 May 2018	Base salary after 1 May 2019	Increase relative to the start salary
1 year	21 366	21 766	22 166	
2 years	21 486	21 886	22 286	0,6%
3 years	21 691	22 091	22 491	1,5%
4 years	21 906	22 306	22 706	2,5%
5 years	22 216	22 616	23 016	4,0%

Czech Republic. What is used here is the so-called "seniority grade", which is determined by the profession, the economic sector, the responsibilities and education. The public sector also includes the years of experience. The seniority grade is applied both in the public and private sectors when determining the base salaries. In the private sector higher salaries can be negotiated with the collective agreements. Until 2016 the minimum guaranteed remuneration in the private sector was divided into two groups - for the handicapped and for other people.

Guaranteed minimum remuneration in the private sector by seniority grade¹³:

Guaranteed remuneration		Since January 2017	
group	Seniority grade	Per hour	Per month
First	1. + 2.	66	11 000
Second	3. + 4.	72,9	12 200
Third	5. + 6.	80,5	13 400
Fourth	7. + 8.	88,8	14 800
Fifth	9. + 10.	98,1	16 400
Sixth	11. + 12.	108,3	18 100
Seventh	13. + 14.	119,6	19 900
Eighth	15. + 16.	132	22 000

11. Lønoversigt, 1. oktober 2016 <https://www.djoef.dk/~media/documents/djoef/a/aktuel-loe-noversigt.ashx?la=da>

12. Overenskomst mellem Tandlægeforeningen og HK/Privat om klinikkassistenters beskæftigelse hos tandlæger https://www.hk.dk/~media/dokumenter/overenskomst/privat/11000/10919_tandlaegeforeningen_2017_2020.ashx

13. Zaručená mzda v soukromém a veřejném sektoru <https://kupnisila.cz/zarucena-mzda/>
Nařízení č. 567/2006 Sb.
<http://portal.gov.cz/app/zakony/zakonInfo.jsp?idBiblio=63267&fulltext=567~2F2006&rpp=50#local-content>

The division of the base salaries by sectors in the public sphere is multilevelled¹⁴. There are 16 ranks depending on the level of education (from primary up to Master's degree) and seniority grades depending on previous experience. The employer decides if he will acknowledge it (like in Bulgaria) and they can reject it entirely, acknowledge only 2/3 or accept it entirely. There are also 12 steps which depend on the job description. It is possible that the employee is a nurse from the 1st level or a specialised nurse from the 9th level, with the second receiving a higher salary.

France. The term used is "prime d'ancienneté". Here the seniority payment can be regulated in the collective agreements, in the individual contract or, if it is a custom for the given profession, in the company. It is not regulated by law. The payment can be a lump sum, or a percentage of the base or gross salary and must be visible in the monthly payslip.

For example, a collective agreement in the chemical industry envisages a seniority payment of 3% after 3 years of service and up to 15% after more than 15 years of service. Florists, cattlemen and metal-workers¹⁵ have similar agreements, but there are some with an even higher percentage.

The practice is to include the payment after at least 3 years of service in the company. The percentage is usually levied on the minimum wage for the given position.

Certain periods are included - or not - in the calculation of the years of experience. For instance, sickness not connected with work is not included, but that caused by a work-related accident is taken into account, as well as maternity, paid leave, sickness, paid leave of the father, leave for adoption, or for active military service. What is counted is also experience of 2 months or longer in the company.

14. Platy státních zaměstnanců pro rok 2017 https://www.pracomat.cz/poradna/pro-pracujici/228-platy-statnich-zamestnancu.html#platova_trida

15. La convention collective métallurgie cadre <http://www.journaldunet.com/management/guide-du-management/1200223-la-convention-collective-metallurgie-cadre/>
https://www.legifrance.gouv.fr/affichIDCC.do?jsessionid=EA2A57B38400FDFD67FEE51295545475.tplgfr24s_2?idConvention=KALICONT000025393730&cidTexte=KALITEXT000033225452

In other EU member states the seniority payment is also common, but due to a lack of data the full spectrum of practices cannot be covered. The multitude of different languages, sources of information, laws and regulations, as well as the non-published collective agreements, obstruct full research of the topic.

2.2 North America

USA

The additional payment is determined only in collective agreements. The term "seniority" is used when deciding the period to be included in the calculation, while the term "longevity pay" signifies the actual payment itself. A guide of the state of Oklahoma¹⁶ gives clear instructions for the way of calculation; the employees that are eligible to receive it; the professions and the amount. All the variables undergo a certain modification in the collective agreements, but the principle is the same - it is a payment for continuous service, which aims at attracting and keeping qualified workers on state duty. An example of the yearly bonuses:

Years of experience	Annual bonus for seniority
At least 2, no less than 4	\$250,00
At least 4, no less than 6	\$426,00
At least 6, no less than 8	\$626,00
At least 8, no less than 10	\$850,00
At least 10, no less than 12	\$1 062,00
At least 12, no less than 14	\$1 250,00
At least 14, no less than 16	\$1 500,00
At least 16, no less than 18	\$1 688,00
At least 18, no less than 20	\$1 900,00
At least 20	\$2 000,00

For every 2 years of experience after the first 20 years 200 dollars are added to the salary.

16. Longevity pay program guide, Office of personal Management State of Oklahoma <https://www.ok.gov/opm/documents/8-1-06%20Longevity%20Guide%203.pdf>

An example of the longevity payment based on the years of experience is the collective agreement between the municipality of New York and the Federation of public servants for the period of 2016-2019¹⁷. Although it is included in the "Rewards for performance" section, the payment is owed for the years of service. It is paid once and depending on the rank: 5 or 10 years of experience amounts to 1,250 or 2,500 dollars respectively.

In the state of Texas the seniority payment for years of experience in the public sector is calculated based on the main salary since 1st September 1979¹⁸. In order to have the right to it, the employee must work full time, be hired on the first day of the month and have a minimum of 24 months of experience in the public sector. Employees working part time cannot receive it, neither can employees in the legislative bodies, temporary workers (employed by an external company), independent contractors, a certain category of pensioners, and academic staff in universities

(there are separate collective agreements). The scale for the seniority payment is 20 dollars for every 24 months of work, with the maximum being 420 dollars for 504 months.

Canada

The additional payment is included in the collective agreements under the term "acknowledgment of previous experience" on the basis of which minimum base salaries are determined. It is applied both in the public and private sector.

The standard practice is for a worker with less than 1 year of experience for the past 3 years prior to the job to be in category 1; for 1 year of experience in the past 3 years - category 2; 2 years' experience for the past 4 years - category 3; 3 years' experience for the past 5 years - category 4; 4 years' experience for the past 6 years - category 5. Of course, the employer can give a higher salary. An example of the raise in salaries in the health sector for the Canadian province Saskatchewan¹⁹:

dentist	category 1	category 2	category 3	category 4	category 5
Bachelor	27 340	28 434	29 572	30 756	33 439
Master	29 527	30 708	31 937	33 214	36 114

Another example of the application of the seniority payment is the collective agreement between the Air Canada company and representatives of the employees in the firm²⁰

Service and customer relations	Monthly salary	increase
1 st 52-week period	2 435,00	
2 nd 52-week period	2 521,96	3,6%
3 rd 52-week period	2 608,93	7,1%
4 th 52-week period	2 695,89	10,7%
5 th 52-week period	2 782,86	14,3%
6 th 52-week period	3 043,75	25,0%
7 th 52-week period	3 304,64	35,7%
8 th 52-week period	3 565,54	46,4%
9 th 52-week period	3 826,43	57,1%
10 th 52-week period	4 087,32	67,9%

17. Agreement between the public employees federation, AFL-CIO and the state of New York
https://www.goer.ny.gov/Labor_Relations/Unions_Units/2016-2019-PST-CBA.pdf Payroll Bulletin
<http://www.pef.org/wp-content/uploads/2017/03/Payroll-Bulletin-No-1552.pdf>

18. Government code title 6. Public officers and employees subtitle b. State officers and employees chapter 659. Compensation subchapter a. General provisions; Sec. 659.044.
<http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.659.htm>

19. <https://www.hsas.ca/collective-agreement/hsas-saho-collective-agreement-april-1-2013-march-31-2018/wage-schedule/2017-2>

20. Collective agreement between AIR CANADA and those employees in the service of AIR CANADA as represented by UNIFOR LOCAL 2002 http://www.unifor2002.org/getattachment/c5ccedd2-d245-42ad-9b7b-50dfe2fce455/AC_No31_ca_2015-2020_en.aspx

2.3 International institutions

UN

The salaries of the employees in the UN are divided into two main groups: professionals and

higher-qualified personnel; staff appointed in peacekeeping missions. Here we will look at the first group²¹ only, since both differ greatly. The payment is gross in US dollars.

Level	STEPS													Increase	
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII		
USG	192	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ASG	174	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D-2	140	143	146	149	152	155	158	161	165	168	-	-	-	20,4%	
D-1	125	127	130	133	136	138	141	144	146	149	152	154	157	26,1%	
P-5	107	110	112	114	117	119	121	123	126	128	130	132	135	25,4%	
P-4	88	90	92	94	96	98	101	103	105	107	109	112	114	28,7%	
P-3	72	74	76	78	80	82	84	86	87	89	91	93	95	31,0%	
P-2	56	58	59	61	63	64	66	68	69	71	73	74	76	35,9%	
P-1	43	45	46	47	49	50	51	53	54	56	57	58	60	37,9%	

The salary scale includes 5 professional categories for experts (P-1 till P-5), two director levels (D-1 and D-2), assistant general secretary and deputy general secretary. The scales shown in the table are updates since 1 January 2017 and are the same for all bodies in the UN around the world. In addition to the categories there are steps - 13 for specialists and 10 for directors. In one category employees pass from one step to another every year until the 7th step and every two years after that.

European commission and European Parliament.

The organisation of the payment in the Commission is similar to that in the UN, but it includes more qualification groups - 16 with 8 steps for the salary increase. The different levels of remuneration in one professional group are called "seniority steps": **the transition happens automatically according to the experience acquired in the European institutions.** The jump from one step to another takes place every two years until the employee is promoted to the next rank or reaches the highest level of remuneration.

Up to 24 months of previous professional experience of the employee can be taken into account at the time of appointment, which can push them to a higher level of payment in the scale.

A detailed description of the qualification groups and the separate steps by level of remuneration can be found in Regulation 31 (EEA), 11 (EAEC), which determines the Rules for officials and the Conditions for labour of other servants in the European Economic Area and the European atomic energy community.²²

2.4 Globalisation and labour relations in the automobile assembly industry

A study of the automobile industry in seven countries²³ touches upon the issue of seniority and its effect on the salaries of the workers. We provide here part of the conclusions of the study, since there are several factories in Bulgaria for the manufacturing of various automobile parts, which assert that there is a shortage of labour, but at the same time fail to improve the working conditions and the salaries.

21. Salary scale for the Professional and higher categories showing annual gross salaries http://www.un.org/Depts/OHRM/salaries_allowances/salaries/salariescale/professional/base01-2017.xls

22. <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1433861011292&uri=CELEX:01962R0031-20140501#E0015>

23. Globalization And Employment Relations In The Auto Assembly Industry A Study Of Seven Countries <http://findbooks.biz/book/globalization-and-employment-relations-in-the-auto-assembly-industry-a-study-of-seven-countries/>

There is a significant difference between countries in the way they determine remunerations. If we look at the automobile industry, the extent to which the payment depends on the worker's performance is relatively small. The biggest change is in Japan, where the seniority payment is removed altogether, and the rest of the payments are limited, which leads to the convergence of the salaries of the different workers.

Unlike Japan, Korean factories have kept the traditional system of remuneration, which is heavily connected with seniority and the years of experience. Also taken into account are the qualifications, the job itself and the individual characteristics, but they play a smaller role. The Republic of Korea uses a broad spectrum of additional payments and bonuses, but they are not connected to the individual or company performance. Chinese factories are also influenced by the traditional form of salary formation and depend greatly on the position held.

The increased demand for qualified workers in China has led to the increase in bonuses with the aim of attracting more specialists.

In Germany and Sweden the automobile sector is regulated by collective agreements. In Germany the remuneration is formed based on the requirements for the position; seniority has a small impact, but there are numerous additional payments for stimulation of the workers, which are included in the collective agreements. Salaries in Swedish companies also reflect the position of the worker, but they also include additional payments for qualification and seniority. Some factories also give bonuses for teams.

Seniority bonuses are fundamental in the American automobile factories. In Australia the remuneration is largely the same across factories, but there is a noticeable difference between the salaries of the lowest and highest-performing companies. There are different sorts of payments and benefits for skills, qualifications and training, but experiments with salaries based on results or money bonuses have been unsuccessful or short-term.

3. Social dialogue – minimum wage, collective labour agreements, additional payments

3.1 Bulgaria

The subject for the additional payment for professional experience was brought up again during the years following the financial crisis, when the minimum wage started growing again.

The nationally represented employers' organisations legally challenged the rise of the minimum wage several times with the motives for procedural violations. In the meantime they tried to convince the public that the officially set level of the minimum wage has nothing to do with reality, due to the calculation of the additional payment, which they believe to be 12% above the base salary. **There is no data for such numbers!**

Debates for finding a mechanism for determining the minimum wage intensified through negotiations between the employers' organisations and the unions. During these negotiations it was asserted that the additional payment for professional experience raises costs too much. At the same time the demands for determining the minimum salaries by sector were also renewed, **but under the condition that there would be no national minimum wage.** This would allow the sectoral employers' organisations to negotiate the minimum salaries under its current level. Proof of these intentions is also their suggestion to limit the debate on the amount of the minimum wage to a maximum of 41-43% of the average wage or 410-430 leva. **This is under its current level!**

The resistance of the unions against the open intentions for freezing the minimum salary led to a boycott of the negotiations for the minimum social security levels by the employers' organisations. For two consecutive years the central offices forced separate smaller employers to withdraw their signatures from the already negotiated levels. In such a hostile environment there can be no social dialogue.

3.2 Austria

The unions here have a long tradition and political influence. Around 1.4 million people are members of the unions, even though membership is voluntary. In addition to them 3.4 million are members of the Chamber of labour, where membership is obligatory by law. The Chamber has 2,400 employees who conduct studies in all spheres concerning labour rights. It works in close cooperation with the Austrian federation of unions and participates in the negotiations for the collective agreements. This is one of the main reasons why the collective agreements cover all workers on the territory of Austria.

The wide unionisation and coverage by the collective agreements allows for a base remuneration and additional payments to be determined through the sectoral agreements. The main difference is that there is no legal obligation for employee organisations in Bulgaria.

If we allow for the national mechanisms for setting the minimum wage, the social security contributions, additional payment for professional experience, overtime, night labour, etc. to be removed

in Bulgaria, this will leave many workers without any protection. It is enough for the employers' organisations to boycott any debate with the unions.

4. No additional payment for professional experience - a case study

How will the rights of the workers be violated if the additional payment is substituted for a bonus for performance? Why is the benefit for results, productivity or efficiency decided subjectively and does not guarantee the amount of the remuneration?

Here is an example:

A long-time handicapped employee with a medical assessment by the doctors' commission. His gross salary is comprised of the base salary, the additional payment for professional experience and a bonus, which is not regulated anywhere. During the month of March he is forced to take sick leave after suffering an epileptic seizure. Immediately the "flexible" part of his salary has shrunk drastically. His remuneration for January and March can be seen on his two paychecks.

Paycheck

Month: 01 Year: 2017 Name:

**Central Administration Commercial department
01/2017****N:<<1301>>Name:****Position: Analyst, efficiency of the commercial activity – original automobile parts Commercial department****Total service: 16 years 0 months 13 days.****SALARY CALCULATION**

Code	Salary composite	Parameter	Amount
1	Salary-time worked	Days on schedule = 21 contract salary = 850 days worked = 20	809.52
2	Additional payment- experience	percentage = 9.6	77.71
30	Paid leave	year = 2016 days current month = 1	71.07
65	Gross bonus	Number of days = 21	708.49
200	% invalidity	Number of months = 14	0.00

Total: 1666.79**DEDUCTIONS**

Code	Deduction	Parametre	Amount
500	Income tax	Tax base = 784.44	78.44
600	Pension	Employer percentage = 7.66 Employee percentage = 6.14 Amount for the employer=127 .68	102.33
601	General sickness and maternity	Employer percentage = 2.1 Employee percentage = 1.4 Amount for the employer = 35	23.34
603	Unemployment	Employer percentage = 0.6 Employee percentage = 0.4 Amount for the employer = 10	6.67
608	Universal pension fund	Employer percentage = 2.8 Employee percentage = 2.2 Amount for the employer= 46 .67	36.67
700	Health insurance	Employer percentage = 4.8 Employee percentage = 3.2 Amount for the employer = 80 .01	53.34

january 2017

Total: 300.79**Total net: 1366.00**

Paycheck

Month: 03 Year: 2017 Name:

**Central Administration Commercial department
03/2017****N:<<1301>>Name:****Position: Analyst, efficiency of the commercial activity – original automobile parts Commercial department****Total service: 16 years 0 months 13 days.****SALARY CALCULATION**

Code	Salary composite	Parametre	Amount
1	Salary-time worked	Days scheduled = 21 contract salary = 850 days worked = 20	425.00
2	Additional payment-experience	percentage = 9.6	40.80
30	Paid leave	Year = 2017 days current month = 1	76.16
30	Paid leave	Year = 2017 days current month = 1	66.19
30	Paid leave	Year = 2017 days current month = 4	264.78
65	Gross bonus	Number of days = 17	286.25
99	General sickness	Start day = 20/03/2017	0.00
139	Sick leavepaid by employer	Number of days = 3	143.19
200	% invalidity	Number of months = 12	0.00

Total: 1302.37**DEDUCTIONS**

Code	Contributions	Parametre	Amount
500	Income tax	Tax base = 325.44	32.54
600	Pension	Employer percentage = 7.66 Employee percentage = 6.14 Amount for the employer = 99 .77	79.97
601	General sickness and maternity	Employer percentage = 2.1 Employee percentage = 1.4 Amount for the employer = 27 .35	18.23
603	Unemployment	Employer percentage = 0.6 Employee percentage = 0.4 Amount for the employer = 7.81	5.21
608	Universal pension fund	Employer percentage = 2.8 Employee percentage = 2.2 Amount for the employer = 36 .47	28.65
700	Health insurance	Employer percentage = 4.8 Employee percentage = 3.2 Amount for the employer = 62 .51	41.68

march 2017

Total: 206.28**Total net: 1096.09**

Month	Number of days	Bonus for the month	Bonus per day
January	21	708.49 BGN	33.74 BGN
March	17	286.25 BGN	16.84 BGN

For January 2017 the gross bonus per day was 33.73 BGN, while in March when the worker took sick leave after a suffered crisis, the gross bonus per day is only 16.83 BGN. In other words, **the bonus is half as much as a punishment for the three days of sick leave.** The additional payment for ex-

perience cannot be unilaterally reduced by the employer, because it is regulated in the legislation.

5. Conclusions

We analysed the different practices in adjusting the base salary according to the professional experience in ten European countries. In some of them the additional payment is regulated by law or a collective agreement. Where there are predominantly collective agreements, the employees have a strong

representation, even with a legal obligation to be a member of workers' organisations. The collective agreements are on a national or sectoral level, and cover all people working in the given economic field. In one of the analysed examples it is regulated in the law that the collective agreements must contain a seniority payment. In other seniority grades with different scales by profession, education and experience are applied. **There are two countries where, under external pressure, the additional payment for experience is limited or frozen.**

We also described the practices in two countries outside Europe as well as in two international organisations, where professional experience is taken into account in determining the base salary. As a result of the meticulously conducted analysis it can be strongly concluded that **the Bulgarian additional payment for experience has an analogy not only in the EU and is definitely not outdated.** The additional payment is a legitimate way to reflect the professional experience of the employee, a token of their loyalty and attracting and keeping experienced professionals. It is characterised with a high degree of objectivity in determining the remuneration, unlike other alternatives.

In 2015, with the introduction of dual education, art.230 of the Labour law was amended. Paragraph 5 now stipulates that during the training the worker receives a wage corresponding to the work done, but no less than 90% of the minimum wage for the country. This is necessary not because the worker is young but because he is inexperienced and cannot be fully productive in the work process. In the end, if experience is not a determining factor it should follow that students who work should get the full minimum wage. **Otherwise we reach the paradox where we pay 90% to children because they are learning and do not have experience, and we deny fathers the additional payment for experience, because this discriminates against children.**

Consequently, there can hardly be found an employer in whose job opening description it would not say that previous experience in the position is required. If they really believe that the experience acquired does not matter for the quality of the work, they should not put such requirements for available positions. When you look for a product that corresponds to your needs, you have to pay for all the additional qualities.

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