

# The Service Appraisal of Soldiers of the Army of the Czech Republic in the Context of Personal Expenses

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**Abstract**—Following article provides the comparison of international norms and standards formulating personal expenses, and then it illustrates the national concept of personal expenses of the Ministry of Defence. Then a new salary system of soldiers and the importance of the service appraisal in the context of personal expenses of the Ministry of Defence are explained. The first part of the article includes formulation of the approach to the definition of personal expenses within the international norms and standards and also within the Ministry of Defence of the Czech Republic. The structure of employees of the Ministry of Defence of the Czech Republic in years 2012 – 2014 and the amount of military expenses and the share of salary expenses of the Ministry of total expenses of the Ministry are clarified there, also the comparison of the amount of military expenses in chosen member states of the North Atlantic Treaty Organization is done. The salary system of professional soldiers in connection with the amendment of the Act No. 221/1999 Coll. on Professional Soldiers is clarified in the second part of this article. The amendment significantly regulates the salary items of soldiers but changes are also in the service appraisal of soldiers which reflects one of seven salary items of soldiers – the performance bonus. The aim of this article is to clarify different approach to define personal expenses with emphasis on the Ministry of Defence of the Czech Republic which overlaps to the service appraisal of soldiers of the Army of the Czech Republic and their salary system in connection with personal expenses of the Ministry of Defence of the Czech Republic. The efficient and objective system of the service appraisal and the use of its results are connected to the principles of the career advancement; only the best soldiers can advance in the system of the service careers to higher positions. That is why it is necessary to improve the service appraisal so it would provide the maximum information about the performance of a soldier and it would also motivate the soldier in his development. The attention should be paid to the service appraisal of the soldiers of the Army of the Czech Republic to achieve as much objectivity as possible.

**Keywords**—Career, human resource management and development, personal expenses, salary system of soldiers, service appraisal of soldiers, the Army of the Czech Republic.

## I. INTRODUCTION

**H**UMAN capital is the most important thing for an organization, but even the human capital, like everything nowadays, is influenced by financial means. Considering constant budget cuts and the effort to increase the expenditure of financial means, there are pressures on doing researches on expenditure bodies of the Ministry of Defence.

The emphasis of this contribution is put on clarification of the salary system of professional soldiers because soldiers are the major part of the employees of the Ministry of Defence

and their salaries influence the amount of personal expenses of the Ministry of Defence of the Czech Republic. The performance bonus as an item of the salary system reflecting the result of the service appraisal of soldiers can constitute up to 20% of their service tariff during years which is not insignificant, considering the personal expenses of the Ministry of Defence.

The methods of collecting and analyzing of technical documentations, the method of description, induction, deduction and comparison were used.

The aim of this article is to compare the approach to the definition of personal expenses of international standards and norms, it also contains the formulation of personal expenses of the Ministry of Defence of the Czech Republic with emphasis on the clarification of the salary system of soldiers and the process of the service appraisal in context of personal expenses of the Ministry of Defence. It also includes the explanation of the employees' structure of the department, the amount of military expenses, salary means on an employee and the comparison of the amount of military expenses in chosen states and suggestions in the field.

## II. THE APPROACH TO THE DEFINITION OF PERSONAL EXPENSES (INTERNATIONAL STANDARDS AND NORMS), THE MINISTRY OF DEFENCE OF THE CZECH REPUBLIC IN CONTEXT

The international standards and norms differ in the approach to the definition of personal expenses.

Eurostat as an institution falling within the European Commission authority declares, that personnel expenses are the total reward, financial or payment in kind, which are the employer supposed to pay to the employee for work performed during the observed period of time. According to this definition, personal expenses consist of wages, salaries and costs on social security. Taxation consists of taxes and social security contributions as well as compulsory and voluntary social contributions from the employer [1].

The Organization for Economic Co-operation and Development has its own definition. According to it, the personal expenses are defined as a total reward, financial or payment in kind, which the employer is supposed to pay to the employee for work performed during the observed period of time. Personnel expenses include also taxes and social security contributions of employees kept by the unit as well as compulsory and voluntary social contributions from the employer [2].

The North Atlantic Treaty Organization does not propose any frame for evaluating particular national personal expenses on the contrary it leaves the definition on the states

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themselves.

It is obvious that the comparison of mentioned personal expenses from the international level point of view is misleading because every state has the possibility to use its own definition and covers different values to the total amount. Incomparable is then very often compared.

The authority of the Ministry of Defence is mainly defined by the Act No. 2/1969 Coll. on the Establishment of Ministers and Other Central Government Authorities of the Czech Republic. To fulfill this authority, the department necessarily needs a certain amount of sources: personnel, property and finance in a particular time. At the same time, these sources have to be mutually balanced and their allocation has to correspond with future needs.

In the last few years, the department of the Ministry of Defence faces the unfavorable development of the source frame. This situation stresses high demands on economical, efficient and effective use of personnel, property and financial sources.

Personal expenses are parts of the Ministry of Defence of the Czech Republic expenses which are the public expenses. Public expenses represent the relations of division and use of public budgets and extra-budgetary funds in the budget system. They are one of the tools of influencing the proportions between the private and public sector [3].

According to the Act No. 320/2001 Coll. Financial Control, as amended by later regulations, the public expenses are the expenses paid from the state budget, from budgets of the territorial self-governing authorities, from other state financial funds, territorial self-governing authority or other legal entities, from the means concentrated within the National Fund and from other means from abroad provided on the basis of international contracts or provided to fulfill the tasks of the public administration [4].

Public expenses, which can be found in national pensions accounts, are represented by two categories: comprehensive public expenses and transfer expenses. Comprehensive public expenses correspond with actual purchases of common goods and services (i.e. the investment of the public sector in the road network, education, hospitals etc.). Comprehensive public expenses are then purchases of transfers from the side of the public sector. Transfer expenses are public expenses on pensions, subsidies, interests from debts, unemployment benefits etc. These expenses do not represent the demands on sources from the public sector which applies to comprehensive public expenses [5].

According to the budget structure of the Czech Republic, personal expenses belong to the group of current expenses [6]. Current expenses consist of salary expenses and other payments for performed work, insurance premium and allocation to Cultural and Social Services Fund (FKPS), social security benefits, non-investment transfers to state-funded institutions and similar institutions, non-investment subsidy to entrepreneurial entities and other non-investment expenses (including funding program) [7].

In the Act No. 218/2000 Coll. on Budgetary Rules, as amended by later regulations, personal expenses are, as well as

the state budget expenses, confirmed in §7 in paragraph 1, letters a) and b). The Act says that the operational expenses of the organizational entity of state and operational expenses of state-funded institutions within their scope of authority are covered by the state budget; at the same time, salaries and other requisites as well as expenses on pension insurance benefits, sickness insurance benefits, social welfare benefits, other social benefits, expenses on unemployment benefit, retraining allowance and active employment policy are also covered under this title [8].

As was mentioned above, human resource expenses make the biggest burden of the Ministry of Defence budget. Currently, the employees of the Ministry of Defence are made of professional soldiers and civil employees so the personal expenses are understood as expenses connected to the financial security of soldiers and civil employees. So the salary means and means used for housing allowance, compensation during the incapacity for work for soldiers and civil employees, sickness benefits for professional soldiers, travel allowance, health and social insurance, allocation to Cultural and Social Services Fund, social security benefits and some other expenses (e.g. scholarships for military students of the University of Defence).

Primarily, the salary means for employees make the biggest share of personal expenses of the Ministry of Defence. Soldiers are in the service of the Czech Republic and represent the largest group of employees of the Ministry of Defence of the Czech Republic. The expenses on their salaries make the majority of personal expenses; therefore, the emphasis is put on the salary system of soldiers here.

The structure of the employees' expenses of the Ministry of Defence and the means for soldiers' salaries are available in Tables I and II. Table I illustrates the structure of employees of the Army of the Czech Republic. Table II shows the expenses of the Ministry of Defence of the Czech Republic.

TABLE I  
THE STRUCTURE OF EMPLOYEES OF THE ARMY OF THE CZECH REPUBLIC [9]

Year	Employees in Total	Soldiers in Total	Civil Employees in Total
2012	29 999	21 751	8 248
2013	30 021	21 733	8 288
2014	28 541	21 011	7 530

TABLE II  
THE EXPENSES OF THE MINISTRY OF DEFENCE IN THOUSAND USD

Year	2012	2013	2014
Total expenses of the Ministry of Defence	2 192	2 119	1 979
Means for employees' salaries of the Ministry of Defence	487	289	630
	460	457	447
	452	716	292
The share of means for employees' salaries of the Ministry of Defence from the total expenses of the Ministry of Defence	21 %	21.6 %	22.6 %

Source: [10], [11], author's arrangement, according to the average rate USD/CZK by the Czech National Bank in a given year

### III. SALARY SYSTEM OF SOLDIERS AND SERVICE APPRAISAL OF THE ARMY OF THE CZECH REPUBLIC

There was the amendment of the Act No. 221/1999 Coll. on Professional Soldiers on 1. 7. 2015, which is significantly apparent in the changes in the salary system of soldiers and also in the service appraisal of soldiers.

A principle of linking the rank with salary and the post is introduced in the new system of remuneration. This principle of remuneration has a motivational character for soldiers' career growth which is linked to a higher income.

The salary items of soldiers are reduced in the new salary system. Before the amendment of the Act No. 221/1999 Coll. on Professional Soldiers, the salary of soldiers was made of following items: tariff salary, management premium, personal premium, extra allowance, rank allowance, bonus, allowance for working in a difficult work environment, allowance for working on Saturday and Sunday, allowance for working on bank holidays, salary and allowance for working overtime, premium for service alert [12].

Currently, the salary of a soldier is made of only 7 following items: service tariff, performance bonus, work abroad allowance, allowance for increased responsibility, allowance for service alert, bonus [13].

In connection to the amendment of the Act No. 221/1999 Coll. on Professional Soldiers and the introduction of the new salary system of soldiers, there are changes in the process of service appraisal of soldiers.

The service appraisal consists mainly in the evaluation of the fulfilment of the service tasks, duties of a soldier, his/her expertise and mental ability for the service appointment, health and physical ability for other performance of the service. The service appraisal has to be written and the appraised soldier has to be informed about it.

After the amendment of the Act No. 221/1999 Coll. on Professional Soldiers, one item of the salary is set on the basis of the achieved results after the service appraisal of soldiers – performance bonus. The range of evaluated criteria extended to achieve higher objectivity of the service appraisal.

In the first year of service, the soldiers in the rank of Private First Class up to the Senior Warrant Officer are given the performance bonus 2% of the service tariff stated for given ranks, if the soldier is classified as excellent, and 1% of the service tariff if he/she is classified as very good. [13]

The performance bonus 1.5% of the service tariff when being classified as excellent and 0.75% when being classified very good is then set for the soldiers in the rank of Second Lieutenant up to the Lieutenant Colonel. Every following year, the performance bonus for soldiers in the rank of Private First Class up to the Senior Warrant Officer is increased by 2% of the service tariff when being classified as excellent and 1% of the service tariff when being classified as very good. The performance bonus for soldiers in the rank of Second Lieutenant up to the Lieutenant Colonel is increased by 1.15% of the service tariff when being classified as excellent and 0.75% of the service tariff when being classified very well. The amount of the performance bonus from the previous year does not change for soldiers in the ranks of the Private First

Class up to the Senior Warrant Officer when being classified as excellent; when being classified as sufficient, the amount of the performance bonus is reduced by 2% of the service tariff or there is no performance bonus if the 2% of the service tariff are higher than achieved amount of the bonus from previous period of time. The maximum amount of the performance bonus can be 20% of the service tariff in the rank of Private First Class up to the Senior Warrant Officer and 15% of the service tariff in the ranks of the Second Lieutenant up to the Lieutenant Colonel. The whole process of the service appraisal is done by the point method of evaluation of the criteria; it is done annually in the period of time from 1. 12. to 28. 2. of the following year and the amount of the performance bonus is set on 1.4. [13] [14].

The amount of the performance bonus after the USD conversion for particular soldiers: Private 407 USD, Private First Class 833 USD, Corporal 880 USD, Sergeant 933 USD, Staff Sergeant 1 088 USD, Sergeant First Class 1 165 USD, Master Sergeant 1 243 USD, Warrant Officer 1 329 USD, Senior Warrant Officer 1 423 USD, Chief Warrant Officer 1 856 USD, Second Lieutenant 1 251 USD, First Lieutenant 1 424 USD, Captain 1 640 USD, Major 1 855 USD, Lieutenant Colonel 2 071 USD, Colonel 2 502 USD, Brigadier General 2 934 USD, Major General 3 365 USD, Lieutenant General 3 797 USD, Army General 4 229 USD [15].

Considering the fact that a Private First Class fulfils the qualification requirements of secondary school education finished by the secondary school-leaving exam, in 10 years, he/she can achieve the rank of Sergeant First Class at current rules for the career advancement and at ideal conditions (the minimum length of the service for ranks Private First Class – Sergeant First Class is 2 years) [16].

The performance bonus could be 20% of the service tariff for the Sergeant First Class in 10 years and when being classified as excellent in every year when the service appraisal is done. This is not an insignificant sum from the point of view of the soldier; the service appraisal has a motivation character for the soldier. It is also not insignificant from the point of view of the personal expenses which can be the only item of salary which can be significantly increased during years.

### IV. CONCLUSION

Personal expenses are a controversial topic not only for those who are trying to define this term but also for the users. Work of analysts or economists is based on a particular structure and their conclusions are the basis for making the decisions about the amount or dividing of financial means or evaluation of the results of management. However, it is very difficult to create appropriate and valid results which could be generalized and internationally compared because of a high amount of unspecific and inaccurate data and also because of different definitions explaining this topic. It is then desirable to unify the definition of personal expenses for the sake of provable international comparison.

Professional soldiers are the majority part of employees of the Ministry of Defence of the Czech Republic that is why the emphasis, connected with personal expenses of the

department, is put on the changes in their salary system which is in connection to the amendment of the Act No. 221/1999 Coll. on Professional Soldiers.

This amendment reduces the number of items of the soldiers' salaries from original 12 to 7. The overlap of this amendment also falls under the field of service appraisal of soldiers which is reflected in one of the seven items of the soldiers' salaries – performance bonus. It is a salary item which can significantly influence personal expenses of the Ministry of Defence of the Czech Republic during years, due to it is important to stress the efficiency, objectivity and motivation of the service appraisal system.

Furthermore, it is desirable to use the results of the service appraisal in connection with career advancement of soldiers. It is desirable to improve the system of service appraisal and try to achieve the highest level of objectivity so as not to burden the department budget in a negative way but also in the context of career advancement of soldiers.

To achieve a higher level of objectivity it is possible to use modern ways of civil employees' appraisal in the process of service appraisal. These modern ways cover the evaluation of more evaluators, so called appraisal with more sources.

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