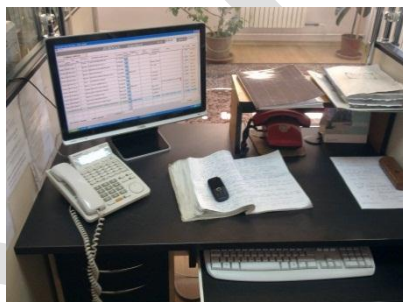


**MOLDAVIA**



## **CHISINAU WATER SUPPLY & SEWAGE TREATMENT FEASIBILITY STUDY**



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**Human Resources Report**

**Good Practices and Recommendations (Draft)**

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**January 2012**



A subsidiary of



In association with:

and



## LIST OF ABBREVIATIONS AND ACRONYMS

ACC	Apa Canal Chisinau
ANB	Apa Nova Bucharest
BPM	Business Process Management
CAPEX	Capital Expenses
CDS	Central Dispatch Office = Controller's Room
CLA	Collective Labour Agreement
Div	Division
Dpt	Department
DW	Waste Water
DW	Drinking Water
DWTP	Drinking Water Treatment Plant
EBRD	European Bank for Reconstruction and Development
EHS	Environmental, Health and Safety
EMP	Environmental Management Plan
EMS	Environmental Management System
ESAP	Environmental and Social Action Plan
GIS	Geographic Information System
HRD	Human Resources Department
IAS	International Accounting Standards
IMS	Integrated Management System
IR	Inception Report
MDL	Moldovan Lei
KPI	Key Performance Indicators
MIS	Management Information System
FTE	Full Time Employee
NPV	Net Present Value
O&M	Operation and Maintenance
OPEX	Operation Expenses
PIP	Priority Investment Programme
PIU	Project Implementation Unit
PMU	Project Management Unit
PSC	Public Service Contract
SPP	Stakeholders Participation Programme
SSF	Special Shareholders Fund
ToR	Terms of Reference
TPD	Technical and Production Directorate
WTP	Water Treatment Plant
WW	Waste Water
WWTP	Waste Water Treatment Plant

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# EXECUTIVE SUMMARY

DRAFT

An analysis of the situation regarding human resources in ACC allows us to outline the following key issues:

- Scattered resources dealing with human resources
- Existing good practices to tackle human resources issues such (job description, procedures, salary grid, etc...)
- Poor performances compared to other water utility on some issues explained mostly by exogenous factors (lack of investment leading to poor working conditions, difficulties in the job market, etc...)
- Overstaffing and opportunities for outsourcing
- Lack of attractiveness of ACC in the job market resulting in old staff
- Lack of training and needs for training considering the upcoming investments

To tackle these issues, the following actions have been developed in the report:

- Human Resources Department reorganization
- Human resources optimization through reduction of staff and reorganization
- Simplification of wage structure
- Human resources strengthening through vocational training

For Human Resources Department reorganization, the main recommendation is to gather all resources dedicated to human resources into a single department.

This newly created department would gather resources from the existing Human Resources Department, the Division of Health and Safety and the Division of Economic Analysis and Prices (in the Economic Department).

This reorganization would bring a stronger legitimacy to this department and allow him to perform or coordinate transversal projects that will bring dramatic changes in ACC.

Considering the projects that can be expected from them (reorganization, social plan, etc...), having all resources gathered in one single department will bring more reactivity and better communication to all stakeholders.

Besides, for daily activities, a first set of objectives could be to focus on reducing overtime hours and sick leaves where savings can be expected from a good human resources management. These two elements are easy to monitor.

Considering human resources optimization through reduction of staff and reorganization, the main suggested actions are:

- set a new organization to bring a new dynamics in ACC
- outsource to focus on core business activities
- launch a social plan to rejuvenate the workforce (45% of the workforce of 50 years old)



The current organization of ACC is vertical resulting in its classic drawbacks and advantages:

- few transversal communications
- strong centralization illustrated by the powerful Controller's Office in ACC
- concentration of resources and economy of scale that in ACC were in any case necessary due to a lack of plants
- specialization of staff in a single activity

Having said this, it must be said that the idea of a universal ideal structure for one type of business or activity is a myth. Things are far more complex. And, in many ways, in terms network operations, ACC does respond very effectively to its main issues: repair burst on DW network and clean out blockages on WW network. However, alternative organization can be suggested with new drawbacks and new advantages.

The one suggested below would have the following expected outcomes:

- Limit number of Directors under General Director
- Have Divisions dealing with strategic issues of similar importance
- Enable the Company to have an executive committee coherent with ACC organization and with a limited number of persons (5 to 6 people) to facilitate decision-making
- Have a clear separation between asset owner and asset operator activities



Concerning outsourcing, the activities that can be potentially outsourced concerns 4 departments and exclusively non-core business activities (cleaning, security, cars and plants maintenance, etc.) and 287 employees (e.g. 14.3% of total staff). The recommended course of actions to outsource these activities is to contract this outsourced activities with a specialized provider that would fully or partly hire ACC staff.

For one specific department, Heat Engineering Division, the activity is economically autonomous and be sold later on to another company specialized in heating business.

Considering rejuvenation of the workforce, the existing mushroom shaped age pyramid of ACC generally results in less dynamism, more flexibility in case of bad economic situation, more organizational memory, high wage costs and more career opportunities for young staff.

A rejuvenation of the workforce would result in lower OPEX by decreasing salary expenses, bring more dynamism and new ideas in ACC and facilitate changes with a limited memory of previous organization and behaviours. This rejuvenation can be facilitated by attractiveness due to good carrier opportunity.

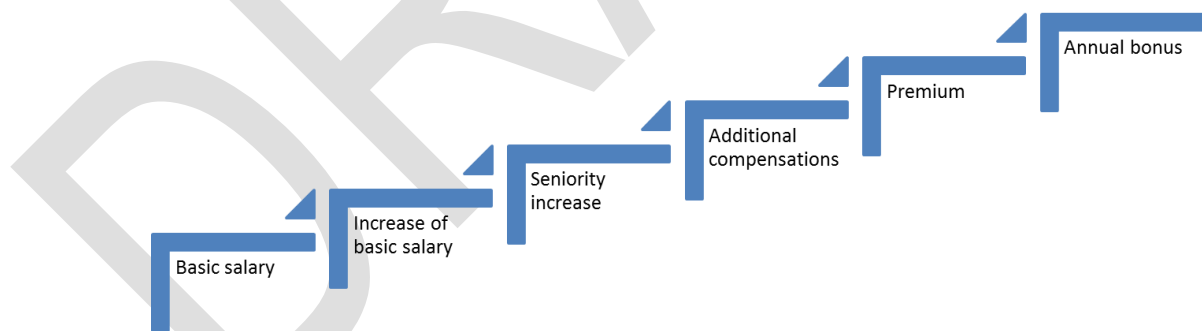
This social plan should focus on keeping key skills and key staffs and on overstaffing. For instance, drivers (12.7% of workers staff) are not key staffs for the Company. Good practices evaluated through benchmark suggest that each case of voluntary departure should be analysed by a committee involving at least top management, hierarchy of considered staff and representatives of the Trade Union Committee.

In the case of ACC, social plan should be driven by voluntary departures with a social package associated. This package already exists (maximum 7 months) but could be extended to larger categories of staff and with a higher amount. In first approach, from our experience, it was considered that incentive between 6 to 10 months could be offered to people with more than 55 years old.

Social plan are very cash consuming and shall be integrated in a larger picture such as a long-term strategy and business plan. In the case of ANB for instance where several millions euros were spent on this issue, the larger picture was the 25-years business plan of the concession contract.

Considering simplification of wage structure, its analysis outlined the following:

- Salary grid similar to good practices experienced recently in other water utilities
- Existing Job descriptions matching good practices
- Complexity of salary composition
- Redundancy in salary increase
- No differentiation in specialists' classification in grid
- Premiums and annual awards to perform tasks correctly
- High premiums and annual awards for workers than for managers
- Annual rewards based on an ACC seniority criteria
- Annual rewards between 8.5% to nearly 30%

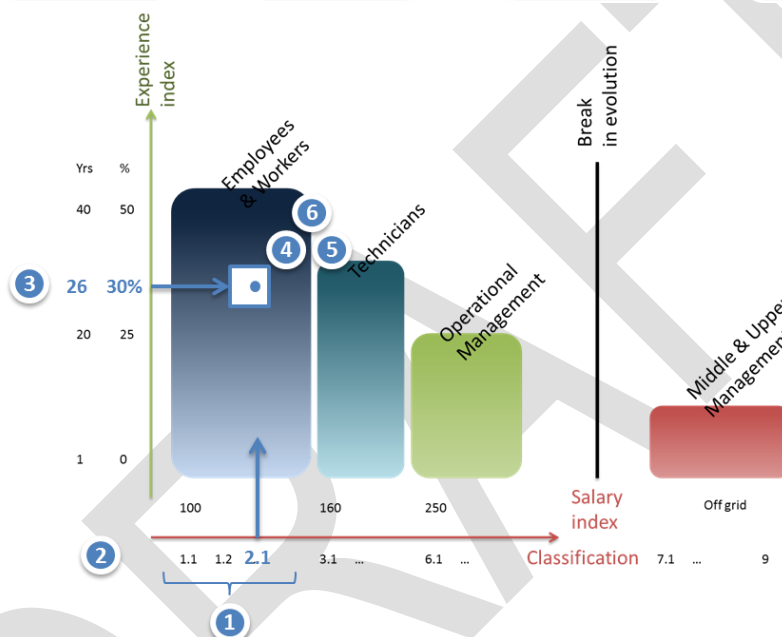
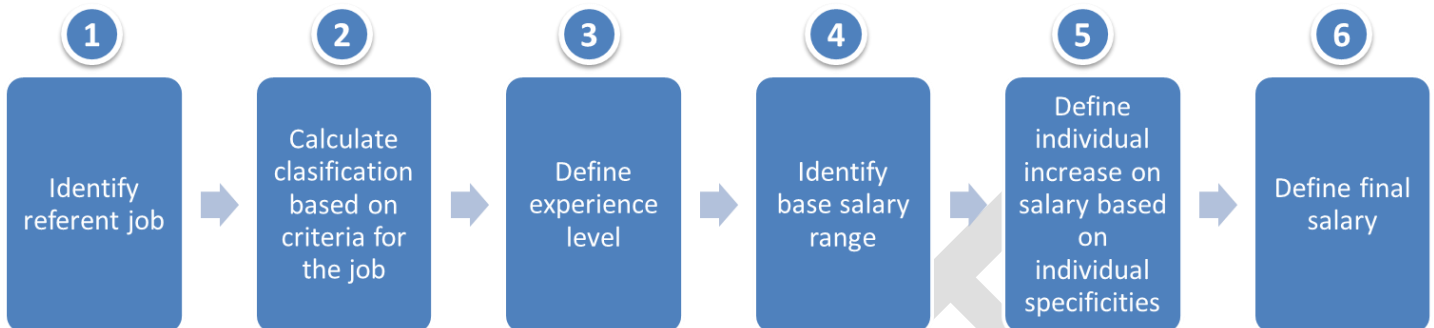


One of the main drawbacks of the complexity of the salary grid may be the lack of clarity for the employee. As a consequence, two main recommendations can be made:

- Implementing a new way to motivate and ensure employee loyalty:
  - carry out a company survey on the subject
  - replace existing a system of compensations by a system of compensations only based on performances
  - implement performance assessment system
- Simplify salary grid and internal position classification:
  - build a salary grid based on position and skills

- set a specific internal classification which places the respective position at a specific managerial level and also specifies a specific pay grade

Once done, for a specific job, the level of salary in the salary grid is calculated through the following procedures:



In addition to this basic salary, employee receives:

- Compensations when they are on duty (at home)
- Payment for overtime hours
- Fixed bonus at the end of the year

In this new grid, the current complexity of ACC salary grid will be integrated in the process presented above.

Considering human resources strengthening through vocational training, according to the 2009 and 2010 plans, trainings were scheduled for occupational health and safety, industrial safety, maintenance and constant improvement of the IMS (integrated management system) and technical and professional training. Expenses on training in ACC are far below the 2% of salary fund expected by Moldovan law. Lack of funding, experienced staff and low turnover can partly explain this.

The main recommendations regarding training are the following:

- Training to operate the new equipment and work with new technology
  - Objective: Go with the investment

- Training to change the culture of the Company and introduce good practices
  - Objective: Take advantage of the structural changes to change mentality and make the shift toward a customer orientated company and bring additional professionalism (introduce good practices, respect of safety rules, etc.). In other words, send key messages

Both training could be outsourced to providers (for technical device and software) or training providers (for basic computer skills for instance). Advantages of externalization are cost effectiveness and the fact that people from ACC may be mixed with staff from other business and this could bring some emulation.

At this point, it is important to say that training may become a bad investment if:

- most of the trainees are on the verge of retirement
- as soon as they are trained trainees quit ACC to find a better job in Moldova or abroad
- skills taught is not applied in the following days or months

Based on these first elements, a draft strategy for core business activities embedded in a more global change in ACC strategy and culture is proposed. It relies mostly on:

- Operations
  - Training for Team Leaders on technical skills
  - Training for Technicians on new technology on production and treatment facilities
- Commercial activity:
  - Training for Commercial staff on the field on new ACC position regarding customer
  - Training for Call Center staff on new ACC position regarding customer
- For newly hired people
  - Integration session

# DETAILED REPORT

DRAFT

# 1. FOREWORD

## 1.1. TERMS OF REFERENCES

The terms of references of the Project associated to human resources are the following:

Table 1-1: Terms of reference

Task	Relevant clause of ToR	Expert
<b>Phase A.2. General Information</b>		
General description of APA CANAL (objectives, tasks and services, organization, structure, responsibilities)	A.2. a)	Institutional Expert Water Utility Operational Expert
<b>Phase A.6 Institutional and Economic Operation of Operator ACC</b>		
ORGANIZATIONAL & OPERATIONAL <ul style="list-style-type: none"> <li>- Analysis of the operator's management structure, competences and qualifications;</li> <li>- Analysis of the human resources and staff management;</li> <li>- Analysis of the operational targets and main instruments;</li> <li>- Audit of MIS</li> </ul>	A.6.	Water Utility Op. Expert Human Resources Expert Water Utility Op. Expert MIS Specialist
<b>Phase C.6 Institutional and Economic Operation</b>		
Identification of necessary "operation" measures after completion of the rehabilitation works, incl. staff/equipment requirements, administrative and operation routines and proposals for assistance to operating units during start-up and initial operation.  Preliminary Design and Terms of Reference for PIP programme elements (Consulting, Training etc.)  Proposals for supporting actions and formulation of accompanying measures (training, professional advice) to secure proper "operation".	C.6.	Institutional Expert & Operational Expert

## 1.2. SCOPE OF WORK

This report follows a report that describes the existing situation regarding Human Resources Management and where a first general road map for this mission was drawn up. As a consequence only main findings will be reminded when needed<sup>1</sup>.

The aim of this report is to go more in details and to develop the actions presented in this road map through analyses and benchmark to support the recommendations and the actions plans suggested.

This report will tackle the following issues with the following actions:

- Human Resources Department reorganization
  - Recommend a new organization chart
  - Define new job description and responsibilities

<sup>1</sup> Elements from the organizational report can also be found in this report when they are relevant for this report too.

- Set Key Performance Indicators and objectives
- Identify main projects considering the action plans
- Human resources optimization through reduction of staff and reorganization
  - Recommend a new organisation chart for support and operational services including opportunities for outsourcing
  - Identify needs for incentives to departure (social package if needed)
  - Present keys to success for the social dialogue
  - Present keys to success for outsourcing
- Simplification of wage structure
  - Model existing grid
  - Recommend simplifications
  - Suggest new salary grid fitting with existing system
  - Present best practices for the social dialogue
  - Present best practices for the transition from existing situation to new one
- Human resources strengthening through vocational training
  - Suggest a medium term Capacity Building / Training strategy
  - Present best practices to build training programme

### 1.3. LIMITS OF THIS REPORT AND OPPORTUNITIES

Most of the elements and recommendations below are based on ACC data analyses and on benchmark from other countries that may or may not share similar legal framework and culture. Those last two elements are very difficult to assess during short term mission. As a consequence, some of the recommendations may appear as inappropriate or very difficult to enforce.

That is why from our point view, this report should also be considered as a starting point for deeper discussions.

## 2. HUMAN RESOURCES DEPARTMENT REORGANIZATION

### 2.1. CURRENT SITUATION (QUICK REMINDER)

#### 2.1.1. ORGANIZATION

In the ACC, the human resources activity is performed in three distinct sections described in the following paragraphs:

- Human Resources Department;
- Prices and economic analysis department;
- Protection and prevention department.

ACC organisational chart is presented below.

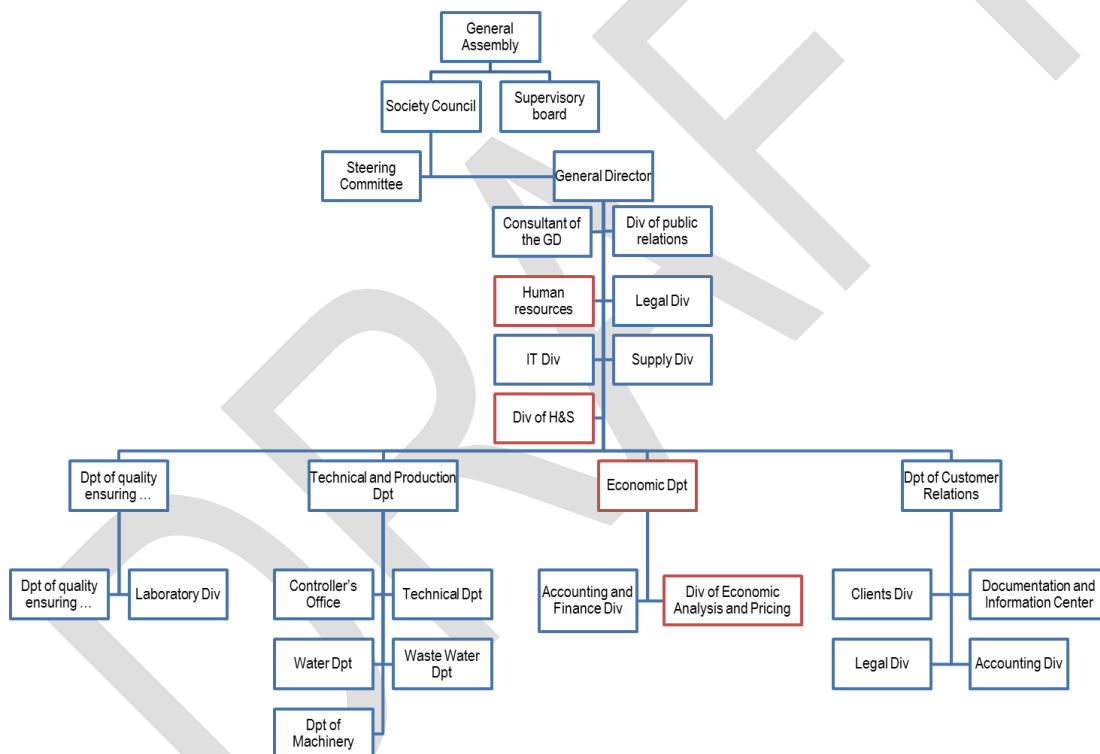


Figure 2-1: Complete organizational chart of ACC

#### 2.1.2. PROCEDURES IN THE IMS

The Company is certified in an Integrated Management System since 2008. The standards for which it received certification are:

- Quality ISO 9001: 2008;
- Environment ISO 14001:2004;
- Occupational health and safety OHSAS 18001:2007.



Since the certification in the IMS, the Company has been subject to 6 internal and 3 external audits. According to the audit conducted, the greatest and most significant irregularities/findings referring to Human Resources have been identified in 2008 at the following standard requirements:

- ISO 9001:2008: 4.2.3; 5.4.1; 5.5.1; 5.5.3; 6.2.1; 6.2.2; 7.5.1; 8.2.3; 8.2.4.
- ISO 14001: 4.3.1; 4.3.3; 4.4.1; 4.4.2; 4.4.3; 4.4.5; 4.4.6; 4.5.2.
- OHSAS 18001: 4.3.1; 4.3.3; 4.4.1; 4.4.2; 4.4.3; 4.4.5; 4.4.6.

During 2009 and 2010 no substantial changes have occurred to deal with these irregularities/findings.

As for Human Resources, they are concerned by the following activities:

- Producing staff orders (PSAA-03-01)
- Producing job descriptions (PSAA-01-01)
- Producing the Regulations (PSAA-02-01)
- Staff training (PG-10-01)
- Consultation and Communication (PG-09-01)
- Internal Regulation - ILAA-08-01
- As well as other occupational health and safety procedures.

## **2.2. COMMENTS AND SHORTCOMINGS**

In order to increase the efficiency and the coherence of the human resources activity, a new organisation chart could be developed to get together all the skills.

## **2.3. RECOMMENDATIONS**

### **2.3.1. REORGANIZE HR DEPARTMENT**

Elements to implement this recommendation are provided in the following paragraphs;

#### **2.3.1.1. New organizational chart**

Below a new organization chart is suggested:

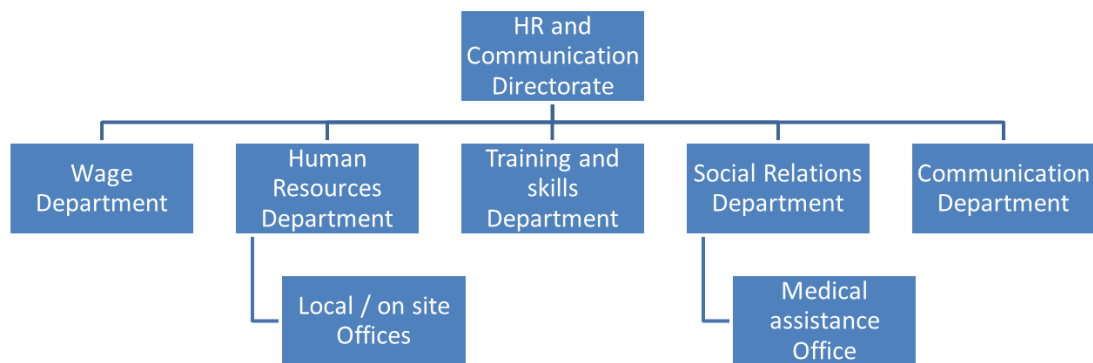


Figure 2-2: Suggested organizational chart for HR Directorate

It is suggested here that the Communication Department is attached to the Human Resources Department (Communication toward the client shall be left to the Customer Directorate). In times of important reorganization and changes are expected by the staff of the Company, our experience shows that this organization is interesting because it provides more reactivity and pertinence in terms of internal communication.

This Directorate shall be under the direct responsibility of the General Director.

Employees in charge of Human Resources functions from the Division of Economic (see previous report) shall be put into the Wage Department, Human Resource Department and Training and skills Department according to their existing tasks.

Employees in charge of Human Resources functions from the Division of Health and Safety (see previous report) shall be put into the Training and skills Department and the Social Relations Department according to their existing tasks.

### 2.3.1.2. Missions and responsibility

Below is presented the mission of each service in the organizational chart proposed above:

#### **Human Resources Director**

The Human Resources Director's main tasks are the following:

- Follow up legal issues on human resources
- Follow up innovation on human resources
- Dialog with the unions and representatives of employees
- Manage and follow up restructuration / reorganization project
- Manage firing procedures even for individual cases
- Manage or follow up specific projects in Human Resources (implementation of strategic software or policy)

The Human Resources Director should be supported by a Deputy Director. This Deputy could be in charge of the everyday activity and takeover the HR Director when absent.

At this point, it must be said that:

- All decisions or discussions regarding Human Resources issues shall go through the HR Directorate without any by-pass;
- All decisions regarding Human Resources issues shall be approved / signed by the General Director.

### ***Wages Department***

Main tasks are the following:

- Calculate wages based on data from time sheets (working hours, sick leaves, holidays, etc...) consolidated by the human resources department
- Communicate wages to employees
- Manage wages payment to employees
- Monitor wages budget
- Update data regarding wages structure in software when needed
- Respect confidentiality of data
- Liaise with administration associated to wages

Staff and tools necessary to perform those tasks are suggested below:

- 1 Head of Service + 5 persons could be enough for ACC
- PCs and software dedicated to wages management (very important)

### ***Human resources management Department***

Main tasks are the following:

- Calculate time sheets with local management
- Verify and control the accuracy of data regarding working hours
- Control the application of ACC rules, labour code and safety legislation
- Manage, update and control paperwork regarding ACC rules, labour code and safety legislation
- Make sure that every staff is habilitated for the work he performs
- Participate and animate disciplinary committee

Staff and tools necessary to perform those tasks are suggested below:

- 1 Head of service, 1 corporate lawyer and 10 to 12 work inspectors (1 per location)
- PCs

The work inspectors should be based on site and work there. However, they are under the direct responsibility of the Human Resources Department.

### ***Skills and training Department***

Main tasks are the following:

- Follow up training budget

- Prepare and enforce annual training plan based on legal obligations and requests or needs from all ACC (from annual individual interviews)
- Manage and organize trainings (external and internal)
- Manage the relations with Universities and other training providers (public or private)
- Manage internal mobility / promotion within ACC
- Update or create job description when needed
- Enforce ACC rules in terms of skills assessment, annual interviews, etc.
- Manage recruitment (screening of CVs, tests, interviews, etc...) and internal mobility
- Establish works contracts for internal mobility and recruitment
- Update database regarding skills and individual profiles within ACC
- Monitor KPI on training, recruitment and internal mobility

Staff and tools necessary to perform those tasks are suggested below:

- 1 Head of service and 6 persons
- PCs and skills management software

#### ***Social Department***

Main tasks are the following:

- Follow up of sick leaves on a medical point of view
- Manage and organize medical test for employees according to legislation
- Deal with medical hard cases such as long and/or professional sicknesses
- Follow up data regarding sick leaves and professional sickness
- Monitor KPI on sickness issues
- Liaise with health and safety department for prevention
- Liaise with concerned administration

Staff and tools necessary to perform those tasks are suggested below:

- 1 Head of service and 4 persons
- PCs and Car

#### ***Communication Department***

Main tasks are the following:

- Organize and manage internal and external events
- Organize and manage internal communication support (website, leaflets, newsletter, etc.)
- Manage the communication toward the different institutions and administrations concerned by the water business
- Follow up and organize the communication toward the Municipality and the sectors in cooperation with the operational teams

Staff and tools necessary to perform those tasks are suggested below:

- 1 Head of service and 2 persons

- PCs

At this time, it is important to say that a spokesperson should be defined within the Company and it shall not be a person in charge of communication (namely the HR Director or the Head of Communication Department) or the General Director.

### 2.3.2. IMPROVE EXISTING PROCEDURES

The existing procedures are standards procedures that would fit any human resources department. They will need to be adapted to the new organization of the human resources activities (e.g. new organizational chart).

### 2.3.3. SET KEY PERFORMANCES INDICATORS

The whole human resources activities can be summarized by the two KPI below:

- overtime hours (h)
- days of sick leave (d)

However, other performance indicators should be set up to have a more precise and refined view of the HR activity. They are listed below:

*Table 2-1: Example of HR indicators and their impact in the performance of the organization*

HR Indicator	Calculation formula	Influenced organizational performance indicators
Productivity	Turnover/full time employees (FTE)	Turnover
	Profit /FTE	Profit
	Operational costs/FTE	Operational costs
Absenteeism rate	Absenteeism days/FTE	Cost of the additional work time
Voluntary fluctuation rate	No. of voluntary separations / average no. of employees	Productivity
		The cost of the voluntary personnel fluctuation
The keeping and involvement of the employees	The average length of employment in the organization	Performance
Development rate	Trained employees / total number of employees	Training cost
Work cost	Work cost/FTE	Work cost
	Work cost as a percentage of the operational costs	Performance (the degree of implementation of the KPI)
	The basic salary as a percentage of the work cost	The variable (performance-based) compensation cost as a

HR Indicator	Calculation formula	Influenced organizational performance indicators
	The variable (performance-based) compensation cost as a percentage of the work cost	percentage of the work cost Productivity
The frequency rate of the work accidents	The number of work accidents with stopping of activities * 1,000,000/no of hours of work	Productivity Operational costs
The frequency index of the work accidents	The number of work accidents with stopping of activities * 1,000/no of employees	

Some of these HR indicators are calculated for ACC, commented and presented below. Simplified comparison with ANB (and Veolia Water for year 2008 when available on website) is done on the last columns when it is relevant.

As it can be seen in this table, in some particular issues, ACC demonstrates poor performance that can be explained by lack of investment, old assets and no business support system. An additional explanation is the difficulty to hire some categories of staff such as qualified workers that are attracted by job markets abroad such as Romania or Germany or other business sector. In many Eastern countries, poor working conditions resulting from again a lack of investment make the water and sewage utility sector less attractive than others. As a consequence, this may lead to a need for ACC to overprotect these categories of staff.

At this point it must be said that dramatic changes and improvements have occurred in ANB since the concession contract started in the early 2000's. The situation prior to the concession contract was maybe worse than the current one in ACC.

Table 2-2: HR indicators for ACC

HR Indicator	2008	2009	2010	Compared to ANB <sup>2</sup>	Compared to Veolia <sup>3</sup>
Overtime hours (h)	21,200	15,800	14,300	-	-
Overtime hours / FTE (h/FTE)	10.2	7.9	7.3	☺	☺
Days of sick leave (d)	-	-	32,259		
Days of sick leave / FTE (d/FTE)	-	-	16.5	☹	X <sup>4</sup>
Productivity I = Turnover / FTE (MDL/FTE) (€/FTE)	212,817 13,195	223,999 13,888	297,439 18,441	-	-

<sup>2</sup> ☹: Bad compared to ANB; ☺: Equivalent to ANB; ☺: Good compared to ANB

<sup>3</sup> ☹: Bad compared to ANB; ☺: Equivalent to ANB; ☺: Good compared to ANB

<sup>4</sup> Data not available

HR Indicator	2008	2009	2010	Compared to ANB <sup>2</sup>	Compared to Veolia <sup>3</sup>
Productivity II = Profit / FTE (MDL/FTE) (€/FTE)	251,857 15,615	245,346 15,211	266,733 16,537	-	-
Productivity III = Operational costs / FTE (MDL/FTE) (€/FTE)	-25,903 -1,606	-14,553 -902	34,798 2,157	-	-
Absenteeism rate = Absenteeism days / FTE (d/FTE)	-	-	18.5 <sup>5</sup>	☹	☹
Voluntary fluctuation rate = No. of voluntary separations / average no. of employees (%)	5.4%	3.6%	2.2%	☹	☹
The keeping and involvement of the employees = The average length of employment in the organization (yrs)	-	-	-	-	X
Development rate = Trained employees / total number of employees (-) <sup>6</sup>	-	0,4%	0,4%	☹	☹
Work cost I <sup>7</sup> = Work cost/FTE (MDL/FTE)	5,845.6	5,822.8	6,653.9	-	-
Work cost II <sup>8</sup> = Work cost as a percentage of the operational costs (%)	34.7%	35.2%	39.0%	☹	X
Work cost III <sup>9</sup> = The basic salary as a percentage of the work cost (%)	-	-	84.8%	☹	X
Work cost IV <sup>10</sup> = The variable (performance-based) compensation cost as a percentage of the work cost (%)	-	-	14.1%	☹	X
The frequency rate of the work accidents = The number of work accidents with stopping of activities * 1,000,000/no of hours of work (#/h) <sup>11</sup>	-	-	1.53	☹	☺
The frequency index of the work accidents = The number of work accidents with stopping of activities * 1,000/no of employees (#/staff)	-	-	2.56	☹	☺

### 2.3.4. IMPLEMENT HR PROJECTS

Several projects (recommendations / suggestions) made later in the reports are listed below:

- Social plan

<sup>5</sup> According to data from previous report regarding HR (§ 3.4.1), this calculation considers Medical leave and Unpaid leave of absence and not Annual leave (vacations)

<sup>6</sup> Calculation here is based on budget for training / staff expenditures

<sup>7</sup> According to data from previous report regarding HR (Table 4-1: Staff expenditure and including Employer's expenditures to obtain the full work costs)

<sup>8</sup> Idem

<sup>9</sup> Only for specialists (so far) – to be amended

<sup>10</sup> Idem

<sup>11</sup> According to data from previous report regarding HR (Table 3 4: Accidents by causes and genders) even if it is not known if accidents lead to an interruption of work

- Reorganization of support services
- Reorganization of operational services
- Review of salary policy
- Skills assessment
- Training strategy

These projects are typical projects for HR management improvement. Additional discussions with ACC should take place with the working group to go deeper in those projects and may lead to choosing one of them and start implementation. In this case, according to budget and terms of reference, technical assistance could be provided to ACC to assist them in project implementation. At this stage, assistance from the Consultant could be done through typical Project Management assistance (definition of work plan, meeting with steering group to solve problems and raise key issues...).

For each project, a first approach on several topics is presented in the table below.

As said earlier, General Director must be closely involved on all the projects that directly concerns reorganization and restructuring. In addition to this, Human Resources Director shall be involved in all the projects and even as Project Manager for the most strategic ones. Communication Department shall support Project Managers within Human Resources Department to ease the implementation of the projects through adequate internal communication.

*Table 2-3: First draft of projects and associated resources for HR issues*

Project name	Service / person in charge	Time frame (month)	Indicators <sup>12</sup>
Social plan	Human Resources Department	12 - 18	Nb of staff (in categories targeted by restructuring)
Reorganization of support services	Skills and training Department	12 - 18	-
Reorganization of operational services	Skills and training Department	12 - 18	-
Review of salary policy	Wages Department	6	-
Skills assessment	Skills and training Department	12	-
Training strategy	Skills and training Department	6	-

In addition to those elements, resources (in terms of days.person) should be defined.

This list may be complement after deeper discussion on this issue.

<sup>12</sup> In addition to the progress %



## 3. HUMAN RESOURCES OPTIMIZATION AND REORGANIZATION

### 3.1. CURRENT SITUATION (QUICK REMINDER)

#### 3.1.1. GENERAL ORGANIZATION

ACC has a linear organizational structure, with 6 hierarchical levels. The level hierarchy and the subordination are clearly set, and this is also reinforced in the regulation of activity for each subdivision and department.

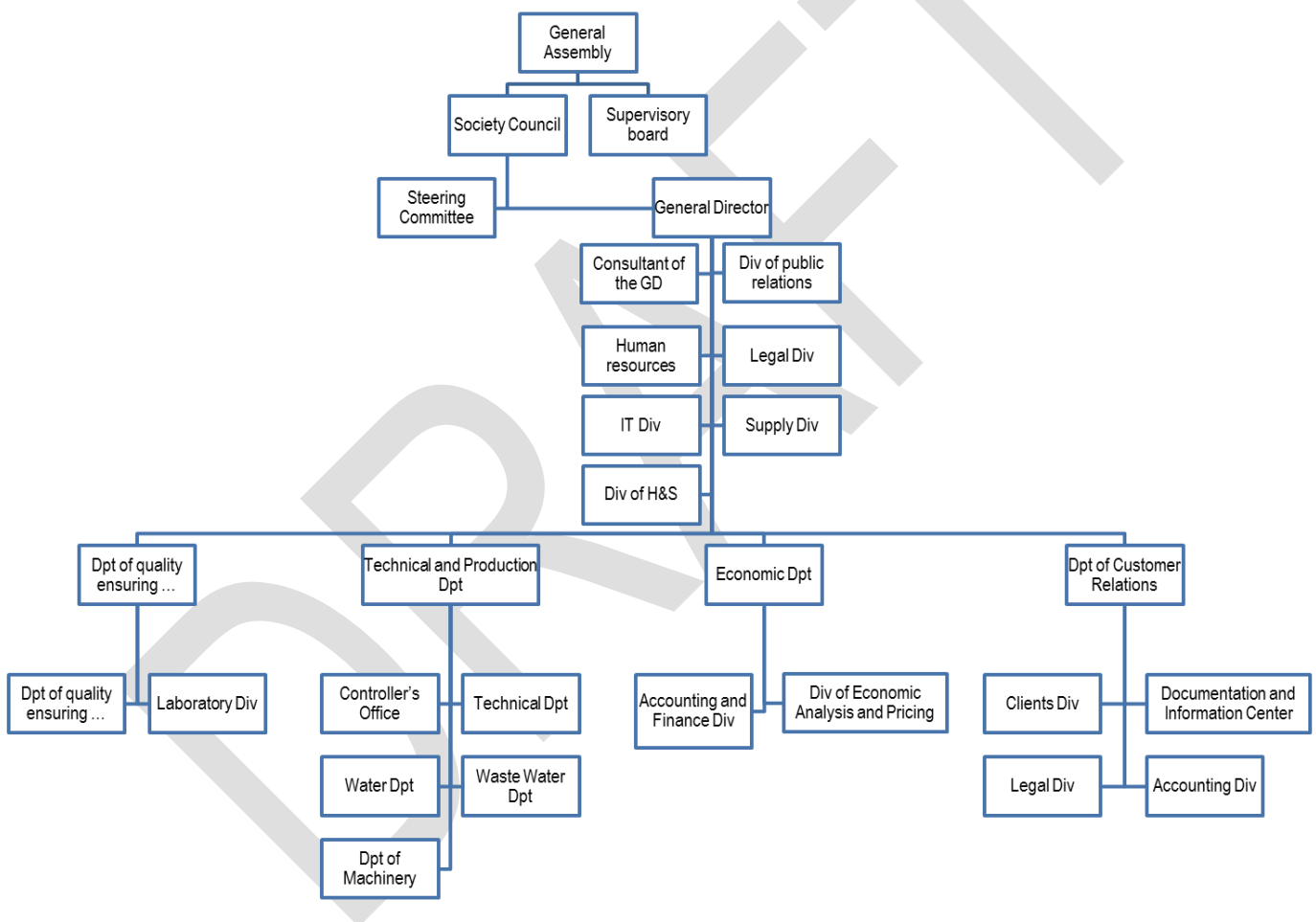


Figure 3-1: Complete organizational chart of ACC

In 2011, this organization was supported by 1,935 employees. Historical data are presented in the table below:

Table 3-1: Average permanent manpower

	2008	2009	2010	2011
Average permanent	2,073	1,998	1,956	1,935

	2008	2009	2010	2011
manpower				

### 3.1.2. ISSUES REGARDING HR MANAGEMENT

Following the discussions with the staff in the Human Resources Department and with the President of the Trade Union, we should mention:

- most youngsters from Moldova choose to emigrate in the EU (a large number of Moldovan citizens already have Romanian passports, in order to freely travel in the EU) because of the living and work conditions (the company did not have the possibility to upgrade/enhance the equipment)
- the mean age in the company is very high because ACC is facing a poor labour market
- 25% of the employees are on the verge of retirement
- over 50% of the employees have serious social cases: sole bread-winners, long-term health problems in the family, no place to stay, etc...

For 2011, the envisaged headcount is: 564 specialists and 1,446 workers. The total number of employees is planned to be 2,010 persons.

### 3.1.3. FOCUS ON WORKERS STAFF

If we look at the structure of workers, the largest share is represented by the following categories:

- Network mechanic: 13.5%
- Driver: 12.7%
- Repairman: 8.6%

This structure is a sign of a low level of automation in the technology and production processes within the Company and a relatively high level of wear and tear of equipment which has a significant influence on the operational costs of the Company.

It is worth noticing that the share of network mechanics (plumbers) is approximately equal to that of the drivers.

### 3.1.4. FOCUS ON GENDER AND AGE DISTRIBUTION

In ACC, women represent 29.21% of staff.

The mean age of the employees is 49 years, and the age structure is the following:

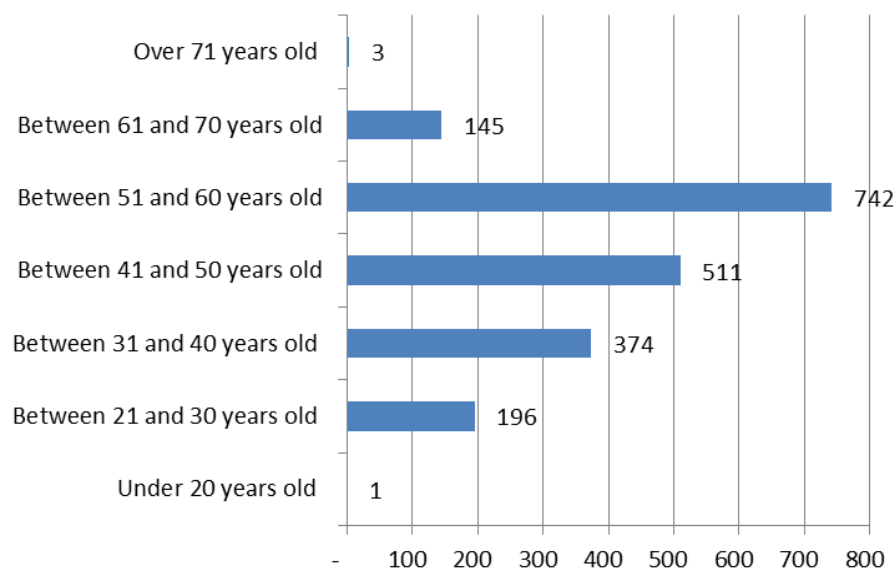


Figure 3-2: Age and human resources

According to Pension Insurance Act Nr 156-XIV from 14 October 1998, the official age of retirement in Moldova are:

- 57 for women
- 62 for men

Currently, the average age of ACC employees is 41.7 years. In order to reduce this indicator, one of the instruments through which the company encourages replacing old employees with younger employees is to provide a material aid amounting the multiple of the basic salary, but not less than the average salary per company over the last 6 months. This amount is calculated according to the degree of disability and pensioners and given to those who resign during 3 months after reaching the retirement age:

Table 3-2: Amount of material aid given to employees that resign when reaching the retirement age (2<sup>nd</sup> report)

Seniority	Number of basic salary, if resigning at the retirement age
From 2 to 5 years	5
From 5 to 10 years	6
From 10 to 15 years	7

### 3.1.1. FOCUS ON EDUCATION

The level of education in ACC is presented in the figure below:

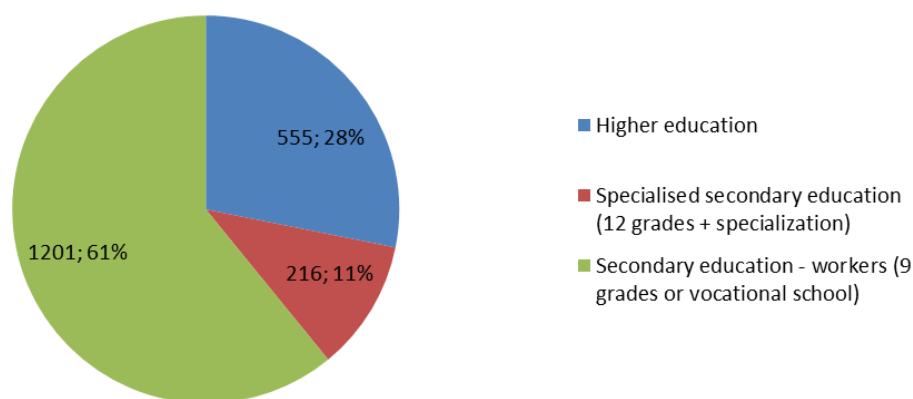


Figure 3-3: Staff and education level (2010)

## 3.2. COMMENTS AND SHORTCOMINGS

### 3.2.1. ON ORGANIZATIONAL CHART

#### 3.2.1.1. From a corporate point of view

Concerning organization, there are PROS and CONS in each main types of organization (by function and by division). They are illustrated in the following chart:

Table 3-3: PROS and CONS for each type of organization

	Type of division	PROS	CONS
Structure by function <u>as ACC</u>	Specialized by function	<ul style="list-style-type: none"> <li>Clarity</li> <li>Concentration of resources</li> <li>Economy of scale</li> <li>Development of specialized skills</li> </ul>	<ul style="list-style-type: none"> <li>Highly centralized</li> <li>Difficult transversal coordination and communication</li> <li>Relative inertia</li> </ul>
Structure with division	Divided according to: <ul style="list-style-type: none"> <li>Strategic business unit</li> <li>Products</li> <li>Market</li> <li>Geographical area</li> </ul>	<ul style="list-style-type: none"> <li>Decentralized structures</li> <li>Efficient coordination within each activity</li> <li>Easily adaptable structure</li> </ul>	<ul style="list-style-type: none"> <li>Scattered resources</li> <li>Diseconomy of scale</li> <li>Difficult development of specialized skills</li> </ul>

Concerning ACC, its vertical and activity oriented organization shows the classical limits of the above table:

- There are few transversal communications even in teams working in the same sectors. This situation is intensified by the fact that WW and DW teams are not in the same building for one sector
- The strong centralization of ACC is illustrated by a very powerful Controller's Office that can be seen as the "brain" of the operations on the network knowing and managing everything. This left the operational teams with few responsibilities
- The concentration of resources and the economy of scale are real in ACC. However, it is hard to see if it is a constraints or a will as there is a lack of plants and on the other side, overstaffing does exist in some parts of the Company

- In water utility business, the need for very skilled workers is rare (electrician, mechanic, etc...). As a consequence, the usefulness of the development of specialized skills is limited

Having said this, it must be said that the idea of a universal ideal structure for one type of business or activity is a myth. Things are far more complex. And, in many ways, in terms network operations, ACC does respond very effectively to its main issues: repair burst on DW network and clean out blockages on WW network.

Theoretically, an organization can be seen either (1) as a response to the constraints of the environment or (2) as a construction to deliver a product or a service. ACC better fits with the (1).

#### 3.2.1.2. From an operational point of view

Here is a brief summary of the main findings:

- there are around 10 sections directly subordinated to the General Manager
- the Production Technical Manager has 1,508 subordinates, out of a total number of 1,972 employees, which means over 76% of the staff
- in first approach, it was hard for the Consultant to find a unity in ACC structures (eg within the same directorate there are departments, sections, offices, teams and centres directly subordinated to the Directorate Manager)<sup>13</sup>

#### 3.2.2. ON AGE ISSUE

The mushroom shape of age pyramid classically suggests the following:

- A lot of senior / old staff
- High wage costs
- More career opportunities for young staff
- More organizational memory
- Less dynamism
- More flexibility in case of bad economic situation
- Partial replacement of retired staff

These classical comments raise leverage for actions that will be described later.

#### 3.2.3. ON EDUCATION LEVEL ISSUE

According to ACC data, 28% of the Company staff has a higher education.

Benchmark from Western Europe and ANB shows that management and higher education staff represent from 10% to 15% of total staff.

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<sup>13</sup> Part of this may somehow be explained by some improper translation to English

This may reveals two things:

- Lack of qualified job in Moldova leading higher education level staff to accept lower education job
- Too much support services in ACC

### 3.3. RECOMMENDATIONS

#### 3.3.1. SET NEW ORGANIZATIONS

On the figure below, is presented alternative organizational charts for ACC:

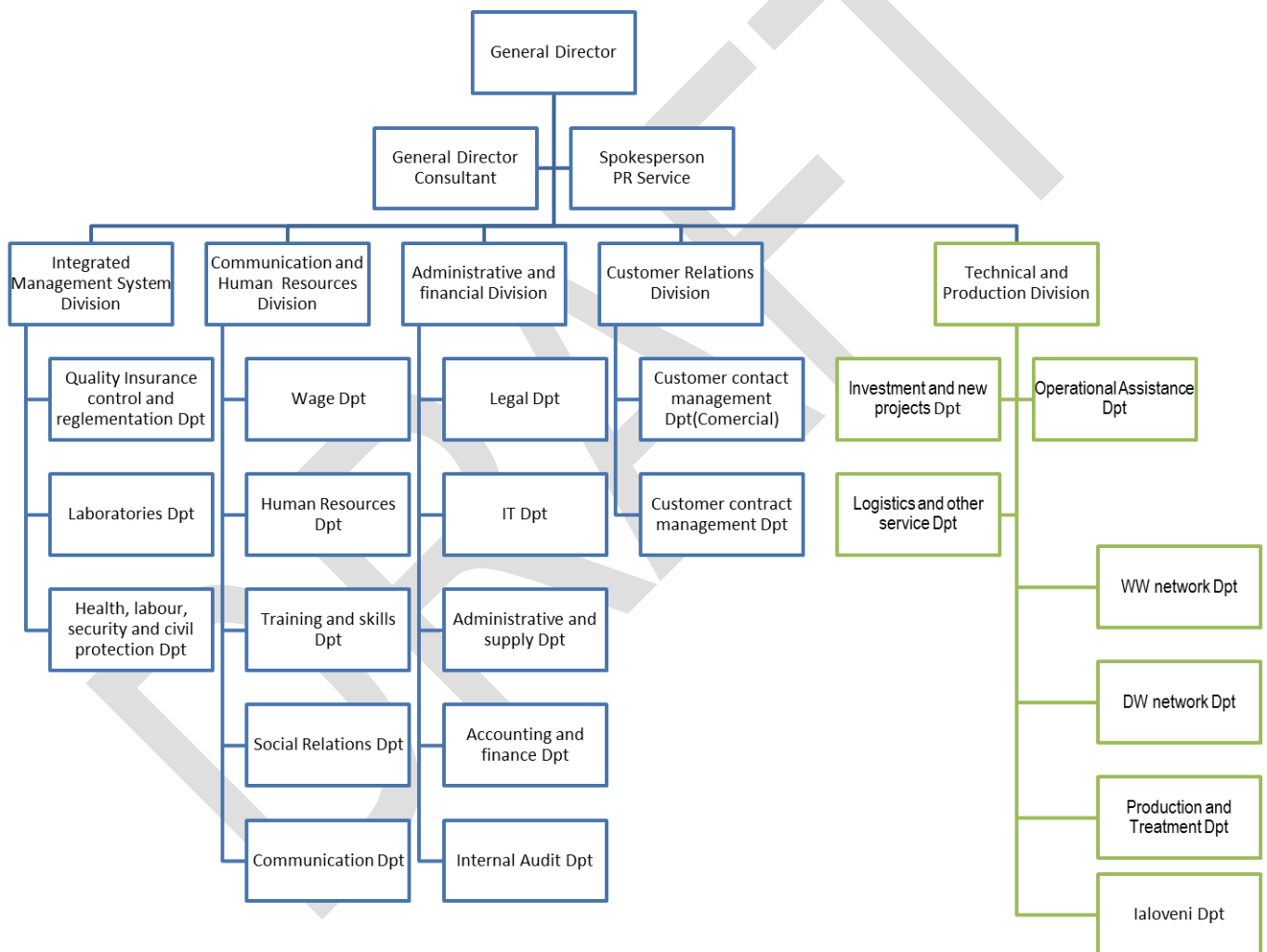


Figure 3-4: Suggested organizational chart (Alternative 1)

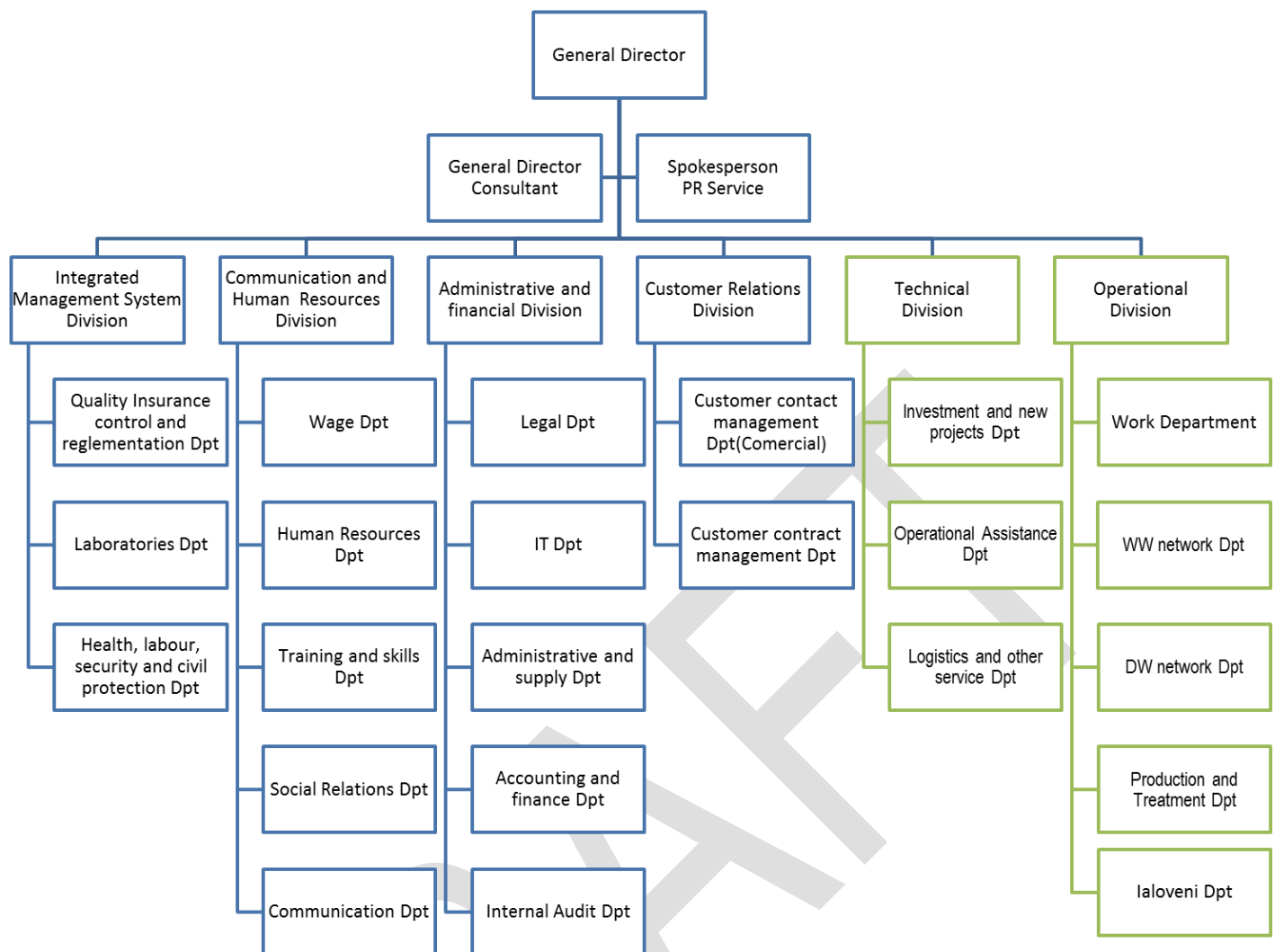


Figure 3-5: Suggested organizational chart (Alternative 2)

On both organizational charts suggested, the main objectives are to:

- Limit number of Directors under General Director
- Have Divisions dealing with strategic issues of similar importance
- Enable the Company to have an executive committee coherent with ACC organization and with a limited number of persons (5 to 6 people) to facilitate decision-making

The difference between two alternatives is the separation between Technical Division and Operational Division. One important advantage with the separation of the two Departments is that the first one mostly deals with asset owner concerns through projects and the second one with asset operator concerns through daily operations. As a consequence, the way people work and objectives are set are very different.

More details regarding Technical and Operational Departments are presented in a dedicated report.

### 3.3.2. PERFORM OUTSOURCING

One of the objectives of outsourcing is to allow the Company to focus on its core business. In addition it brings specialized Companies in ACC non-core business activities that are generally more cost efficient.

As said in other reports, the main potential opportunities for outsourcing within ACC existing organization are the following:

- Heat Engineering Division (48 employees)
- Part of the Computerization Department (about 20 employees)
- Mechanism and Transportation service (194 employees including drivers)
- Security Service (43 employees)
- Cleaning Service (30 employees)

This outsourcing can potentially concern 335 employees (e.g. 16.7% of total staff).

Keys to success for outsourcing are the following:

1. Identify the perimeter of the activity to be outsourced
2. Audit of activities performed and “clients” within ACC
3. Audit assets and staff associated to the activity
4. Benchmark external market on the activity concerned
5. Build up tender documents with “clients” within ACC
  - Include a clause in the contract to transfer staff and assets concerned to the winning company
  - Include performance indicators
6. Launch and award tender
7. Negotiate transfer with employees
8. Manage contract

The different elements described above aim at keeping staff concerned by outsourcing in their activity.

For the Heat Engineering Division, the activity is economically autonomous even if not profitable. As a consequence, the audit shall also concern revenues, debts, etc. In this particular case, all this activity can be transferred to a newly created company owned by ACC that could be sold later on to another company specialized in heating business.

### 3.3.3. REJUVENATE WORK FORCE

#### 3.3.3.1. Main outcomes

The existing shape and structure of the age pyramid and workforce, there is a good opportunity to rejuvenate the workforce. The main outcomes will be:

- Lower OPEX by decreasing salary expenses



- Attract new young profile with good carrier opportunity
- Bring more dynamism and new ideas in ACC
- Facilitate changes with a limited memory of previous organization and behaviours

### **3.3.3.2. Elements to be taken into consideration**

From ANB experience, before enforcing any voluntary departure plan, one should understand what are the key skills and key staffs of the Company and where overstaffing is important.

In addition to this, one wants to know where the memory of the Company is. For instance, in many countries, only network operators knows where the network is and nobody want to lose this knowledge. In the case of ACC and with the existing GIS and controller's room data and the on-going GIS building process, this may be a smaller concern.

On the other hand, drivers (12.7% of workers staff) are not key staffs for the Company. One may even consider that in a repair team the team leader or any worker could be the driver of the truck or car. In ANB, there used to be a lot of drivers, now this function does not even exist anymore.

In addition to this, on may also consider disciplinary sanctions that were given to employees.

### **3.3.3.3. A committee to analyse each case**

Considering this, a committee should be built to analyse each case and to accept or not his leaving. Ideally, this committee should consist in the following people:

- General Director
- Human Resources Director
- Director of the Division concerned
- N+2 of the employees concerned
- Representatives of the Trade Union Committee
- External Consultant
- Secretary to write down the statement signed by the members of the committee at the end

### **3.3.3.4. Towards a new incentive package**

Concerning the social package, the existing incentive (maximum 7 months) does not seem to be very effective considering the remaining number of employees over 61 years old (7.5% of total staff).

In first approach, from our experience (ANB mostly), it was considered that incentive between 6 to 10 months could be offered to a larger group of people (more than 55 years old for instance). As per usual, if the results do not match the objective, one may need either to extent the staff concerned or raise the incentive.

One may keep in mind that this may be very cash consuming. If we consider that 30% of the population targeted is a successful plan, based on average salary (low estimate) and a 8 months average package, this would cost:  $30\% \times 890 \text{ employees} \times 8 \text{ months} \times 5,260 \text{ MDL} = 11,235,360 \text{ MDL} = 684,050 \text{ €}$  for about 270 employees (e.g. about 14% of total staff).

In 2001, expenses for social packages in ANB within Veolia contract with Bucharest Municipality were above ten millions euros for 3,000 out of 5,000 employees at that time. Social package could go up to 32 months of salary. In the case of ANB, these expenses were part of a much larger picture: the 25-years business plan of the concession contract.

#### **3.3.3.5. The process, step by step**

To summarize, the main steps of this process to rejuvenate the work force could be the following:

1. Involve the Trade Union since the beginning of the process
2. Discuss a new incentive package with Trade Union
3. Set a new perimeter with limits or ground rules for eligible staff in terms of age and category (if legally possible) with Trade Union
4. Design form for voluntary departures leave with defined rules (this form is a signed commitment that will be countersigned by General Director if voluntary departure is accepted)
5. Create committee to analyse voluntary departures
6. Announce new incentive package in every ACC offices with a limited duration (few months)
7. Collect voluntary departure forms in every office
8. Pre-analyse forms in terms of completeness and accuracy of information
9. Correct with employees wrongly filled forms
10. Schedule committees meetings for every Division and Department
11. Analyse and accept (or not) every voluntary departure case
12. Announce results to employees individually

During the process, changes in local teams' organization and resources shall be monitored and problems anticipated considering staff reallocation from one team to another.

#### **3.3.4. REORGANIZE WORK FORCE**

Reorganization will be necessary if a shift in organizational chart is considered.

At this point, it must be said that a full reorganization involving major changes in the fundamental principles of the current organization should be triggered by a new project or mission for the Company. It should be "powerful" enough to get the adhesion of the

managers and staffs as it will have to overcome the formal and informal power and political networks within the Company.

In addition to this, this adhesion is very important because a shift in organization is generally accompanied with human resources changes (staff reallocation, new skills development, etc.), implementation of a new MIS, investment in new equipment, etc. that require the adhesion of the whole company.

As a consequence internal communication becomes a major issue as the whole company must be involved in terms of organization but also in terms of tools, skills, practices, etc... To deal with this issue, ANB organized top management seminars involving 20 to 40 managers of the Company and addressed a large number of issues.

In addition to this and apart from legal consideration that shall be studied later on in the process, it is very important to involve Trade Union in the discussion or consultation to smooth reorganization process.

More details regarding this process are presented in the next chapter along with wages simplification. Indeed, these two actions can be done integrated in the same process as the implementation of a new salary grid will imply a reallocation of positions according to salary situation. As a consequence, it may be interesting to reallocate these positions into the new organizational chart.

## 4. SIMPLIFICATION OF WAGE STRUCTURE

### 4.1. CURRENT SITUATION (QUICK REMINDER)

#### 4.1.1. KEY FIGURES IN ACC AND CONTEXT

The following table shows the dynamics in the past three years of the staff expenses and the ACC average wage in comparison to other similar statistical data from the Republic of Moldova:

Table 4-1: Staff expenditure (2008 – 2010)

Items	2008	2009	2010
Staff expenditure (labour payment fund)	114,943,000	110,354,000	126,466,000
<i>% of Total Expenditure</i>	27.4%	27.8%	30.8%
ACC average wage	4,621	4,603	5,260
<i>% of evolution</i>	-	-0.4%	14.3%
National average wage	2,530	2,748	2,930
Average wage in Chisinau	2,838	2,944	3,148
Average wage per sector (water and sewage, gas, electricity, heat) in Moldova	4,316	4,520	4,767
Average wage per sector (water and sewage, gas, electricity, heat) in Chisinau	5,014	5,305	5,681

*To staff expenditures, a 26.5% employer's expenditure shall be added.*

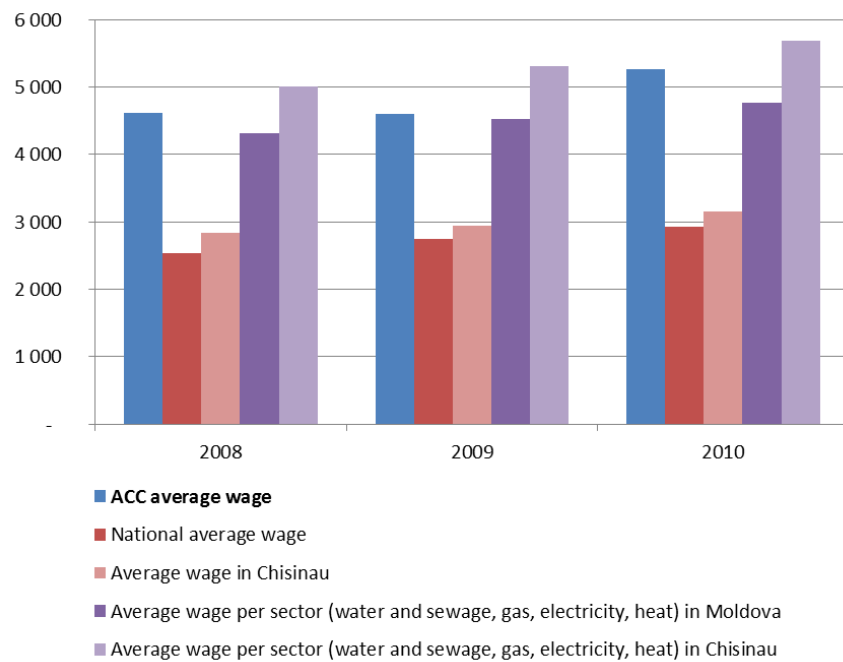


Figure 4-1: Average salary in ACC and benchmark (2008 – 2010)

The table and figure show that the average company wage increases faster than the national average wage and the average sector wage. It is an indicator of a satisfactory wage level of ACC employees.

#### 4.1.2. TURNOVER

The human resources mobility rate reveals the human resources motivation. The mobility rate is calculated by relating the number of people who ended their individual labour agreement to the average manpower of the organisation.

The table below shows the number of people that left the company in the past three years:

Table 4-2: Turnover and grounds for leaving (2008 – 2010)

Grounds for leaving	2008	2009	2010
Own initiative	113	71	43
Temporary employees - end of term	26	16	12
Temporarily hired pensioners	41	66	24
Pensioners	1	11	6
Invalidity	16	5	5
Death	18	5	4
Staff reductions	9	14	8
<b>Total</b>	<b>224</b>	<b>188</b>	<b>102</b>

Grounds for leaving	2008	2009	2010
Mobility rate	10.8%	9.4%	5.2%

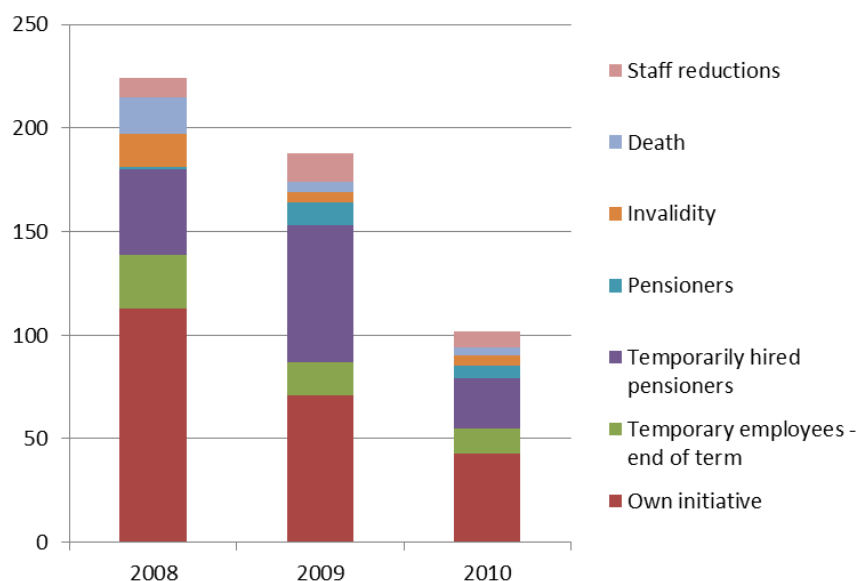


Figure 4-2: Turnover and grounds for leaving (2008 – 2010)

The table shows that the highest percentage of people left ACC out of their own will. An analysis of the positions occupied shows that it is usually the workers that chose to leave.

It's worth mentioning that the mobility rate of ACC has been declining; this is a positive consequence of the economic crisis, because it renders the human resources of ACC more stable and reliable.

On the 1<sup>st</sup> of February 2011, the number of vacancies was of 28 positions. The highest demand is currently for workers.

### 4.1.3. WAGES GENERALITIES

The guaranteed minimum amount of salary set by the Government of Moldova (1,100 MDL) serves as basis for remuneration within the ACC. A branch complexity coefficient (1.3) is applied to this amount. This coefficient was set by the Government Decision no. 743 of 06/11/2002 and is indicative. Within the ACC this coefficient is applied differently.

Within the JSC "Apă-Canal Chişinău", the remuneration is made in the following ways:

- per unit of time
- job wage
- position payment

Following the above said, the ACC employees remuneration includes:

- Basic salary (wage rate for workers and job wage for specialists),

- Additional salary (salary supplements and bonuses to the basic salary), and
- Other incentive and compensation payments.

#### 4.1.4. BASIC SALARY

Monthly tariff salaries are determined taking into account the normal working time of employees - 40 hours per week or 169 hours per month - and are guaranteed to employees that fulfil the job requirements (labor standards).

Besides a few very particular cases, most of the basic job wage are determined by multiplying the coefficients of salary grid included in the Regulation on employees ACC salaries and the minimal wages approved within the organization.

##### 4.1.4.1. Salary grid

Examples of complexity coefficient and multipliers grid are presented below for workers, for drivers and porters and for chiefs, specialists and clerks.

Table 4-3: Salary grid in use for ACC workers

Specification	Qualification category					
	I	II	III	IV	V	VI
Tariff coefficients – for workers paid per unit of time	1	1.1 - 1.26	1.3 - 1.59	1.3 - 1.81	1.4 - 2.07	1.5 - 2.36
Hourly wage rate <sup>14</sup> - for workers paid by the job wage, as well as for workers involved in construction and use of mechanisms, MDL/hour	8.46	10.66	13.45	15.32	17.52	19.97

Table 4-4: Qualification categories and the salary grid in use for drivers and porters

Category of employees	Qualification category	Complexity coefficient	Multiplier	Hourly wage rate, MDL/hour
Drivers of trucks and cars with general purpose and the maximum load, tons:				
Up to 3	III	1.15 – 1.3	1.59	12.65
From 3 to 10	IV	1.15 – 1.3	1.81	14.40
From 10 to 40	V	1.15 – 1.3	2.07	16.48
Over 40	VI	1.15 – 1.3	2.36	18.77

<sup>14</sup> Estimated on the basis of the minimum monthly wage establishes by the Government of the Republic of Moldova for the 1<sup>st</sup> qualification category of employees in units with financial autonomy – 1,100 MDL (Government Decision nr. 165 of 01.02.2010), applying the 1,3 branch complexity coefficient (Government Decision nr. 743 of 11.06.2002).

Category of employees	Qualification category	Complexity coefficient	Multiplier	Hourly wage rate, MDL/hour
Drivers of cars, including special cars and those of the sanitation trucks (except the rescue cars)	IV	1.15 – 1.3	1.81	14.40
Drivers of rescue cars and those of operative cars with special honour signals (“Syrena” type), as well as of social buses and rescue cars	V	1.15 – 1.3	2.07	16.48
Drivers of buses, including the special and sanitation buses (except the rescue buses) with the following sizes (in meters):				
Up to 7	IV	1.15 – 1.3	1.81	14.40
From 7 to 12	V	1.15 – 1.3	2.07	16.48
From 12 to 15	VI	1.15 – 1.3	2.36	18.77
Motorcycle and moped drivers	III	1.15 – 1.3	1.59	12.65
Storehouse porters	IV	1.3	1.81	16.44

Table 4-5: Salary grid in use for the chiefs, specialists and clerks of ACC

Category	Category code	Multipliers	Job salary, MDL/month
General manager	13	10.0 - 12.0	14,300 – 17,160
Profile manager, profil deputy manager, head of department, advisor of general manager, chief specialist	12	4.00 - 7.00	5,720 – 10,010
Head of service <sup>15</sup> , head of division <sup>16</sup>	11	3.00 - 5.50	4,290 – 7,870
Head of subdivision that has a subordinated staff, except those specified in sections 1-3	10.1	2.90 - 3.90	4,150 – 5,580
Foreman, head of warehouse	10	2.50 - 3.40	3,580 – 4,860
Specialist with higher university studies:			
Coordinator	9	3.30 - 4.30	4,720 – 6,150
1 <sup>st</sup> category	8	2.90 - 3.85	4,150 – 5,510
2 <sup>nd</sup> category	7	2.20 - 3.50	3,150 – 5,010
3 <sup>rd</sup> category	6	2.10 - 3.05	3,000 – 4,360

<sup>15</sup> including Water station Nistru, Water treatment station, Production base, Central laboratory of water quality control<sup>16</sup> except Legal Division of the Customer Service Department, but with the inclusion of the Center of information and documents



Category	Category code	Multipliers	Job salary, MDL/month
Uncategorized	5	2.00 - 3.00	2,860 – 4,290
Specialist with short-term higher studies:			
1 <sup>st</sup> category	4	1.70 - 3.00	2,430 – 4,290
2 <sup>nd</sup> category	3	1.60 - 2.60	2,290 – 3,720
Uncategorized	2	1.50 - 2.30	2,150 – 3,290
Administrative clerks	1	1.15 - 2.00	1,640 – 2,860

For the General Manager of JSC “Apă-Canal Chişinău”, the basic salary and other remunerations is set up in the management contract concluded with the Chisinau representative shareholder in the company.

The amount of total monthly salary of the General Manager may not exceed quintuple the size of the average monthly wage per enterprise during the year to the month reported. The rewards for the annual work results, personal or ACC jubilee premiums, professional holidays premiums, as well as the material aids for treatment and rest are not included in this amount.

#### 4.1.4.1. Few cases off salary grid

For workers that do not have any qualification category, the monthly salaries grid shown below is applied.

Table 4-6: List of worker professions which are paid on a basis of a monthly salary

Profession name	Monthly salary, MDL
Superior storekeeper	2,380
Storekeeper	1,720 – 2,170
Controller to household water supply	1,670 – 2,590
Washing machinist	1,430
Gardener, lifter, nurse, gardener person	1,430
MEC operator	1,720 – 2,440
Auxiliary worker, sweeper, watchman, housekeeper, doorman	1,430

#### 4.1.5. INCREMENTS & ALLOWANCES

Additional wages consist of:

- Basic salary increases;
- Payments for seniority;
- Additions and bonuses of compensatory nature;
- Compensations for harmful working conditions.

#### 4.1.5.1. Basic salary increase

According to the Regulation on the ACC employees salaries for 2011, all ACC employees, except for workers, are eligible for basic salary increases for high professional competence, work intensity, as well as for carrying out tasks of major importance or urgency.

These increases are given to employees up to their retirement age, which is achieved, according to the national laws, at 62 years for men and 57 years for women.

Salary increases range between 10% and 40% of the job wage. The highest bonus of 50% is granted to the workers in the thermo-sanitary department and the meter checking department. At the beginning of year 2011, the average value of these increases has been 16.6%, which is equivalent to 414.3 thousand MDL. These increases to the basic salary are determined individually.

The highest increment is granted to the management, i.e. 40%. Moreover, significant increments are granted to workers in the production services, such as:

- Technical production unit: 28.6%
- Preparation and organization of production: 23.5%
- Repairs and constructions service: 24.5%
- Protection and prevention service: 23.6%

#### 4.1.5.2. Seniority payments

Seniority payments are granted in accordance with Regulation on calculating the period of seniority in order to provide seniority payments to ACC employees, approved by the relevant executive body of the company, in coordination with the local trade-union committee.

The monthly seniority payment is calculated for each employee, as a percentage of the basic salary.

Table 4-7: Seniority payments

Seniority	Amount of seniority payment as % of the basic salary
from 2 to 5 years	10%
from 5 to 10 years	15%
from 10 to 15 years	20%

Seniority	Amount of seniority payment as % of the basic salary
from 15 to 20 years	25%
over 20 years	30%

All the ACC permanent employees, who have the required work experience in enterprises providing household and communal services, have the right to receive seniority payments.

#### 4.1.5.3. Compensation for harmful working conditions

The compensations for harmful working conditions are set up as a unique amount for employees of any qualification, according to the legislation in force, namely:

- To workers – for real time spent working in harmful conditions,
- To other categories of employees – for permanent work in harmful conditions (not less than 50% of work time).

The amount of these compensations varies between 100 - 180 MDL per month.

Salary categories and bonuses given are subject to change twice per year.

#### 4.1.5.4. Compensation for working hours and work organization

Types of wage additions and increases of compensatory nature are established for each employee individually, according to the individual employment contract, the minimum size is shown in the table below. It varies between 10% - 40% of the basic salary.

Table 4-8: Amount of wage additions and increases of compensatory nature

Wage additions and increases of compensatory nature	The minimal amount of wage additions and increases
1. For intensive work on conveyors, automated lines and flow lines	30% of the wage rate
2. For work performed, according to the work schedule, by dividing the working days in parties and with disruption of at least 2 hours between them	30% of the wage rate
3. For work in several shifts:	
1 <sup>st</sup> shift	20% of the wage rate
2 <sup>nd</sup> shift	40% of the wage rate
4. For overlapping professions (functions)	Depending on the volume of work performed, the entire economy of the salary fund obtained from the disposal personnel can be used
5. For extended service areas or increased amount of work performed	Depending on the volume of work performed, the entire economy of the salary fund obtained

Wage additions and increases of compensatory nature	The minimal amount of wage additions and increases
	from the disposal personnel can be used
6. For fulfilling the job requirements of the workers temporary missing	Depending on the volume of work performed, the entire economy of the salary fund obtained from the disposal personnel can be used
7. To workers performing works requiring inferior qualification	The difference between the wage rate of the worker, according to his qualification category and the wage rate for work performed
8. For work performed on some items of construction or in districts where exceptional circumstances arise	30% of the wage rate
9. To brigade/team leaders from among workers who are not exempted from their basic work in order to lead the brigade (the team)	Up to 15% of wage rate, when leading a team with a staff of up to 10 employees, and up to 25% - when leading a brigade with a staff of over 10 employees. For team leaders - 50% of the increase established for the brigade leader
10. To drivers of trucks, cars and buses – for training classes	10% of the wage rate for drivers of 2 <sup>nd</sup> category and 25% of the wage rate for drivers of 1 <sup>st</sup> category, for time worked as driver
11. To drivers of company cars for intensity of work	Up to 25% of the wage rate
12. To workers transferred on account of production needs, at the initiative of administration, to a job less paid	The difference between the real earnings for the work time and the average earnings at the previous work

#### 4.1.6. PREMIUMS AND BONUSES

In order to increase the efficiency and productivity, in addition to their basic and additional salary ACC can benefit of following premiums:

- Current premiums
- Annual rewards

The premiums are given if the performance indicators are fulfilled. These indicators are set up in the special regulations approved by the Company Managing Committee, in coordination with the local trade-union committee.

##### 4.1.6.1. Premiums given to managers

Premiums given to managers, head of departments, specialists and clerks for basic economic activity results (hereinafter specialists) are estimated as percentage applied to remuneration payments, including job salaries, increases and bonuses established for each employee.

Premiums are calculated quarterly, their basic amount is 15%. The quantum of the premium is subject to be reduced or increased depending on the individual contribution of the specialist. The final amount of the premium is approved by the CEO of ACC.

#### **4.1.6.1. Premiums given to workers**

Premiums given to ACC workers are given monthly, as percentage of remuneration payments, including basic salaries, increases and bonuses established for each employee.

Basic amounts of premium are set depending on worker job and workplace, ranging from 5% to 80%. The average is about 29.6%.

The basic amount of the premium is given if the following are accomplished:

- Qualitative and on time achievement of functional requirements and production tasks;
- Compliance with stages of technological processes, requirements and instructions for operating and repairing machinery;
- Compliance with consumption norms of materials, including electricity and reagents;
- Compliance with sanitary requirements;
- Compliance with equipment security and labour protection standards,
- Compliance with machinery operating regime, etc.

The quantum of the premium is subject to be reduced or increased depending on the individual contribution. Reduction may be complete.

The premiums given to workers within the Service of operation of water network are set to 30-40% in November-March and 20-30% in April-October, and those offered to workers of Service of operation of sewerage network are set to 20-30% and 15-20% respectively in the same periods. At the same time, these workers benefit of a 30% premium for planned repair and prevention works.

Premiums for Thermal sector workers range between 35-50% and for those involved in the activity of Meter checking sector are set to 50%.

#### **4.1.6.1. Annual rewards**

Annual rewards provided to ACC employees are calculated in accordance with the Regulation on rewarding ACC employees based on annual business results of the company.

The basic annual reward is approved taking into account the employee's personal contribution to achieving the plan indicators, compliance of labor and production discipline and continuous period of time worked for ACC, as follows:

Table 4-9: Amount of annual rewards

Number of completed continuous working years within ACC	Coefficient applied to the average monthly payment of each employee, admitted to the basic amount of annual reward
1-3 years	1,0
3-5 years	1,2
5-8 years	1,5
8-10 years	1,7
10-15 years	2,0
15-20 years	2,5
20-25 years	3,0
Over25 years	3,5

The monthly average payments taking into account when determining the annual rewards contain all the remuneration payments mentioned above: the basic salary, as well as increases, compensations and other benefits.

If negligence committed in the production process and violation of labor discipline, employees will receive a reduced premium. Reduction coefficients range between 15% and 100%.

#### 4.1.7. WAGES BREAKDOWN - EXAMPLE OF SPECIALISTS

The wage breakdown within ACC for specialists is presented in the chart below:

Table 4-10: Salaries (basic and additional in MDL) of ACC specialists as at 01/01/2011

Department	Nr. of persons	Total job wage, MDL/month per company	Average job wage, MDL/month per person	Total payments for work harmful conditions, MDL/month per company	Total additional salary, MDL/month per company	Average amount of additional wage	Total specialists salaries, except premiums, MDL/month per company
1	2	3	4	5	6	7	8
Management and support services	104	512,230	4,925	9,880	119,533	23.3%	641,643
Management	6	55,970	9,328	100	22,388	40.0%	78,458
Legal service	6	27,810	4,635	600	6,651	23.9%	35,061
Division of accounting and finance	16	75,820	4,739	1,600	19,386	25.6%	96,806
Division of economic analysis and prices	11	56,060	5,096	1,100	16,618	29.6%	73,778

Department	Nr. of persons	Total job wage, MDL/month per company	Average job wage, MDL/month per person	Total payments for work harmful conditions, MDL/month per company	Total additional salary, MDL/month per company	Average amount of additional wage	Total specialists salaries, except premiums, MDL/month per company
Human resources service	8	38,720	4,840	800	5,964	15.4%	45,484
Secretariat, protocol and public relations service	9	38,800	4,311	1,020	7,904	20.4%	47,724
IT service	22	105,790	4,809	3,080	21,022	19.9%	129,892
Administrative and supplies service	17	69,490	4,088	600	11,131	16.0%	81,221
Protection and prevention service	6	28,240	4,707	680	6,678	23.6%	35,598
Project implementation service	3	15,530	5,177	300	1,791	11.5%	17,621
Department of quality assurance, control and regulation	33	148,720	4,507	3,320	18,916	12.7%	170,956
DQACR: Wastewater laboratory	14	63,680	4,549	1,820	8,720	13.7%	74,220
SESE Wastewater laboratory	6	28,050	4,675	840	3,419	12.2%	32,309
Wastewater laboratory, companies	8	35,630	4,454	980	5,301	14.9%	41,911
DQACR: other subdivisions	19	85,040	4,476	1,500	10,196	12.0%	96,736
Direction of technical production	238	1,119,120	4,702	10,260	188,063	16.8%	1,317,443
Departments, Technical production division	4	31,270	7,818	-	8,940	28.6%	40,210
Central dispatch	25	107,550	4,302	1,700	16,792	15.6%	126,042
Central dispatch service	2	12,600	6,300	-	3,814	30.3%	16,414
Central dispatch, subdivision network IT and testing	8	35,010	4,376	300	6,043	17.3%	41,353
Central dispatch, operative management of production processes	15	59,940	3,996	1,400	6,935	11.6%	68,275
Water department	82	379,190	4,626	1,200	61,269	16.2%	441,659
Nistru water station	21	97,390	4,638	600	12,432	12.8%	110,422
Nistru water station	18	83,990	4,666	400	10,094	12.0%	94,484
Vadul lui Vodă sector	3	13,400	4,467	200	2,338	17.4%	15,938
Water treatment station	13	60,940	4,688	100	10,733	17.6%	71,773
Pumping stations service	14	66,510	4,751	200	13,288	20.0%	79,998
SERA	34	154,350	4,540	300	24,816	16.1%	179,466
Wastewater department	39	194,250	4,981	3,360	26,251	13.5%	223,861
Service of operation of wastewater treatment	19	95,130	5,007	2,060	13,996	14.7%	111,186
Service of operation of sewerage network	14	73,050	5,218	1,100	9,620	13.2%	83,770
Ialoveni sector	6	26,070	4,345	200	2,635	10.1%	28,905
Technical department	41	188,650	4,601	2,300	38,140	20.2%	229,090
Production preparation and organization sector	10	45,120	4,512	700	10,608	23.5%	56,428
Technical division	16	72,000	4,500	800	12,896	17.9%	85,696
Investment and technical supervision division	8	38,110	4,764	600	8,201	21.5%	46,911
Division of metrology, measurement and monitoring	7	33,420	4,774	200	6,435	19.3%	40,055
Energy and mechanical department	47	218,210	4,643	1,700	36,671	16.8%	256,581
Transportation service	12	55,400	4,617	300	8,181	14.8%	63,881

Department	Nr. of persons	Total job wage, MDL/month per company	Average job wage, MDL/month per person	Total payments for work harmful conditions, MDL/month per company	Total additional salary, MDL/month per company	Average amount of additional wage	Total specialists salaries, except premiums, MDL/month per company
Electro technical laboratory	4	18,820	4,705	200	2,955	15.7%	21,975
<b>Production base</b>	<b>21</b>	<b>96,780</b>	<b>4,609</b>	<b>900</b>	<b>17,692</b>	<b>18.3%</b>	<b>115,372</b>
Production base, economy and production office	10	45,510	4,551	700	6,649	14.6%	52,859
Service of repairs and constructions	6	30,820	5,137	-	7,559	24.5%	38,379
Service of mechanisms	3	10,270	3,423	200	1,448	14.1%	11,918
Electromechanical service	2	10,180	5,090	-	2,036	20.0%	12,216
<b>Thermo-energetic sector</b>	<b>10</b>	<b>47,210</b>	<b>4,721</b>	<b>300</b>	<b>7,843</b>	<b>16.6%</b>	<b>55,353</b>
Central heating	8	38,320	4,790	300	6,445	16.8%	45,065
Thermo-sanitary sector	1	5,090	5,090	-	1,018	20.0%	6,108
Team operating ventilation systems	1	3,800	3,800	-	380	10.0%	4,180
<b>Customer service department</b>	<b>173</b>	<b>714,540</b>	<b>4,130</b>	<b>10,680</b>	<b>87,799</b>	<b>12.3%</b>	<b>813,019</b>
Customer service department	160	657,760	4,111	9,980	79,583	12.1%	747,323
Meter verification sector	4	17,920	4,480	-	2,736	15.3%	20,656
Connections team	1	4,380	4,380	-	438	10.0%	4,818
Inspection and control division	6	27,170	4,528	600	4,653	17.1%	32,423
Liquid waste disposal team	1	3,420	3,420	100	-	-	3,520
Meter installation team	1	3,890	3,890	-	389	10.0%	4,279
<b>Total general</b>	<b>548</b>	<b>2,494,610</b>	<b>4,552</b>	<b>34,140</b>	<b>414,311</b>	<b>16.6%</b>	<b>2,943,061</b>

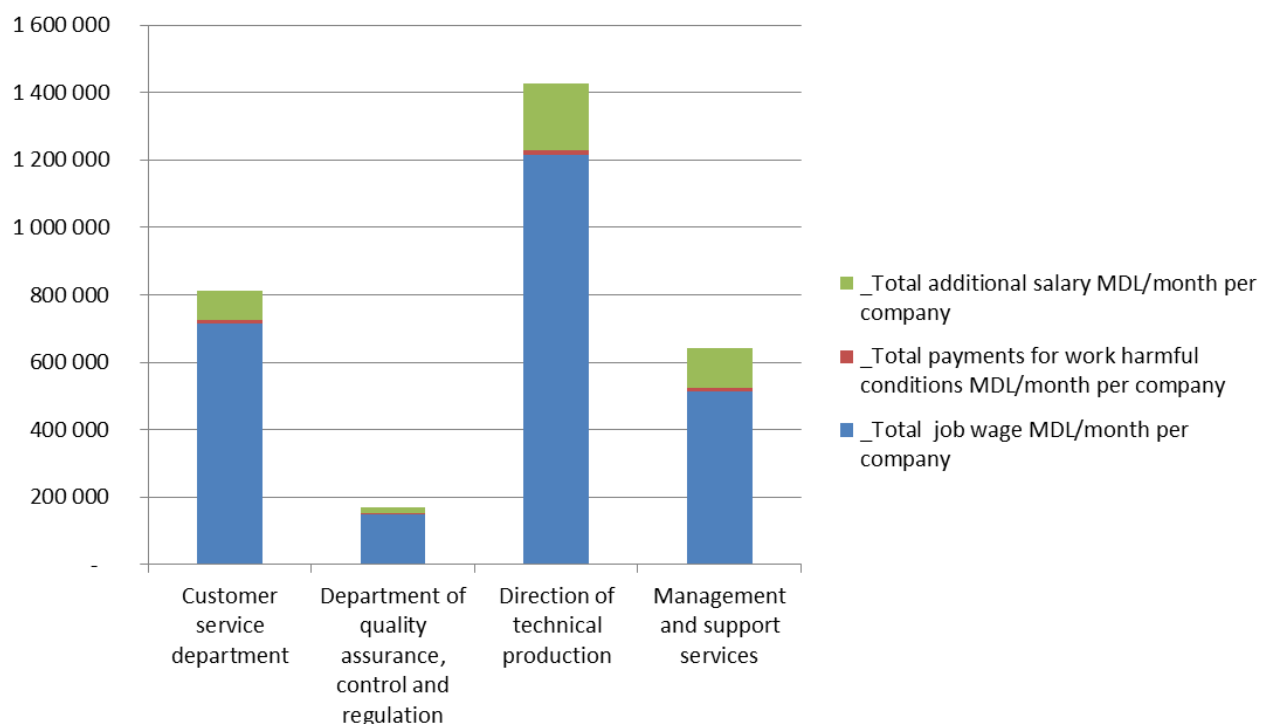




Figure 4-3: Total wages (basic and additional) of ACC specialists as at 01/01/2011

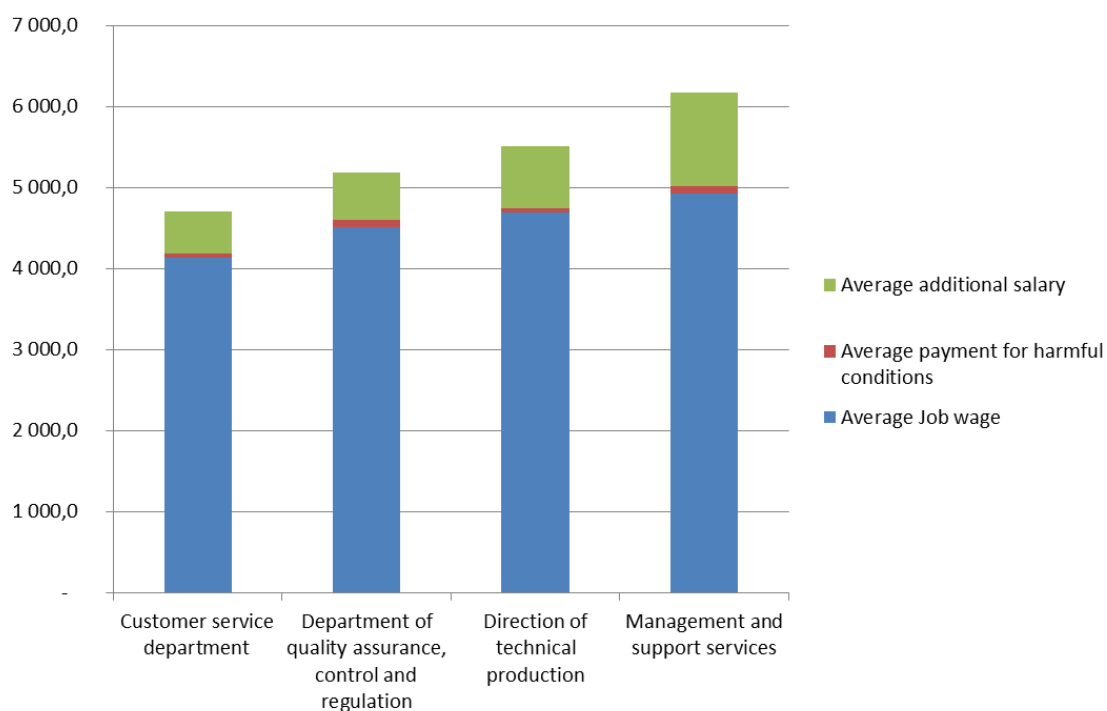


Figure 4-4: Average wages (basic and additional) of ACC specialists as at 01/01/2011

#### 4.1.8. QUICK SUMMARY AND TENTATIVE THEORETICAL SALARY BREAKDOWN

A very schematic summary of how full salary is calculated in ACC is presented in the table below:

Element of total salary	Calculation based on	Elements of attribution based on	Payment
Basic salary	Minimal legal salary x <u>Multiplier (1 – 12)</u>	Job description, specifications and responsibilities and qualifications required	Monthly
Salary increase	<u>+ 10 – 40 %</u> x Basic salary	High professional competence, work intensity, as well as for carrying out tasks of major importance or urgency.	Monthly
Seniority payment	<u>+ 10 – 30 %</u> x Basic salary	Seniority in relevant business activity	Monthly
Compensations for harmful working conditions	<u>+ 100 - 180 MDL/months</u>	Working in harmful conditions	Monthly
Compensations for working conditions and organizations	<u>+ 10 – 40 %</u> x Basic salary	Job specifications such as intensive work, working shifts, additional workload, overqualified staff	Monthly
Premiums	<u>+ 5 – 80 %</u> x Full salary	Managers: economic results Workers: Compliance with safety rules and norms and good achievement of tasks	Quarterly
Annual reward	<u>+ 1 – 3.5</u> x Full salary	Seniority in ACC, achievement of	Yearly

Element of total salary	Calculation based on	Elements of attribution based on	Payment
		indicators, compliance of labour and production discipline	
Other social benefits	-	-	-

To go deeper in the understanding, we calculated a theoretical salary breakdown based on the above mentioned elements:

Table 4-11: Example of theoretical salary breakdown

Element of total salary	Base for increase increase for worker	Example of salary for Production worker (MDL)	Base for increase increase for HoS	Example of salary for Production Head of service (MDL)
Basic salary	1,6	1,760	4	4,400
Salary increase	25%	440	30%	1,320
Seniority payment	20%	352	20%	880
Compensations for harmful working conditions	150 MDL	150	0 MDL	-
Compensations for working conditions and organizations	15%	264	15%	660
Premiums	30%	878	5%	363
Annual reward	17%	494	17%	1,210
<b>Total</b>		<b>4,338</b>		<b>8,833</b>

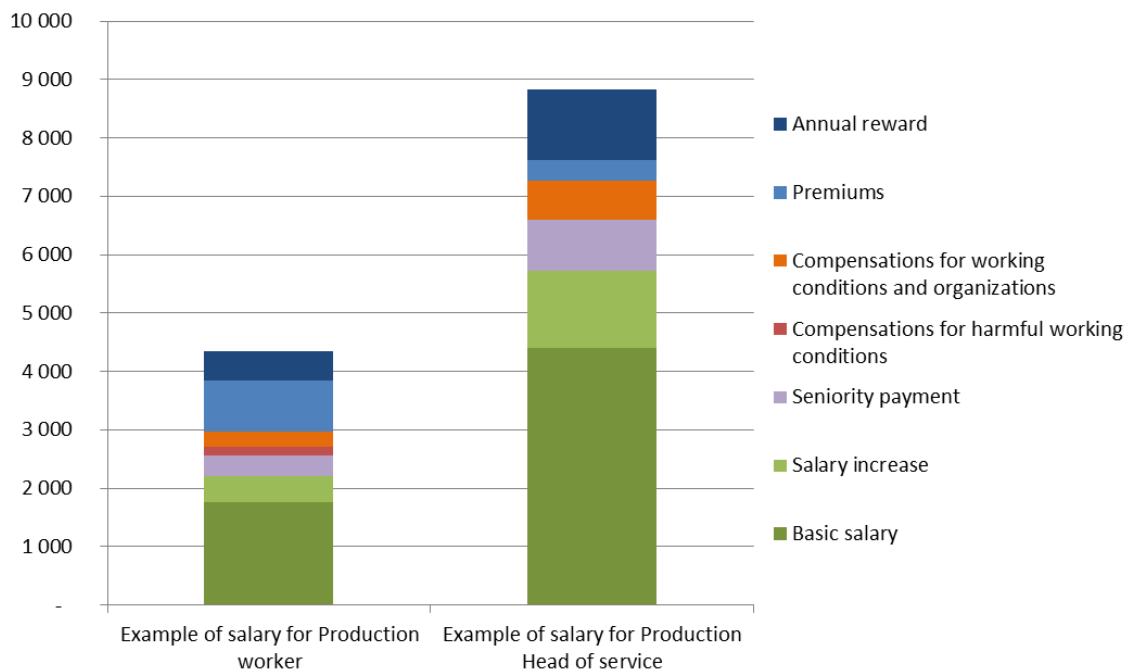


Figure 4-5: Breakdown of theoretical salaries

It must be said that the examples built here does not correspond to average values presented earlier in Figure 4-4.

## 4.2. COMMENTS AND SHORTCOMINGS

In the following fictive and caricatured discussion between ACC<sup>17</sup> and a fictive employee (not a manager), we would like to raise a few voluntary schematic comments on what may underline ACC salary policy:

1. For the job you will perform you will get a basic salary that reflects the fact that you have appropriate qualifications and education, will face responsibilities and will be able to overcome difficulties in your job
  - > Felt objective: Pay employee to occupy position
2. However, no matter what your basic salary stands for, we must give you an increase of basic salary so that we will be sure that you will be reliable during period where work intensity will be higher or when urgent or important task will have to be performed
  - > Felt objective: Pay employee to face harder but well-known conditions and feel more responsible when urgent tasks arise
3. Somehow, we consider that even if your experience is what make you able to apply for this position and get your basic salary from it, we will raise your salary with a seniority increase
  - > Felt objective: Pay employee for the experience that allow the employee to get the job

<sup>17</sup> This fictive conversation focused on some components of salary policy and not all of them at once.

4. As the job complexity that allow us to calculate your basic salary does not cover every details of your job or particular events, we will add some additional compensations to your basic salary when needed
  - > Felt objective: Compensate employee for punctual hard work conditions
5. Now that we are sure that your full salary will objectively and fairly to other ACC employees keep you motivated to work for us even in harder work conditions than initially expected in your job description, we need you to comply with the fundamental rules and responsibilities of your job such as safety rules, procedures, wearing safety equipment. If you do not comply with these rules, you will not get any monetary sanctions but if you do, you will get premium
  - > Felt objective: Reward employee for achieving expected performances and behaviours
6. And finally, every year, you will get an annual bonus for your discipline (again), for your achievements but mostly for your loyalty for ACC. As a consequence, if you are new to this company do not waste your motivation and dynamism
  - > Felt objective: Reward employee to ensure that his job is performed properly

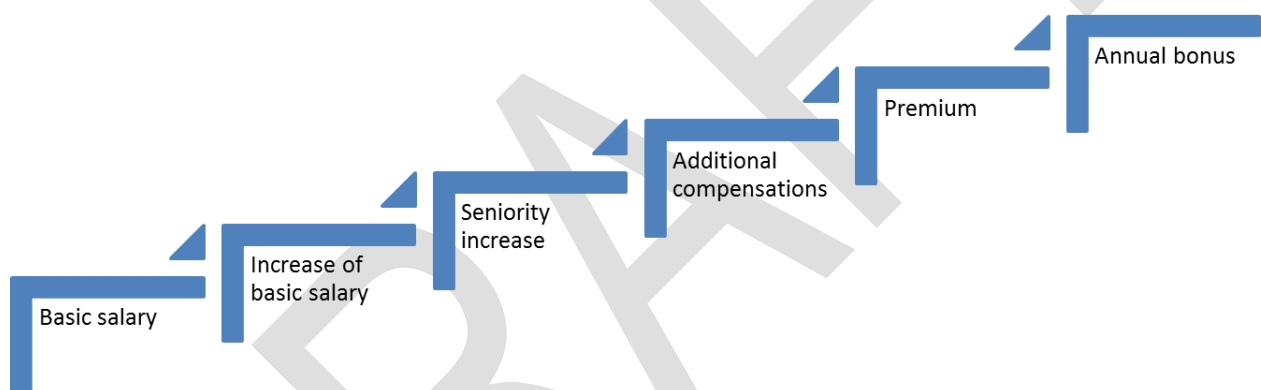


Figure 4-6: Main steps to salary calculation in ACC

In other words, the analysis of salary breakdown raises the following more detailed and formal comments:

- Salary grid similar to good practices experienced recently in other water utilities: compared to recently implemented salary grids in other water utilities in France and Romania, ACC system with complexity coefficient and multipliers for of a legal minimal salary for qualification is very similar to these ones. In particular, it has been noticed that categories of employees with similar qualification (workers and drivers) share the same qualification category (I, II, III, etc.).
- Existing Job descriptions matching good practices: job descriptions audited matches good practices and can be a good starting point and the basis to build a new salary grid.
- Complexity of salary composition: salary breakdown is quite complex with 7 components with somehow overlapping evaluation criteria.
- Redundancy in salary increase: when detailing the breakdown of salary, we can see that several components of the salary are somehow based on the same

elements such as job description for qualification for basic salary, salary increase and compensations for working conditions and organizations.

- No differentiation in specialists' classification in grid: classification of specialists is only based on education degree and not their speciality. This is taken into account with salary increase and may show limited or not enough consideration to the job market and associated salary. For instance, if we consider IT staff, they may want to go abroad where their valuable skills would be well paid. As a consequence, if the local company want to attract them, they need to adapt to this external competition.
- Premiums and annual awards to perform tasks correctly: It can be pointed out that some premiums and annual awards for workers are based on compliance with norms, safety rules and good achievements of tasks. It can be considered that all those things are part of the basic salary as basic requirements in performing the job. It may not be advisable to give bonus to people who do their job correctly. On the other, people who do not comply with basic rules should be punished through fines for instance<sup>18</sup>.
- High premiums and annual awards for workers than for managers: It is quite unusual to see that a worker can have a higher variable part of his salary (in percentage) than a manager.
- Annual rewards based on an ACC seniority criteria: it is quite unusual to have an annual reward based not only on economic results and individual achievement but also on a criteria such as seniority in the Company. This does not enhance the motivation of younger people in the Company that generally have more dynamism than people with more seniority. In addition to this, it may impair the incentive for voluntary departure as staying longer in ACC is rewarded.
- Annual rewards between 8.5% to nearly 30%: it is quite unusual to have an annual reward that range on such high percentage of full salary. In French and Romanian water utilities met, only manager have such reward and it ranges between 5% and 20% of full salary.

## 4.3. RECOMMENDATIONS

### 4.3.1. GENERALITIES

#### 4.3.1.1. The objectives of a salary policy

The objectives of a salary policy are the following:

- To attract the best qualified people available, to achieve the organization's mission
- To provide equitable and consistent remuneration to employees in accordance with their assigned duties and responsibilities
- To motivate and stimulate employees to achieve a high level of performance
- To encourage the retention and productivity of qualified personnel

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<sup>18</sup> In Romania, Veolia safety policy was based on sanctions because it was proven to be more efficient. First warning, employee gets a big fine, second warning, he is fired.

- To communicate to staff the basic parameters for setting salary

A sound salary policy that is communicated to and understood by staff will assist the organization in establishing equity among staff and assist in staff planning and resource allocation.

#### 4.3.1.1. Salary policy and values

The purpose of a salary grid for any organisation is to establish the principles that underpin its salary structure. For any organisation, regardless of size, good practice dictates that such a policy must be based on the following values:

- **Fairness:** Any process for determining remuneration organisation-wide should be fair - and seem fair - to staff of all levels and grades, as well as to other stakeholders including users, trustees and funders.

It should be universally viewed as an equitable means of determining rewards based on relevant factors which are non-discriminatory on grounds of gender, race, gender reassignment or disability (remember you will also need to consider age, sexual orientation, ethnic or national origin and religion or belief or lack thereof).

By no means should the pay of any single post be, or seem, excessive in relation to that of others. In cases where it is necessary to pay premium rates in order to attract the calibre of individual needed for a job, such as qualified Internet Technology professionals, differentials should be based on valid and, where possible, quantifiable data such as industry survey data.

- **Openness:** Organisations should be prepared to demonstrate that they have nothing to hide and that the process of determining reward levels is open to informed debate.
- **Objectivity:** The process of determining remuneration should be objective. To this end, organisations need to establish objective criteria that enable comparisons to be made between jobs within the organisation and with those in comparable organisations. This is normally done using a job evaluation scheme. This helps ensure that pay-related decisions are consistent and made to a common standard.
- **Responsibility:** It goes without saying that the process of determining reward packages in any organisation must be legally responsible, taking into account basic statutory requirements for fairness, non-discrimination, and the minimum wage. The organisations may decide to build core values into their salary structures - values that reflect the organisation's beliefs in equity and social justice, for instance.
- **Effectiveness:** While the ideal remuneration policy expresses all the right values, the most important issue is whether or not it works. In an increasingly competitive environment, the main objective of any reward system is to allow organisations to attract the calibre of people required to deliver their objectives and advance their mission.

#### 4.3.1.2. Conclusion

Establishing a salary policy is a critical function of human resource administration which serves to support the organization's most valuable asset - its human resources. A salary

policy should be equitable, structured and clearly understood. By following these components of a salary policy and answering the questions posed, an organization can reflect on its past and present salary policy and establish a salary policy that is sound.

### 4.3.2. GENERAL RECOMMENDATIONS

From benchmark with good practices in other water utility, it can be said that the salary grid in ACC has been built based on good practices but that additional elements may have brought too much complexity. On the other hand, the complexity of the salary seems to be driven by a will to tackle every specific case, being in the end very objective.

One of the main drawbacks of this may be the lack of clarity for the employee. As salary is one of the most important factors of motivation for a salary (among others), its composition must be clear enough for employee to understand what the expectations of the Company are and how he can improve his situation (see previous paragraph).

Concerning this issue, two main recommendations can be made:

- Implementing a new way to motivate and ensure employee loyalty:
  - The most efficient way of finding the benefits which the employees would respond to is to carry out a company survey on the subject
  - Also, in order to avoid too great a pressure on the salary mass, it could be useful to replace existing a system of compensations by a system of compensations only based on performances (bonuses which vary with performance) and adequate non-financial benefits in order to stimulate employees based on their position within the company
  - To increase employee motivation and realize a career development and management plan, it is recommended that a performance assessment system be implemented, based on which promotions within the company will be carried out
- Simplify salary grid and internal position classification:
  - To allow a better legibility of the salary grid based on position and skill
  - When it is created, each position is set a specific internal classification which places the respective position at a specific managerial level and also specifies a specific pay grade

### 4.3.3. EXAMPLES OF ALTERNATIVES SALARY GRIDS SET UP

#### 4.3.3.1. Example of a French / Romanian construction company in water sector in Romania

In this company, the classification model is quite simple. The level in the classification is based all together on age and qualifications. Listed below are the classification chart models.

Table 4-12: French / Romanian construction company classification chart models

Managerial level	Positions targeted	Classification description
<b>UPPER MANAGEMENT</b> (DIRECTORS, TOP MANAGEMENT, ADMINISTRATOR)	Directors (DIR)	All company directors which are part of the board whose goal it is to make strategic decisions having to do with the company's activity.
<b>MIDDLE MANAGEMENT</b> (Job level used to describe employees who have direct reports and are not part of Upper Management.)	Department heads (DH)	Head departments within a direction. Can be manager managers.
	Deputy department heads (ADH)	Report to a department head and coordinate a specific aspect of the department's activity.
<b>OPERATIONAL MANAGEMENT</b>	Project managers (IP)  (there are 3 seniority and skill levels)	<p>Project managers are the people managing one or more projects (construction sites) and who have under them one or more site heads and work teams. There are 3 project manager levels based on experience, performance and responsibility.</p> <p><i>Level 1 (IP1)</i> is the entry level, where junior engineers with between 1 to 3 years' experience are found, who can manage one or at most two projects simultaneously.</p> <p><i>Level 2 (IP2)</i> – engineers with 3 to 6 years' experience or with a high development potential.</p> <p><i>Level 3 (IP3)</i> – engineers with over 6 years' experience who commercially, technically and financially manage several projects or a more complex project and are also able to manage several peers (teams, subcontractors, client, authorities).</p>
	Study engineers (IO)	Engineers tasked with drawing up technical and price offers. The same 3 levels as for the project managers based on seniority (experience), performance and responsibility apply.
	Site Leaders (SP)	The same 3 seniority and skill levels listed above apply. They coordinate operational (execution) activities on the construction sites. They oversee team leaders and workers. Intern engineers also fall into this category.
<b>ADMINISTRATIVE STAFF</b>	Administrative staff (EB) – all positions in the financial, legal, purchase department etc.	<p>The same 3 levels above apply.</p> <p>For example, experts and specialists are found on level 3.</p>
<b>OPERATIONAL</b>	Team leaders (SE)	Coordinate a team of 3-5 workers and report to the site head.



Managerial level	Positions targeted	Classification description
STAFF	Skilled workers (MC) – plumbers, sewer workers, licensed welders, electricians.	There are 4 classification levels for workers and machine operators, based on experience, seniority in the company, performance, licenses (special training).
	Machine operators (OC)	
	Unskilled workers (NCA)	Workers with no qualifications or experience.

This classifications chart is represented more graphically below:

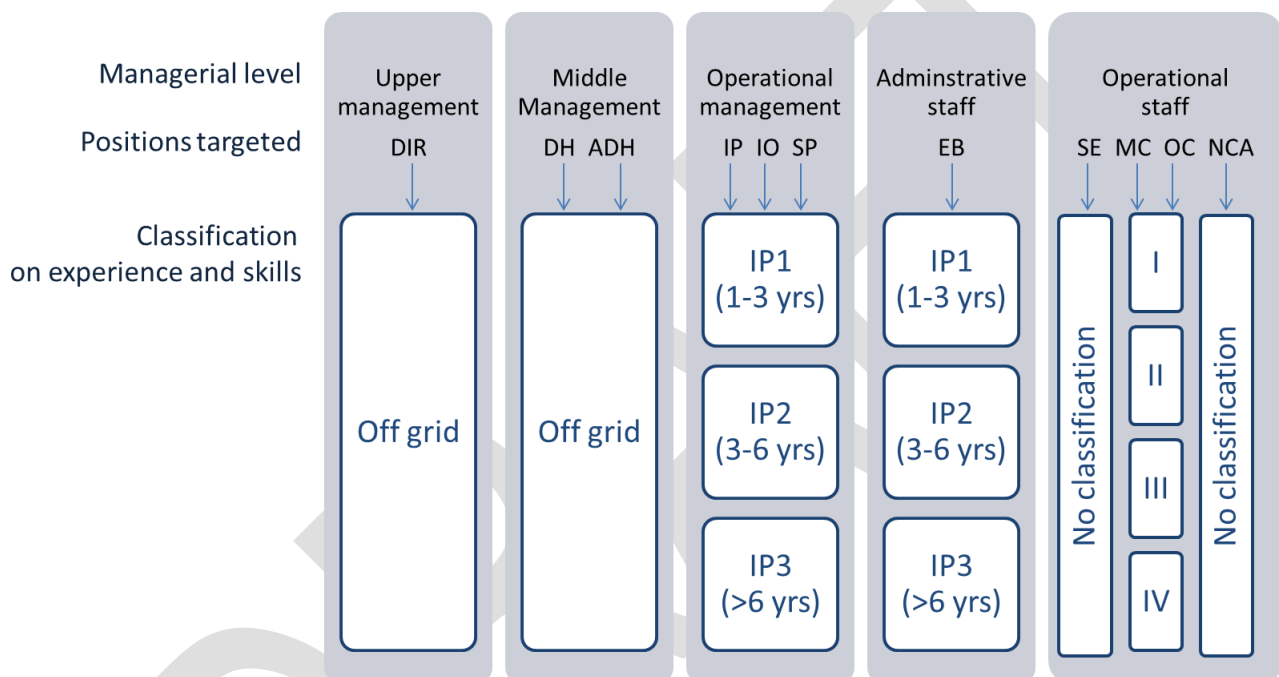


Figure 4-7: French / Romanian construction company classification graphical representation

#### 4.3.3.1. Example of a water utilities operator in France

Another example for Veolia Water in France is presented below. This one dissociates more the experience and the skills / qualification.

In this case, that salary grid and job description / position assessment are very linked; the last one being the first step leading to a good and comprehensive salary grid.

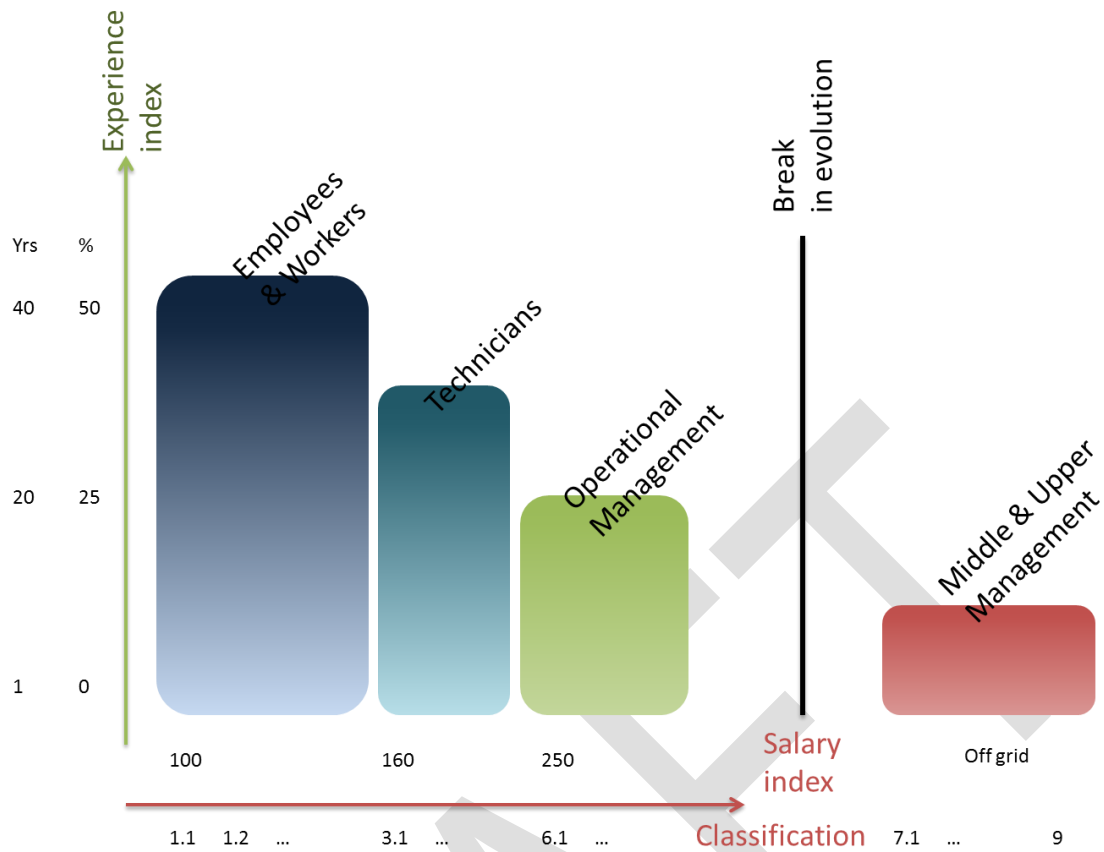


Figure 4-8: Alternative salary grid organization

It can be pointed out that the more you progress in the classification / qualification index, the less you can progress in the age index. This reflects the fact, the more you get an high level job, the less age / experience matters against qualifications.

As said earlier, this salary grid is supported by a job classification. It consists in the following layers:

1. 3 paths:
  - Support
  - Commercial
  - Technical
2. Around 20 sub paths with among them for instance:
  - For the technical path (6 sub paths)
    - Production and treatment
    - Works
    - Network operations
    - Etc...
  - For the commercial path (2 sub paths)
    - Customer management
    - Meter reading / Interventions at customers home
  - For the support path (13 sub paths)
    - IT

- Legal
- Quality management
- Management
- Finance
- Marketing
- Etc...

3. Below these sub paths, there are 64 referent jobs

A schematic representation of this is presented below:

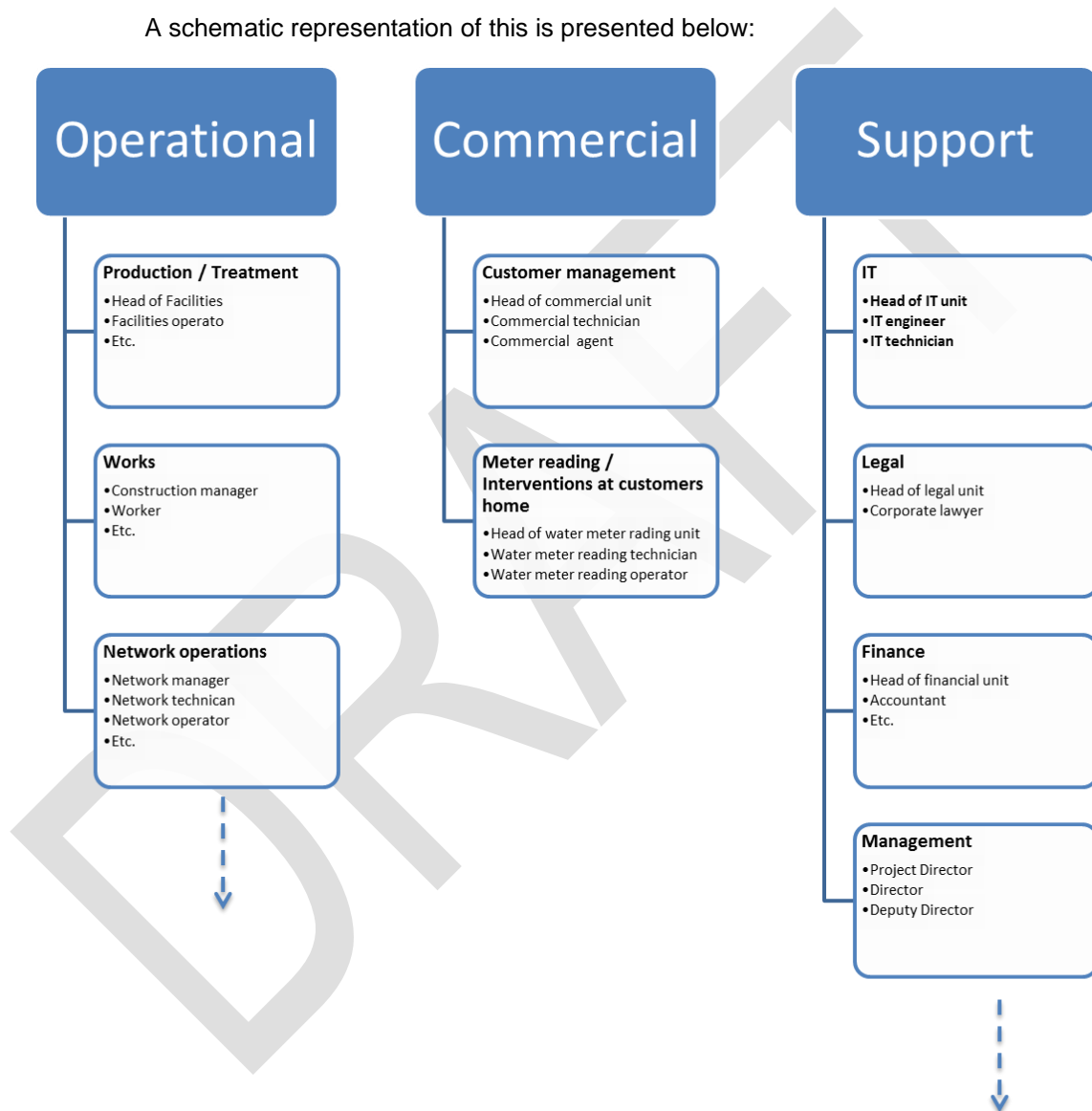


Figure 4-9: Schematic representation of an example of job structure

Each referent job requires some qualifications or qualities to be performed. Each of them corresponds to a certain criteria that need to be at a certain level depending of the specificities of the each job within all the jobs covered by the referent job category.

For a specific job, the level of salary in the salary grid is calculated through the following procedures:

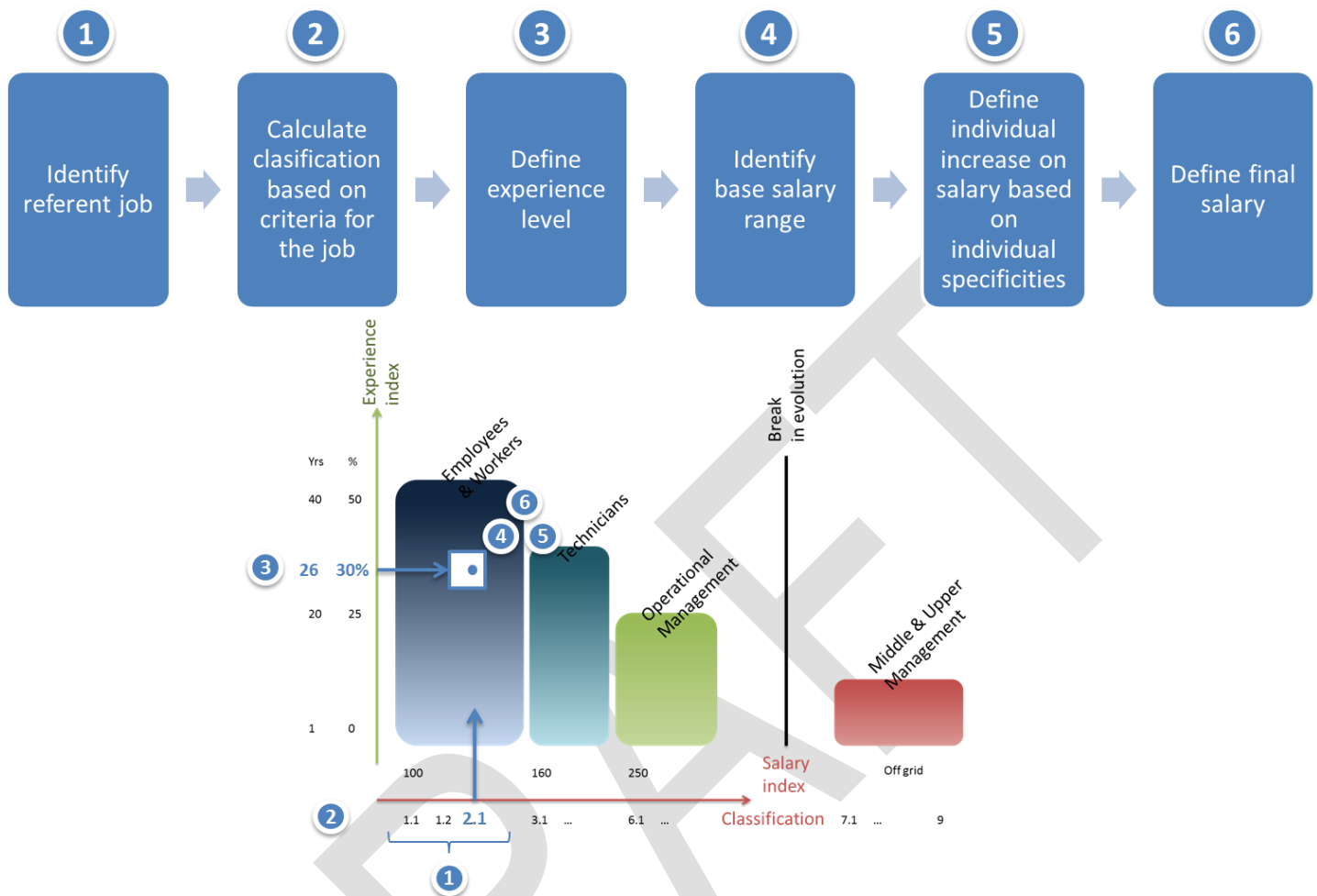


Figure 4-10: Schematic representation of the procedure for salary calculation in French water utilities operator

In addition to this basic salary, employee receives:

- Compensations when they are on duty (at home)
- Payment for overtime hours
- Fixed bonus at the end of the year

This suggests that the company expect every employee to do their job correctly and efficiently providing them with the tools and the training to do so. In a way productivity is not expected through individual performance of employee but through the organization itself. However, the company put incentive on the fact that punctually people may need to do overtime hours.

For manager, overtime is basically included in the salary and part of their salary (5% to 20%) is based on their individual performances (and collective at the scale of the business unit) awarded against achievement of objectives set at the beginning of each year with their hierarchy n+1. The company expects individual performance from their

manager and motivates with potentially big annual rewards and also good career management and opportunities.

Employees also take advantage of the fact Veolia is big and well-known company with a good social policy (good healthcare insurance, job security, opportunities of career, etc.).

#### 4.3.3.1. Example of a French / Romanian water utilities operator in Romania

In ANB, there are two types of salary:

- For managers:
  - negotiated salary with overtime included
  - + an up to 10% variable part based on their individual and collective performances
- For other employee:
  - Grid salary (similar to the one presented above)
  - + Payment of overtime hours
  - + Compensations for on duty (at home): 1 Romanian Lei per hour
  - + Christmas Bonus

The expectations from the company for each category of employee is quite similar than the ones presented in the previous paragraph.

#### 4.3.4. SUGGESTED SHIFT

Considering the existing salary grid which is quite complex, a good simplification could be to pick a system with lower complexity but that could easily embrace existing one. For this reason, the second example presented above was chosen.

The main objectives of the shift are the following:

- Limit the number of step for salary calculation
- Limit the number of objective criteria for salary calculation without impairing the fairness and the objectivity of the existing system
- Calculate basic salary only within the salary grid taking into account every component of the job
- Limit additional salary to overtime, compensations for on duty and annual bonus

Specific events such as replacement of an upper qualification colleague should also be taken into account (as it is in ACC system). In this case, additional salary should be given during the period to cover the gap between existing salary and the lowest end of the salary range for the upper qualification position.

The suggested shift from the existing system to the new one is presented in the figure below:

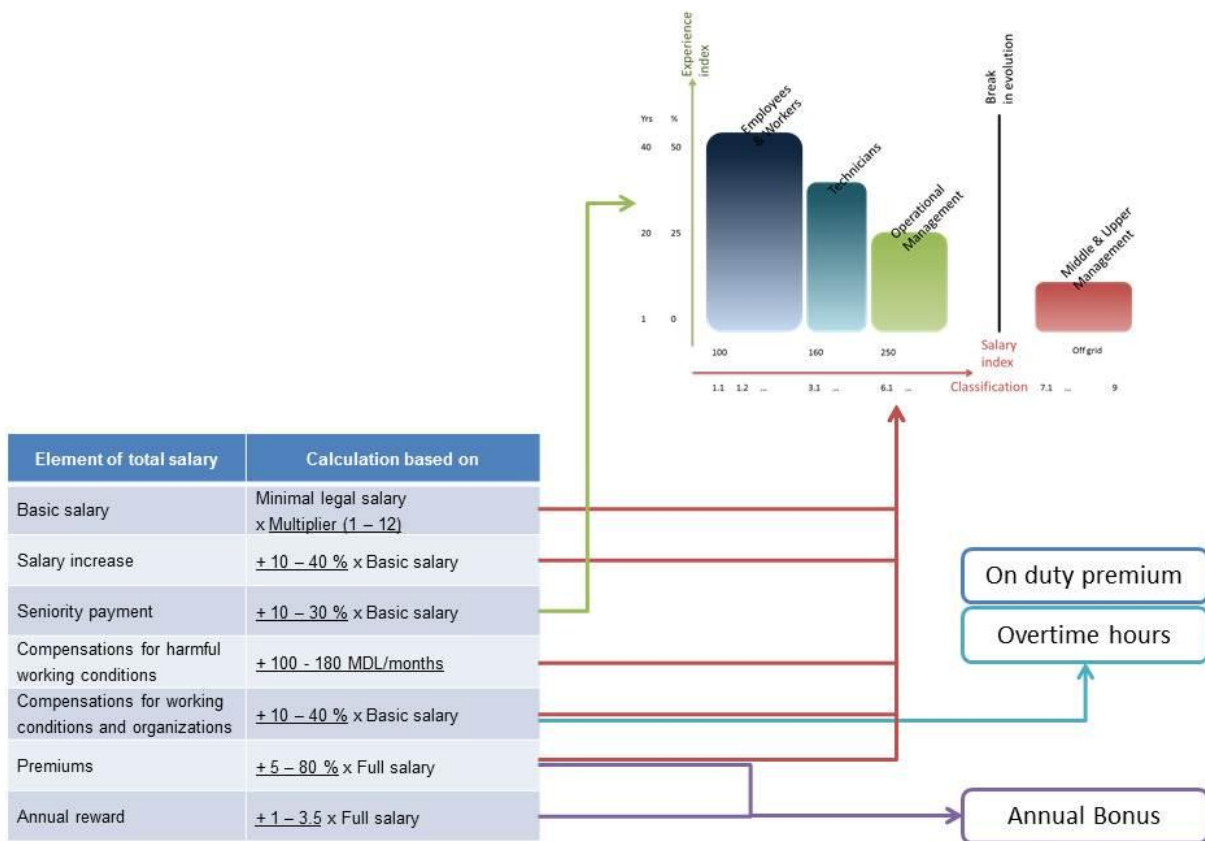


Figure 4-11: Suggested shift in salary system

Details on each simplification suggested are presented below (color key of arrows from the figure):

- Modify seniority payment to reflect the fact that as you will progress in the qualification scale, the less experience will matter against qualifications. Benchmark suggests that the range is between 20% to 45% with seniority
- Build a new qualification system based on the existing Job description system and qualification defined in salary grid
  - The existing system (II, III, IV, etc. for employee + 1, 2, 3, etc. for manager) is continuous showing no clear step. The suggested alternative is clearer with 1.1, 1.2 the 2.1 etc.
  - This step may need some simplifications and refining in the existing Job description system by regrouping Jobs into larger categories with real gap between them (example: no qualification such as unqualified workers or car drivers = 1.1 or 1.2 and skilled workers such as welders = 2.1, etc...)
  - It is important that each Jobs family or path (for technical staff, the path could be operators, technician and team leader) is reflected in the qualification evolution
  - Each category of job will be associated to a range of qualification that will be refined for each position taking into account the specificities included in Salary increase, Compensations for working organization and Premiums in the existing system

- Calculate Salary index associated to classification
  - In the case of ACC, the range may be partly given by basic salary and basic salary + salary increase + premiums + compensations
  - In the end, the objective is to have a coherent salary grid but also to limit the off the grid / range cases
  - Benchmark suggests that the range is limited to 0% to 15% without taking into account seniority and 20% to 45% taking seniority into consideration
  - The simplification will be more important as components from Salary increase, compensations and premiums are included into the basic salary
  - Once salary grid is defined according to existing internal criteria, it would be interesting to compare it to external market to see if some difficulties may be expected for some categories of staff
- The following elements could be kept as payment, premiums or compensations:
  - Overtime hours (one of the objective of human resources department and operational team is to limit those through a good organization)
  - On duty period
  - Replacement of highly qualified (in salary grid) colleagues
  - Elements such as “Compliance with sanitary requirements” (Premiums for workers) should be included in the basic salary as a basic requirement for the job. However, in a specific challenge to improve security within the company, collective gifts or award could be given exceptionally to those who are part of the best teams
  - Elements such as “11. To drivers of company cars for intensity of work” (see Table 4-8) could be included in Overtime hours payment within the regulatory constraints of continuous driving hours of course
  - Most of the elements in Compensations sections are associated to the hardness of the work. These elements need to be seen as elements to recognize the hardness of work in order to develop staff loyalty in a category of employee where a high turnover has been seen in the past years. If not, it can be included in basic salary. From what we have seen in data, the category of staff mostly concerned by vacancies and turnover on own initiative is worker. In this case, compensations may be a good way to address this issue. May be it is less important for divers
- Annual bonus could be based on individual or collective performance:
  - For managers, rewards are generally based more on individual than on collective performances.
  - For workers working as a team, reward could be given collectively based on team performance.
  - One should keep in mind the simple following fact: each time you gave an objective on a specific performance, chances are that the entity (team or person) will focus on achieving it with less care to other part of his job. For instance, an award on the number of leaks repaired can increase the number of leaks repaired but decrease the quality of the work performed. In the end, you may have to come back to repair this leak which is

regularly the case in Chisinau (for many reasons). In other words, you need to be able to control the other indicators of the work to assess that the achievement of the objective does not affect too much other part of the job.

#### **4.3.5. GOOD PRACTICES FOR THE SHIFT FROM ONE SALARY GRID TO ANOTHER**

Experience from Veolia in Eastern Europe in shift in salary grid and human resources management shows that to be successful and to create some motivation among the Company, this process needs to be associated with good internal communication and dialogue with representatives of the staff.

For the shift from one system to another, good practices suggest that:

1. the general policy and grid should be negotiated and validated by the representatives of the staff (Trade Union) and general direction (including HR Director of course)
2. and enforced keeping whenever possible the same level of salary and position for each salary
3. amendment to the contract showing the existing salary in the existing salary system and the new salary in the new system should be signed by the employee

For the second step above, it may appear that some employees have a salary that goes over the grid range of the qualification. In this case, there are two options:

1. the employee accepts the decrease in salary
2. the employee refuses the decrease of the salary. Here, it is recommended (good practices) to deal with this type of situation with a position redistribution committee involving representatives of all stakeholders (similar committee as the one presented earlier). In many countries, the employees can refuse up to 2 to 3 jobs corresponding to his / her salary before being fired

In addition to this salary grid, additional bonuses, compensations or premiums could be added to the fixed salary. In the water sector business, the two main items that must be addressed are overtime and on duty missions.

It is recommended to limit the bonuses to a few of them to maintain a simple salary policy. Existing bonuses could be integrated into the fixed salary to simplify the existing structure.



## 5. HUMAN RESOURCES STRENGTHENING THROUGH VOCATIONAL TRAINING

### 5.1. CURRENT SITUATION (QUICK REMINDER)

The staff training plans are developed within the HRD. According to the 2009 and 2010 plans, trainings were scheduled for the following fields:

- Occupational health and safety
- Industrial safety
- Maintenance and constant improvement of the IMS (integrated management system)
- Technical and professional training

In 2010, the training plan was completed with the life-long professional training of trainers, lectors and internal tutors.

The training budget in 2009 was of about 480,000 lei and in 2010 of 564,700 lei.

According to the requirements of Art. 213 (3) of the Moldavian Labour Code, the professional training budget should have been at least 2% of the salary fund of the company, i.e. 2,200,000 lei for 2009 and 2,500,000 for 2010.

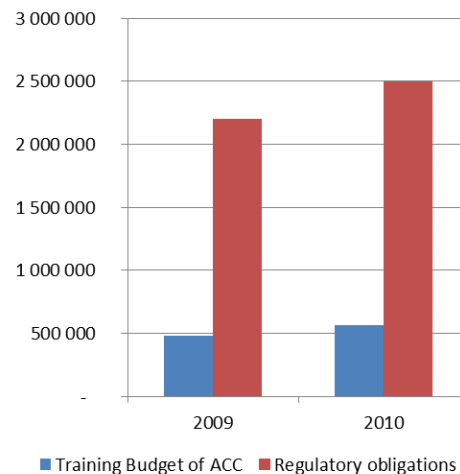


Figure 5-1: Comparison between training budget of ACC and its obligations

It must be added that the professional training was limited just to obtaining the necessary approvals for performing the activity on certain positions.

### 5.2. COMMENTS AND SHORTCOMINGS

Few elements can explain the fact that few training sessions are performed:

- Lack of funding
- Average turnover within ACC is quite low
- Organization by function with specialized people and low functional mobility

- Old and experienced staff
- Implementation of new technology supported new staff with required skills (?)

## 5.3. RECOMMENDATIONS

### 5.3.1. DEFINE A TRAINING AND CAPACITY BUILDING STRATEGY

#### 5.3.1.1. General recommendations

Based on experience in Romania in similar water utility with investment coming, the main recommendations regarding training are the following:

2. Training to operate the new equipment and work with new technology
  - > Objective: Go with the investment
3. Training to change the culture of the Company and introduce good practices
  - > Objective: Take advantage of the structural changes to change mentality and make the shift toward a customer orientated company and bring additional professionalism (introduce good practices, respect of safety rules, etc.). In other words, send key messages

Both types of training will be attended by technical and non-technical staff.

The first types of training will address new equipment and technology on technical components (new chlorination devices, new pumps, etc...) and soft skills (new software, introduction of computers in some parts of the company with associated needs for basic computer skills, etc...).

Both training could be outsourced to providers (for technical device and software) or training providers (for basic computer skills for instance). Advantages of externalization are cost effectiveness and the fact that people from ACC may be mixed with staff from other business and this could bring some emulation. However, in this type of training, the specificities of ACC shall not be forgotten and part of the training session should be customized in collaboration with ACC.

The second types of training could either be outsourced or internalized. A mix of both options with external interventions in internalized training sessions is also an option. This mix option could be interesting to train people on customer orientated behaviour in front of clients for instance.

Good practices on how to build training strategy and programmes are presented in the following paragraphs.

At this point, it is important to say that training may become a bad investment if:

1. most of the trainees are on the verge of retirement
2. as soon as they are trained trainees quit ACC to find a better job in Moldova or abroad

**3. skills taught is not applied in the following days or months**

Point (2) should be considered even if it is very difficult to address it. One way to address it is to have employees signed amendment to their contract “forcing them” (if legally possible) to stay a pre-defined time after the training. This shall be enforced in particular with expensive training.

To overcome point (3), training session shall provide appropriate materials as the booklet presented below that summarize the main teachings from the training sessions. But to be more efficient, training sessions shall be attended with the approval of the manager of the trainee (of course) and the manager should be able to understand the content of the training and so that he can put the new trained employee in the appropriate conditions to apply its new skills.

**5.3.1.1. Training for managers**

Another issue is the training of the current management of the Company. Current managers of the Company are experienced in the water business and in ACC. They were trained in the best Moldovan Universities. However, they may lack experience in management of private company with a more business and customer orientated state of mind.

To familiarize them with it and have them adhere to it, it can be interesting to organize exchanges of managers with other water utility management companies in the Caucasus region or in Eastern Europe (Romania, Czech Republic, etc.). Those exchanges should at least last 2 weeks to have an appropriate immersion.

**5.3.1.2. Internalize or outsource**

From the above mentioned training options and others, a matrix could be built to help in decision making process:

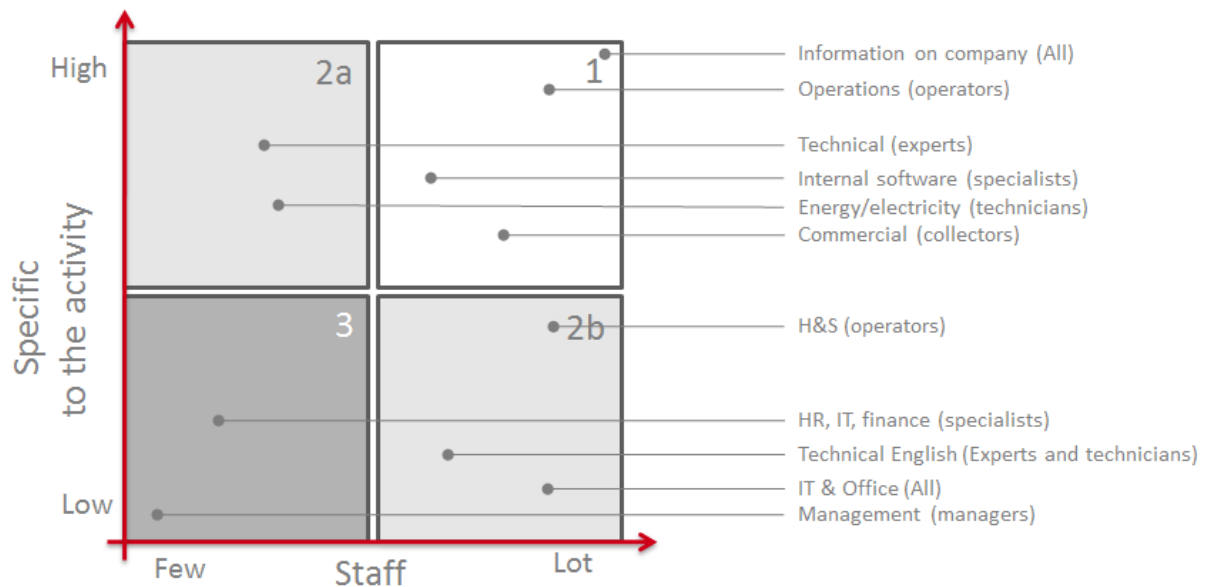


Figure 5-2: Training matrix with staff versus activity

The various areas of the matrix can be analysed like this:

- 1 : Internalize core business training (FIRST PRIORITY)
- 2a: Build partnerships (e.g. University, providers, etc.) or outsource
- 2b: Outsource or internalize according to potential savings
- 3: Outsource

In the next paragraphs of this chapter, focus was put on core business training and how to build them if ACC chose this path.

### 5.3.1.3. Have our own training center?

Considering the current size of ACC, having a small training center could be an option.

Both French / Romanian company that are part of Veolia built their own training center to improve or modify existing practices and bring more professionalism in their teams.

For example, For ANB, the training center consists in:

- one classroom (without model for now) for theoretical courses
- one outdoor platform for practical courses on works on networks

Some theoretical courses are done directly on the field using equipment as models. However, no practical works by the students are performed on real installations. To overcome this, a system of mentoring can be implemented to have real on-the-job experience. This option is presented later in the report.

At this point, it can also be said that having one classroom can be interesting even for outsourced training.

In addition to this one interesting set up is to have two small classrooms that could merge in a bigger one for more important session.

Examples of classroom setups with models where both theoretical and practical courses could be performed are presented below:



Figure 5-3: Typical polyvalent IT classrooms set-up

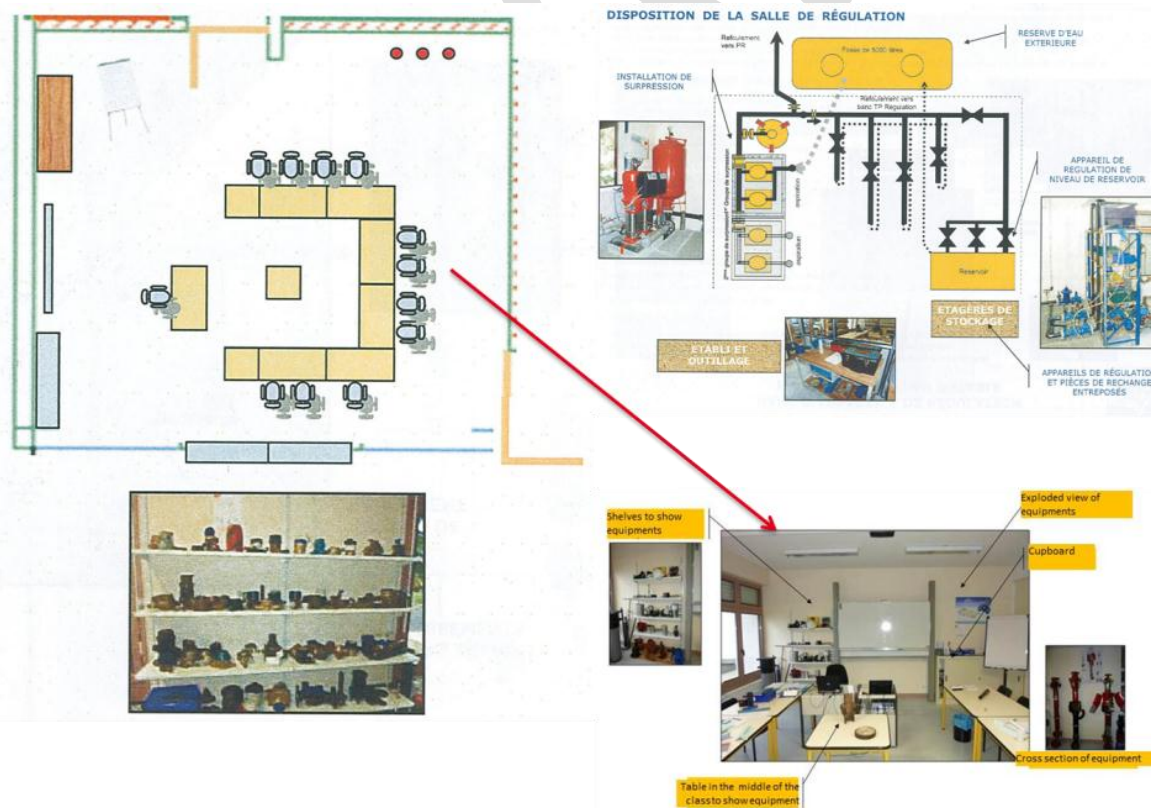


Figure 5-4: Set-up for practical works on water networks

Examples of outdoor platform setups are presented below.

### Technical platform on various campuses



Figure 5-5: Set-up for outdoor platform for water network

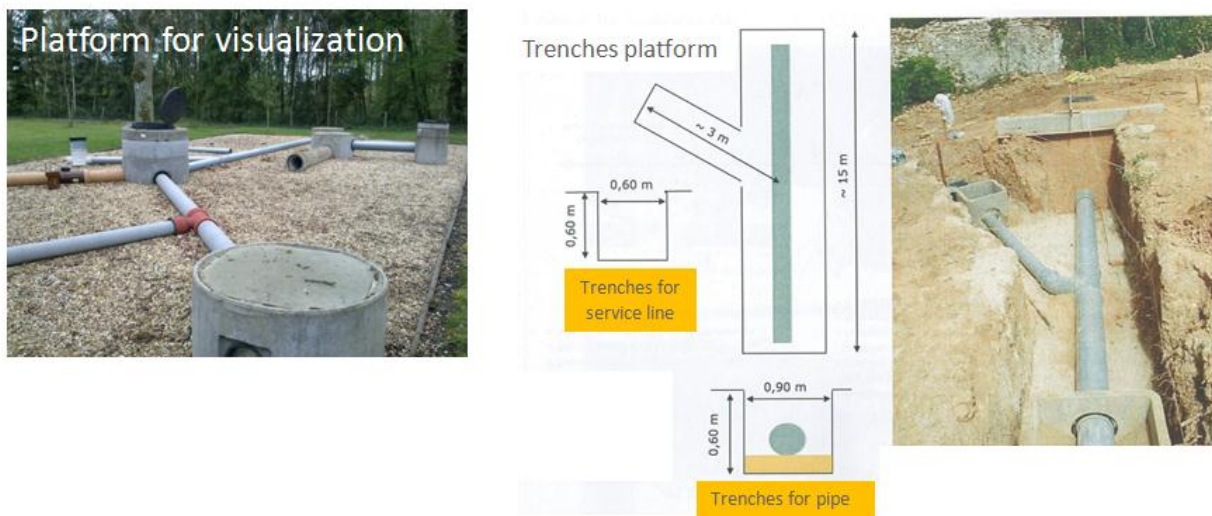


Figure 5-6: Set-up for outdoor platform for waste water network

Examples of models simulating the functioning of installations are presented below. They are very useful for practical works. However, it must be said that they can be quite expensive.



*Figure 5-7: Example of models*

An alternative to training staff on core business activities training would be to outsource this training to another water utility. Considering that ANB is quite close to ACC in terms of distance, it can be considered as a potential training provider either in Bucharest, trainees going there, or in Chisinau, trainers coming here.

### **5.3.2. IMPLEMENT GOOD PRACTICES FOR TRAINING PROGRAMMES BUILDING**

As said earlier, even if you want to outsource training, you will need to work with the training provider to customize or tailor part of the training to the specific needs of your staff. The following figure gives an overview of the steps to tailor a training programme:

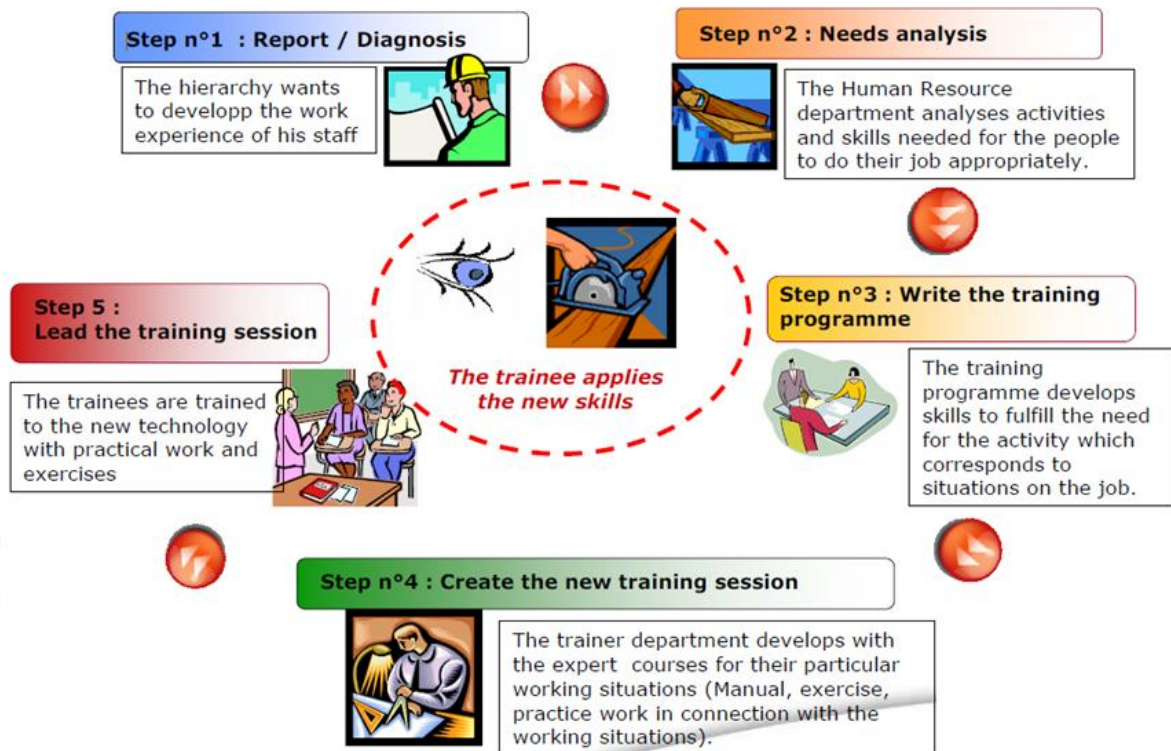


Figure 5-8: Step to build up a training programme

More details on how to set up training systems and the steps presented above are provided in the following paragraphs.

Most of the elements presented in the following paragraphs come from Veolia Campus experience. Its legitimacy on the subject is founded on a network of 20 training centers around the world dedicated to environmental services. More elements on Veolia Campus can be found on their website: <http://www.campus.veolia.com/en/>.

### 5.3.3. IDENTIFY AND ANALYSE NEEDS

#### 5.3.3.1. Generalities

To define a coherent strategy for the Company in terms of training, the population at stake must be analysed as various types of staff implies various types of training.

The following elements are given based on the existing knowledge of the company and on our experience in similar water utility. It may need to be refined with deeper insights on ACC human resources. As a consequence, the first approach proposed may be a bit broad and too ambitious to begin with. One of the elements that need to be refined is the understanding of the most urgent needs in terms of skills. This could be assessed with performance and skills assessment described later in this report.



Within ACC organization different type of population can be identified<sup>19</sup>:

- Operators
  - Network (DW and/or WW)
  - Installations (DW headworks and treatment)
  - Installations (WWTP)
- Technicians including Electro-mechanic
  - Network (DW and/or WW)
  - Installations (DW headworks and treatment)
  - Installations (WWTP)
- Commercial and Call Center staffs
- Middle management
- Managers
- Experts
- Head Office staffs

In this report the focus is put on operational teams from operators to middle management in the above list.

#### 5.3.3.1. Focus on operations

In the operations, two big areas of activity or main paths in core business can be identified:

- Technical
- Commercial

The population at stake on operations is detailed hereafter:

- In Operations (see details after)
  - 3 levels of qualification (Team Leader, Technician, Operator)
  - With various types of activity
  - Specific strategy for training is needed
- In Commercial department: water meter reader and cash collectors
  - 2 levels of qualification with one unique type of staffs
  - With one “single” activity
  - Simple strategy could be built

#### 5.3.3.2. Team Leaders and training

The training of team leaders can bring a good leverage effect because of the following reasons:

- Relatively small population
- Impact can be expected on technician and operators through know-how transfer and management on:
  - New technology, equipment and tools brought by investments

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<sup>19</sup> categories from benchmark from vocational training center in water utility activity

- Good practices
- Safety rules
- ACC Integrated Quality Management System
- Train should be done according to future organization
- Broad training on various activities
- Focus on specific points during training if needed

#### 5.3.3.3. Technicians and training

Technicians are very qualified staffs that need a very specific training:

- Preliminary identification of best potential trainees
- Focus on key aspects to
  - Bring new technology
  - Lower OPEX
  - Raise quality on critical skills (electricity)
  - Have people aware of safety rule
  - Familiarize people with ACC Integrated Quality Management System
- Specific skills cannot be brought through know-how transfer
- IT on this staff category in the future

#### 5.3.3.4. Operators and training

Training of operators raises the following issues:

- Higher number of staffs
- Preliminary identification of best potential trainees
- Focus on key aspects to
  - Bring new technology
  - Lower OPEX
  - Raise quality on critical skills (works)
  - Have people aware of safety rule
  - Familiarize people with ACC Integrated Quality Management System
- Skills brought by team leaders through know-how transfer could be considered

### 5.3.4. BUILD A STRATEGY (FIRST APPROACH) FOR CORE BUSINESS ACTIVITY

#### 5.3.4.1. Strategy for operations

Considering the above, priority could be put on team leaders on the short and medium term. The following strategy is suggested:

- Training for Team Leaders on following skills (not exhaustive)
  - Maintain drinking water quality within the network
  - Master a pipes laying worksite
  - Master leaks repair
  - Master valves, fittings and control equipment laying
  - Organize the maintenance on drinking water network

- Determine and carry out a water connection
- Training for Technicians on new technology on production and treatment facilities

Concerning commercial activity, the following strategy is suggested:

- Training for Commercial staff on the field (not exhaustive)
  - Know your position in water business
  - Perform meter reading
  - Ensure good relations with customers
  - Use common templates
  - Know the policy about salary and incentives
  - Know and enforce ACC policy regarding customers relations
- Training for Call Center staff (not exhaustive)
  - Know your position in water business
  - Know and enforce ACC policy regarding customers relations
  - Ensure good relations with customers
  - Use common templates
  - Manage simple and difficult calls and written claims

#### 5.3.4.2. Strategy for non-technical staff

At administrative positions, it appears that there is a lack of knowledge regarding the water business. Considering this, the following strategy is suggested:

- Training for non-technical staff regarding ACC activity and business – expected skills (not exhaustive)
  - Know the course of water within the city
  - Know the steps of water and waste water processes and networks
  - Know your position in your professional environment
- Training for managers regarding ACC activity and business – expected skills (not exhaustive)
  - Identify and understand infrastructures at stake in water utility
  - Know the evolution of the activity and the strategy in the sector
  - Know skills and jobs and perform skill analysis and individual interviews
  - Know stakeholders involved (consultants, works companies, etc...)
  - Know the new technologies of the sector
- Training for specific implemented software

#### 5.3.4.1. Strategy for newly hired people

The training for non-technical staff presented in the previous paragraph could be considered as a basis for an integration session for newly hired people.

The format of these sessions would last 3 to 5 days and be attended by mixed group of 15 to 30 persons. It would consist in:

- Presenting the mission of ACC by top management

- Presenting the strategic vision for next 5 years by top management
- Describing the steps of water and waste water processes and networks in Chisinau
- Visiting key facilities (water production facilities, waste water treatment plant, call center, etc.)

### 5.3.5. BUILD THE TRAINING CATALOG

This stage is still important even if you chose to outsource all training in ACC. It will help human resources to:

- choose between several training sessions in training providers catalog
- OR to define the tender documents for an integrated solution provided by a specialized company.

To build the training catalog, the following steps are suggested:

- Involve stakeholders but work with focus group
- Set your expectations for everybody
- Work with action verbs not generalities
- Clarify findings and build up the catalog

#### 5.3.5.1. Involvement of stakeholders

The involvement of all the stakeholders is very important to collect and define needs and set performance through focus groups.

The focus group should consist in 3 to 5 recognized experts or managers from the different group of stakeholder. Those are presented listed below along with the expectations from the focus group:

- Technical and Operational Departments
  - Identify weaknesses and on the job typical and critical situations
  - Define activity and expected skills of each type of operators
  - Give inputs on good practices
  - Work with training center to build contents of courses
- Health and Safety Department
  - Identify the regulatory obligations
  - Define good practices
- Call Center or Commercial Department
  - Identify weaknesses and on the job typical and critical situations
  - Define activity and expected skills of each type of operators
- Billing Department
  - Identify weaknesses and on the job typical and critical situations
  - Define activity and expected skills of each type of operators

- Technical Department
- Procurement and Investment Department
  - Identify future needs on future projects
  - Have providers involve in training courses building process
- All administrative Departments

Needs and performance should be defined for:

- Every type of activity
  - Operational
  - Commercial
  - Administrative
- And level of staff:
  - Operators
  - Specialists
  - Manager
  - Experts

#### **5.3.5.2. Focus group and training session specifications**

A general recommendation for the work in focus group is to work with action verbs not generalities and to rephrase needs into skills and pedagogical goals.

An example is provided below:

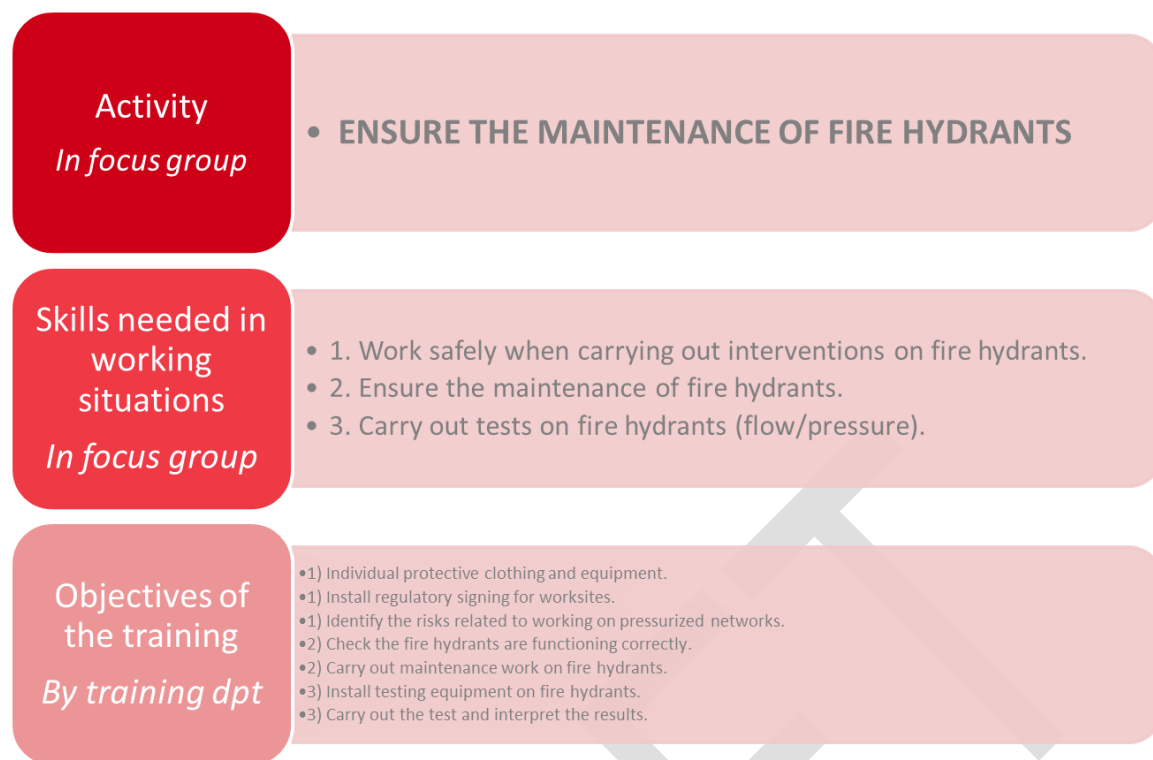


Figure 5-9: Example of work of focus group to define a training session

After this first works in focus groups, the training course could be defined by the training department through clarifications of findings and then the catalog of training courses can be built up:

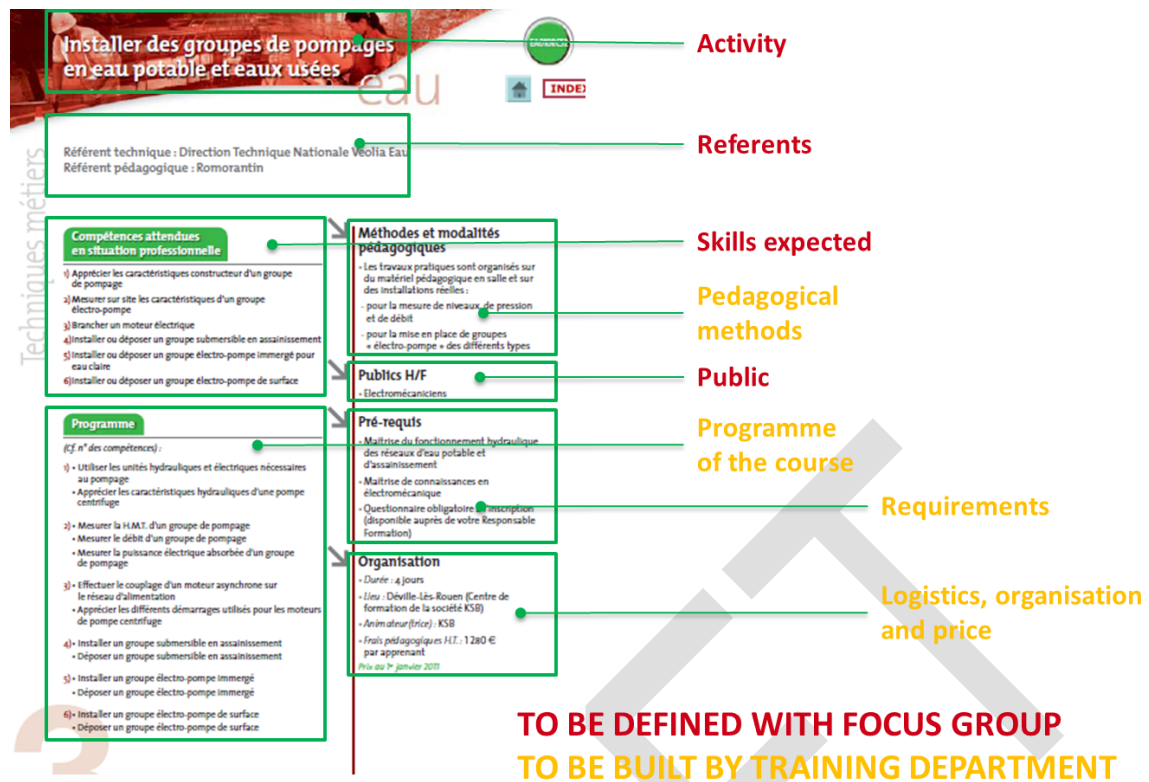


Figure 5-10: Typical training course description

### 5.3.6. CREATE TRAINING SESSION

This paragraph (Create training session) and the following (Lead the training session) are more specific to the internalized training option. However, good practices such as systematic evaluation could be asked for to training providers.

This systematic evaluation process could allow ACC to evaluate the quality of the training sessions and / or to select trainees. In this case, ACC may even build this evaluation questionnaire by itself.

#### 5.3.6.1. Key factors of success for efficient training

The key factors of success for an efficient training are the following:

- Identify installations operated
- Identify operations performed
- Identify equipment used
- Identify H&S issues (to be considered within each one of the first steps)
- Define requirements for training

#### 5.3.6.2. Adapt training to skills

Adapting training to skills allow the trainers to invest wisely because if the training cannot be assimilated by the trainees (because he already knows the content or because the level is too high), it is useless.

Therefore a questionnaire should be used on target population. According to the results (see below), the following contents should be developed for the course:

- Easy assimilation → training includes necessary knowledge → **REVIEW CONCEPT**
- Too high → explain knowledge with a very operational focus in a very visual way → **WHAT DO THEY NEED ON THE GROUND TO DO THEIR JOB WELL?**
- Preliminary knowledge essential to master the target skill → Advance training will be provided → **OTHER COURSE**

Example of questionnaire is provided below:


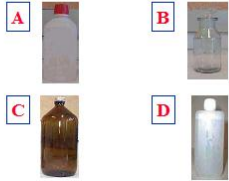
<p>27 - A SAMPLE MUST BE KEPT COOL TO:</p> <p><input type="checkbox"/> To minimize biological activity</p> <p><input type="checkbox"/> To meet the laboratory deadline</p> <p><input type="checkbox"/> To allow correct scheduling of the rounds</p> 	<p>4 - WHICH SAMPLE BOTTLE(S) IS USED FOR A WATER TASTING SAMPLE:</p> <p><input type="checkbox"/> A</p> <p><input type="checkbox"/> B</p> <p><input type="checkbox"/> C</p> <p><input type="checkbox"/> D</p> 
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Figure 5-11: Example of questionnaire for the evaluation of trainees

### 5.3.6.3. Define Teaching methods and materials

#### *Assessment of existing methods and materials*

The teaching methods should get along with existing teaching practices and cultural references and could rely on existing training materials such as:

- In-house technical departments
- Ministries (Environment, Education, Health, etc.)
- National or regional institutions linked with water jobs, safety, etc.
- Specialized editions (books, videos, CD-ROM, etc.)

#### *Evaluation*

The evaluation of the improvement of the trainees after the training session allow the trainer to improve is training session. So evaluation should be performed at several stages:

- During training
- Just after the training
  - Organization of a follow-up and field backup
  - Validation of acquired skills by the personnel
  - Recording of the training process
- Longer term



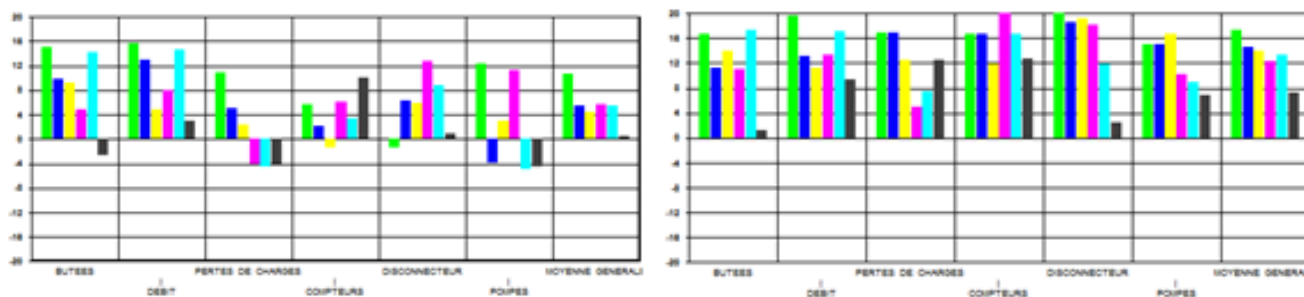


Figure 5-12: Example of results of evaluation before (right) and after (left) training

### Elements to be built for one session

Each should bring:

- know-how now
- tool box tomorrow

The best practices suggest that each course is supported by the following materials:

Table 5-1: Content of a training course according to best practices

Material	Content	Format	Target / User
Training form	Summary of the course in one page (objective, skills expected, teaching methods, etc.)	Leaflet	Manager Trainee
Schedule and organization of the training	Excel file with the sequences of the training session.	Schedule / table	Trainer
Visual support for the course	The support of the course is generally a mix of slideshow, installation, equipment, etc.	Slideshow / installation / equipment	Trainer / Trainee
Technical Guide	Tool box including short form and technical manual		
Exercises	Exercise when calculation is involved	Handbook on A5 paper (see below)	Trainer
Practical Works	Details of practical works		
Multiple Choice Question	For evaluation at beginning and end of course	MCQ	Trainer / Trainee
Multiple Choice Question answers	MCQ with answers	Completed MCQ	Trainer
Evaluation of the training session	A two parts questionnaire to allow the trainees to evaluate both the course and the trainer.	MCQ + free comment	Trainer / Trainee

### 5.3.7. LEAD THE TRAINING SESSION

Based on the elements presented above, trainers should be identified to perform training sessions.

Referent trainer shall be identified within the Company to animate training sessions. These persons should be searched for in any department of the Company (technical, administrative, financial, etc.) to gather the most relevant resources. Once identified, these persons should attend specific courses to acquire skills in pedagogy and training session animation. This training activity could be a part time job.

It may be necessary to identify trainers outside of the Company to complete the internal list of trainers. For external trainers, the Human Resources Department shall define a high level of quality at which they must stand by.

In some cases, foreign experts may be useful. However, this type of intervention shall be limited for costs reasons.

Support can come from Technical University. It is advised to build up training programmes within the Company in the frame of an agreement with the University. Exchanges shall be promoted with it to benefit from their technical installations and teachers. To strengthen the agreement, it is suggested to promote within the vocational centre one or two applied research programmes supported by the own programmes of the University.

### **5.3.8. ALTERNATIVE TO CLASSICAL APPROACH: MENTORING**

As said earlier, mentoring could be a very good alternative to classical training session. The purpose of this paragraph is not to prepare a programme but to present the main principles and key factors of success based on our experience:

- Mentoring is a series of short (few hours) on-the-job training sessions over a limited period of time (3 to 6 months)
- These training sessions are attended by one mentee and one mentor
- The first objective is to perform a know-how transfer from the mentor to the mentee
- The second objective is to create a relation between two employees allowing them to share their experience over a period of time
- In a way, this second objective is the same as the objective of the booklet given at every training session according to good practices presented before
- It is a moral and formalized contract between two employees of the Company: one mentor and one mentee
- Mentoring can be performed at every level in ACC (from managers to operators)
- Mentoring can be a good way to integrate new recruit into ACC
- A specific training of the mentor on mentoring (equivalent of a training of trainers) have to be performed
- An explanation on the principles, rules and outcomes of any mentoring programmes should be explained to both mentor and mentee
- Building the mentoring programme follows the same steps as the ones presented in Build a training catalog paragraph
  - Each mentoring sessions shall be set to address one specific issue
  - It can be about sharing experience through discussion on recent problems even unsolved for mentees and on many solved problems with different types of situations and
  - It can be about working on a specific event or interventions in real job situation
  - It can be about theoretical explanations even if this type of training is not very appropriate or cost effective for this type of learning

- The schedule of the training sessions shall be set up at the beginning of the programme and can follow specific events associated to the job
- Each sessions shall be evaluated by both mentors and mentees
- Between training sessions, mentors and mentees go back to their job but the mentees are welcome to ask questions to the mentors on specific situations
- Direct hierarchical relations between mentors and mentees shall be avoided

It must be said at this point that a successful mentoring programme relies on the adherence of mentors and mentees to the spirit of mentoring and on the relationship between mentors and mentees. As a consequence, it is more difficult to set up mentoring than classical training sessions.

### 5.3.9. SET KPI FOR TRAINING

Key performance indicators at ACC scale for training could be:

- budget dedicated to training in terms of % of annual payroll
- h of training sessions attended per year and per staffs

International standards suggest that an amount equivalent to 1% of annual payroll<sup>20</sup> should be dedicated to training, e.g. 1,250,000 MDL in the case of ACC. Progressively, the level requested by Moldovan law should be reached.

In addition to this financial indicator, the second one is focused on pedagogy: h of training sessions attended per year and per staffs. In this case, a first goal can be 5 h of training per year and per staff and then in 2015, 10 h.

This indicator can be broken down into categories of staff to have more insight on who benefit from training.

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<sup>20</sup> 0,45 % for 2010 for the Company.