

Issues of the remuneration system in the selected company

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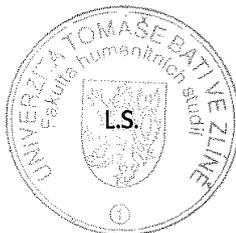
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ABSTRAKT

Tato bakalářská práce se zabývá problematikou odměňování zaměstnanců a jejich motivací k lepším pracovním výkonům. V první části práce jsou uvedeny teoretické poznatky a pojmy z dané oblasti. V druhé části je představena konkrétní společnost JMA Hodonín, její zaměstnanci a na základě provedeného dotazníkového šetření a získaných teoretických poznatků provedena analýza současného systému odměňování. V závěru jsou uvedena doporučení na zlepšení dosavadního systému odměňování, která by mohla vést k vyšší motivaci a spokojenosti zaměstnanců.

Klíčová slova: peněžní odměna, nepeněžní odměna, mzda, plat, zaměstnanecké benefity, dotazníkové šetření

ABSTRACT

This bachelor thesis deals with the issues of the employee remuneration and their motivation to a higher work performance. The first part includes theoretical findings and terms from the area. In the second part a concrete company JMA Hodonín and its employees are presented and an analysis of the current remuneration system is executed on the basis of the questionnaire research and acquired theoretical findings. In the last part there are mentioned recommendations for improving the current remuneration system which could lead to higher employee motivation and satisfaction.

Keywords: monetary remuneration, non-monetary remuneration, wage, salary, employee benefits, questionnaire research

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INTRODUCTION

The employees are one of the most important components of the company and the way of their remunerating expressively influences their attitude to the company and their work performance. Correctly motivated employee is highly productive, indulges himself in his job and is loyal to the company.

Therefore a fair and motivating remuneration system has a key role in employees' satisfaction. This system should be made-to-measure exactly for a concrete organization and it should be perceived as a fair system by the employees. An optimally adjusted system will attract new qualified employees, stabilize the current employees and it will also meliorate company competitiveness.

A subject matter of my bachelor thesis is to evaluate the current remuneration system in the company JMA Hodonín and find suitable methods for its improvement. A questionnaire research was used for acquiring employees' opinions on the remuneration system. The aim of my work is to suggest an improvement of current company remuneration system in order to correspond with employees' requirements and to be more motivating for them.

Because the employees' work performance can decline without proper motivation, the company should for its own sake aspire to have as effective a remuneration system as possible. Contrariwise if the employees know that they will be properly remunerated for a high performance there is a large probability that they will endeavour to achieve this performance.

Hence a basis of human resource management should be not just recruitment of new suitable and qualified employees, but also a care of their needs and their development as only satisfied employee will try to do the highest performance they are capable of.

I. THEORY

1 REMUNARATION SYSTEM AND ITS TASKS

The most important aspect in employee remuneration is, if people are rewarded in compliance with a value they present for the organization. Remuneration system deals with both monetary remuneration and non-monetary remuneration and involves philosophy, strategy, policy, plans and procedures which organizations use on behalf of development and maintenance of the remuneration system.

Remuneration system consists of monetary remunerations (fixed and flexible wages and salaries) and employee's benefits, which in total form the overall remuneration. System also includes non-monetary remuneration (recognition, award, success and personal growth) and in many cases processes of controlling the work performance. (Armstrong 2007)

Components of employee's remuneration:

- *Basic monetary remuneration* is fixed wage or salary, which is formed by tariff for certain work or post in the organization. Basic monetary remuneration can be used as a basis for determination of additional remunerations in dependent on performance, skills or abilities. It can be also a determinant for pension claims and life insurance in case they are bound to monetary remuneration.
- *Additions to monetary remuneration* can be provided in addition to basic monetary remuneration. They relate to performance, abilities or skills (length of practice). If these payments are not involved in basic remuneration, they are designated as "a flexible components of wage or salary".
- *Employee's benefits* also known as indirect remunerations include retirement pension, sick allowances, insurance settlement or company car. This type of remuneration is provided in addition to other forms of remuneration and involves such as provisions which are not remuneration to all intents and purposes, e.g. convalescence leave.
- *Non-monetary remunerations* include any remuneration which is focused on people's needs and which is related to achieving certain result level, recognition, responsibility, influence of personal growth. (Armstrong 2007)

In present times organizations have at disposal a wide range of various instruments, which can be used in creation of remuneration system. If this system is supposed to be adequate, fair and motivating, it should be created according the

organization's needs to comply with its specifics as well as satisfying employee's needs. (Joniaková, Kachaňáková and Nachtmannová 2008)

Organizations pursue in remuneration primarily these aims:

- Attract requisite number of applicants for a job in required qualification structure and quality.
 - Stabilize efficient employees and secure their willingness to give high performance.
 - Contribute to achieve organization's competitiveness on market.
 - By means of remuneration system shape collective team with sound employee and interpersonal relations, which will be able realize aims of organization.
 - Secure a cost rationality and efficiency with regard to organization's possibilities.
- (Koubek 2003)

Employees require from remuneration system:

- Satisfaction of their own needs.
- Feel of fairness in remuneration, which is often favored before an absolute high of wage.
- Social security, perspective and possibility of future earnings.
- Possibility of self-fulfillment. (Koubek 2003)

In creating remuneration system in organization there is need to consider amount of factors which have direct influence on employee's remuneration.

External factors, which influence organization's decisions making are especially general economical situation and situation on labor market. Level of existing competition forces organization to regulate their wage level to retain high competitiveness and acquire sufficient number of qualified work forces. In creation of their own remuneration systems organizations are obliged to respect legislative restriction and social customs and expectations.

Internal factors influencing remuneration are organization's strategy, culture and values. Remuneration system enables organization to promote such as type of employee's behavior, which is in conformity with its aims and strategy. Indispensable is also influence of organization's economic status, its competitiveness and its

technical level, which directly determine level of sources for employee remuneration.
(Joniaková, Kachaňáková and Nachtmannová 2008)

2 WAGE FORMS

Wage forms are instruments which enable organization to financially evaluate results of work and working behavior of its employees, thereby enhancing the motivational effect of its wage system. This evaluation is based on employee's performance of required work. Wage practice distinguishes relatively large number of wage forms and their modifications which mutually differentiate with their stimulating possibilities and effects on employees. Organization's task is to include in its system such combination of wage forms which will be most suitable to its own needs as well as employee's needs. The choice of a proper wage form can affect the efficiency of wage system and is the source of contrast in functionality of particular systems. (Joniaková, Kachaňáková and Nachtmannová 2008)

2.1 Basic wage forms

Basic wage forms are used independently and form the base of employee's remuneration.

2.1.1 Time wage and salary

Time wage and salary have the form of hourly wage, weekly wage or monthly wage which employee gets for his work. With workers it is called hourly salary, with other personnel it is monthly wage. Time wage and salary is the most widely used basic wage form and forms a major part of employee's remuneration. On its base employees perceive fairness and comparability of remuneration system in an organization. For that reason time wage and salary create organization's reputation as an employer. The main task of time wage and salary system is to generate a structure and system for comparable remuneration of employees, depending on their work and work performance.

Advantages:

- Simple and organizationally unpretentious form.
- It makes it easier to anticipate job costs.
- It is more intelligible to employees and poses security of income for them.

Disadvantages:

- In net form it generates insufficient pressure on improving employee's effectiveness and productiveness. (Koubek 2002)

2.1.2 Task wage

Task wage is the simplest and most commonly used type of incentive form. This form of remuneration dominated for a long time in remuneration of industrial work people. Even though its significance recedes in recent times, it is still widely used and constitutes the base for derived wage systems. (Joniaková, Kachaňáková and Nachtmannová 2008)

Employees are paid certain amount of money for each unit of work they have done. This remuneration is usually based on what is considered to be fair remuneration for an average employee.

Advantages:

- Strong incentive effect, because employees see the bond between their work and their earnings.
- There is less need of employee's direct supervision.
- It has a positive impact upon the growth of productivity and reducing job costs.

Disadvantages:

- Higher costs related to implementation and usage since there is need to create standards for each individual task and to systematically observe the results of each employee.
- Standards of job performance and their changes can entail conflicts with employees and labor unions, which can have a negative effect on employee relations.
- There is small employee's willingness to cooperate and help others, unwillingness to train new employees. (Koubek 2002)

2.1.3 Commission plan

Commission plan is applied in business activities or in some services. It has three forms:

- a) Employee's remuneration is wholly dependent on the amount of sold goods. In this case we speak about *direct commission plan*.
- b) Employee has guaranteed basic salary and in addition he gets commission for sold goods.
- c) Employee gets monthly advance on salary which is subtracted from his commission. In this case it is *back-up commission plan*.

Advantages:

- Direct relation between remuneration and performed work.

Disadvantages:

- Amount of remuneration can be affected by factors which employee can not control.
- Employee's effort to get the highest commission can lead to usage of unethical ways of selling. (Koubek 2002)

2.1.4 Wages for expected results

Wages for expected results or also quota wages belong to less-known wage forms. It is remuneration for agreed work, which employee is bound to do for the organization in certain time, certain quantity and quality. Whereas organization knows employee's working skills, it justly expects that employee will reach the target and continuously pays him a fixed amount of money which includes certain efficiency unit. Employee has secured income during the agreed term and after its expiration the organization evaluates accomplished results.

Wages for expected results can have three forms:

a) Contractual payment

It is characterized by a paragraph about wages for expected results.

Advantages:

- Clear connection between remuneration and work done.
- Employee's participation in determination of final task.

Disadvantages:

- Difficult for stipulation and revision of standardized job time.
- Need of regular observation of standardized and actual times and calculation of percentage of used time. (Koubek 2002)

b) Wage with daily measured worker performance

Wage with daily measured worker performance is such a wage form in which the employee has a fixed amount of money differentiated on the basis of work evaluation. His work performance is systematically observed and in case of need he is motivated by his superior to improve his work performance. Instruments for evaluation is daily and weekly data about work performance.

Advantages:

- Employee has guaranteed regular remuneration and his performance is not under immediate pressure of remuneration.
- Function of direct superior is increasing and his attention is oriented on worker performance.
- Performance fluctuation is solved operationally hence it does not have a longer-ranged impact upon organization.

Disadvantages:

- Flexibility of recognition and analysis of actual and accurate information about the work performance of each employee is very difficult.
- It requires computer security and observation of performance analysis.
- It is difficult for preparation. (Koubek 2002)

c) Programmed wage

Programmed wage is characterized by giving employees a regular amount of money for a period of performing the agreed program. After employee completes the program in time and in corresponding quantity and quality he is paid the agreed wage containing a certain part of flexible unit which can be reduced in case of not fulfilling all requirements.

Advantages:

- Employee has guaranteed regular remuneration and his performance is not under immediate pressure of remuneration.
- Employee's participation in discussion of program.
- Pressure of other people on the performance of an individual.

Disadvantages:

- It is difficult for preparation.
- Necessity of creating efficiently homogeneous group. (Koubek 2002)

2.1.5 Wages for knowledge and skills

This relatively new wage form bonds the remuneration on employee's ability to expertly and effectively perform tasks of different work posts. In present times we use three approaches:

- a) *Hierarchic model* which orders knowledge and skills hierarchically so that more complicated knowledge and skills create a super-structure above the previous knowledge and skills. Employees start on the first step of this ladder and by mastering each next step they get higher wage.
- b) *Building block's model* assumes that different knowledge and skills are independent on each other and employee can master them in any order. Employees usually start on some entry block and mastering other blocks is dependent on organization's needs or employee's interests.
- c) *Point increased model* is similar to the previous model. Employee gets points for mastering knowledge and skills. Each group of knowledge and skills has different point value.

Advantages:

- This wage form supports employee's flexibility and preparedness for changes, thereby organization's flexibility.
- It contributes to mutual substitutability of employees and facilitates succession in functions.
- It facilitates implementing of new technology and quick changes of assortment of goods.

Disadvantages:

- It is a more expensive way of remuneration and invokes pressure on education and development costs.
- Possibility of not using some knowledge and skills thereupon their lost. (Koubek 2002)

2.2 Additional wage forms

Additional wage forms exist like various rewards, bonuses and shares of organization's income which are characteristic by not being used separately but in combination with basic wage forms. Their purpose is to intensify the bond between remuneration and work performance thereby increasing their total motivation effect. (Joniaková, Kachaňáková and Nachtmannová 2008)

2.2.1 Bonus for time saving

Employee is rewarded for performing the required amount of work in shorter time than a determined standard. These bonuses are suitable for manual workers. There are three types of these bonuses.

- *Halsey's premium system* when an employee is paid the guaranteed hourly wage plus a bonus for time saving, if he performs the required amount of work in shorter time. In this case he gets an added percentage of the hourly tariff.
- *Rowan's system* differs from Hasley's system in the way that percentage paid for time saving is not fixed but dependent on the amount of the saved time.
- *Bedaux's system* is based on a standardized unit of measuring. Bonus is determined according the number of units performed above the quota during a given time limit. (Koubek 2002)

2.2.2 Premiums

Premiums are typical and widely used incentive forms. They are provided in addition to the time wage or task wage. There are two kinds of premiums:

- *Periodically repetitive premium* for an elapsed time with a clear dependency on performed work. Criteria are stipulated in advance and premium is generally connected with the completion of a certain indicator. It has a predefined tariff and is bound to predetermined time.
- *One time premium* is a bonus granted for extraordinary performance, for excellent fulfillment of task work, for initiative or working behavior. The Bonus can have monetary or non-monetary form. (Koubek 2002)

2.2.3 Personal evaluation

Personal evaluation is used for evaluation complexity of the job and long-term outcomes of employees. Its size is determined by a certain percentage of the basic wage whereas there is set the percentage maximum which the employee can achieve. (Koubek 2002)

2.2.4 Shares of trading income

This form is characteristic for a business sphere and can exist in three variants:

- Share on profit
- Share on income (e.g. turnover, added value)
- Share on production (e.g. size of production, cost saving)

The most common is a share on profit, whereas the fixed percentage of profit is divided among employees. Division of this profit part is usually dependent on the amount of basic wage or salary or on the position of the work post in the hierarchical structure of the organization. (Koubek 2002)

2.2.5 Employee's shares

Employee's shares are considered to be a certain incentive form as well. Some of them are intended for managerial personell, some of them for all employees. An Organization usually offers shares for a certain prize to them, dependent on the length of their employment, their wage and organization profit. Shares can be free, tradable or non-tradable. (Koubek 2002)

2.2.6 Extra pays

Extra pays can be obligatory or optional. An Organization agrees on them with trade unions within the frame of collective bargaining, eventually the organization provides them voluntary to employees.

Obligatory extra pays: extra pay for overtime work, extra pay for a work on holiday, Saturday and Sunday, extra pay for a work in deleterious environment and extra pay for a work at night, etc.

Optional extra pays: extra pay for transport to employment, extra pay for working clothes, extra pay for housing, extra pay for language knowledge, etc. (Koubek 2002)

2.2.7 Other payments

Additional employee favouring belongs here. For example 13th wage, Christmas allowance, holidays allowance, allowance for work or life anniversary, compensation money, etc. There is an inexhaustible amount of these forms a many of them are on a boundary between work remuneration and employee's benefits. (Koubek 2002)

3 EMPLOYEE BENEFITS

“Employee benefits are elements of remuneration given in addition to the various forms of cash pay. They also include items that are not strictly remuneration, such as annual holiday.

The objectives of the employee benefits policies and practices of organization are to:

- Provide an attractive and competitive total remuneration package which both attract and retain high-quality employees.
- Provide for the personal needs of employees.
- Increase the commitment of employees to the organization.
- Provide for some people a tax-efficient method of remuneration.” (Armstrong 2003, 727)

“In other words, employee benefits are those rewards that organization provides to employees for being a member of the organization. This providing of employee benefits is rather complicated by the fact that different groups of employees often have different preferences and needs, which causes that some organizations offer flexible, or cafeteria, benefit plans. Under this approach, employees can choose from several options how they would like their benefits distribute.” (Byars and Rue 1987, 380 - 381)

3.1 Classification of employee benefits

Employee benefits are created by various range of goods and services provided from various reasons to various target groups of employees by various ways with various tax incidence. Thereupon they can be classified in light of many reasons. (Urban 2009)

3.1.1 Benefits classification in the light of reasons of their providing and target group of employees.

In the light of *reasons of providing*, the employee benefits can be classified into three groups:

- *Obligatory* benefits which the employer is obliged by law or other regulation to provide the employees.
- *Conventional* benefits embedded in a collective agreement.
- *Voluntary* benefits which are expression of a company endeavour to have satisfied employees and gain a good reputation or empower its position on a labour market.

In the light of *target groups* benefits can be classified into:

- *Individual* benefits focused on concrete people and their needs.

- *Group* benefits provided to larger groups of employees or to all employees (Urban 2009)

3.1.2 Subject classification of employee benefits

The subject classification of employee benefits is possible from many points of view but the most frequent is their division into:

- ***Employee benefits related to the work*** and usually provided in a workplace. *The most often are:* meal allowances, longer holidays, further education, allowances for traveling expenses.
- ***Material equipment and operational aids*** serving also for a personal need and whose providing is often linked to a position in the company. *The most often are:* notebook, suitcase, cell phone, home internet connection, company car, free or favoured living.
- ***Employee benefits of personal or social nature*** *The most often are:* health care (spas and curative stays), kindergarten for employee's children, vacation allowances, financial help (loans), life insurance and additional retirement insurance, company products for lower prices, etc. (Urban 2009)

3.1.3 Benefits classification in a light of a way of their provision

From this point of view the benefits can be classified into:

- *Fixed system* of benefits when the employer offers or provides the same benefits to all employees no matter if they are interested in them or not.
- *Flexible system* (cafeteria system) which is individualized according the actual needs of the employees. They have an option to choose which benefit from an available offer they want. In this offer there can be benefits such as life insurance, additional retirement insurance, longer vacation, cultural and sport allowances, etc.
- *Combination of fixed and flexible system* which can save the administration linked with cafeteria system with the benefits in which the employees are generally interested. (Urban 2009)

3.1.4 Benefits classification in a light of their tax incidences

One of the aspects which companies consider carefully when they provide their employees with the benefits is their tax aspects. From the tax point of view there can occur three situations:

- The benefit is a *tax recognizable cost and at the same time it is acquitted from a natural person income tax* from a dependent activity. To this category belong for example meal vouchers, additional retirement insurance and life insurance.
- The benefit is **not** a *tax recognizable cost and at the same time it is acquitted from a natural person income tax* from a dependent activity. This category includes cultural and sport allowances, golf courses, swimming pool, drinks at the workplace or loans.
- The benefit is **not** a *tax recognizable cost and at the same time it is not acquitted from a natural person income tax* from a dependent activity. There belong petrol cards or discounts on the goods. (Urban 2009)

3.2 The most common employee benefits in the Czech Republic

Retirement additional insurance

The Czech Republic is supporting an individual care of old-age security, that is why there was implemented an additional insurance institute, where beside an employee himself, his employer can also participate. The major reason of additional retirement insurance utilization is the risk of low-paid pension in future. Additional retirement insurance is also instrument of a long-termed saving. The basic idea is gradual saving of relatively small amounts of money thorough economically active part of life, which cumulate on client's personal account. State contributes to participants of additional retirement insurance state allowances from the state budget. Their range is dependent on participant's saving range. (Kraftová 2005)

Life insurance

Life insurance is a financial product covering the risk of death, not only in the case of death of the insured person, but also in condition of attainment of a certain age agreed in the contract. In recent times life insurance is used primarily in relation to saving, because it has certain advantages such as valorization of savings and income tax economies. (Kraftová 2005)

Meal allowances

The employer is obliged to enable all the employees to take meals, nevertheless he is not obliged to the employees on business trips. Meals can be provided in a company facility or by means of other subjects. (D'Ambrosová 2007)

In the companies which do not have their own canteen the employer can provide the employees with meal vouchers. The employees can pay with them in shops and restaurants which have a contract with a voucher provider. (Kraftová 2005)

Further education

This benefit is generally concerned in improving an employee classification, which will reflect in his performance for the benefit of the employer. This educating should be coherent with employer's enterprise to be acquitted from the income tax. The employee who takes part in some course should stay in the company for certain time. Otherwise, the employee is obliged to cover expenses connected with the course.

At present times language courses are the most common form of further education. (Kraftová 2005)

Sport, cultural and holiday allowances

- *Holidays* –The benefits provided in a form of allowance to holidays in the Czech Republic and abroad, summer camps and collective tours have a great tradition in Czech Republic. Relaxation and curative stays for the employees are currently also popular.
- *Culture* – These are most common benefits provided in form of allowance to cinema and theatre tickets, concerts, etc. Also company cultural events are typical such as a company ball, Christmas party or New Year party.
- *Sport* – Sports benefits can be divided into active and passive. Passive are primarily tickets for matches (football, hockey and others). Visits of swimming pools, tennis-courts, fitness centers are active. In recent times there is an interest in less conventional benefits such as allowances to diving, archery or paragliding.
(D'Ambrosová 2007)

Company car or company cell phone

Relatively well-known benefits are a company car and a company cell phone. These benefits subsist in allocating the car or the cell phone to the employee with the right to use it for private needs.

In a case of the company car the employee keeps a journey book in which official journeys and private journeys are differentiated and according this differentiation a cost of a fuel is charged. A similar situation is with the company cell phone where personal and work calls are distinguished in case that the employee uses the cell phone for private calls. (Kraftová 2005)

Bonuses for achieving life- or work jubilee

Bonuses to life or work jubilee can be provided in non-monetary or monetary way. Currently it is common to provide the employee in the case of his or her jubilee not by a monetary benefit but by a material remuneration in a form of cheque for goods or service purchase. (Kraftová 2005)

4 NON-MONETARY REMUNERATION

Non-monetary remunerations include any remuneration focused on human needs and they concern in achieving of a certain level of results, recognition, responsibility, authority and personal growth. (Armstrong 2007)

“In current days not just establishing competitive salary packages may be enough motivation for employees. Employers should understand motivation and the role of recognition in order to keep the best employees. Most employees desire to feel needed, valued and appreciated in their role. Effective recognition of employees and their contribution should be a priority in every business. Many employers believe that money is the primary motivator for their staff but recognition plays a critical role in employee motivation. An establishing of what motivates people is core to establishing a sound recognition or non-monetary reward program. A good example is just "saying thanks". Thanking an employee for a job well done costs nothing and is usually highly valued by the individual. Also public recognition - thanking an employee for their contribution to a project or the achievement in front of their colleagues can create a real sense of pride and 'being valued' for the employee. Employees, who are given recognition, generally take a positive view of their employer. They feel recognized and valued. People enjoy being rewarded in a way that fits in with their interests and lifestyle. The impact of thanks, praise or a well-considered reward can do great things for employee motivation and retention.” (Giles 2004)

5 MOTIVATION

The motivation is a key factor in personal management. Unless the employees are appropriately motivated they will not perform their work effectively. Motivation is accumulation of energy to achieve a certain goal and fulfill a certain needs.

5.1 Types of motivation

Motivation is divided into two groups:

- **Internal motivation** (motive) comes from the employee himself. The internal motivation leads him to perform the work which satisfies his needs.
- **External motivation** (stimulus) is created by outer effect which influences employee behavior and performance. This can be the remuneration or on the contrary a punishment which would follow after non-performance of the task. (Armstrong 2002)

5.2 The strongest motivational factors

Each employee is influenced by different motivational factors. According a study called “A Word Well Spoken” there is a difference in hierarchy of motivational aspects which influence managers and ordinary employees:

Managers

- high wage
- job stability
- possibility of promotion
- working conditions
- interesting job
- employees' loyalty
- tactful behavior
- appreciation of performed work
- help with personal problems

Employees

- interesting job
- appreciation of performed work
- job stability
- high wage
- possibility of promotion
- working conditions
- managers' loyalty
- tactful behavior
- help with personal problems

(Stýblo 1993)

5.3 Eight principles of an effective remuneration

A monetary remuneration is generally considered as the most motivating remuneration. However in case that this remuneration is injudicious it can have completely different effect than it was intended. For motivational effect of remuneration following principles are determined:

1. Efficiency is primarily motivated by a flexible component of the wage.

Nonetheless for an effective action is needed to distinguish a high performance from a low performance and explain to the employees what behavior will be rewarded. Unless the employees understand the relation between the remuneration and their performance the motivation is not effective.

2. Identical or almost identical remuneration decreases the motivation.

It is important to distinguish employees' performance. If the employer does not so the employees can have a feeling that it does not matter if they do their work or not because their performance has no effect on their wage.

3. A fixed component of the wage motivates to continuance and recruitment of the employees.

While the flexible components of the wage empower the performance the fixed components are instrument of employees' stability. Also applicants for a job are interested more in the fixed components.

4. Employees should have a share on company outcomes.

This encourages a team spirit in the company. In a contrary case there could occur rivalry between the company departments.

5. The simpler system – the stronger motivation.

If the wage is determined on a basis of many confusing criteria the employees can have problems with orientation in these criteria thereby the motivational effect decreases.

6. Remuneration timeliness intensifies the motivation.

If the remuneration closely follows after a fulfillment of the task it has bigger motivational effect than in the case where is the remuneration postponed to an end of a quarter or an end of a year.

7. Manager should explain an amount of remuneration to the employee.

The employee should know why he gets the remuneration he gets. He should be also aware of aspects influencing his remuneration. For example if he gets lower

remuneration it does not have to be because his performance was worse but it can be caused by the fact that the company is not doing well and his superior got a smaller amount of money which he can divide among the employees.

8. The amount of the remuneration should be adequate to employee's credit.

If the remuneration is too high it evokes feelings of guilt in the employee. On the contrary if the remuneration is too low the employee feels anger as he is not remunerated adequately. (Bělohávek 2005)

II. ANALYSIS

6 COMPANY CHARACTERISTICS

The analysed company is Jihomoravská armaturka spol s.r.o. (JMA) with its official seat in Lipová alej 3087/1, 695 01 Hodonín. History of this company started in 1881 when Karel Kudrna set up “Foundry and engineering plant of Karel Kudrna”. In 1936 the company moved to premises in Bažantnice Hodonín, where is its registered place since. In these times the company started to fabricate plumbing fittings. After nationalization in 1950 a new company called Jihomoravská amaturka was found. During the years the company changed hands and got a new name SIGMA Hodonín but in 1996 it changed back to Jihomoravská armaturka. In 2001 JMA became a part of a German company VAG – Armaturen GmpH. In present times JMA is represented in a whole world. They have business partners in Europe, Asia, Africa and South America.

The major object of company industry is manufacturing and repairing industrial armatures, retail sale of fuels, intermediation of specialized wholesale with other gods and leasing of own premises.

Among products customers can find gate valves, drilling passes, water-service pipes, shutting clacks, spherical taps, filters, throttle-valves, water hydrants or sewerage water fixtures. (*JMA Jihomoravská armaturka n.d.*)

In Table 1. there is a diagram of the organizational structure of the company. On the top there are executive heads who lead the company and make all decisions. Below them there is a company lawyer who covers legal matters and contracts and a secretariat where are two secretaries at the executive heads disposal. They take care about translations, catering and other things demanded by executive heads. The company has two main sections: a business section and a technical section. The technical section takes care about production, products development, controlling their quality (QMS), company operation and maintenance. The business section covers the company’s financing and accounting, purchases and sales, customer information service (CIS) and staff department.

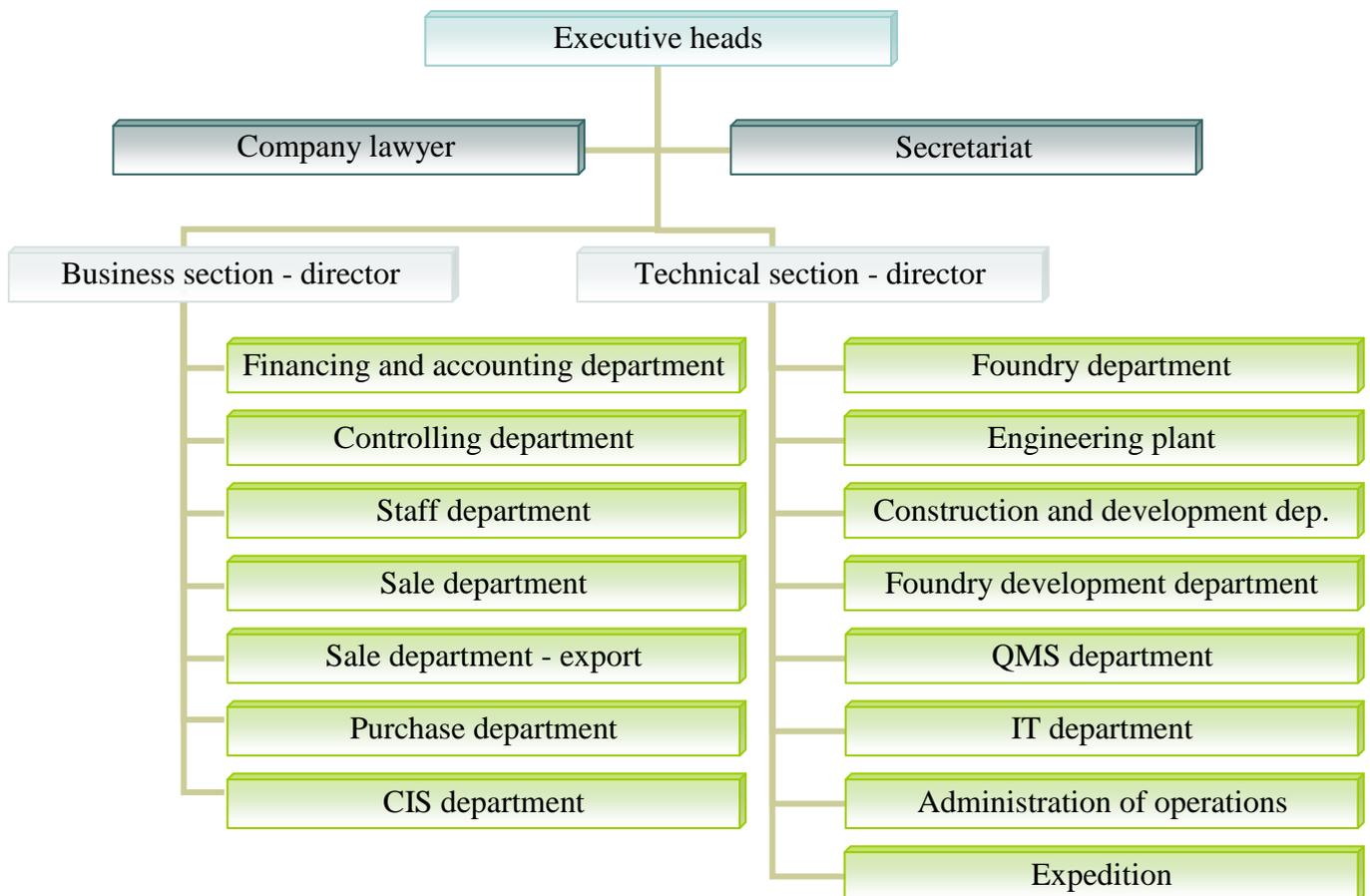


Table 1.: Organizational structure of the company (Data adapted from Holešínská 2009, appendix 1).

7 EMPLOYEES

Employees enter industrial relationship with JMA by signing an employment contract with indeterminate duration. Probation lasts for three months. Employer's requirements on education and skills are dependent on kind of work and work position. Presently there are three basic work positions – manual workers, operative workers and technical-economic staff. The highest requirements are imposed on technical-economic staff who are required to have at least secondary education with the school leaving exam. They are also required to have knowledge of working with computer. Sellers and buyer need to be skilled in interpersonal communication, they must behave properly and must have a driving license. For manual workers a vocational certificate in technical field is sufficient.

7.1 Gender & Employee category

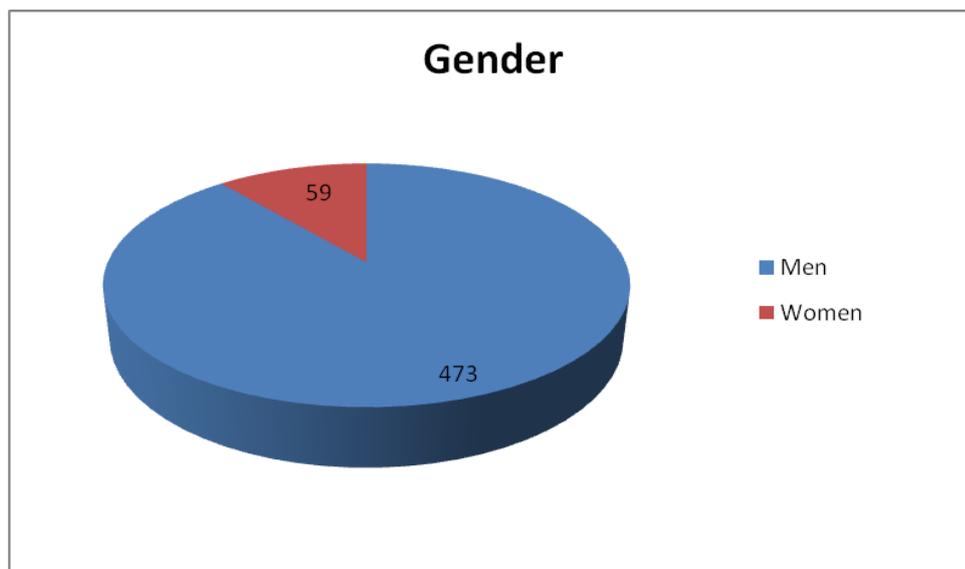


Figure 1.: Gender¹

In present times the/ company has 532 employees. From Figure 1 it comes through that most of the employees are men, which is a consequence of the fact that most of work positions are formed by manual workers (Figure 2) where there is required education in

¹ All figures published in this work which do not have references are the author's original results.

technical field and this field does not interest many women. Women who create only 11% of all employees are mostly employed as technical-economic staff.

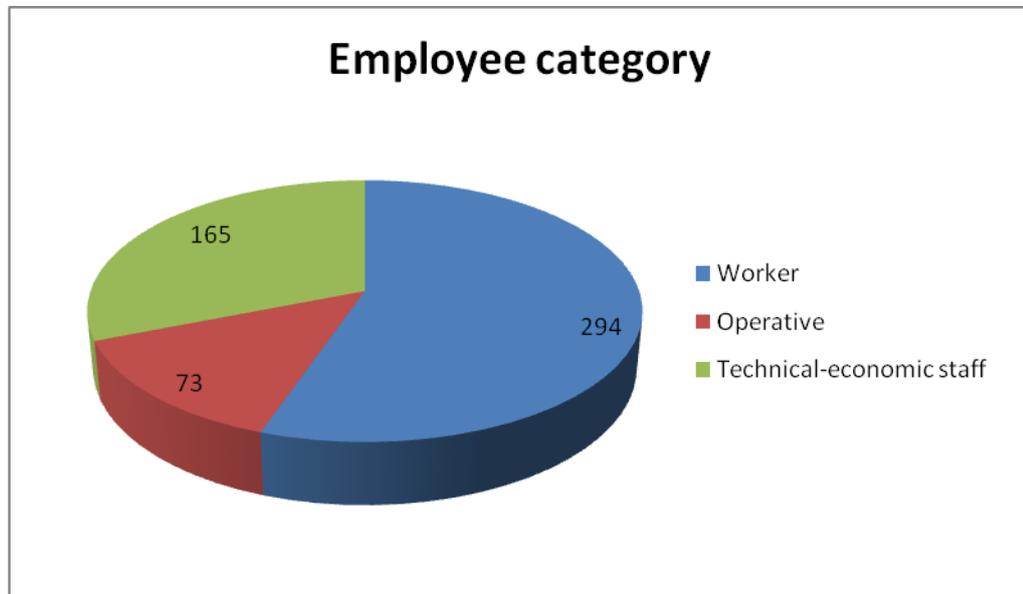


Figure 2.: Employee's category

As mentioned earlier the company has three employee categories: manual workers, operative workers and technical-economic staff. Because the company is production orientated, the most numerous category is manual workers category with 60% of all employees. Manual workers manufacture products, among operative workers there are designers, controllers and maintenance men. These two categories belong to the Technical section (Table 1). Technical-economic staff are sellers and buyers, accountants and others from the Business section (Table 1).

7.2 Level of education

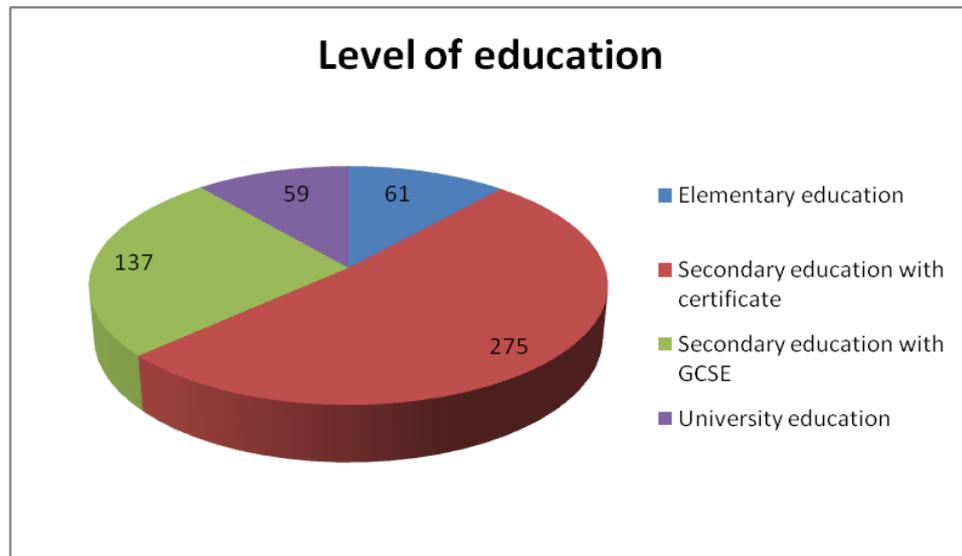


Figure 3.: Level of education

In Figure 3. it is demonstrated a structure of employees' education. Approximately 60% of them have secondary education with a certificate or elementary education. This corresponds to worker positions which are not required to have higher education. People with the highest level of education work in a technical-economic section or in a leading positions.

7.3 Age & Length of employment

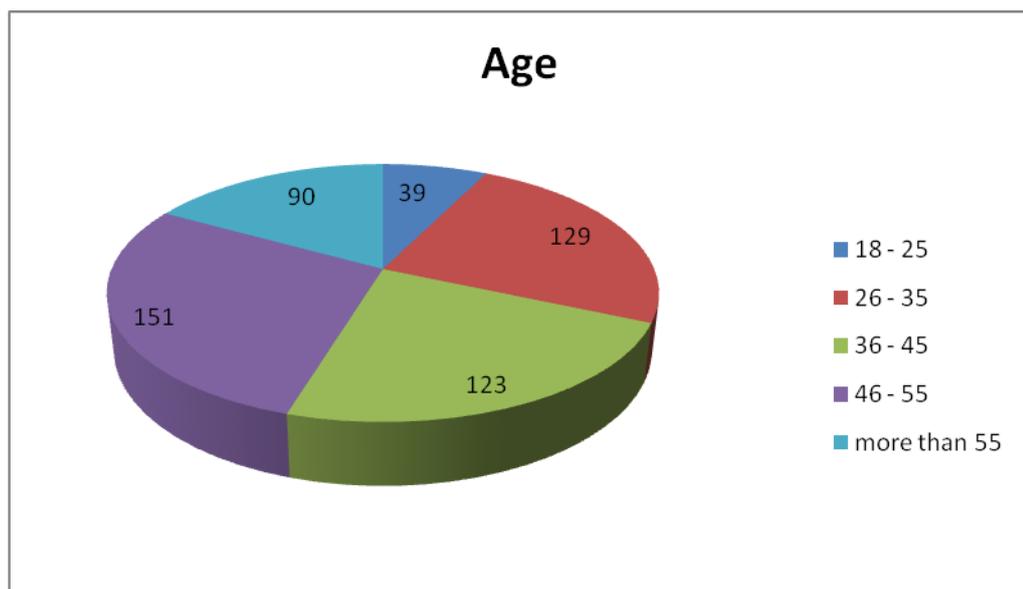


Figure 4.: Age

From the age structure of employees in Figure 4 it is obvious that company employs a small number of people (7%) in age group from 18 to 25 years. The biggest part is created by employees from 46 to 55 years (28%). In the majority of cases the age of employees is linked to the length of their employment in the company. Approximately 45% of all employees are more than 45 years old. These employees generally work in the company for a long time, what is manifested in Figure 5.

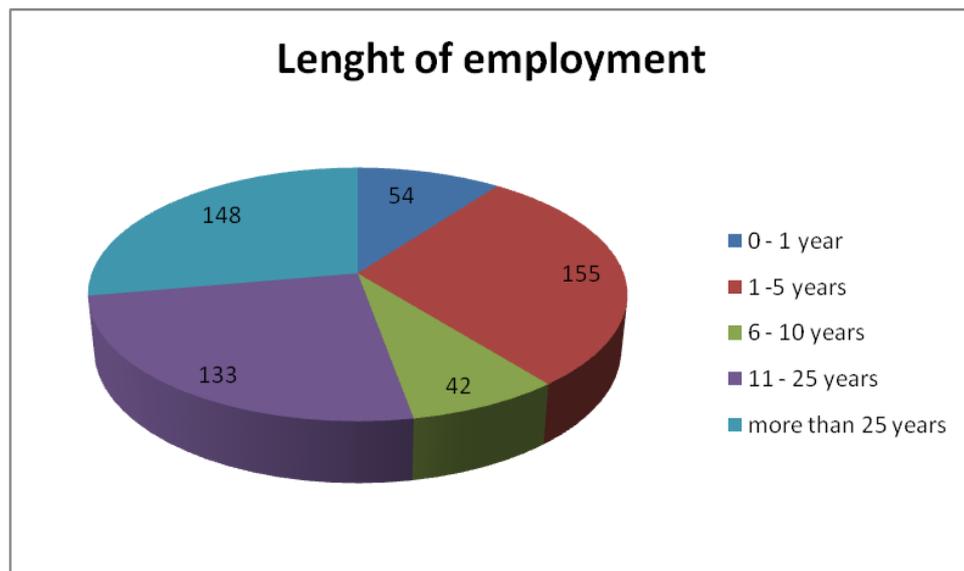


Figure 5.: Lenght of employment

In figure Figure 5 it is demonstrated that more than 50% of employees work for the company for more than 10 years and approximately 25% of total number of employees work there for even more than 25 years. This is caused by the fact that company mostly keeps its employees until they retire. And after that the company finds a substitute for them.

8 REMUNERATION SYSTEM IN JMA HODONÍN

The remuneration system in the company is governed by intradepartmental regulations adapted in compliance with a labor code and a collective agreement. The technical-economic staff is remunerated by a time wage which means they get the same amount of money for each month of their work. This amount of money is sometimes adjusted by a flexible component of the wage. These adjustments are most frequently used for buyers and sellers, whose wage is regulated according to a number of business agreements they make. Manual and operational workers are remunerated by hourly time wage or task wage, which can be grossed up by personal evaluation. The wage of leader employees is increased by an extra pay for leading the group depending on the group size. Workers who work in deleterious environment get an extra pay and allowance for rehabilitative or curative stays, amongst these workers are workers in foundry, pattern-room and engineering plant including controllers.

All employees get allowances for working on holidays (100% of their wage), working at the weekend (40% of their wage), working at night (10% of their wage) and working overtime (25% of their wage). For the overtime work employees can get a time off in lieu instead of the money. In case that the company does well at the end of the year all employees get a premium up to 3.3% of employee's average wage. Employees are also rewarded for years they spent in the company. They start to get this remuneration (about 2,500 CZK) after their twentieth year in the company and after each additional five years this remuneration increases by few hundred crowns. Also when employees reach 50 years of age, they get a bonus 350 CZK for every year they worked for the company. When employees retire they have the right for a grant 400 CZK for every year they worked for the company. Each one employee can choose if he wants to get an additional retirement insurance allowance or a life insurance allowance (450 CZK per month). All the employees get meal allowances for eating in a company canteen and one extra week of an occupational leave in addition to the occupational leave stipulated by the law so all the employees have 25 days of holidays per a year. Buyers, sellers and some executives get a company car and a company mobile phone. The employer also pays training to employees to improve their qualification. Furthermore the company contributes to curative stays of employee's children, to employee's sport activities and annually there is a social evening held for the employees.

9 INFORMATION ACQUIRED IN QUESTIONNAIRE RESEARCH

To ascertain employees' opinions of a company remuneration system a questionnaire research was used. The questionnaire contained questions about employees' opinions and their suggestions for improving the remuneration system in the company. The questionnaire is filed in the appendix. I designed 9 questions which were then ordered from simple to more difficult. The questions were compiled on a basis of knowledge gained through a study of books concerned with this topic and personal attitude to types of remuneration. The questionnaire research took place in November 2010. 70 questionnaires were given to company employees and 30 questionnaires were returned filled in by 30 employees, 11 of them were men, 19 of them were women, and all the work categories were represented. Outcomes from the questionnaires are processed in the following text including a graphic presentation and verbal evaluation.

1. Do you consider the relation between your performed work and your remuneration to be fair?

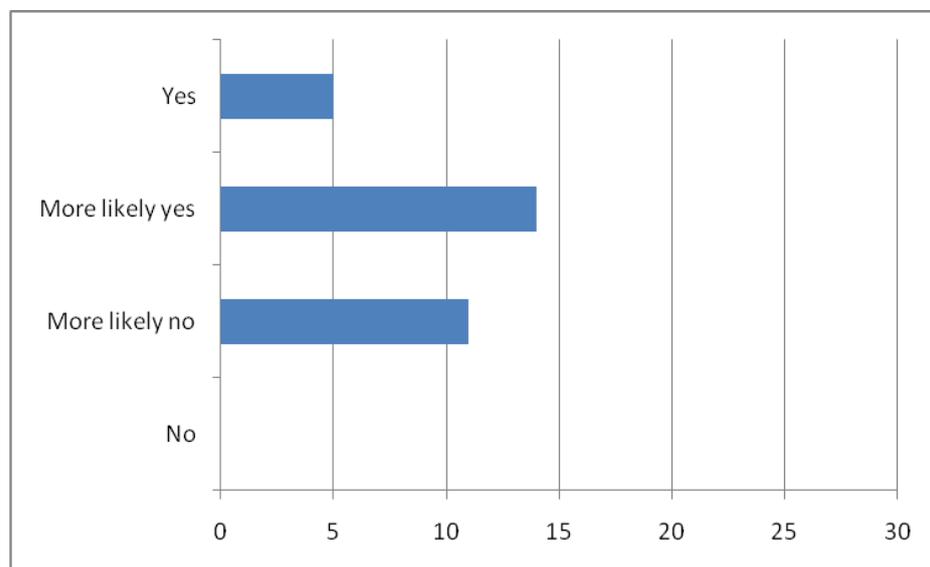


Figure 6.: Relation between performed work and remuneration

Most of the questioned employees answered rather neutrally that they are more likely satisfied (47%) of more likely not satisfied (37%) with the ratio of their performed work and their remuneration. None of the employees said that he considers the relation totally unfair and one third of employees hold an opinion that the relation is entirely fair. From the answers to this question it could be stated that

most of questioned employees are satisfied with their remuneration, because most of the answers were positive or rather positive.

2. Does your remuneration motivate you to higher work performance?

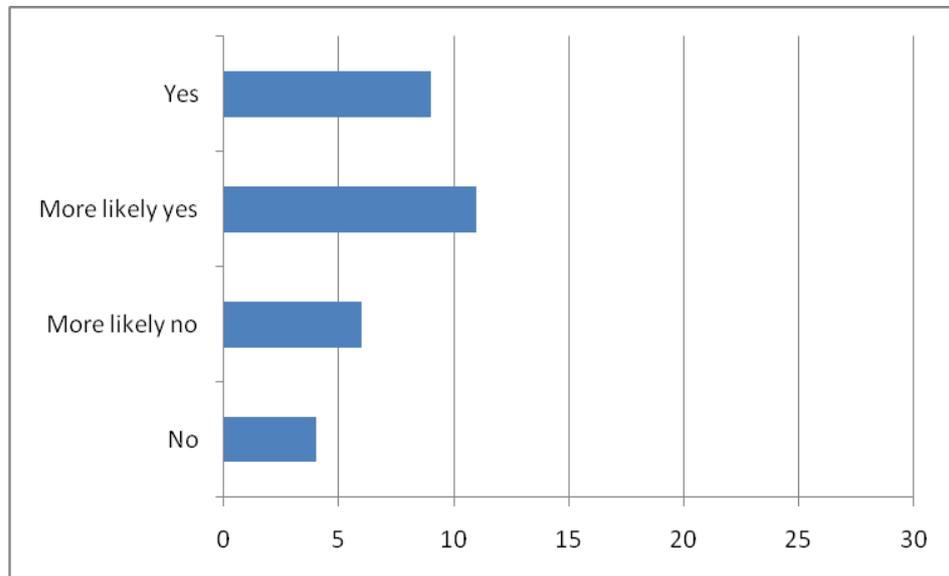


Figure 7.: Motivation of remuneration

Asking if their remuneration motivates the employees most of them again answered rather positively. Two thirds of them are motivated or more likely motivated by their remuneration. Only 13% of questioned employees said they are not motivated by their remuneration at all. Even though this number is relatively small it is not a satisfying outcome as the employees should be at least a little motivated by their remuneration.

3. Are you satisfied with your contemporary employee benefits?

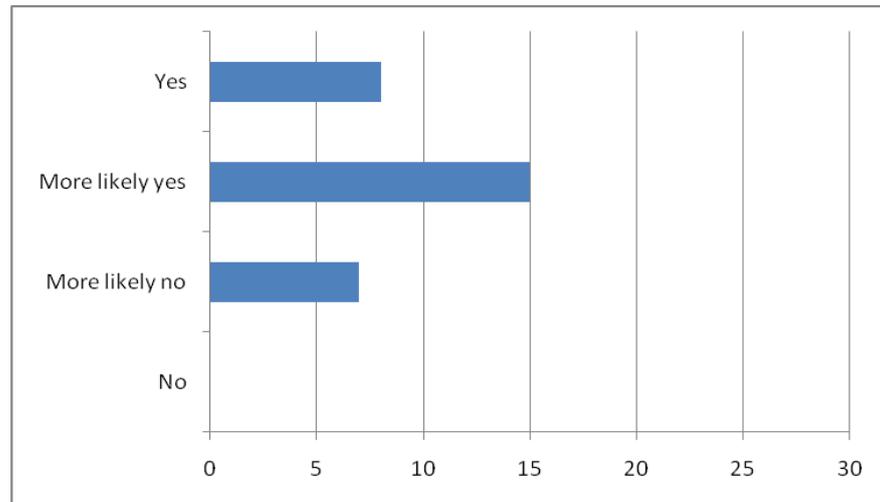


Figure 8.: Satisfaction with contemporary benefits

From the previous graph it is obvious that most of the employees are satisfied with the benefits they get. Again most of the answers were rather positive. One quarter of the questioned employees is completely satisfied with the benefits which company provides them and one half of them are more likely satisfied which is a positive fact as well as the fact that none of the questioned employees answered that he is not satisfied with the benefits at all.

4. What are the main reasons for your continuance in the company? (choose 1 – 3 options)

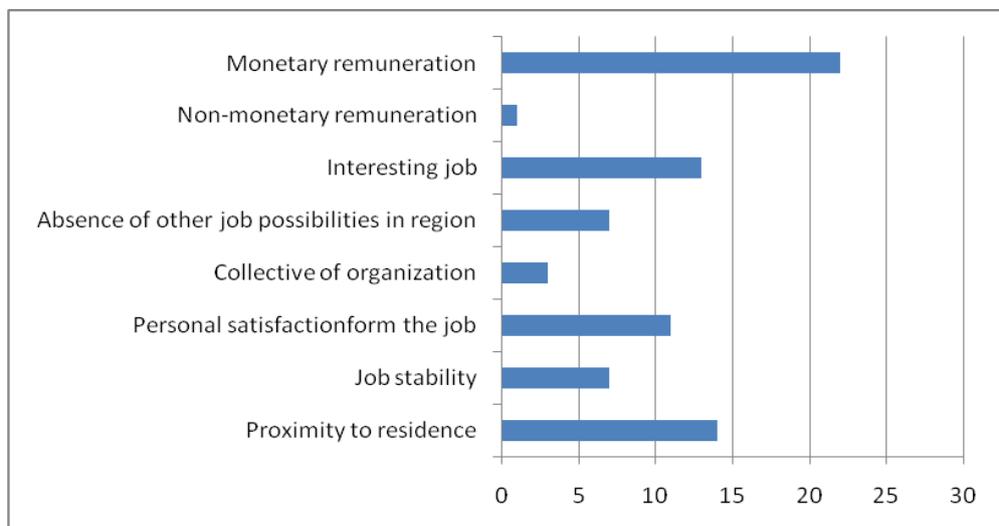


Figure 9.: Main reasons for continuance in the company

The most significant reason for employees' continuance in the company is monetary remuneration, which was selected by three quarters of questioned employees. Nearly 50% of employees continue in the company because of the proximity to their residence or because they find their job interesting. Personal satisfaction from the job which is one of the best reasons for staying in some company was chosen by one third of all questioned employees which is quite satisfying outcome. One quarter of employees stay in the company because of an absence of other job possibilities in region and a job stability they have. A collective of the organization which was chosen by 10% of employees obviously is not the key reason for staying. On the contrary to the most frequently chosen monetary remuneration, the non-monetary remuneration was the least frequent reason as only one person chose this option.

5. What motivates you most in your work? (choose 1 – 3 options)

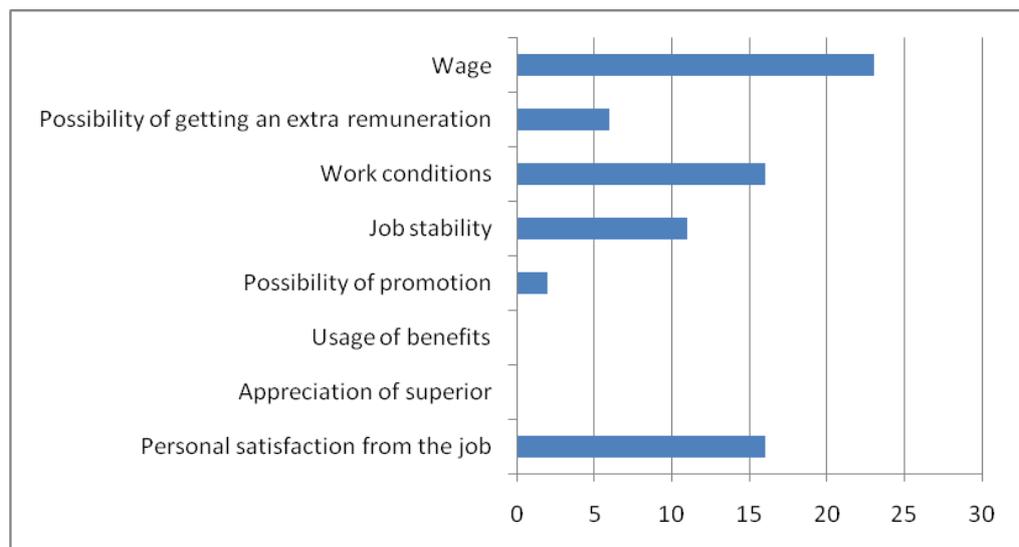


Figure 10. Motivation in work

Similarly as in the previous question three quarters of the employees are motivated in their work by money they get for it. Next highly motivating factors are work conditions and personal satisfaction from the work, which were chosen by one half of questioned employees. Possibility of promotion or getting an extra remuneration do not motivate employees in the company much and none of the employees is motivated by benefits he gets or by an appreciation of a superior.

6. What employee benefits do you get from your employer? (choose as many options as you want)

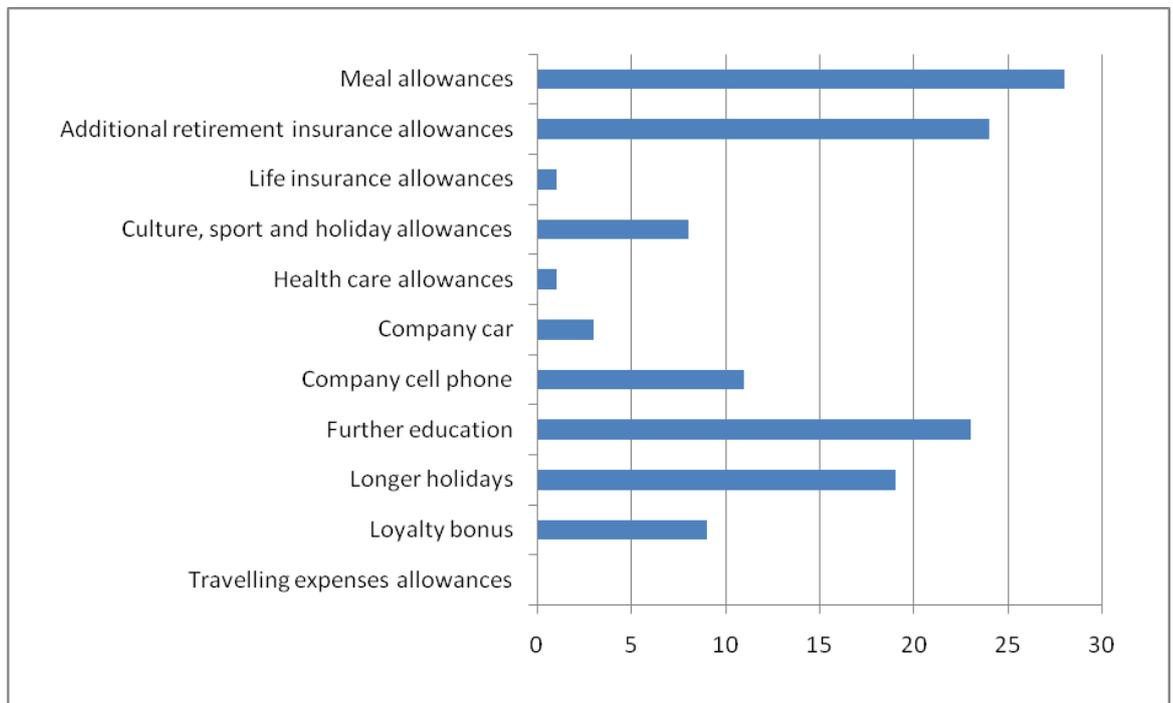


Figure 11.: Benefits the employees get

As mentioned in the chapter about the current remuneration system in the company, all employees get meal allowances, additional retirement or life insurance allowances, further education and longer holidays. These benefits were also mostly appreciated in the questionnaires. One third of questioned employees answered they get a loyalty bonus, these were the employees who work for the company for more than 20 years because only after these 20 years employees start to get this bonus. A Company car or company cell phone were not very frequent answers as only leading employees and few other get these benefits. Only one person answered that he/she gets a life insurance allowances the employees has an option to choose between the life insurance or additional retirement insurance and most of the employees choose the second option.

7. What employee benefits would you like to get from your employer? (choose 1 – 3 options)

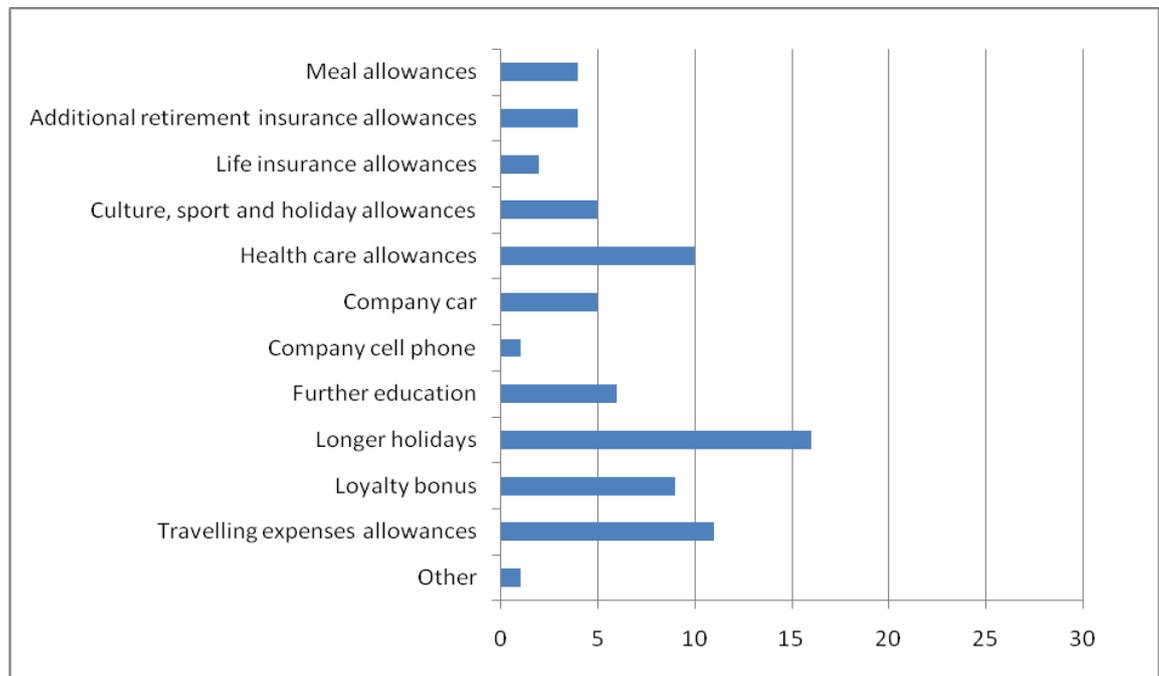


Figure 12.: Benefits the employees would like to get

One half of the employees would like to have longer holidays. Even though they already have more days of vacation than is stipulated by law, which are 20 days, the company gives its employees 25 days. About one third of employees would like to get allowances for traveling expenses when they commute to the work. This is a benefit that the employer does not provide to the employees, but it could be a wise step to make as many of the employees would appreciate that. Although the employer actually pays health care allowances because obliged to do so by the law, one third of employees would obviously like to get more money for that. One third of employees would appreciate if the employer gave them a loyalty bonus. As a matter of fact the company gives this remuneration to its employees but they start to be getting it after their twentieth year in the company. One person would like to get other than provided options, namely employee's shares.

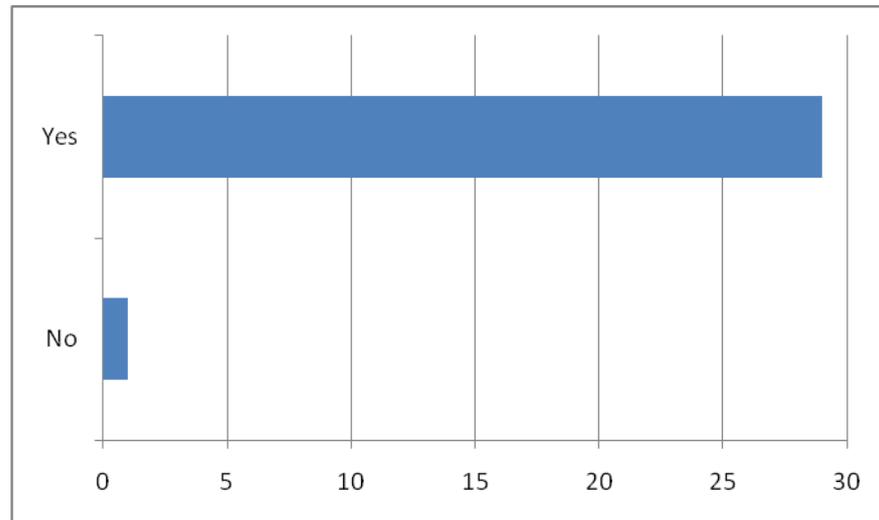
8. Do you consider some of the employee benefits you get to be unavailing?

Figure 13.: Unavailing benefits

There was only one person who considers some of benefits to be unavailing and this person was one of the manual workers working in the foundry. According to this man the drinking mode in the foundry which is hold during the whole year is unavailing. Other questioned employees consider the benefits they get to be useful.

9. Do you have any suggestions for improving the company remuneration?

Some of the questioned employees expressed their suggestions for improving of the company remuneration system. There were suggestions such as a change of work shift division and motivational bonuses division, granting a performance commission as a premium and not as a basis percentage, which remains the same even when the employee works for more hours a week. There was also a suggestion to regulate the wage according to the inflation rate in Czech Republic. Another suggestion was that the employees could get a percentage from the company profit which means that if the company is doing well the employees will get a higher premiums. Actually in company wage directives it is stated that if the company does well, the employees will get 3.3% of their average wage in addition. Hence it can be assumed that from time to time employees get this bonus. Some of the employees also said that they would appreciate a just assessing of work

performances, an adherence of motivational parameters and not changing the goals during the evaluation period.

10 SUGGESTIONS FOR IMPROVING THE COMPANY

REMUNERATION SYSTEM

On the basis of the current remuneration system in the company JMA Hodonín and executed questionnaire research this chapter will deal with suggestions for improving the remuneration system in the company which would lead to increasing of the employee satisfaction and performance.

The answers from the questioned employees were rather positive which can mean that the employees are quite satisfied with their remuneration. However, it can also mean that even though the questionnaire was anonymous the employees did not want to express a negative opinion. If the employees are motivated by the current remuneration, most of the employee answers were rather positive or neutral, however, there occurred also negative answers which mean that the company remuneration system can still be improved. A satisfaction with the employee benefits was analogical. Although most of the employees said they are satisfied with their current employee benefits, none of them chose the benefits to be a remuneration component which motivates them. Either the employees do not appreciate benefits that employer provides them or the employer does not provide them the benefits they wish. On the other hand in opinion what benefits the employees would like to get from the employer there were to a large extend mentioned the benefits they already get. Most of the employees would like to have longer holidays, but all the employees already have holidays one week longer than the law stipulates. Therefore, it is not presumptive that the employer would provide them even longer holidays. A very commonly mentioned benefit was a travelling expense allowance. The employer does not provide this benefit to the employees, but it is transparent that a high number of the employees would appreciate that. Thus, it might be a wise idea to involve this benefit into the benefit offer.

It can be stated that the current benefits are useful for the employees. These benefits are meal allowances, additional retirement insurance allowances, loyal benefits and further education. Nevertheless it would be efficacious to change the time after which the employees get the loyal bonus. 20 years is relatively long time, therefore, it would be a useful idea to shorten it for example to 10 years which could be a sufficient time for the employer and more acceptable for the employees. The further education in the form of courses which employer provides to the employees is a excellent choice of benefit as many employees pointed out that they are interested in it. Furthermore the employer should care

about language knowledge of their employees since in present times the language skills are important, especially in a company with foreign partners which JMA Hodonín definitely is. The company has business partners all over the world as it is a subsidiary of a German company. The technical-economic staff gets in touch with foreign language almost every day whether it is a communication with foreign partners or placing of foreign invoices into an intradepartmental system. The employer could encourage the employees to extend their knowledge especially in English and German. As a motivation there could be offered a one-time benefit for example about 500 Czech crowns to the employees who obtain some language certificate. In the case employee were highly interested the company could organize a language courses which the employees would participate in their free time in some language school or hold these courses on the company premises after working hours.

10.1 Cafeteria system

As a possible change in the company remuneration system I would recommend to adjust the current fixed benefit system to **cafeteria system**. The fixed system of benefits in the company provide all the employees with the same benefits except the leading employees who gets some benefits in addition such as a company mobile phone or a car. This system is not as motivating as all the employees belong to different interest, social and age groups and every employee would like to get different benefits.

Therefore it could be profitable idea to implement the cafeteria system in the company. A principle of this system is that every employee gets points and in exchange to these points he chooses a benefit which he likes from the available offer. In this system current benefits which satisfy the employees and some new benefits according the employees' wishes would be included. Each employee would have an account where the points would be placed. An allotment of these points would be dependent on employee's position in the company, years he works there and his performance. According to the number of the points the employee would choose benefits in a corresponding value. If the employees did not spend all the points in one year the points would be transferred into the next year.

Implementation of this system is time and money consuming, as the system of points allotment and a supporting IT system must be generated. Since this implementation is quite exacting there are many companies which specialize in implementing of this system on the market. The companies can use their offer in this step. Before the implementing the company should consider carefully if it is stable enough to implement and keep this system.

The company should also realize a survey amongst the employees to ascertain which benefits employees would like to have in the system and involve them in the system design if it is possible.

An advantage of this system for the employees is a flexible composition of the benefits adapted to their interest and social needs. The advantage for the employer is an effective operating with money the company spends on the benefits as in this system the company can be sure that each benefit will be used by some of the employees since it was them who chose these benefits.

The employer should keep to employees' disposal intradepartmental directive which regulates the employee remuneration. All the remuneration which employees are entitled to get, conditions of their providing and usage should be introduced in there and the employees should have a right to look-in the directive any time. The employees of JMA Hodonín have a wage directive and a collective agreement to their disposal therefore in the case they are interested they have an option to inform themselves about the company remuneration system. However the most crucial is that the employees have to feel that they are remunerated equitably.

CONCLUSION

Creation of a functional remuneration system is a complex issue. It is necessary to keep in mind both employer and employees requirements and create a compromise between these usually opposite views.

The first part of my work was focused on acquiring theoretical findings which are linked to the remuneration, employees' evaluation, wage forms, employee benefits and their motivation.

At the beginning of the second part of my work the chosen company - JMA Hodonín, s.r.o. was introduced. Basic information such as its history, product assortment and its organizational structure were mentioned. The next chapters were dedicated to company employees, their age, length of the employment and their work category and to the current remuneration system in the company. The chapter dealing with processing of the information acquired from the questionnaire research was the most important in the practical part. Through the executed questionnaire research I gained employees' opinions on the current remuneration system and consequently analyzed the system. I reacted to the discovered insufficiencies at the end of the practical part where the suggestions for improving the current remuneration system are stated.

Thereupon I evaluate the questionnaire research to be successful as I acquired the necessary information for my work, however, the number of respondents who sent the questionnaire back was not as high as I expected. Nevertheless I managed to discover some of the system insufficiencies and I elicited few suggestions for improvement from some of the employees.

The aim of my bachelor thesis was to propose suggestions for improving the current remuneration system in the company. The mentioned concepts result from the employees' opinion acquired by questionnaire research and they should encourage employees' motivation thereby increase their work performance. The result of this improvement should be beneficial not only for the employees but also for the whole company.

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APPENDICES

P I The questionnaire.

APPENDIX P I: THE QUESTIONNAIRE

Dear Sir/ Dear Madam,

My name is Martina Holešínská and I study a third year of Faculty of Humanities at the Tomas Bata University in Zlín. I would like to ask you for filling in this questionnaire, whose outcomes I would like to process in my bachelor thesis. The topic of my bachelor thesis is *Issues of the remuneration system in the selected company*. Purpose of my work is to determine Your satisfaction with the company remuneration system and analyze the current situation in the company.

This questionnaire is completely anonymous and Your answers will not be misused therefore I ask You to answer the questions truthfully.

Thank You for Your time.

(Please mark your answers by encircling the selected answer. Unless it is stated differently, encircle only one of the possible answers.)

1. Do you consider the relation between your performed work and your remuneration to be fair?

- a) Yes
- b) More likely yes
- c) More likely no
- d) No

2. Does your remuneration motivate you to higher work performance?

- a) Yes
- b) More likely yes
- c) More likely no
- d) No

3. Are you satisfied with your contemporary employee benefits?

- a) Yes
- b) More likely yes
- c) More likely no
- d) No

4. What are the main reasons for your continuance in the company? (choose 1 – 3 options)

- a) Monetary remuneration
- b) Non-monetary remuneration
- c) Interesting job
- d) Absence of other job possibilities in region
- e) Collective of organization
- f) Personal satisfaction from the job
- g) Job stability
- h) Proximity to residence

5. What motivates you most in your work? (choose 1 – 3 options)

- a) Wage
- b) Possibility of getting an extra remuneration
- c) Work conditions
- d) Job stability
- e) Possibility of promotion
- f) Usage of benefits
- g) Appreciation of superior
- h) Personal satisfaction from the job

6. What employee benefits do you get from your employer? (choose as many options as you want)

- a) Meal allowances
- b) Additional retirement insurance allowances
- c) Life insurance allowances
- d) Culture, sport and holiday allowances
- e) Health care allowances
- f) Company car
- g) Company cell phone
- h) Further education
- i) Longer holidays
- j) Loyalty bonus

k) Travelling expenses allowances

7. What employee benefits would you like to get from your employer? (choose 1 – 3 options)

a) Meal allowances

b) Additional retirement insurance allowances

c) Life insurance allowances

d) Culture, sport and holiday allowances

e) Health care allowances

f) Company car

g) Company cell phone

h) Further education

i) Longer holidays

j) Loyalty bonus

k) Travelling expenses allowances

l) Other: _____

8. Do you consider some of the employee benefits you get to be unavailing?

a) Yes: _____

b) No

9. Do you have any suggestions for improving the company remuneration system?

