

THE POLITICS AND REMUNERATIONS' MIX

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Abstract: The remuneration study and the usage of the “mix” term, already suggests the idea that the work performed by the employee is not rewarded only by salary and that, to a global given cost, there are more variables that can be chosen in a combination that can maximize the chances of accomplishing the goals of the organization.

In one of his works, Donnadiu uses the term of retribution along with that of contribution, in order to identify all the possible forms, to an organizational level, of the two components and to underline the necessity of a remuneration policy that can accentuate the motivation and determine the accomplishment of the chosen objectives.

The present study reveals the choices that must take place in what remuneration and administration of human resources is concerned and the more or less explicit and accepted intention to participate to the global performance of the enterprise by implementation of some relative considerations to the employees' behavior and the economic and juridical environment.

The placement into logic of performance through the remuneration mix, is highly connected to two other problems that deserve special attention: the impact on the work behaviors; the placement reported to the salary market.

I. The remuneration mix components

By using the systemic methodology, the study supposes the presentation of the complexity of the new problems of remuneration, which, in present, are incorporated in a larger and unsure environment. These types of problems, in our country, represent a true challenge, all the enterprises being forced for approximately fifteen years to make their own remuneration system. The variants of action that the responsible with the remuneration system have can be regrouped in five coherent subchapters.

1. Fix remuneration. It is composed from the salary and the fix increments. The salary represents the money answer to the activities described in the work contract and, the increments are given according to the characteristics of the job (stress, work conditions, distance, fidelity) or the considerations for the individual (seniority, competence, assiduity). The principle that dominates this field is given by the work code, which mentions that for equal work there is equal salary, banishing any kind of discrimination. It determines the enterprises to justify a salary difference based on the given chores and not by competition or performances of the employee. Some slides from this principle were signalized in the 1980s in the occidental countries, by the apparition of some raises according to merit, but they were denounced by laws that reiterated the correlation that needs to exist between the salary level and work content. Eventual supplementary performances can justify, according to these laws, only the awarding of increments or bonuses but not salary raise. The application of such type of principle is the most needed where the performance is variable by its nature and the increase is definitive. It is preferred, for the individual salary raise to take in account the

logics of reclassification of work positions, starting from an objective evaluation of the tasks that it regroups.

2. Variable remuneration. It regroups the individual and collective bonuses, incentive increments, legal participation, stock-options, generally all the elements that belong to a level of performance. As opposed to the salary, the variable remuneration permits the introduction of discriminations, because it represents a quantification of the individual or collective performance.

The usage of the variable remuneration system can constitute a strong means of incitement to accomplish an objective or, on the contrary, to reduce the efforts in some directions that do not bring value to the enterprise. This is the main reason why its usage must be done with a lot of vigilance. There must be accomplished several conditions so that the usage of the subsystem is efficient:

- a) the existence of a transparent and objective system of performance estimation accepted by the employees;
- b) a minimum level of the variable remuneration fund under which the incitement to work of the employees would not have any effect;
- c) the time between the effort and the payment should not be long;
- d) the chosen disposal must be put to work and administrated in a just and adequate manner.

All these considerations determine the enterprises to put to practice different systems of variable remuneration, depending on criteria as the following ones:

- a) the level of job remuneration; an important part of the global remuneration, in a variable form, is accessible in case of high incomes, except the small ones.
- b) the fact that the performance can or can not be individualized; for some employees the team bonuses would be preferred to the individual ones;
- c) in some cases there will be privileged the productivity or quality criteria (gains sharing), in other criteria of the exploiting result or the net result (profit sharing);
- d) the fact that there will be privileged short-term success criteria (annual merit), instead of efficiency criteria on more or less long terms (stock options).

Some forms of variable remuneration do not have as objective the incitation to effort but rather the increase of fidelity or the development of the membership feeling to a community oriented towards the accomplishment of common objectives.

3. Advantage in nature. Any task the employer accomplishes in the use of the employee in order to avoid any money spent by the later, it is an advantage in nature. These advantages are mainly linked to the occupied work position: place to live, car, phone, and cloths. They can be addressed to the entire personnel or to some categories and appear like some advantages given by the committee of the enterprise, reductions to their products, entrance to clubs. Some advantages in nature can be considered as a variable remuneration, as for example the trips and gifts that are given according to the performance criteria. Generally, the advantages in nature are considered elements of partnership.

4. Delayed remunerations. There are, mainly, connected to the status of the people and regroup the pension plans by capitalization (specific to the EU developed countries) and facultative subscriptions to the stipulation systems. The adhesion to a stipulation system permits to the employee to obtain a complement to the payments given to the social organisms. These adhesions constitute a remuneration complement as they are facultative. These represent to the employer the advantage of being exonerated, to some limits, of the fiscal and social payments. These forms can be used in a unilateral manner

by the enterprise, according to some collective agreements or by the decision of the committee of the enterprise.

5. Symbolic and intrinsic retributions. In many cases the enterprises that use the remuneration mix in a compensatory logic, develop the notion of remuneration by including some elements that have value to the employee, even though they do not translate in monetary terms. These elements are known as “intrinsic retribution” or “symbolic retribution”. The intrinsic retribution represents everything that is directly linked to the work: the interest for the assigned activities, the career opportunities that are offered, general work ambiance. Symbolic retributions represent recognitions of the social prestige. A plan of remuneration that takes into account a calibrated mix for the accomplishment of some chosen objectives has to keep in mind also these elements, because, for an individual is important both an economic and affective rationality. Sometimes it is difficult to understand the behavior of an employee to the light of a simple economic logic. There has to be admitted that there are other variables that interfere when the level of involvement and mobilization of an employee, in an organization, must be explained.

II. The correlation between the remuneration mix and the behavior of the employee

The attitude of the employees at work depends on a group of factors that can be dissociated in two categories:

- a) the administration of the couples work positions – individuals and the work organization;
- b) the behavior of the employees.

If the policy of remuneration is based on the first aspect, by methods of positions and competences evaluation, in the second it definitely completes its dimension. Really, by individual behavior this policy can become a true lever on the global performance of the enterprise.

In order to understand the impact of a remuneration policy on different dimensions of the work behavior of the employees’ one must consider two other transversal notions:

- perception of the organizational justice
- incitation to effort.

1. Policy of remuneration and organizational justice

The feeling of justice that an individual feels inside of one organization is a condition of his adhesion to the collective values, moreover, of his accomplishment through work. This feeling results from a double perception:

- a) the justice perception of the decisions (distributive justice)
- b) the justice perception of the processes involved in taking decisions (procedural justice).

One of the major notions, developed according to the distributive justice, is the theme of equity. It refers to the rapport between retribution/contribution and the feeling of inequity that appears when an individual compares, from this point of view, with other individuals considered to be comparable. The comparison is made in two plans:

- reported to the colleagues in the enterprise (internal equity)
- reported to the individuals in other enterprises (external equity)

The empiric researches demonstrated that the target is the increasing of partnership of the personnel, when the external equity has to be privileged. If they are mainly interested in the implication in the enterprise, the accent is on the internal equity.

While procedural justice is concerned, there are signalized four important elements:

- necessity of the procedures;
- trust in the person who makes decisions;
- respecting the individuals;
- recurs possibility.

The study of specialized literature regarding the organizational justice underline keeping in mind some recommendations, as it follows:

a) the evaluation methods of the persons and positions must be done very carefully according to the coherence and applied rigor.

b) the understanding and recognition of these methods must be accomplished by an adequate communication;

c) in the case where some decisions regarding the remuneration are assigned to the managers, these have to be instructed not only on the technical process, but also on the behavior they have to adopt with their collaborators, every step of the process;

d) so that the employees can have some kind of influence on the conception of the contrivance, on the decision of awarding the retribution elements and their substantiation, it is preferred an participative demarche;

e) the employees ought to have the possibility to ask for explanations and/or a supplementary recurs, except the one with the hierarchic direct superior.

Another important problem, which is underlined in the literature of specialty, talks about the influence on the behavior of the employees of the two dimensions of the organizational justice. An important series of researchers highlighted the connections among the procedural justice, implication and procedural engagement, while the distributive justice influences the satisfaction and motivation of work.

2. Remuneration policy and incitation to effort

The answer to the question if the remuneration is a determinant factor for the work motivation was evident for many specialists, but also there are frequent controversies. There are many who sustain that the remuneration does not permit to be understood why many employees work more than others. Proof in this regard is the fact that the best individual performances are not obtained in the enterprises where the medium salaries are bigger.

The difficulty of the answer comes from a conceptual change that is not completely clarified. It's about previsions about the notion of work motivation and what incitation to effort might mean, inside the work contract.

The researches in the motivational field are numerous but in this case, Vroom, Porter and Lawler's theories seem to be the most pertinent because they introduce a dynamic vision.

Truly, motivation appears as an attitude which, in order to be understood, has to be reported to the time-line. The level of motivation at a given "t" point results either from the past, as a result of a cognitive process that pushes the individual to take action, either from future, where the same individual projects himself, the expectations he has incite him to more or less effort.

In a work relation based on a contract, there are taken into account the following two aspects:

a) the individual is pushed to work by the very things he bound to respect by this contract (the ethic vision of motivation);

b) the individual is also determined by the desire to see his expectations accomplished; he does not want to break the contract he signed and not attain the objectives that were assigned to him.

From this last point of view, the remuneration, reward of the past efforts can constitute a real lever of performance.

From a strictly conceptual point of view, the theory of expectations leads us to the conclusion that the guaranteed level of remuneration (salary and fix increments) is not incentive, because it is linked to the past of the individual. Conditioned remuneration (increments and bonuses) and of a larger type, the intrinsic and symbolic one (career perspectives, interesting activities, distinctions and medals), in the case where they correspond to the expectations of the employees, will develop motivation.

In order that this mechanism to work there must be accomplished four other conditions:

a) the employee must have the impression that there is a high probability to accomplish the given tasks.

b) the level of solicited effort to be according to the expected level of reward.

c) the conditioned remuneration should not be to far away in time;

d) the measure that is used as a base for the calculus should not have a strong collective character because it does not incite to the individual effort.

This kind of theory has never been verified through practice until present, but the coherence and link to other theories can confer a great guarantee.

III. Remuneration and performance in the work field

The problem of the remuneration policy differs in enterprises because of the existing state on the work market. If this is characterized by high unemployment, the extern restrictions are relaxing, and internal politics are those on which there is concentrated all the attention of remuneration. The chosen strategies target, in this case, to insure the internal coherence and equity. If on the work market the competition intensifies, the situation is harder to administrate.

One reaches, this way, the conflict between the internal work market strategies and those regarding the external market, because of the restrictions and objectives targeted by the enterprise. There can be very difficult to achieve the arbitrage between the internal and external strategies.

Trying to conciliate the equity feeling to which the employees aspire, and the capacity of the enterprise to get in line with the market value, with the risk of not being able to hire or retain the desired competences, there can be taken into account many solutions that situate between two extremes.

The first consists in not accepting the references of the external market except for some categories of positions and with certain limits. In this case, it is possible to disconnect the base salary calculus from all the references and pass to a calculus through points, without abandoning the equity evaluation of the jobs. One continues with the determination of the salary classes by a classic method of job position evaluation. Then the reference of calculated points is abandoned to fix, to each class, the maxim levels keeping in mind the values seen on the market for the positions that correspond to the strategic competences for the enterprise. The level of the base salary will be then determined for each type of position privileging internal distributive equity,

except the strategic ones where it is taken into account the logic of the market. In the case when the level of the later is too far from what exists in the enterprise, avoidance of some over passing of the diagram imposes other forms of remuneration as bonuses and advantages in nature, or through mixes of remuneration of increased monetary importance (stock options, consequent individual bonuses).

The other extreme consists in practicing an generalized alignment to the market, abandoning the evaluation methods of the type jobs. The salaries for each type of jobs are determined through reference to the collective conventions, for the minimum level, and through the values of external market for jobs that correspond to rare competences. There are not, in this case, references to theoretical maxims. On one hand, the limits depend on the benefit of the activities that should not be inferior to the marginal cost of labor and on the other hand to the level of similar services offered by subcontractors.

Conclusion

The majority of specialists underline two simple principles, which, if they are not taken into account when realizing the mix of remuneration, they reveal counterproductive.

1. Remuneration has its origins in the turnover, and if there are no clients, it is impossible to offer salaries. First of all, it represents an economic act, where only the activities that have added value must justify the salaries. Accepting a salary raise to an employee for satisfaction only, it is an economic nonsense, which, sadly, it is found in practice.

2. The way the remunerations are administrated has a direct influence on the perception of equity of the employees and, finally, on the social equilibrium. The enterprise, through its responsible factors, has to find it in a continuous research for a remuneration system not only equitable but also understood and accepted by all those to whom the implication to work is asked.

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