

Reward systems



Tomáš Volek

Jihočeská univerzita v Českých Budějovicích

Branišovská 1645/31a

370 05 České Budějovice

IČ: 60076658

# **Introduction**

 Remuneration is one of the most important issues for companies and employees alike. From a corporate point of view, remuneration can generally be viewed as an instrument of employee management and also as an

company costs. In terms of employees, this is one of the main reasons for applying for a job. Currently, more and more employees are looking for employment not only for financial reasons but for self-realization. Companies therefore face greater and greater human resource challenges. How to get, motivate, retain, manage their work performance.

The remuneration (reward) system is an essential part of the personnel strategy of the company and a functional tool of management and involvement of employees. It significantly influences the quality of experience of employees during their work in the company. Their experience reflects their personal attitude, performance, activity and loyalty to society. Remuneration is also an important part of the company's reputation as an employer and largely determines its attractiveness in the labor market.

The remuneration system is functional as long as it is linked to the company's strategy and objectives. To be accepted by managers and employees, it must be simple, understandable and fair. Adequate forms and tools must be used to create such a remuneration system.

In the case of creating or critical evaluation of the remuneration system, it is always necessary to determine for what and how the company wants and needs to reward its employees. It must be clear when we reward according to the importance of the job, when it depends on performance or level of knowledge and skills. The answers to these questions will show what the value proposition of remuneration (ratio of basic and variable components) will be and what the criteria for determining remuneration will be.

The effectiveness of the remuneration system can have a significant positive and negative impact on the company's culture, engagement and employee satisfaction, and ultimately on the company's performance. A transparent and fair remuneration system is one of the basic prerequisites for functional relationships within the company.When creating or changing a remuneration system, its sustainability needs to be kept in mind, as, like any system, it tends to be subject to some disorder over time. Its stability and sustainability are affected by changes in the internal and external environment, which make it necessary to regularly review and change the remuneration system.

# **Remuneration in the context of motivation and work performance**

The employee remuneration and motivation system is clearly one of the most important areas of human resources management in the business sector. A properly defined motivation system is closely linked to the employee remuneration system.

## **Motivation**

Motivation is a psychological process, which activates certain individual behaviour inherent driving forces act in the human psyche, which orient a person and his actions in a certain direction. Motivation itself comes from the word “motive”, which we understand as a reason to do something. Only motivated people (workers) will do good work because they know that something is driving them forward to good work results, good rewards for the work done.

If we want employees to perform well, we need to motivate them so that they want to perform them. This is done by internal motivation, which leads them forward. It is important to determine what leads to increased internal motivation of employees:

* clear tasks, which should be achievable and motivating,
* Recognition and feedback on well-executed performance
* responsibilities that enable the employee to participate in decision-making,
* cooperation, setting up open communication between workers,
* diversity, promoting flexibility, changing conditions, career growth.

**Motivation simultaneously acts in three dimensions**:

• direction - focuses in a certain direction

• intensity - the individual exerts more or less energy in the achievement of the objective

• stability - the level of the capability to overcome all sorts of external and internal barriers

**Motive**

The motive is the inherent cause of behaviour, which determines the direction and intensity of human behaviour. Usually several motives interact, also conflicting.

Categories of motives:

**Active motives**: that directly stimulate working performance, for instance, to succeed

**Supporting motives**: create space for the action of active motives, for instance, the environment

**Suppressive motives**: divert attention from work to other activities, for instance, lunch

**Stimuli**

A stimulus is an external impulse, prompt, which comes from the surroundings, acts on the individual’s psyche from the exterior, for instance, a wage or bonus. The stimulation thus serves to positively influence motivation.

**Motivation and performance**

Human performance is limited:

a) working qualifications (capabilities, skills)

b) willingness to work, i.e. working motivation

The stronger the motive, the better and higher the performance. Exaggerated over-motivation causes a drop in performance - Yerkes - Dodson Law. Low motivation results in low performance, which shall subsequently increase up to a certain level with rising motivation intensity. As soon as it exceeds this level, over-motivation sets in with a consequent decline in the performance.

Two basic issues exist during the creation or change of the motivation programme in the company:

* What do I expect from motivation?
* How much will it cost me?

**Motivation tools**

Monetary and non-monetary performance that triggers motivation

* Monetary (bonuses, remuneration) - have a short-term effect of 2-3 months
* Non-monetary (benefits, employee of the year) - low forgetfulness, build the corporate image, positive motivation atmosphere, longer-term effect

## **Corporate concept of motivation and remuneration**

In the search for an appropriate remuneration and motivation system, the enterprises search for what motivates the employees and contributes to their self-esteem and sense of self-worth.

**It was found that three basic factors contribute to motivation**

* Fair treatment (fair approach during allocation of tasks, remuneration, benefits, promotion or reduction of the number of employees)
* Success (to experience joy and self-esteem, what a person has accomplished and for what he is also properly rewarded, career advancement)
* Interpersonal relationships (good friendly and collegiate relationships at the workplace with colleagues, superiors and subordinates, or with customers or suppliers)

What if one of them is missing? Motivation drops substantially. For instance, higher appreciation does not substitute a salary or good money or benefits do not substitute good interpersonal relations at the workplace.

**Motivating during a crisis period**

In a period when the economy is not doing well and is undergoing a recession, which is also beginning to affect the enterprises in the given economy, the enterprises use the following tools to increase motivation:

* customised motivation (for a specific employee or groups of employees)
* stable financial remuneration and great communication on the situation in the enterprise
* upon reduction of the wages, it is necessary to emphasise that if the situation does not improve, financing shall also improve
* greater use of non-financial benefits (flexi-time)
* external training must be replaced by internal training
* offer self-realisation to the employees

**specifications of human behavior in certain situations. These theories represent a comprehensive set of knowledge and factors that influence a person in their work process. It is up to each manager to decide which motivational theories he will follow in his work, based on his experience, intuition and also the knowledge of his staff.**

**Motivation theories**

**Maslow's theory (pyramid) of needs**

**It is one of the best known theories of motivation of human action. The basic pillar is the definition of human needs that are crucial for him. Each person is motivated by a different need, depending on the level of the pyramid of needs.**

**The pyramid of needs and its degree is as follows:**

**Level 1 - existence needs of basic character.**

**This includes physiological needs that one must satisfy if one is not to suffer. For example, hunger, thirst, sleep. Their satisfaction is not associated with difficulties in developed countries.**

**Level 2 - security needs**

**We understand this need not only as physical security but also as economic security. This factor is now attributed more importance than before. It is the economic security of the employee and his family, because no one wants to suffer.**

**Level 3 - social needs**

**This level includes social contact with other people and their surroundings. It is done mainly for individuals who are culturally and professionally advanced and the deficit in this area would be frustrating for them.**

**Level 4 - Psychological Needs Recognition, status, prestige and self-esteem.**

**These factors are an important target for groups of employees with a high degree of ambition and ability to enforce themselves.**

**Grade 5 - Self-Realization**

**These needs are at the top of the individual's pyramid of needs. These include the development of personal talents, the development of a sense of self-worth and the possibility to influence the formation of one's own life and surroundings in general.**

**Alderfer's theory of ERG (Existence, Relatedness, Growth)**

**It is a reduced theory of work motivation.**

**3 groups of needs:**

* **subsistence needs (need for security, physiological needs)**
* **the need for interpersonal relationships (need for valuation, social needs)**
* **need for personal growth (need for self-realization)**

**Two-factor theory**

**It is a more advanced theory of motivation written by psychologist Frederick Herzberg.**

**From the results of the examination it was concluded that there are two factors affecting workers at work.**

 **Maintenance factors or hygiene factors**

**If these factors are not present, they cause employee dissatisfaction. Otherwise, when they are present, they do not create any significant motivation (such as pay, job security, relationships with the workplace)**

 **Motivation factors**

**Factors that give employees a sense of motivation, but also job satisfaction. However, their absence does not create a sense of dissatisfaction for employees. Motivation factors include, for example, career growth, job achievement, recognition, responsibility.**

**Theory of Balance (Justice)**

**The representative of the theory of justice is very popular by J. S. Adams. The basis of this theory is that people realize how they are treated in comparison to others. If a worker is treated fairly, it means that he is treated in the same way as he is**

**with another group of workers. The theory tells us that if an individual is treated fairly, he will be better motivated. On the contrary, those who are treated unfairly are demotivated.**

* **Employee brings inputs (knowledge, experience, performance)**
* **The employer provides the employee with output (wages, job security)**

**Balance is the ratio between inputs and outputs for any particular employee must be equal. If they feel their inputs are not properly balanced with outputs looking for change (new job) or reduce deposits to work.**

## **Influence of motivation on employee performance**

**Practical management needs to motivate in real time the human resources at its disposal to fulfill the assigned tasks. That is why the practice is always looking for new approaches and the attention is more focused on the psychology of human behavior. The starting point is sought in the use**

**basic dispositions of man, which can be described as motives of action:**

**• motive of performance,**

**• motive of aggression,**

**• motive of power,**

**• motive of association,**

**• motive of help.**

**It is based on the assumption that there are human dispositions for action that are able to stimulate them to work performance. The individual's working situation can be considered decisive for the will to exercise. If the requirements for employees are too low, this will not affect the incentive to work and other incentives will have a dominant influence**

**Disposition.**

**The intensity of employee demands affects their actions. An employee wants to work, perform work and expects reward, satisfaction with himself, and recognition of superiors and co-workers (which is also referred to as “need for recognition”). If they meet expectations, ie expectations and reality are in line, the motive strengthens, if the expectations are not met, the motive weakens.**

**The motivational approach is based on the fact that work that satisfies the worker is the best motivator. Workers who are associated with their work, like it and consider it important, are motivated to do their best. So if an organization wants to have highly motivated workers, a motivational approach to creating jobs and jobs is helpful and leads to positive results**

# **Remuneration in relation to employee satisfaction. Corporate climate.**

## **Corporate climate**

**For the employees, the business climate is the working atmosphere in enterprise.**

**The business climate influences:**

* **The internal enterprise environment (team, physical working environment, type of personnel management)**
* **External enterprise environment (laws, situation in unemployment rates)**

**Assessment of the climate in the organisation**

**It makes an attempt to evaluate the organisation according to the indicators that describe the perception of the climate**

**The following indicators are evaluated: Cohesion, confidence, resources, support, recognition, decency and fairness, innovation. Poor business climate results in conflicts.**

## **Employee satisfaction and remundation**

The employer should not pursue only performance, but also take care of the satisfaction of the employees. A satisfied employee puts on a far higher performance than a dissatisfied employee.

**Employee satisfaction surveys**

Why it is good to notice employee satisfaction:

- employee satisfaction is a significant motivational factor (they will work long hours and put on higher performances)

- It increases the capability of the organisation to retain quality employees

- It reduces the risks of a crisis and hence also the crisis management costs

The following areas are usually monitored:

- Remuneration - wage conditions, payroll system

- Activities - whether the job content and work conditions are suitable

- Relations - at the workplace, how communication runs, collaboration

- Sense - possibility of development and self-realisation

**Satisfaction survey methods**

1. use of structural questionnaires - cheap, large number of respondents, the results can be compared

2. use of an interview - expensive, time intensive, difficult to analyse

3. combination of the questionnaire and interview - analysis of the questionnaire results

4. use of discussion groups - representative sample (credible and focused on a specific topic)

methods for determination of employee satisfaction:

- the company does it itself (cheaper, lower quality)

- outsourcing - orders the service from another company (more expensive, higher quality)

**Use of surveys:**

• informative functions - ascertaining of employment attitudes

• predictive functions - forecasts a crisis in the company

• control functions - fulfilment of plans, obligations, expectations

• initiation functions - on the basis of evaluation, implement the remedy, new methods, procedures, standards

**Employee satisfaction surveys:**

a) comprehensive satisfaction surveys:

- basis - surveys are focused on getting the overall picture of the company situation

- survey target - get the opinions of the individual departments, determine the areas to which attention must be devoted, follow satisfaction from the long-term perspective

- methodology - anonymous questionnaire survey with organisational division of the respondents, periodical (2 - 3 years), comparison of the results

b) AD-HOC surveys

- Basis - getting information about certain areas, activities in the enterprise, problematic department

- Target - determination of the basic problems and formulation of the basis

- methodology - combination of standardised interviews and a questionnaire survey

One-off actions specifically targeted at

 c) 360 - feedback

- basis - each employee is evaluated from all angles of view

- target: ascertain the level of the capability, knowledge and skills of the employee, his strong and weak points, satisfaction

- methodology - questionnaire survey; measurement of satisfaction, capabilities, etc. from all perspectives.

It is a difficult method, which has its advantages and disadvantages. The advantages include its complexity and objectivity. Its disadvantages include time-consuming nature and costliness.

Obrázek 1: 360 DEGREE

Zdroj: : <http://www.whatishumanresource.com/360-degrees-performance-appraisal>

**Evaluation of satisfaction - phases**

1) preparatory phase

agreement on the tool structure and parameters

creation of the design of the standard questionnaire

Pilot project - incorporation of the comments and creation of the final questionnaire version

definition of the time schedule

2) implementation phase

communication strategy - informativeness of the interested parties

organisation of the distribution and collection of questionnaires to all territories

statistical processing and evaluation of the questionnaires

creation of the summary evaluation report

3) results evaluation phase

Presentation of the results to the managers, HR centres and job candidates

analysis of the results and formulation of specific real recommendations - correspondence with the real needs of the company (so that they make sense)

# **Job evaluation and Work standardization**

## **Job evaluation**

Evaluation of employees work is of great importance in the creation of the wage system. Work evaluation is a systematic process of determining the relative value of work in an enterprise to determine internal wage relations. It provides a basis for creating fair tariff grades, grades and scales and for placing jobs in these structures. For some time the evaluation of work in business practice was not very popular. The main criticism was that labor evaluation methods are not flexible, they do not reflect the market situation, they prefer internal equality over external competitiveness, etc. Many of these criticisms are already outdated, because often the methods themselves were not to blame, but the ways of using them.

The basic methods of work evaluation include summary and analytical methods.

**Summary methods**

Summary methods of work evaluation compare the work as a whole, not in terms of individual factors. Subsequently, they assign the work to grades or create their order. These are simple methods and in most cases do not comply with the "equal pay for equal work" rule. They are also criticized for leaving considerable scope for subjective evaluation of works. Their advantage is their low time and cost demands.

**Method of internal comparison**

The method of internal benchmarking or internal benchmarking is often not referred to as a method of assessing work. It is an intuitive method of comparing the monitored work with any other work in the company considered correctly classified and the subsequent classification of the monitored work to the appropriate degree.

**Pair comparison method**

The paired comparison method is a statistical method that compares a job as a whole with another job. If one job is worth more than another, two points will be awarded. If they have the same meaning, both get one point at a time. If it has a lower meaning, no point will be given. After the comparison, the points are added up and the work is ordered according to the sum.

**Order method**

The ranking method is based on job descriptions and ranks work as a whole from the lightest to the most difficult according to how their value for the organization is perceived. The advantage is simplicity, clarity and low demands on design. The disadvantage is subjectivity and the fact that it does not show the size of the differences between the works.

**Classification (catalog) method**

Classification method is the most commonly used method from the group of summary methods. It sorts jobs into a predetermined degree hierarchy and defines the characteristics of those levels, including examples of key activities. Jobs or roles are assigned to grades in the hierarchy by comparing work as a whole with the definition of a degree. The advantage of this method is its simplicity, clarity or low implementation costs. The disadvantage is that it is demanding in terms of precision and meticulousness and does not allow full consideration of the different working conditions for the same work.

**Analytical methods**

Analytical methods evaluate individual works separately according to individual requirements or factors that can be weighted. Partial values of labor are determined for each factor, the sum of which gives the total value of labor.

**Analytical comparison**

Analytical comparison is based on an analysis of a number of defined factors. The profile of the selected job is compared to either the step profile or the model or key job profile. The goal is to find the greatest match. Groups of model or key works, which are roughly the same in terms of value, are included in one level. For each stage, a definition is drawn up showing the characteristics of the work.

**Factor comparison method**

This method compares factors of work with factors of a certain scale. This comparison can only have three levels of value. It is similar to the scoring method. This method generates a work order for each of the paid factors. Weights can be assigned to individual factors. The order achieved by each factor is then multiplied by these weights. The result is the value of each work. The advantage of this method is its comprehensibility and easy transferability into the form of a wage tariff. The disadvantage is the wider scope for subjectivism and the fact that new work is difficult to evaluate with its help.

**Scoring method**

The scoring method is probably the most used method. It serves both to create a classification of jobs and as a basis for their wage evaluation. The basis of the scoring method is the breakdown of the work into factors or key elements representing the requirements that the work places on the person who performs it. Each of these factors contributes to the value of work and all factors are part of all work, but to varying degrees. Each factor is assigned points depending on the extent to which it is included in the evaluated work. The points are then added and the total score represents the value of the work. The scoring method works with quantitative scales, usually using multiple scales - one scale, for example, for managerial work and another for specialist work. The advantage of this method is its relative simplicity and comprehensibility, it is easily converted into a wage rate, it is objective and flexible. The most time-consuming phase is the creation of a point scale

## **Standartion of work**

Standardization of work belongs and has always been an important cornerstone of any organization. Labor standardization, ie determining the amount of work to be performed by an employee over a certain period of time, is left to the employer's discretion, who can decide whether or not the standardization is appropriate here. There is also widespread discussion as to whether labor standardization should be linked to labor law at all, because according to some opinions its individual standards cannot act as legal regulations. At present, in the last few decades, the so-called standardization crisis has been taking place, which is manifested mainly by the abolition of standard-specialist jobs, because there is often no interest in this position from either employers or employees.

The amount of work and the pace of work In determining the amount of work required and the pace of work, the employer takes into account several criteria, the Labor Code provides:

a) The employer is obliged to take into account the physiological and neuropsychological possibilities of the employee, the regulations to ensure safety and health at work and the time for natural needs, food and rest when determining the amount of work required and the pace of work.

b) The amount of work required and the pace of work can also be determined by the labor consumption standard. The employer is obliged to ensure that the conditions pursuant to paragraph a), or the labor consumption standard, if any, are created before the work commences.

c) The employer determines the amount of work required and the pace of work, or the introduction or change in the standard of labor consumption, unless agreed in the collective agreement, after consultation with the trade union.

This is a provision which is a shining example of the employer's discretionary power, which in this case is entitled to adapt the above-mentioned parts of the work process to the specific needs of his company. But there are set limits. The employer is obliged to take into account the physiological and neuropsychological possibilities of the employee, regulations for ensuring occupational health and safety (OSH) and time for natural needs, food and relaxation. It is understandable. Not every employer is the most suitable employer. In practice, there could be situations where the employer sets the amount of work and the pace of work at a level that is unmanageable for the employee.

The employee carries out dependent work for the employer for wages, salary or remuneration for work, during working hours at the employer's workplace (or at another agreed place), at the employer's expense and responsibility. Working time refers to the period “during which the employee is obliged to perform work for the employer and the period during which the employee is prepared to work in the workplace according to the employer's instructions”. The set weekly working time is a weekly working time of 40 hours per week. Breaking down the set weekly working hours and determining the beginning and end of a shift is a matter for the employer. Thus, the employee works for the employer during such working hours, unless otherwise agreed. The amount of work required is influenced both by the length of working hours and by the work pace of the employee. It is logical that the pace of work of each employee is different and is an inherent condition that must be taken into account when determining the amount of work. The amount of work required, the pace of work or the labor consumption standard may be introduced or changed by the employer after consultation with the trade union (if any) or may be agreed in a collective agreement. The measures set out are directed towards more employees, so it is appropriate to recommend the issuance of these measures in the form of internal regulations, which is often the case in practice.

Standardization of work is important from the employer's position, because it can increase the overall performance of the organization, respectively. increase labor productivity, reduce costs (material costs, overheads,…) and eliminate unnecessarily wasted time, thus making full use of the employee's working time fund. With regard to the position of the employee can do standardization. Work to determine exactly what an employee is able to do during working hours, uses a time curve that records when an employee is most efficient and when not, and suggests their work pace and the most efficient work schedule accordingly, and also paves the way for pay for the work done using the task wage. For work standardization to be effective in practice, it must be tailored to the needs and capabilities of the employer. It could be summarized that the aim of labor standardization is, in a broader sense, to ensure higher organizational performance, to make the work performed more effectively and to use the human resources in a narrower sense, to improve the workflow and to obtain the necessary time data process. Before this can be achieved, it is necessary to go through a series of individual stages and take into account a number of factors that can affect them.

Labor consumption standards are a measure of how much living labor will be required to perform a job at a certain level of productive development. When compiling them, the requirements regarding the possible quality of the submitted work cannot be ignored and must be incorporated into the content of the standard. The most important criterion in setting labor consumption standards is the nature of the work carried out, in particular taking into account several factors:

* the required accuracy and quality
* economy of calculation
* technical possibility and economic purposefulness determination of working, resp. technological process,
* technical capability and economic efficiency of determining the amount of work and performance of an employee.

In terms of the amount of work, it divides the norm of labor consumption into two main branches. If the amount of live work is expressed in terms of the amount of working time, these are performance standards; if expressed in terms of number of workers, these are occupancy standards.

Performance standards express the expected consumption of live work, which is spent on the fulfillment of the whole assigned task (operation). We distinguish between time standards and quantity standards.

If the amount of time needed by an employee or group of employees to perform a given task or its unit (pcs, kg, m2,…) is determined directly, the time standard (time / quantity of production) is referred to. If it is determined how many units (pcs, kg, m 2,…) are to be processed by the employee per unit of working time (hour, shift,…), this is referred to as the quantity standard (quantity of production / time). The quantity norm is the inverse of the time norm and is always derived from the time norm. An example of a time standard is that an employee has 15 minutes to produce 1 piece of product; an example of the quantity standard that an employee has to produce 4 pieces of products per hour.

Cast standards are always expressed in some numbers. They either express the relationship between the number of workers and the number of machines and equipment they operate, or between the number of workers and the organizational unit. We separate operator standards and standards of counts.

Operating standards determine how many machines, or. other production equipment, should be operated by one employee, or how many employees (how many professions) are needed at the same time to operate the production equipment. The population standards determine how many employees of the relevant qualifications are needed to perform a specific workplace or organizational unit.

When standardizing work, in addition to the term “standards” we encounter so-called “normatives”. Normative is understood in relation to the standard as a partial indication. Norms are set for individual components of work operations (operation section, operation, movement), while standards apply to the whole work operation. Norms such as data used to calculate the standard of time consumption can be broken down according to the purpose of focusing in particular on:

• Time standards - indicate the expected amount of normal time consumption of an employee for a certain part of a work operation that is performed under certain technical-organizational conditions; they can be expressed directly by time (in minutes, hours), a mark-up factor or a percentage mark-up,

• Counts normatives - determine how many employees of the relevant qualification per 100 or 1,000 employees of a given service object, ie workplace, machinery or equipment; they are more of an approximate meaning,

• Frequency normatives - they state how many times the average time per unit of production (quantity processed) for which the time consumption standard is set, is the time norm of the respective output; they are used primarily in the field of irregular work operations of the relevant operation; for example, how many threads are tied per 1 kg of yarn, or in the case of serum production, every fifth product needs to be measured on a particular machine,

• equipment waiting time standards - specify the length of time a particular equipment is idle because an employee in charge of more than one such equipment is operating another equipment at the moment; for example, the machine is idle because it breaks the thread and waits until the employee arrives to bind it, while the employee binds the thread on another machine,

• technological standards - their purpose is to determine such procedures and technical conditions that would ensure optimum performance and required product quality.

In the broadest sense, a standard is understood to be a binding rule, a law or a measure of measure expressing a property, activity. This term occurs in various areas of social life. Important for labor standardization is a set of technical-economic standards into which we include labor standards. Labor standards include all regulations or rules that determine how a particular work is to be carried out economically, what qualifications are required for that, and how much work time is required to perform it under certain conditions. The following are considered to be labor standards: technological and workflow standards - determine how specific work is to be performed under certain prescribed technical and organizational conditions; the range of employees who can perform such work, labor consumption standards. Practice reflects the important characteristics of each of these standards. Workflow standards deliberately lead a company to a more cost-effective production process; it seeks to find the most optimal solutions under which work should be performed under the given conditions. Qualification standards try to use employees efficiently. Indeed, it would not be very cost-effective for highly qualified workers in the higher tariff class to sweep, for example, or to assign workers without proper qualifications to qualified work tasks of which they have no idea.

# **Criteria of evaluation employees**

What is evaluated:

1) Output (performances)

- Performances and results, which are properly measurable

2) Process (working behaviour, attitude to work)

The connecting element between the inputs and outputs - how the worker behaves during work

3) Input (potential, competence, practice)

**Employee assessment and remuneration**

This is a personnel activity whose objective is comprehensive assessment of the worker - behaviour, attitude of the worker to work and his results with subsequent reflection of the results in the employee’s remuneration.

• Unpopular superiors and subordinates

• The performance of the employees is difficult to influence without assessment

The evaluation objective is to ascertain the motivation of employees, determine the potential of the employee, assess feedback and search for reserves for the purpose of higher performance.

**Employee assessment principles**

1. Individual critical values should be differentiated. The objective that the employee should achieve must be predefined prior to assessment.

2. Written records - written assessment must always be discussed with the employee and it also necessary to ascertain whether he considers it to be fair

3. assessment should be continuously linked to remuneration and focused on performance, not the employee himself, without prejudice or subjective influences.

4. Employee assessment should be balanced, i.e. it should include positive and negative things

 5. the direct superior is responsible for assessment of the employees

**Basic assessment rule**

The employee can be assessed and remunerated only according to the criteria (results), which he can influence himself.

The results of employee assessment are the basis for determination of the wage, basis for future deployment of the worker, provide information about the employee’s further education and constitute a mutual relations tool between the evaluated and the evaluator.

**Circle of evaluated persons**

In the case of the system of regular employee assessment, it applies to all employees. The evaluation of the individuals is done in special cases, for instance, transfer of the employee to a different working position.

The employees’ assessment process consists of 3 time periods:

1) Preparatory period

Preparation of all background documents, definition of the assessment methodology (criteria, method)

2) Period for acquisition of information and documents

The activities in this period consist in acquisition of information about the working performance of the individual

3) Period for evaluation of working performance information

It concerns the evaluation of acquired information and creation of written documents that are subsequently discussed with the evaluated person. During the interview, the results are not only imparted, but improvement options are also discussed.

Evaluation methods

- MBO

- BSC (Balanced Scorecard)

- 20-70-10

- Check-list

- BARS

- Evaluation based on compliance with standards

**Evaluation based on compliance with standards**

This method consists in comparison of a worker’s performance with defined standards. It is most frequently used for blue collar professions.

**Check-list**

The check-list is actually a questionnaire, which presents certain formulations related to working behaviour and the assessor indicates whether a given type of behaviour is present in the worker’s performance or not (usually, he only marks ‘yes’ or ‘no’).

**BARS Method (Behaviourally Anchored Rating Scale)**

The method is not focused on the working effect, but approach to the work, observance of a certain working procedure and working behaviour. The method assumes that the desired working behaviour contributes to the efficient performance of the work.

# **Reward systems - types, creation, structure, and application**

The Reward system is a set of rules, methods and standards that ensure the definition of rules. Every enterprise is obligated to provide its employees with a wage for work done.

The objective of the payroll system is to ensure compliance of the corporate plans with the motivation and also ensure employee satisfaction.

**Reward system variants:**

1. Rules - the entrepreneur applies them when concluding individual agreements on the payroll conditions and level (in the case of small enterprises)

2. Internal corporate guidelines - determines the circle and procedure of people authorised to conclude individual salary agreements for companies with up to 100 employees without a collective agreement

3. Corporate collective agreement - detailed definition of the wage issues using the PS

4. Corporate payroll regulation - the basic element is the PS and it also includes other wage conditions (size of the allowances)

**Factors affecting the reward system:**

1. external

- economic and social factors - economic cycle, unemployment, sector, territory

- state intervention in the socio-economic processes

a) state influence on the labour costs (social insurance, minimum wage),

b) legal and economic regulation (taxes, labour code)

2. internal

- economic - size of the enterprise, salary level, economic situation of the enterprise

- social and personnel - style of management, qualification and educational structure

- organisational and technical - direct management level, scope and level of the measures, so-called standards, criteria, type and level of the technical equipment

**Reward systems preparation and implementation stage:**

**I. Concept of the reward systems:**

Assessment of the action of internal and external factors that impact the enterprise forms the concept of the payroll system

a) strategies and basic focus of material motivation (stimulation)

 1) analysis of the current remuneration state (effectiveness, satisfaction,

 internal environment)

2) formulation of the major principles and priorities

3) basic focus of material motivation (depends on enterprise targets and plans)

b) level and dynamism

Three payroll strategy levels exist:

1. pay wages comparable to those paid by the competitors

2. pay higher wages than the competitors - dominant companies

3. pay lower wages than the competitors - poor economy => existential problems

The wage dynamism depends on the dynamism of the company business. In this area, the enterprise also decides on the ratio of the fixed and variable wage components.

c) PS according to groups

depends on the quantity, variety of the work and qualifications, distances and professional composition

Main structure:

1. managers

2. top experts (lawyers)

3. others (individual in each company)

II. Processing of the individual elements and their merging into a complete system

1. determination of individual employee groups

2. determination of the assumed wage level according to the individual groups or positions in the organisational structure

3. lucid and clear identification of the individual forms of remuneration for the individual groups

4. employee benefits or non-monetary benefits and estimate of benefit costs

5. determination of other motivational elements for the individual groups of employees

III. Application of the system in corporate practice:

The basic rule for implementation of the reward systems is:

ALL EMPLOYEES MUST BE ACQUAINTED WITH THE CORPORATE REWARD SYSTEMS AND UNDERSTAND IT

IV. Evaluation of the efficiency of the corporate payroll system:

 The efficiency of the payroll system is evaluated according to the following indicators:

- development of labour productivity

- Development of labour productivity and wages

- labour to cost ratio

- profitability of the invested resources

- achievement of the set targets (fluctuation, absences)

**The remuneration budget consists of the following components:**

- basic wage (fixed component + variable component)

- costs of the benefits

- employer’s social security and health insurance costs

- employee recruitment and training costs

- other wage compensation (leave of absence + allowances)

**The remuneration budget consists of the following:**

A) basic budget for the organisation as a whole

B) within the framework of the basic budget, the budgets of the individual departments (according to the requirements and circumstances)

# **Forms of remuneration. Wages and salaries structure.**

**Reward systems - adjustments**

**General**

**It is a response to inflation. It is often the outcome of collective negotiations. It often occurs once per year, for instance, increase of the wages of all employees by 3%.**

**Individual**

**An individual wage adjustment is made in connection with the transition to a differently assessed working position or upon a substantial increase in performance, which is based on assessment of performance.**

**Upon promotion**

**It must be discernible, at least 20% of the basic wage.**

**Remuneration system**

**a) material forms**

* **claimable (fixed): wage or salary**
* **non-claimable - monetary: allowances, bonuses, premium**

 **non-monetary: employee benefits**

**b) non-material forms**

* **promotion,**
* **recognition,**
* **higher responsibility,**
* **content of work performed,**
* **higher independence,**
* **working conditions, ...**

**Wage forms**

**It is a method that enables the employer to ensure that the earnings of the individual employees match their real working results. It is a means for stimulating the employees to achieve the required results. If we want to achieve it, the employee must be acquainted with the applicable remuneration form in such a manner that he understands it, knows how he can maintain or increase the contracted wage.**

**Time wage**

**The basis is the time worked. It is used where it is not possible to standardise or change the performance, where it is not possible to increase the performance and where the performance is ensured in a manner other than the efforts of the employees. This wage form has a low stimulating effect.**

**It is used for creative or management work where the use of other forms would be costly. It is also used where use of another form could lead to safety and health hazards.**

**It is = t (time worked) \* wage tariff**

**Advantages:**

**- Simple and inexpensive**

**- Eases the estimate and planning of wage costs**

**- Comprehensible**

**- Raises less disputes and dissatisfaction than remuneration derived from performance**

**- It is administratively cheap**

**Disadvantages:**

**- Does not motivate higher employee performance**

**- It requires more intensive control of the employees**

**It is usually supplemented with other wage forms (premiums, bonuses) or control is necessary.**

**Time wage forms:**

**a) Clean - based only on time worked**

**b) With an allowance for evaluation of the working results and behaviour - on the basis of assessment directly with the superior**

**Foreman’s Fund:**

**The employees get a time wage, which is supplemented with a reward from the foreman at the rate of 10 to 20% of the basic wage and payment of this amount to the employee is at the foreman’s discretion.**

**Piece work pay**

**The piece work pay is focused on increase of production and increase of the work rate, i.e. labour productivity. On the other hand, it does not support interest in improvement of quality and cost savings. It is not used where the work rate is determined by the line or where an increase in the rate could endanger health or safety. According to the Act on wages, it follows that we set the labour consumption standards ourselves, but in the process we must also consider a work rate, which should be adequate to the physiological and neuropsychological capabilities of the employees.**

**Piece work pay is a wage form where the earnings depend on the performance of the employee:**

**But its implementation requires:**

**1. Pre-defining an economic technological procedure, working procedure and labour consumption standards**

**2. Securing technical and organisational requirements for smooth fulfilment of working tasks - i.e. raw materials, material, semi-finished products, tools and manufacturing documentation in the required quantity, quality and deadline**

**3. Reliable evidence and control of the quality and quality of the work**

**4. Possibility to influence the fulfilment of performance standards by working effort**

**Types:**

**1) Direct piece work pay - piece work pay directly depends on the work done. It can be determined as:**

**a) Task rate wage (used mainly in mass and large series manufacturing)**

**Wage = piece work pay rate \* performance**

**b) Wage for standard hours (used mainly for piece work and small series production) where the working performance is determined by the time that must be spent on performance of a task, whereas**

**Wage = standard hours \* wage rate per standard hour**

**2) Indirect piece work pay - the piece work pay of an executive is formed according to the performance of the employee under him**

**1. True - wage of a blue-collar supervisor is fully dependent on fulfilment of the performance standards of the supervised blue-collar worker**

**2. Untrue - the blue-collar worker is remunerated with a time wage, which is raised by the percentage by which he exceeds his performance standard**

**According to the degree of proportionality:**

**a) With a uniform progress (classic) - the income amounts to a % of the wage tariff according to the level of fulfilment of the performance standard**

**b) With differentiated progress, where a certain percentage of the fulfilment of performance standards matches a lower (digressive) or higher percentage of the wage tariff**

**According to the technical organisational conditions**

**a) Individual - where interest in the quantity of work is dominant and the performance of the individual is reliably measurable**

**Advantage: direct link between the working effort and wage amount**

**Disadvantages: excessive physical stress, non-compliance with the technological procedure, deterioration of the quality of the products**

**b) Collective, used where the techniques, technologies and organisation of production and work does not make it possible to precisely determine and monitor individual performance**

**- Operational - the piece work pay rate is determined for one working operation performed simultaneously by a group of blue collar workers**

**- Complex - the piece work pay rate is related to the performance of a full complex of working operations where a group of blue collar workers with different professions and qualifications could participate in the working process**

**Contingent compensation**

**Contingent compensation is determined according to the direct percentage share of the employee or work team on the working results expressed in value terms (sales revenues, turnover, income, output). It is applied to activities whose result can be influenced by the worker, but the method of organisation of work precludes a predefined working procedure and reliable monitoring of the utilisation of working time. It is used to remunerate business activities in the area of services and in sections where repairs, external installation, etc. are done.**

**2 variants:**

**Clean - the employee receives only a % of the sales (or profit)**

**Combined - the employee receives piece work pay plus a % of sales (or profit)**

# **Performance remuneration**

The objective of performance remuneration is to strengthen the link of remuneration to the performance and motivate the employee. Performance remuneration is thus a situation where at least part of the wage depends on measurable performance.

**The tools of performance remuneration include:**

• Bonuses

• Remuneration

• Bonuses

• Share of the profit

• Employee shares

• Royalties

**Bonuses**

Bonuses are paid depending on fulfilment of a pre-defined quantitative indicator or target (the indicator must be measurable in some way).

We differentiate:

a) periodically recurrent bonus - remuneration that depends on achievement or exceeding of pre-determined targets or performance indicators

b) one-off bonus - types of one-off bonuses - for instance, loyalty bonus (according to the duration of employment in the company), attendance bonus (for the fact that he was not ill, for instance, for the whole month)

Second bonus for:

• performance

• fulfilment of deadlines

• quality

• cost efficiency

• individual

• collective,....

**Remuneration**

Just as applies to a bonus, a further form of the large variety of variable wage components. It forms one of the most operatively and administratively simplest variable wage components.

The difference between the terms bonuses and remunerations. The bonuses are variable components with more strict rules for their provision. It is tied to fulfilment of pre-defined specific indicators. In contrast, the rewards are a looser form of remuneration, even if they do not preclude a link to the fulfilment of certain pre-determined indicators. The specific amount of remuneration is then usually determined by the executive or the employer himself after evaluation of the merits of individual employees.

The principle of the remuneration is in that the given supervisor usually determines the size of the reward, which need not be tied to fulfilment of pre-defined criteria (performance, quality,...). For payment of the remuneration, it is optimal to issue a bonus guideline. The size of the remuneration is derived from the percentage rate or a fixed amount. Types of remuneration: performance bonuses, annual remuneration of management staff, extraordinary bonuses

Two forms of distribution of remuneration exist:

- remuneration is distributed by the foreman or supervisor according to the merit of the individuals (foreman’s fund)

- on a percentage basis according to the fixed part of the wage, the supervisor or foreman distributes only part; the rest is distributed according to the merit of the individuals in relation to the required result

**Bonus based on MBO or BSC**

The bonus takes the form of extra pay that is added to the basic wage for achievement of specific and extraordinary targets, for instance, MBO. The form that is frequently used at present.

In the case of the blue collar professions, it replaces the bonus systems where new technologies or new forms of labour organisation are implemented.

Advantages: tied to the fulfilment of specific targets, paid immediately after performance of the tasks and is administratively undemanding

Disadvantages: above-average emphasis of individual performance

**Share of the profit**

The share of the profit is a form of wage, which the employer provides to the employees for its benefit to achieve a good economic result.

There is no legal entitlement to the share of the profit - the company has no obligation pay it. At the same time, the share of the profit is not a cost for the company - it is not posted to cost.

Reasons for use: economic - increase of labour productivity, stimulation of the employees

 social - creation of the relations between the performance of the company and employees

Two distribution problems:

- distribution of the profit into the part designated for work

- distribution of the profit among the employees

Currently, the share of the profit shall be replaced by the variable bonus, for instance, Škoda Auto.

Distribution methods: using the number of employees, volume of annually paid wages, number of years worked in the company,...

**Employee shares**

The principle is that the company offers the employees an opportunity to acquire company shares after a certain period at a given bargain price depending on the period the employee is with the company or position in the company (for instance, 1 + 1 free). The shares are usually negotiable

The system has advantages for the employees in the form of a share of the company profit and is also a source of income for the employees. At the same time, the tax effect and higher interest of the employees in the company’s performance are positive. The implementation problem in this case comprises the high initial employee costs when acquiring shares. The employee has the right to sell the shares only after a certain period, for instance, after holding them for two years.

**Gratification**

It is an allowance for extraordinary events or acknowledgement of responsible work done. Gratification has a big stimulating effect. It is made in the form of a one-off payment on extraordinary occasions with guaranteed link to the performance. Gratification may take the form of an absolute amount or a percentage of the monthly earnings

Types: life jubilee, duration of employment with the company, loyalty to the company, Christmas, leave allowance.

**Extraordinary payments**

Additional monetary benefits that the employees get from employment. They are not related to the employee's performance. They are usually used to cover certain special needs or for certain extraordinary purposes. The examples of usage include payment of an employee’s moving costs in connection with change of working location (for instance, abroad) or compensation of the costs of additional training courses.

**Wages and salaries for expected working results**

This concerns remunerations provided for a defined set of works and performance. The company assumes fulfilment of the given tasks based on knowledge of the working abilities and performance of the employee and continuously pays him a certain amount. The important thing is to define the targets and options for their check, compilation of plans, working procedures and measurements for assessment of the results and a necessity is also the availability of labour consumption standards. It is often applied to the working positions of blue collar workers, specialists and lower and middle management staff.

Three forms of wages and salaries exist for expected results - contractual wage, wage with measured daily output and programme wage.

**Contractual wage** - the employee undertakes to fulfil certain tasks for a predefined period for which a certain amount is paid to him. Upon lapse of the given period, check and assessment of his results is done. These results may affect the wages and salaries for the subsequent periods. One of the advantages is the involvement of the employee in the creation of the tasks. A disadvantage may be the difficult creation and check of the standardised working times.

**Wage with measured daily output** - the basis is a fixed time wage that differs in terms of the evaluation of the work done. A positive aspect of this wage is regular remuneration of the employee, which is not directly tied to performance. It is however difficult in terms of preparation and analysis of information.

**Programme wage** - it is usually collective in nature. The group of employees receives a certain fixed amount at regular intervals for the duration of the programme. Upon completion of the programme within the set period, in the given quantity and quality, the employees receive a wage plus a portion of the variable component. An advantage is considered to be the collective pressure on the individuals in order to increase performance. The disadvantage is the need to set up a group with similar performances.

**Types of levels and wage or salary structures**

This is an area in which the corporate remuneration policy is implemented. The structures of the levels are used by the company to classify the individual types of work and working positions in a hierarchy. They also make it possible to determine the size of the monetary remunerations (rates), definition of the framework for increase of the monetary remunerations and the basis that allows the direction of the wage or salary ratio, performance of monitoring and controlling processes and management of other remuneration aspects

# **New forms of the remuneration of employees**

**wage for qualifications**

**The wage for qualifications is a form of wage whose increase depends on the scope or depth of knowledge and skills that the employee has acquired and is applying. The objective of the wage is to stimulate the deepening of the employees’ qualifications so that the company can attain higher performance. Thanks to this form of remuneration, the employer can maintain the working positions when it has flexible and multi-sectoral qualified labour.**

**Forms: allowance to the basic wage, basic wage**

**Advantages: support for the flexibility of the employees, increase of the organisation’s flexibility, increase of the substitutability of the employees and ease of implementation of new techniques and technologies**

**Disadvantages: costs (training, courses), risk of remuneration only for the educational certificate not for real work**

**Remuneration according to competences**

**Used in companies with focus on corporate culture. The competences do not mean powers, but:**

**o certain behavioural requirements (soft competences)**

**o clearer definition of technical capabilities (hard competences)**

**The hard competences model gives higher respect and provides greater support for career management in the company. For managers, it is more efficient and reliable to evaluate the advancement of the accountant in his career according to comprehensive economic knowledge rather than only according to knowledge.**

**The soft competence model is created on the basis of analysis of the corporate and company culture. At the highest level, competence is categorised into three segments: professionalism, independence and accountability.**

**The SCARF Remuneration Model**

**The model defines 5 factors leading to higher efficiency in motivation and rewarding of employees.**

**STATUS - arising, for instance, from the name of the profession. Sometimes the new name of a position may mean a big change just in the feeling from the new name, for instance, department head vs. department director**

**CERTAINTY - the ability to predict the future. This concerns the transparency of the criteria and sustainability of the rewarding system.**

**AUTONOMY - opportunity to participate in decision-making concerning one’s own work**

**RELATEDNESS - mutual relationships of employees at work**

**FAIRNESS - fairness of the system. Attachment, rotation, promotion opportunities**

**Team remuneration**

**The objective of team remuneration is to link the remuneration of the individual to efficient team performance**

**The most common form is distribution of the team remuneration according to some predefined, clear and comprehensible formula. The formula is determined on the basis of quantitative or qualitative indicators.**

**Team types:**

**1. Organisational teams - members are organisationally connected and the objective is to achieve the corporate objectives**

**2. Work teams - independent permanent teams with members who closely co-operate in the creation of the products or services**

**3. Project teams - people from various functional departments to fulfil some project**

**4. Ad hoc teams - functional teams for solution of a particular problem - short-term**

**Types of team remuneration:**

**1. Distribution of bonuses - the bonus is either a % of the basic wage or takes the form of the same amount for each member**

**2. Team and individual remuneration - payment of both the team and individual bonus**

**3. High and low individual performance in the team - the bonus is defined by the team leader according to the individual performance**

**4. Project team bonuses - bonuses for achieving and exceeding target results**

# **Rewarding employees by methods Balanced Scorecard (BSC) and management by objective (MBO)**

**Remuneration according to MBO (Management by Objectives)**

 **It is a very widespread mode of remuneration mainly for reason of ease of implementation. It is a method based on the determination and mutual reconciliation of objectives and evaluation of the successfulness of their achievement. Designed by Peter F. Drucker. MBO places emphasis on the result rather than on the achievement method. The remuneration method based on MBO, i.e. according to the objectives, can be applied practically anywhere. The basis of the method comprises well-defined objectives that must be SMART.**

**SMART**

* **Specific**
* **Measurable**
* **Achievable**
* **Realistic**
* **Time Specific**

 **The principle of causality, i.e. interdependence of objectives applies here. The objectives of the subordinate should build on the objectives of the superior, and these should in turn build on the objectives of the director.**

**Types of objectives levels**

1. **company objective**
2. **departmental objective (department, division, …)**
3. **individual objectives.**

**Remuneration according to the Balanced Scorecard (BSC)**

**System of the balanced indicators of company performance, which was established in the USA in 1992. The basic idea is that the target of the enterprise is to satisfy not only its shareholders, but also other interest groups, such as employees, suppliers, distributors, customers and others.**

**BSC performance of the enterprise on the basis of four perspectives:**

**1. Financial (ROE, ROA, EVA, revenue growth rate…)**

**2. Customer (share of timely deliveries, share of key customers…)**

**3. Internal business processes (shortening of the manufacturing cycle, increase of productivity…)**

**4. Learning and growth (Improvement of the language knowledge of key employees, loyalty of the employees, fluctuation)**

**It is the most demanding of all the types of remuneration systems, but also one of the most transparent. The creation of this system starts with the definition of the strategic map, again on the basis of the mission, vision and values of the company. The application of the BSC method to practical remuneration requires a clear idea of the corporate strategy and translation of the strategy to the performance indicators of the company and its departments and setting of the target values of these performance indicators.**

**The strategic map contains the targets of the senior management that are further cascaded to the lower management levels, lower objectives.**

**Usually 3 to 5 levels (each with their own targets or criteria)**

**The following have their own targets in BSC**

 **- senior management**

 **- middle management**

 **- individual departments**

 **- individual work teams**

**Advantages:**

 **- clear communication targets of the enterprise, their conversion to indicators and translation in the performance criteria of the individual organisational units.**

**- a balanced remuneration tool that besides financial targets also includes further evaluation criteria. (relationship to MBO)**

**Disadvantages:**

**- Variable remuneration through BSC requires stricter control of the causality of the objectives and their calibration**

**- The system is complicated and its function must be explained to the employees**

# **Remuneration of management, specialists and expatriates**

## **Remuneration of management**

**A) By the Employment Agreement (so-called, management contract)**

**- commencement of the employment relationship**

**B) Transaction-management contract (earlier contract of mandate)**

**- an employment relationship is not established, he guarantees losses with all his assets (big risk)**

**Transaction-management contract**

**The agent undertakes to arrange and perform a certain act for the mandator for consideration (company management, CEO). The scope of his duties is stated in the contract. Just as applies to work on the basis of a trade licence.**

 **Major characteristic features of the transaction-management contract:**

**- An employment relationship is not established**

**- He pays social security and health insurance contributions himself**

**- He is not obligated to be present at the workplace**

**- Possibility for quick termination - termination of the contract**

**- Guarantees losses with all his assets**

**Managerial Contract**

**The management contract should be constructed in compliance with the Labour Code and clearly regulate the responsibilities of the management employee for good organisation and operation of the company or the entrusted department and particularly for his good business results. The objective is to identify an ideal tool of managerial remuneration that motivates the managers to achieve long-term increase of the value of the company. An important role is played by the variable component of the wage (approx. 40% - 60% and above)**

**Wholesale**

**1. Basic wage (fixed wage component)**

**2. System of bonuses (variable wage components)**

**3. Employee benefits - up to 20 %**

**An important role is played by the variable wage component, which should be tied to clear criteria (for instance, the profit growth rate, turnover growth rate, economy of value added, cash value added, etc. )**

**Management share options**

**The options are determined by the company’s board of directors. The options give their holders the right - but do not stipulate the obligation - to acquire the defined volume of shares in the company in a defined future period at a predefined price, usually the market price at the time of acquisition of the option (job start).**

**Application advantages**

**The manager whose annual bonus is based on the growth of the company profit may in an effort to achieve his performance targets postpone some company expenditure, for instance, in the areas of technical development or marketing, at the cost of restricting the long-term development potential of the company. On the contrary, the use of options allegedly motivates the managers to monitor the long-term interests of the company because the potential remunerations (higher value of the shares from which they profit) shall be reached only after a certain period.**

**The management share options are apparently a free form of remuneration. They are not posted to cost at the time of issue, not even to the company’s balance sheet (because the value is not clear).**

**But they represent an obligation of the company to issue new shares, which shall "dilute" the value of the current shares (and make the current shareholders poorer). Or to acquire shares on the market, which may substantially increase the future business costs**

**Problems related to the use of share options**

**If the share prices are high, the managers and owners earn money, but if they decline, only the owners really suffer a loss.**

**The rise of the share prices need not be directly related to the company’s business (for instance, the trend in the industry, global financial crisis).**

## **Remuneration of expatriates**

**A significant component of international management of human resources are the expatriates, i.e. employees dispatched from the mother country to work for a limited period at the company’s branch in another country. Most of the organisations use expatriates only for higher management positions or as specialists in a very narrow area. Expatriates are very costly in terms of financing. For this reason, it does not seem to be economically reasonable to employ an expatriate in a position that can be occupied and performed easily by a local employee.**

 **1) Remuneration according to the mother country (most often)**

**He gets the same pay as in the mother country plus an allowance for work abroad (i.e. spendable income)**

**2) Remuneration according to the host country**

**The expatriate has the same salary and benefits as the local employee in the host country. This approach helps maintain the equality of the expatriates with the employees in the host country.**

**3) Remuneration according to the selected country**

**The wage according to the mother country where the company has its seat and is adjusted according to the purchasing power of the host country.**

**4) Hybrid**

**The system consists of two components. One is the same for all employees abroad and the second depends on the lifestyle in the host country.**

**Allowances for expatriates**

**The allowance for expatriates is compensation for intervention in their lives. These allowance components include the allowance for higher living costs, moving bonus, allowances for deprivation, separation, housing or moving, work in a hazardous environment.**

# **Total Reward Model. Project remuneration.**

## **Total remuneration model**

**Total remuneration includes all types of remuneration - indirect and direct, internal and external.**

**All the aspects of the remuneration, particularly the basic wage or salary, merit remuneration, employee benefits and non-monetary remuneration, which include internal remuneration from the work itself are mutually linked and treated as an integrated and logical unit. Total remuneration combines the influence of two major categories:**

**Transaction remunerations - material, tangible remunerations from a transaction between the employer and employees, which concern monetary remunerations and employee benefits.**

**Relational remuneration - intangible remuneration related to education and development as well as experience, work experiences.**

**Total remuneration concept - acknowledgement of the fact that the remuneration system should include not only monetary but also non-monetary remunerations such as praise and acknowledgement or growth opportunities could provided just through the process of work performance management.**

**Two upper quadrants - monetary remunerations and employee benefits constitute transaction remuneration. In principle, they have a monetary nature and are important for acquisition and stabilisation of the labour force, but may easily be copied by the competitors. On the other hand, 20 relational (non-monetary) remunerations that correspond to the lower two quadrants are important for increase of the value of the upper two quadrants**

**The major advantage of the total remuneration concept is the pooled effect of various types of remunerations, which has a deeper and longer term impact on the motivation and performance of the employees. Further advantages include improvement of employee relations and higher flexibility of the employees.**

**TOTAL REMUNERATION MODEL**

Material rewards

|  |  |
| --- | --- |
| Monetary remuneration:* salary
* bonuses
* shares
* shares of the profit
 | Employee benefits:* additional pension insurance
* additional leave of absence
* flexibility
* healthcare

joint |
| Education and development:individual* learning at the workplace
* Education
* Career advancement - promotion
* Management of work performance
 | Work environment:* Management style and quality
* Right to comment
* Acknowledgement
* Quality of the workplace life
* Relationships at the workplace
 |

Relationship remuneration

**Relationship remuneration**

**The optimum is a combination of 4 quadrants. The motivation of the employees substantially declines if there are problems in some quadrant.**

## **Project remuneration**

**The projects must be comprehended as components of the working duties of the employees.**

**Project work is remunerated by means of premiums, bonuses, etc.**

**This wage form applies mainly to the employees who work on more time intensive internal company projects alongside their standard work.**

**The remuneration of an employee who is working on projects takes three levels into consideration: result of the entire project, result of the given project phase, individual assessment.**

**When working only on a certain assigned project phase, the performance criteria are evaluated and a bonus sheet is prepared for each project position**

# **Employee benefits. Cafeteria system.**

## **Employee benefits**

They are employee benefits, which the employer provides to the employees. They have monetary and non-monetary form. The employee benefits are used in the companies for several reasons. The employee benefits are used to hold key employees in the company, to reduce, or prevent tiredness and stress from the working duties of the employee. The benefits should increase the motivation and satisfaction of the employee in the work environment. At the same time, the companies ensure their attractiveness to the employees in this way. The better the employee benefits offered, the higher the attractiveness of the company to current and future employees.

Major objectives of the use of benefits in the company:

* Cost effectiveness (the company often does not pay social and health Insurance)
* Strengthen the relationship of the employee to the organisation
* Flexibility to the needs and preferences of the employees
* Competitiveness as compared with other companies

Categorisation of benefits

* Individual - focused on concrete people
* Group - provided to larger groups or all employees

**Categorisation of benefits:**

1. General benefits. - available to all employees; they are often regulated by the collective agreement (meal vouchers)

2. Status benefits - are intended for employees according to their position in the company (mobile phone, car…)

3. Selective benefits (cafeteria system)

Validity period: can be provided for an unlimited period or for a predefined period

Mode of implementation of the system of benefits

The benefits can be implemented in two ways. The first is a uniform programme for all employees. This method is characterised by the fact that all the employees may draw all benefits, which the given company offers and they themselves decide on whether they want to draw them or not. The second method is the differentiated approach, i.e. system of employee benefit “packages with varying content” for each employee or groups of employees with prohibition of discrimination.

**General classification of benefits:**

* Social (loans, medicines)
* Work-related (meals, education,..)
* Related to the position in the organisation - position benefits (car)
* Benefits that improve the quality of leisure-time (tickets, season tickets)

Trends in benefits

* focus on the development of employees (attachments, training),
* focus on healthy lifestyle (vaccination against Influenza),
* focus on strengthening of the assurance and safety of employees,
* compensation for working deployment (best employees),
* strengthening of teamwork (better communication and mutual acquaintance),
* benefit selection freedom

**Mode of implementation**

The benefit systems are implemented in two major ways. The first alternative entails the company’s creation of its own benefits system. This may be afflicted by little experience in the creation of such a system, but the costs are lower. The second alternative is to order the benefits systems from a specialised company with greater experience, but at higher cost.

## **Cafeteria system**

**The employee benefits may be allocated generally or optionally. An optional system is termed the cafeteria system, and if the employer opts for this type of remuneration, it means that the employees can choose benefits according to what they personally need and consider suitable. The cafeteria system may be either partial or fully optional. The partial system means that the employee benefits are generally provided while part of them are optionally provided. On the contrary, the fully optional system is characterised by the fact that the employees can freely choose their own benefits from the offered corporate package. The employer determines the number of points for each employee per year and the latter can treat them at his/her own discretion. The employees can thus only choose benefits that they really value and utilise, which increases effectiveness. This system is seen as a fair and financially effective solution. The cafeteria system also has its disadvantage, which is its administrative demandingness during creation and maintenance of the system. For this reason, the companies entrust the administratively demanding creation and subsequent maintenance of the system partially or wholly to a specialised company.**

**The cafeteria principle is that an employee accumulates bonus points or money in a virtual account, which can be exchanged for the offered benefits. Every offered benefit has a certain value in the offered system. This system is lucid, has precisely defined conditions that guarantee a broad selection of benefits.**

**Advantages and disadvantages of the cafeteria system**

**Given that companies employ workers of different ages, with different social status and, most importantly, with different preferences, it is virtually impossible to find a single package of benefits that equally addresses all employees. That is why the cafeteria system is often used in medium and large companies that employ different types of workers. In this system, everyone can choose the benefits that are best suited for him and repeat this choice on a regular basis or even change the choice at any time. The biggest advantage of the cafeteria system is its flexibility and involvement of workers in the creation of the reward system.**

**In addition, the choice of benefits can have a positive impact on employees' attitudes and behavior. This option can give them the feeling that they are more equal partners than in the traditional concept of employee benefit system and can thus strengthen the positive relationship between the employee and the company.**

**Another advantage of this system is the variety of advantages offered. Menus typically show the benefits of different types to reach all employees. Usual contributions are savings, meals, educational courses, discounts to shops or restaurants, buying tickets for various cultural or sports events, experience vouchers, etc.**

**The company also gains an overview of which benefits are most in demand and vice versa, which is of minimal interest. It receives information on which benefits can be canceled and not wasted, because no one is interested in them.**

**The main disadvantage of the cafeteria benefits system is its high administrative complexity and high start-up costs. However, this problem can easily be solved by outsourcing. Dozens of companies operate on the market today, offering sophisticated benefit systems and also offering a choice of different benefit packages. These companies are able to procure the implementation and operation of the system at significantly lower costs and often also in better quality. Another risk of cafeteria systems is, according to Koubek, the fact that workers may not always correctly assess their current and prospective needs and in case of dissatisfaction with the selected benefit may blame the system inflexibility, because the change is often not possible immediately, but only after a certain time. quarterly). The problem may also be a large number of benefits offered and the inefficiency caused. The company should try to find a suitable amount of benefits that would appeal to the largest possible number of employees and, on the contrary, should try to avoid introducing benefits that are of interest only to a few workers. If it turns out that there is no interest in an advantage, it should exclude it from the offer in order to save costs.**

**Cafeteria types:**

**- With a fixed number of points - all employees have the same number of points**

**a) With a variable number of points depending on the employee’s assessment, employee's benefit to the company or duration of employment in the company**

**3 system variants:**

**1. Buffet system - the employee can choose from the set of all offered benefits up to his employee account limit**

**2. Core system - a fixed core for all employees and the remaining benefits are in the offer**

**3. Block system - benefits and employees are divided into various blocks according to the structure of the needs of various groups of employees**

**The advantage of the cafeteria is flexibility**

* **Flexibility - continuous update of needs**
* **Transparency, informativeness - the rules are clearly defined**
* **Competitive advantage**
* **Freedom of choice and motivation**
* **Quantity discount effect**

**CAF drawbacks:**

**- Difficult administration and preparation - selection of individual benefits, their suppliers, final negotiation of specific conditions, variability, communication to the system and subsequent administration**

**- Difficult implementation**

**- very costly and administratively demanding**

**Factual categorisation of benefits:**

* **Financial services (additional pension insurance)**
* **Healthcare (vitamin packages, massages)**
* **Development, education and training (courses)**
* **Leisure-time (tickets, wellness, cinema)**
* **Professional facilities (mobile phone)**
* **Social mix (leave, children’s camp allowance)**

**The specific structure of benefits should be unique in each company.**

**System implementation is done in the following stages:**

**1. Analysis of customer satisfaction with the benefits**

**2. Configuration and application of the system itself (definition of specific benefits)**

**3. Feedback mainly through questionnaires, telephone surveys or focus groups.**

**Outsourcing cafeteria system**

**Companies have two options to implement the cafeteria system: create their own system and leave all administration to the human resources department, or they can use the services of specialized companies that can provide for the implementation of the system, ie. outsource. Outsourcing involves the use of services of external workers or the company in the activities of the company. The biggest advantages of outsourcing are access to new technologies and processes, cost reduction, risk reduction and easier access to business partners. The disadvantage may be loss of control of processes, low operability, risk of low level of services or higher costs of eventual change. On the Czech market today we find a number of companies that are dedicated to outsourcing cafeteria systems. The use of outsourcing is supported mainly by the less flexibility of the system, while the experience of external companies is mainly supported by the use of outsourcing.**

**BONUS SACRIFICE**

**It is a system in which the employee can make their own decision on whether to leave the benefit points in the cafeteria or transfer them to his wage in money form - and of course duly pay tax on the money.**

# **Remuneration in the business sector**

**“Wage” is a monetary consideration (pecuniary consideration) and in-kind**

**consideration (i.e. consideration of a monetary value) provided to an employee for work done.**

**Wage or salary is provided with regard to complexity, responsibility and strenuousness of**

**the work performed, and with regard to the difficult (arduous) working conditions, work**

**efficiency and attained work results.**

**All employees employed by one employer are entitled to receive equal wage, salary or**

**remuneration (pursuant to an agreement) for the same (equal) work or for work of the same**

**value.**

**The same (equal) work or work of the same value shall mean to be work of the same or**

**comparable complexity, responsibility and strenuousness which is performed in the same or**

**comparable working conditions and which is of equal or comparable work efficiency and**

**brings equal or comparable work results.**

**Complexity, responsibility and strenuousness of work (job) shall be evaluated with regard**

**to vocational training (educational prerequisites) and practical experience, skills required for**

**the performance of such work (job), and with regard to complexity of both the subject of work**

**(job) and working activity, demands on organizational and managerial skills, the degree of**

**liability for damage (harm), occupational health and safety, and further with regard to**

**physical, sensory and mental strain and negative effects of such work.**

**Working conditions shall be assessed with regard to tiresomeness of patterns of working**

**time, arising from the distribution of working hours, e.g. into shifts, non-working days, night**

**work and/or overtime, and with regard to harmfulness or arduousness caused by other**

**negative effects of the working environment and with regard to risky aspects of the working**

**environment.**

**Performance of work shall be assessed with regard to intensity and quality of work done,**

**work abilities and qualifications/skills, and results of work shall be assessed with regard to**

**their quantity and quality.**

**Minimum Wage**

**“Minimum wage” shall be the minimum permissible amount of remuneration for work performed within a basic labour relationship.**

**Wage, salary or remuneration pursuant to an agreement may not be lower than the minimum**

**wage. For this purpose, wage or salary shall not include any premium payment for overtime,**

**work on public holidays, night work, work in arduous working environment and for work on**

**Saturdays and/or on Sundays.**

**The base rate of minimum wage and further rates of minimum wage differentiated with**

**regard to influences limiting a certain employee's employability, and the conditions for**

**minimum wage payment, shall be set out in a Government Decree, as a rule taking legal force**

**as of the beginning of a calendar year, taking into account the development of wages and consumer prices.**

**Guaranteed Wage**

**“Guaranteed wage” shall be such wage or salary to which the right has arisen to an employee in accordance with this Code, relevant agreement (contract), internal regulations, or relevant wage or salary statement. The lowest level (amount) of a guaranteed wage and the conditions for its payment to those employees whose wage has not been agreed in the collective agreement and to those employees who receive a salary for their work, shall be laid down by the Government in its Decree, coming into legal force, as a rule, as of the beginning of a calendar year, taking regard to the development of wages and consumer prices. The lowest level (amount) of a guaranteed wage may not be lower than the amount determined as the basic minimum wage. Further lowest levels (amounts) of a guaranteed wage shall be determined in a differentiated way with a view to complexity, responsibility and strenuousness of the work being performed so that a maximum increase equals at least twice the lowest level of a guaranteed wage. Taking into consideration the degree of influences limiting an employee's employability, the Government may stipulate the lowest level (amount) of a guaranteed wage according to the second and third sentences by up to 50% lower.**

**Agreeing, Setting or Determining Wage**

**Wage shall be agreed in the relevant contract or agreement, or the employer shall set it in**

**the internal regulations (internal rules) or determine it in the relevant wage statement (pay**

**statement).**

**Where a certain employee is the statutory body of his employer's undertaking, the wage is**

**agreed with this employee by the person (body) having designated him to the said position**

**(post) unless otherwise provided in another Act.**

**The wage must be agreed, set or determined before the start of carrying out the work for**

**which the employee shall be entitled to his wage.**

**The employer shall give to his employee a written wage statement on the day when**

**the employee commences to work; this wage statement shall include the details of the manner**

**of remuneration, the pay-days and the place of wage payment, unless these details are stated**

**in the employment contract, collective agreement or internal regulations. Where there is**

**a change in any facts included in a wage statement, the employer shall communicate this fact**

**to the employee concerned in writing latest on the date when the change takes effect.**

**Wage and Premium or Compensatory Time Off for Overtime Work**

**As regards overtime work, an employee is entitled to his wage for work done within**

**and to a premium of at least 25% of his average earnings unless the employer and the employee have agreed that instead of the premium for overtime work the employee will take compensatory time off (i.e. time off in lieu) in the scope of the hours when he worked overtime.**

**Where the employer does not give his employee compensatory time off within a period of**

**three months after the performance of overtime work, or within another agreed period,**

**the employee is entitled, in addition to his attained wage, to a premium pursuant to**

**subsection. Overtime work may be taken only in exceptional circumstances. Any mandated overtime work must not exceed an average of 8 hours per week within a period of 26 consecutive weeks (52 weeks if specified by a collective agreement) and 150 hours within one calendar year. Overtime work beyond the scope mentioned above may be required only if agreed upon by the employee.**

**Wage and Compensatory Time Off or Compensatory Wage for Work on a Public**

**Holiday**

**When an employee works on a public holiday, he is entitled to his attained wage and compensatory time off in the scope of hours for which he worked on a public holiday; the employer shall grant the employee compensatory time off latest by the end of the third calendar month after the employee's performance of work on a public holiday, or within another agreed period. When the employee takes such compensatory time off, he is entitled to compensatory wage in the amount of his average earnings. The employer may agree with his employee to pay him, in addition to the attained wage, a premium instead of the employee's taking compensatory time off; this premium must be at least in the amount of the employee's average earnings. An employee, who did not work because a public holiday fell on his usual working day, is entitled to compensatory wage in the amount of his average earnings (or their part) for wage (or its part) lost due to such public holiday.**

**Wage and Premium for Night Work**

**An employee is entitled to the attained wage and a premium in the amount of at least 10%**

**of the average earnings for his work at night. However, it is possible to agree another**

**minimum amount and another method of calculating a premium.**

**Wage and Premium for Work in an Arduous Working Environment**

**An employee is entitled to be paid, in addition to his attained wage, a premium for work**

**done in an arduous work environment. For the purposes of remuneration and a premium,**

**the Government shall define “arduous work environment” (or “arduous working**

**environment”; in its Decree. A premium for work carried out in an arduous work environment shall be at least 10% of the amount as the base rate of minimum wage.**

**Wage and Premium for Work on Saturdays and Sundays**

**An employee is entitled to the attained wage and a premium of at least 10% of his average**

**earnings for hours of work on Saturday and/or Sunday. However, it is possible to agree**

**another minimum amount and another method of calculating a premium.**

**Wage in Kind**

**“Wage in kind” may be provided by an employer only with the consent of his employee and under the conditions having been**

**agreed with the employee, and within the scope adequate to the employee's needs.**

**The employer shall pay his employee monetary wage at least in the amount of the relevant**

**minimum wage rate or the relevant rate of the lowest level of the guaranteed**

**wage.**

**In-kind wage may be in the form of products (excluding spirits, tobacco products or other**

**addictive substances), performance, work or services.**

 **In-kind wage shall be expressed in monetary terms and its amount is equal to the price**

**which the employer charges for comparable products, performance, work or services to other**

**customers (Note 42) or to the fair market price (Note 43), or to the amount by which**

**the employee's payment for such products, performance, work or services having been**

**provided by the employer is lower than the fair market price.**

**Wage on Application of Working Hours Account**

**Where working hours account is used, an employee is entitled to his steady monthly wage (referred to as “steady wage”), as agreed in the collective agreement or as determined in the internal regulations, for individual months within a given settlement period. A steady wage of an employee**

**may not be lower than 80% of his average earnings. Where a procedure pursuant to section 86 is applied, for every individual month (of the relevant settlement period) an employee is entitled to a steady wage that may not be lower than 85% of his average earnings. An employee's wage account shall show the following:**

**- the employee's steady wage;**

**- the wage which has been attained by the employee for one calendar month and to which**

**the employee's right has arisen pursuant to this Code and pursuant to the agreed, set or**

**determined conditions .**

**Steady wage shall be paid out to the employee for the working hours as scheduled by**

**the employer in the relevant calendar month. The employee is entitled to his steady wage in**

**the full amount also for the calendar month when the employee's hours of work were not**

**scheduled by his employer. The employee is not entitled to his steady wage for those hours**

**when he was scheduled to work by his employer but when he did not work.**

**Wage and salary payment**

**Wage or salary shall be payable after performance of work, namely latest in the calendar**

**month following the month when an employee's entitlement to his wage or salary, or one of**

**its items (components) arose. Wage, salary or its individual items, as set, agreed or determined for one working hour, shall be due to an employee also for fractions of hours for which he worked in a period in respect of which his wage or salary is provided. A regular pay-day for wage or salary must be agreed, set or determined within the period pursuant to subsection.**

**The employer shall pay his employee wage or salary before the start of the employee's**

**annual leave if the pay-day for such wage or salary is due during the annual leave unless**

**the employer and the employee agree on another pay-day. Where the system used for**

**the calculation of wages or salaries does not make the above feasible, the employer shall pay**

**the employee an adequate advance and the remaining part of the wage or salary shall be paid**

**to the employee latest on the next regular pay-day after return from his annual leave.**

**On termination of an employment relationship, the employer shall pay his employee, when**

**so requested, the wage or salary for the monthly period to which the employee's entitlement**

**has arisen and the wage or salary will be paid on the date of the end of the employment**

**relationship. Where the system used for the calculation of wages or salaries does not make**

**the above feasible, the employer shall pay the employee his wage or salary latest on the next**

**regular pay-day after the end of the employment relationship. Wage or salary shall be paid to an employee by his employer in legal tender. Wage or salary shall be rounded up to the next full crown.**

**Wage or salary shall be paid at the place of work during working hours unless some other**

**place or some other time of payment has been agreed or unless otherwise provided in this**

**Code. If an employee cannot collect his wage or salary due to important reasons, the employer**

**shall send him the wage or salary on the date fixed for its payment, or latest on the next**

**working day, and this shall be done at the employer's cost and risk, unless the employer and**

**the employee have agreed on some other manner or date of payment.**

**An employer who renders a final wage or salary account on a monthly basis shall give his**

**employee a written itemized pay statement (pay-slip), giving details of individual items of**

**the employee's wage or salary and the deductions made. At an employee's request, his**

**employer shall present to the employee documents (records) based on which the employee's**

**wage or salary has been calculated.**

**INCOME FROM LABOUR RELATIONSHIP AND DEDUCTIONS**

**Deductions from an employee's income shall mean deductions from wage, salary or from an employee's other income resulting from his basic labour relationship pursuant**

**Wage deductions or wage assignments may only be made:**

**(a) in the cases laid down in this Code or in another Act;**

**(b) on the basis of an agreement on wage assignments or to satisfy (settle)**

**the liabilities of the employee concerned;**

**(c) to settle trade union membership contributions of an employee who is a member of**

**the trade union organization provided that this has been agreed in the relevant collective**

**agreement, or on the basis of a written agreement between the employer and the trade**

**union organization if the employee, who is its member, has given his consent thereto.**

**Order of Wage Deductions and Wage Assignments**

**An employer may only make the following deductions from**

**an employee's income:**

**(a) personal income tax from income arising from dependent activity (i.e. employment);**

**(b) social security insurance contributions, state employment policy contributions and general**

**health insurance contributions;**

**(c) advance payment provided in respect of wage or salary which the employee concerned is**

**obliged to refund because he did not fulfil the conditions for the payment of such wage or**

**salary;**

**(d) advance on travel expenses, or some other advance, having been provided to a certain**

**employee for performance of his working tasks if the employee has failed to render**

**an account for such expenses to his employer;**

**(e) compensatory wage or salary paid in lieu of (annual) leave to which the employee has lost**

**the entitlement or to which his entitlement (right) has not arisen, and compensatory wage**

**or salary pursuant to which the employee's right has not arisen.**

**An execution (garnishment) ordered by the court, judicial executor, competent**

**tax administrator , competent administrative authority or another administrative**

**agency, or competent self-governing local area authority shall be subject to other**

**statutory provisions. Deductions from an employee's wage in favour of his employer for giving this employee a job, as a guarantee (security) monetary deposit, or with a view to the payment of contractual fines shall not be permitted. Wage assignments for the purpose of covering damages**

**(compensation for damage) may only be made on the basis of the relevant agreement on wage**

**assignments.**

**The priority of making wage assignments shall be determined by the date when the relevant wage assignment agreement is served on the employer or by the date when the employee and the employer has concluded the wage assignment agreement to satisfy (settle) the employee's liabilities (debts); where wage assignments are to be made in favour of the employer, the priority of making wage assignments is determined by the date when the wage assignments agreement has been concluded**

**AGREEMENTS ON WORK PERFORMED OUTSIDE AN EMPLOYMENT RELATIONSHIP**

**Agreement to Complete a Job**

**The scope of work for which an agreement to complete a job is concluded may not exceed 300 hours in one calendar year. The said scope of working hours shall also include those hours of work for which a certain employee carried out some work for the same employer in one calendar year based on another agreement to complete a job. The agreement must specify a period for which it is concluded.**

**Agreement to Perform Work**

**An agreement to perform work may be concluded by an employer with an individual provided that the scope of such work does not exceed 300 hours in one calendar year. Where the average scope of work exceeds one-half of standard weekly working hours, it may not be carried out on the basis of an agreement to perform work. Observance of the agreed and maximum permissible scope of one-half of standard weekly working hours shall be assessed for the entire period for which an agreement to perform work was concluded, however for no more than a period of 52 weeks. An agreement to perform work must include the agreed type of work, the agreed scope of working hours and the period for which it is concluded. Where the manner of terminating such agreement has not been agreed, the agreement may be terminated at a date, agreed by mutual consent of the contractiong parties; unilaterally it may be terminated by stating any reason, or without stating it, with a 15-day notice period starting to run as of the date when the written notice is delivered to the other contracting party. However, immediate termination of an agreement to perform work may only be agreed in the instances for which immediate termination of an employment relationship is**

**permissible.**

**An agreement to complete a job or an agreement to perform work must be concluded in**

**writing; one copy of the agreement shall be given by the employer to the employee.**

**WAGE OR SALARY FOR PERFORMANCE OF ALTERNATIVE WORK**

**Where an employee is transferred to alternative (different) work for which he is entitled to**

**a lower wage or salary:**

**a) due to the danger of contracting an occupational disease or due to the fact that a maximum**

**permissible exposure (to harmful effects) has been reached at the workplace pursuant to**

**a ruling, issued by the competent public health agency in accordance with another Act**

**(b) because, according to a medical certificate issued by the occupational medical services**

**provider or according to a ruling of the competent public health agency, his transfer is**

**required in the interest of protecting other individuals from an infectious disease**

**(c) because it is necessary to avert an extraordinary event, natural disaster or some imminent**

**breakdown or to mitigate its immediate consequences,**

**(d) due to idle time or due to an interruption of work caused by unfavourable weather**

**conditions, he is entitled to receive, in addition to his (lower) wage or salary, cash settlement in order to attain the amount of his average earnings which he had before the said transfer.**

**Where, in accordance with section, an employee is transferred to work other**

**than agreed (alternative work), he is entitled to wage or salary for the alternative work**

**performed by him; should the employee not be sentenced under a final (enforceable) verdict**

**for a wilful criminal offence committed during the performance of his working tasks or in**

**direct connection therewith to the detriment of the employer's property, he is entitled to a cash**

**payment up to the difference between his average earnings before his transfer and his average**

**earnings during the time of his transfer.**

**The Government may lay down in its Decree the conditions under which the competent**

**administrative agency shall settle to the employer the costs which this employer incurred on**

**a cash (difference) amount paid to the employee having been transferred due to the reasons**

**referred.**

**WORKING HOURS**

**The length of the determined weekly working hours must not exceed 40 hours. Employees who work on a two-shift schedule must not exceed 38.75 hours per week. Employees who work underground and extract coal, ores or non-metallic raw materials, or work on the construction of mines, or who are engaged in geological prospecting on mining sites, and also employees on a three-shift or continuous work schedule must not exceed 37.5 hours per week. With employees under the age of eighteen (18) years, the length of a shift for each day must not exceed 8 hours a day and in case of two or more employment relationships, the length of weekly working hours must not exceed 40 hours per week in total. The length of a shift must not exceed 12 hours.**

**A work break is provided to an employee who has been working continuously for a maximum of 6 hours (after a maximum of 4.5 hours of continuous work for minors) and such a break lasts at least 30 minutes. A continuous rest between individual shifts must be at least 11 hours within 24 consecutive hours. A continuous rest in a week within every period of seven consecutive calendar days must be at least 35 hours (48 hours for minors).**

 **Overtime work may be taken only in exceptional circumstances. Any mandated overtime work must not exceed an average of 8 hours per week within a period of 26 consecutive weeks (52 weeks if specified by a collective agreement) and 150 hours within one calendar year. Overtime work beyond the scope mentioned above may be required only if agreed upon by the employee.**

**AGENCY EMPLOYMENT**

**An employment agency temporarily assigns its employee to perform work for a client on the basis of a temporary assignment agreement entered into by and between the agency and the client; the aforesaid agreement has to be made in writing. The employment agency assigns an employee to perform temporary work with the client on the basis of a written order which must contain the following elements: corporate name and registered office of the client, place of work, duration of the temporary assignment, specification of a person in charge who will be authorized to impose tasks and jobs on the employee and check them, conditions of a unilateral statement of finishing the work before expiration of the temporary assignment, information about working conditions, and wage or salary conditions for a comparable employee of the client. The employment agency and the client are obliged to secure that the working and wage conditions for the temporarily assigned employee are not or would not be worse than those under which a comparable employee works or would work. Time of temporary assignment to perform work for the same client shall not exceed 12 consecutive calendar months. In the event that the employee ask for it himself/herself, or if the work is performed for the period of temporary replacement of an employee on maternity or parental leave, this time constraint will not apply.**

**The Contract of employment: shall be made in writing; in the contract of employment the employer is obliged to agree with the employee on a certain job title, place of work and the date of commencement of the employment. If the contract of employment does not include provisions on rights and obligations arising out of the employment, the employer is obliged to notify the employee of them in writing within one (1) month from the formation of the employment. The probationary period shall not be longer than three (3) consecutive months from the date of the formation of the employment, and no longer than six (6) consecutive months for chief officers; it cannot be extended additionally and its duration cannot be longer than one half of the agreed period of the employment. Duration of employment: we distinguish between two types of employment: employment for an indefinite period of time where the duration of the employment is not limited and fixed-term employment where the duration of the employment is limited. Changing of employment: a contract of employment may only be altered in writing and upon mutual agreement of the employer and the employee.**

**OBSTACLES TO WORK ON THE EMPLOYER´S PART**

**If an employee cannot perform work:**

**• because of a temporary defect the employee is not responsible for, or because of any other operating causes, it is regarded as dead time and if the employee is not transferred to other work the employee is entitled to the compensation for the wage or salary in the amount of at least 80 % of average earnings;**

**• as a result of interruption of work caused by bad weather or a natural disaster and if the employee is not transferred to other work, the employee is entitled to the compensation for the wage or salary in the amount of at least 60 % of average earnings.**

**If an employee cannot perform work due to any other obstacles to work on the employer´s part than dead time and interruptions of work caused by bad weather or a natural disaster, the employer is obliged to pay the employee a compensation for the wage or salary in the amount of average earnings.**

**In cases when temporarily for objective reasons the employer is not able to ensure sufficient work for the employee to the extent of the stipulated weekly working hours for the reasons of temporary reduction of sales of his products or reduction in demand for his services, the employer shall compensate the employee for the wage in the amount of at least 60 % of average earnings provided that this obstacle to work and the reduction of the compensation are subject to an existing agreement between the employer and the trade union organization. If there is no trade union organization, the agreement between the employer and the trade union organization may be substituted by an internal regulation.**

**REIMBURSEMENT OF TRAVEL COSTS**

**Travel costs incurred in relation to the performance of work are any expenses spent by the employee during his/her business trip, a trip outside the regular place of work and a trip realized in relation to an extraordinary performance of work beyond the rota schedule in the place of work or regular place of work, further in relation to the employee´s transfer, temporary assignment, commencement of employment, or performance of work in a foreign country. The terms and conditions that can affect the reimbursement of travel costs and their amounts (the date and place of commencement, end of the business trip, place of fulfilment of work tasks, means of transport and accommodation), shall be specified by the employer in advance in writing, taking the employee’s legitimate interests into account. The employee who performs work for his/her employer on the basis of the agreements to perform work or to complete a job is entitled to such a reimbursement of travel costs only if this right as well as the regular place of work of the employee have been arranged in the relevant agreement. The employer is obliged to provide the employee with an accountable payment in advance of the business trip up to the expected amount of travel costs. However, the employer may agree with the employee that the payment in advance will not be provided. The reimbursement of travel costs applies to any use of the determined means of public transport in the proven amount or in the amount equivalent to the price of travel by the determined means of transport. If the employee, at the request of the employer, uses his or her own road motor vehicle, the employee is entitled to receive basic rate reimbursement for every 1 km of the ride and reimbursement for the fuel used.**

**Payroll agenda and its management**

**This is a necessary activity in the company that does not generate profit.**

**Variants:**

**• The company keeps payroll agenda itself**

**• Outsourcing of wage accounting - the company keeps the payroll agenda itself, but wage accounting is done by an external company**

**• Outsourcing of wage accounting by remote access - the customer has access to the system**

**• Comprehensive takeover of the wage accounting office by an external company**

**Payroll controlling**

**Companies use controlling approach in the area of remuneration, ie wage costs. It is a tool for efficient management of costs associated with employees in the company in relation to their actual performance.**

**Focus:**

**a) Key indicators of the impact of employee management on the company's financial results**

**(b) Indicators of productivity, level of loyalty and commitment of workers**

# **Remuneration trends in the Czech Republic and the EU. Remuneration in the non-business sector.**

**The remuneration of employees in the Czech Republic is not only about monthly wages, but the overall motivation is important. regular wages at a competitive level are among the main motivators for most employees to do their job properly. However, sending a certain amount of money to an employee on a long-term basis each month is not enough to maintain sufficient work motivation. The basic goal of the remuneration system is the right motivation of employees, which is also one of the key success factors of the company. Motivated employees are more efficient, loyal, and more engaging. It also reduces the risk of their leaving for competition. However, a properly set remuneration system is not commonplace for many Czech companies.**

**Variable wage components should work in the form of rewards and positive employee motivation, which stimulates performance rather than negative sanctions. Of course, the linkage of the variable components to the strategic goals of the company should be a matter of course, which encourages the involvement of employees who see their own partial goals before them, which they can directly accomplish and influence by their work, while having an impact on the overall functioning of the company.**

## **REMUNERATION TRENDS IN THE European Union**

**Labour market in EU**

**Labour market conditions continue to improve, with employment reaching a record level in the EU. On the back of strong economic growth (2.4%), the number of people in employment in the EU increased by 1.6% in 2017, the largest annual increase rate since the start of the recovery. The unemployment rate is now back to its pre-crisis level. Youth unemployment also continues to decrease quickly,**

**The recovery keeps increasing the number of high skilled workers in the economy. The number of people with higher education in employment increased by 2.9% in 2017 (age group 25-64), while a moderate increase of 0.8% was recorded among medium-skilled workers (i.e. those with upper secondary education). Temporary employment, as a proportion of total employment, remained almost stable in 2017, while part-time employment decreased marginally. Following a similar trend as in recent years, the recovery is fostering job creation in both permanent and temporary contracts, which rose respectively by around 2.7 million and 0.8 million in 2017 (corresponding to percentage increases by 1.7% and 2.9%). In terms of sectoral developments, employment continued to shift towards services. Wage setting frameworks (including minimum wages) are starting to react to the improvement in labour market conditions. Wage growth remains below what could be expected on the basis of current unemployment levels. In the recovery, wage growth has been moderate overall, and has not appeared to react to the fall in unemployment rate as in previous economic cycles. This phenomenon has been called the apparent "flattening" of the wage Phillips curve, i.e. the relationship between wage growth and unemployment.**

**There are a lot of elements that influence pay trends from European Union area:**

**The existence of multiple types of bargaining at the same time;**

**• The possibility to connect bargaining at different hierarchical levels;**

**• The possibility to extent how rewards vary from different levels across organizations, branches or sectors;**

**• The fact that the timing of bargaining rounds;**

**• Legislation of the states (e. g.: compulsory minimum wages established by the governments);**

**• The mechanism of pay indexation implemented;**

**• The possibility for special sectors to became “pace- setters” for other bargaining rounds.**

**Pay developments (within and between countries over time) are influenced broadly by the following factors:**

 **• cyclical factors**

**• general labour market conditions**

 **• social factors; • industrial relations factors**

 **• national legislation**

 **• national specificities as well as compositional factors.**

**Compensation trends in the EU**

**The major compensation trends in the countries of the EU include the following:**

**• reduced significance of salaries (wages), where the employees place major emphasis on the working environment, job content, work team and career advancement.**

**• the importance of leisure time is increasing and the elements of flexible management are being implemented**

**• the offer of benefits is increasing because if the company wants not only to keep the employees, but also build their loyalty to the company, it must offer more than other companies in benefits.**

**• Individualisation of compensation is being asserted - (decollectivisation of payroll negotiations, individual approach to wage increases)**

**• Greater performance motivation (participation of the employees in the profit, share options, bonuses, management of employees’ performance)**

**• Use of the "carve-out" process - a certain portion of the overall increase in the payroll volume is reserved beforehand for the best-performing employees**

**• Greater application of the total compensation concept**

## **REMUNERATION TRENDS IN THE CZECH REPUBLIC**

**Czech labour market**

**Employment in the Czech Republic still keeps its record-high values; however, in the year-on-year comparison, it has slightly decreased. Also as for the unemployment it is adequate to speak about stagnation during the whole year 2019 with the level right above two percent. The average wage increased by 6.7%, which was lower than in the preceding quarters. After adjustment by the influence of all the time increasing inflation, the wage increase in real terms was 3.6%.**

**Employment, unemployment, and reported job vacancies**

**Results of the Labour Force Sample Survey (LFSS) already show that the total employment has decreased, year-on-year. Despite that, the number of the employed remains to be high, over 5.3 million. The fourth quarter of 2019 thus brought the employment rate of 75.3% in the age group of 15–64 years, which decreased (for both males and females the same) only by 0.1 percentage point (p. p.) compared to the corresponding period of the previous year.**

**Changes in internal structures, be it a demographic one or that, which means transfers between sectors of the economy, have become a more marked trend. What is decreasing markedly faster is the number of own-account workers (the self-employed), which is high in Czechia in European comparison; however, their share has gradually dropped below 16%. What is characteristic for the current phase of the economic cycle is also the fact that employment was decreasing in the secondary sector (industry and construction), while it was still increasing in the tertiary sector.**

**In the Czech Republic, there is still also a significant number of persons, who do not work and do not seek a job in an active manner, yet in the LFSS interviews they state they would like to be working. However, this so far unused labour force reserve dropped below 100 thousand persons in the Q4 2019 (for the first time in the measurement history).**

**The LFSS covers only persons living in dwellings (flats), not those living in hostels and similar collective households, which has a negative influence on the capture of working foreigners who often use such ways of living (housing).**

**Average gross monthly wages**

**As for wages, they were growing fast during the last years being driven by low unemployment, demand for labour force, and pressure by trade unions. Currently, their y-o-y growth was 6.7%, which was, however, the weakest value of the year 2019. The average wage thus reached in the Q4 2019 CZK 36 144. However, almost two thirds of employees do not earn that average. It is an amount employees would earn in case that all of them would earn the same amount from the total volume.**

**Nevertheless, employees cannot purchase for their earnings by the same amount more as the y-o-y nominal increase would indicate. It is because the inflation (consumer price index) increased to reach 3.0%. Therefore, in real terms, the wage increase was much lower, wages increased currently only by 3.6%, while during the whole year 2018 it was by 5.3% and even in the Q1 2019 it was by 4.7%.**

**Similarly as the development in the number of employees, also the wage growth was differentiated in respective economic activities in the Q4 2019. However in all of them but one, there was a year-on-year nominal growth by over three percent. ‘Mining and quarrying’ was the exception, in which wages dropped by 0.4%, y-o-y, due to a decrease in extraordinary bonuses in the end of the year.**

**Indices high above the average were in ‘education’ during the whole year 2019; currently, the average wage increased by 16.2%. In ‘public administration and defence; compulsory social security,’ there was an increase by 7.2%, y-o-y. A bit better off were employees in ‘human health and social work activities,’ where the increase was 8.6%.**

**Above-standard growth rates can be found also in ‘arts, entertainment and recreation’ (9.1%), ‘agriculture, forestry and fishing’ (8.0%), and ‘financial and insurance activities’ (7.4%).**

**The same relative growth by 7.0% was in ‘administrative and support service activities’ and in ‘information and communication;’ however, in absolute numbers it was by CZK 1 520 and CZK 3 919, because the former section has the second lowest wage level, while the latter (ICT) has the highest level of all.**

**‘Accommodation and food service activities’ remains to be the poorest economic activity as for wages; the average wage there increased by below-average 5.3%. A very low growth was in ‘professional, scientific and technical activities’ (3.2%).**

**Results for the whole year 2019 and situation on the labour market**

**The year 2019 was an extraordinary one as for many aspects. In its beginning, there was historically the lowest unemployment level, which the Czech economy had for the last time before it became a market economy, i.e. in the 1990’s. On the other hand, also the number of employed persons increased to a record-breaking level. The number of job vacancies reached enormously high numbers (on the contrary to the historically low unemployment). Since the domestic offer was unable to satisfy the business demand for labour force, there was a significant increase in the number of foreigners working in the Czech Republic; they were from countries with higher unemployment and cheap labour force, mainly from the Ukraine, but also from the Balkans and other countries.**

**This difficult situation was reflected also in a strong pressure of employees to increase earnings, which was, however, decelerated on the other side by economic results of businesses. There was a big fluctuation and transfers of employees between sectors.**

**From the point of view of cumulative data, there was an increase in the total average wage to CZK 34 125, i.e. by 7.1 %, which was 4.2%, y-o-y, in real terms with regard to the increasing inflation (2.8%). At the same time, the number of FTE employees increased only slightly by 0.4%, y-o-y, i.e. by 14.6 thousand. In ‘manufacturing,’ the number of employees was decreasing (and, concurrently, it weakened the growth of earnings), which is a trend that seems to be characteristic for this phase of the economic cycle. Basically in all commercial economic activities, deceleration of wage growth can be clearly observed.**

**Figure 2: Average wages by economic activity (CZ-NACE section), year 2019, and their y-o-y increments**



**Sourse: Czech statistic office**

**The highest wage levels were (with a margin) in ‘financial and insurance activities’ (CZK 59 296) and in ‘information and communication’ (CZK 58 799), which were alternating in the mentioned period as for which one was ranking first depending on which components of earnings were paid right at that time.**

**Median wages and social distribution**

**The News Release of the Czech Statistical Office for the Q4 2019 contains also data on the median wage, which is calculated from a mathematical model of the earnings distribution. The model shows the wage of a middle employee that means a common wage level. Extreme deciles were calculated simultaneously as well. In the Q4 2019, the median wage was CZK 31 202, which is by CZK 1 919 (i.e. by 6.6%) higher compared to that in the corresponding period of the previous year. The wage interval remained still broad. Ten percent of employees earning the lowest wages got earnings below CZK 15 365 (bottom decile) and the opposite tenth having highest wages, on the contrary, earned over CZK 58 398 (top decile).**

**By age category, employees up to 20 years of age earned the lowest median wages (CZK 21 763), while in the age group of 20–29 years it was already CZK 29 330, and those aged 30–39 years had the highest median of CZK 33 052. Wages are also highly structured by the educational attainment of an employee; in 2019, university graduates had the highest earnings, their median wage was CZK 44 907 and they increased the most (by 9.2%). On the contrary, the lowest median wage belonged to employees with primary education or with incomplete primary education; it was CZK 23 483. Graduates of secondary schools with an A-level examination earned much more (CZK 32 271) than those without the A-level examination (CZK 26 894), but less than employees with higher professional education or graduates from bachelor study programmes (CZK 36 884).**

**Remuneration in the Czech Republic - TRENDS**

* + - **Performance orientation (increased use of different forms of wage performance components such as bonuses or bonuses)**
		- **Reducing of 13th salary (13th salary companies abolish or use it in relation to the performance of businesses or employees)**
		- **Wage links to the profit of enterprises (growth of variable wage component linked to the profit of enterprises in the form of variable bonuses)**
		- **Wage growth slowdown (wage growth slows to 3-5%)**
		- **Well-being orientation**
		- **Implementation of the cafeteria system also in small companies**
		- **Increase of benefits importance (increase of flexible benefits due to digitalisation)**
		- **More use of flexible working time for employees**
		- **Increase use of sick days (medical days off without medical confirmation - usually 3-5 days per year)**
		- **Bridge days (days off linking the holidays with weekends)**

## **Remuneration in the non-business sector**

**The remuneration in the Czech non-business sector is abided by the Labor Code No. 262/2006 Coll.**

**SALARY**

**“Salary” is a monetary consideration provided to an employee by his employer**

**where this employer is:**

**(a) the Government**

**(b) a self-governing local area entity**

**(c) a state fund**

**(d) a contributory organization where the costs of salaries and standby remuneration are fully**

**covered from contributions for its operations (and these contributions are**

**granted from the incorporator's budget) and/or from payments in accordance with other**

**statutory provisions; or**

**(e) a school which is a legal entity founded by the Ministry of Education, Youth and Physical**

**Education, region, municipality or the relevant voluntary alliance of municipalities**

**(communities) in accordance with the School Act.**

**Determining and Agreeing a Salary**

**The employer shall determine a salary to his employee. A salary may not be determined in a manner, structure and amount other than that prescribed by Code and the statutory provisions for the implementation of Code unless otherwise provided in another Act. The employer may agree with an employee, who is included in the thirteenth or higher salary grade, a fixed monthly amount comprising all individual salary items (pursuant to this Code) to which the employee's right would otherwise arise or which the employee could otherwise be granted by his employer (hereafter referred to as “contractual salar“). The employee who is paid a contractual salary is not entitled to be paid any individual salary items. However, this shall be without prejudice to payment of a bonus and a target bonus. An agreement (a contract) on contractual salary must be concluded in writing. The salary of a managerial employee who is his employer's statutory body or who isthe head (chief) of a government agency or a self-governing local area entity shall be determined, or his contractual salary shall be agreed, by the body having appointed this employee to his office unless otherwise provided in another Act. The same shall apply to a deputy of a managerial employee if the position of the managerial employee is not filled or if the managerial employee does not temporarily exercise his office.**

**Schedule of Salary Rates (Salary Brackets)**

**An employee is entitled to a “salary rate” (or “salary scale” or “salary bracket) fixed for the “salary grade” (or “salary category” or “salary class”) and “salary step” to which such employee is assigned unless otherwise provided in this Code. The employer shall assign an employee to a salary grade (category) with a view to the type of work agreed in the employee's employment contract and, within its limits, with a view to the most demanding type of work required from this employee. The employer shall assign a managerial employee to a salary grade with a view to the most demanding types of work which the managerial employee directs (manages) or**

**which he performs himself. The employer shall assign a managerial employee to a salary step with regard to his length of practical experience, the period of his (her) care of a child and the period of his compulsory military or substitute service or civilian service (hereafter referred to as “recognized practice” or “recognized experience”). Salary rates are set in 16 salary grades (salary categories, salary classes) and within each salary grade there are salary steps. A salary rate shall be rounded up to the next full ten crowns.**

**The Government shall provide in its Decree:**

* **the classification of the types of work into salary grades (salary categories) in accordance**

**with the characteristics of individual salary grades, differentiated with a view to work**

* **complexity, responsibility and strenuousness and given in the Annex to this Code;**
* **the qualification prerequisites (concerning the level of education/training) for**

**the performance of the types of work classified in individual salary grades (salary**

**categories);**

* **the manner of assigning employees to salary grades (salary categories);**
* **the conditions for the determination of recognized practice (recognized experience);**
* **a circle of employees in respect of whom the employer may determine their salary rate**

**within the given brackets ranging from the lowest to the highest step of such grade;**

**Management Bonus**

**A managerial employee (an agency head or a managerial employee at a lower management level) is entitled to a management bonus with a view to the management stage (level) and the demanding nature of his management aktivity. An employee who is not a managerial employee but who, under the organizational regulations is authorized to organize, direct and supervise the work of other employees and to give them binding instructions (orders) for that purpose, is entitled, with a view to the demanding nature of such managerial activity, to a management bonus in the range from 5% to 15% of the highest salary step rate in the salary grade to which he is assigned.**



**Premium for Night Work**

**An employee is entitled to a premium (a bonus) for night work in the amount of 20% of**

**his average earnings per hour.**

**Premium for Work on Saturdays and Sundays**

**An employee is entitled to a premium for every hour of work done on Saturday or Sunday**

**in the amount of 25% of his average earnings per hour. Where work is performed abroad, the employer may grant his employee a premium under subsection not for work on Saturday and/or Sunday but for work done on those days which, under the local conditions, are the days of uninterrupted rest in a week.**

**Salary and Premium or Compensatory Time Off for Overtime Work**

 **For every hour of overtime work, an employee is entitled to that part of his salary rate, including personal and special premium and premium for work in arduous working environment (but without including overtime premium), falling on one hour of his work in the calendar month in which he works overtime, and further to a premium in the amount of 25% of his average earnings per hour, and if he works overtime on days of uninterrupted rest in a week, he is entitled to a premium in the amount of 50% of his average earnings per hour, unless the employer and the employee have agreed that the employee will take compensatory time off in lieu of the overtime premium. The employee's salary shall not be reduced due to his taking compensatory time off. Where the employer does not grant his employee compensatory time off in a period of three consecutive calendar months after performance of overtime work or within another agreed period, the employee is entitled to the relevant part of his salary rate, a personal premium, a special premium, a premium for work in arduous working environment and a premium pursuant to subsection. Where a management bonus is due to a managerial employee pursuant to section 124, his salary is determined with regard to his potential overtime work in the scope of 150 hours in a calendar year. However, this shall not apply to overtime work performed during night, on non-working days or during standby (while being on call). All overtime work is always taken into account in a salary of a managerial employee who is his employer's statutory body or who is the head of a government agency.**

**Premium for Work in an Arduous Working Environment**

**An employee is entitled to a premium for work in arduous working environment. Arduous**

**working environment shall mean working environment pursuant. The Government shall lay down in its Decree the amount of a premium for work in an arduous working environment and the conditions (terms) for granting this premium. A premium for work in an arduous working environment shall be at least 5% of the amount as the base rate of minimum wage per month.**

**Special Premium Pay**

**An employee, who performs work in the working conditions connected with extraordinary**

**neuropsychic strain, a probable risk of danger to life and health or a difficult pattern of**

**working hours, is entitled to a special premium pay. The Government shall lay down in its Decree the classification of the types of work into groups with a view to the degree of neuropsychic strain, a risk probability of danger to life and health and with a view to demands (difficulties) posed by the work being performed, and also the conditions for granting a special premium pay and the scope of special premium pay for individual groups. The employer shall determine the amount of this premium pay to his employee withinthe scope (brackets) prescribed for the group with the working conditions as those in which the employee concerned permanently carries out his work.**

**Split Shift Premium**

**An employee who works on shifts split up into two or more parts is entitled to a premium**

**in the amount of 30% of his average hourly earnings for every split shift. For the purposes of this Code, “split shift” („rozdělená směna“) means a shift in which a continuous interruption of work, or a total of such interruptions, lasts at least two hours , “split shift” means a shift in which a continuous interruption of work, or a total of such interruptions, lasts at least two hours.**

**Bonus (Extra Pay) for a Person**

**An employee who attains, long-term, very good working results or fulfils, long-term,**

**a greater range of working tasks than other employees may be granted by his employer**

**a bonus (extra pay) up to 50% of the highest step-rate salary in the salary grade (salary**

**category) to which this employee is assigned. An employee who is an excellent generally respected specialist and who performs the types of work included in the tenth to the sixteenth salary grade may be granted by his employer a bonus (extra pay) up to 100% of the highest step-rate salary in the salary grade to which this employee is assigned.**

**Bonus for Direct Pedagogical Activity in Excess of the Determined Scope**

**A pedagogical employee is entitled to a bonus in the amount of double**

**the hourly average earnings for every hour of direct teaching, direct pedagogical activity and**

**direct special pedagogical activity or direct pedagogical-psychological activity with direct**

**effect on the person being educated, thereby implementing education and teaching under**

**another Act , which he performs in excess of the scope of hours, and this bonus is granted by the competent school headmaster, or by the head of relevant school or the head (director) of social services establishment pursuant to another Act.**

**Pedagogical Employee's Bonus for Specialization**

**A premium in the amount from CZK 1,000 to CZK 2,000 per month shall be granted to**

**a pedagogical employee who in addition to his pedagogical activity performs specialized activities the performance of which requires further qualification prerequisites**

**Bonus**

**The employer may grant his employee a bonus for successful performance of an extraordinary, or especially important, working task.**

**Target Bonus**

**A target bonus may be granted to an employee for performance of an especially demanding task, defined in advance, where its preparation, gradual arrangements and implementation is of a particular importance with a view to the employer's activities provided that the employee is directly or largely involved in its implementation. The amount of suchtarget bonus shall be communicated by the employer together with the relevant evaluation criteria before the start of the task implementation. The target bonus shall be due to an employee in the amount determined by the employer with regard to meeting the set criteria unless the employee's employment relationship is terminated before the accomplishment of the given task.**

**Salary and Premium or Compensatory Time Off for Work ona Public Holiday**

**Where a public holiday falls on an employee's usual working day and the employee does**

**not work because it is a public holiday, his salary shall not be reduced. Where an employee performs work on a public holiday, his employer shall grant him compensatory time off in lieu of the scope of hours for which he worked on a public holiday and this compensatory time off shall be granted latest by the end of the third calendar month after the said work performance on a public holiday or within another agreed period. The employee's salary shall not be reduced for his taking compensatory time off in lieu of his work on a public holiday. The employer and the employee may agree on the payment of a premium in the amount of hourly average earnings for every hour of work done on a public holiday instead of granting this employee compensatory time off.**

**Salary Statement (Pay Statement)**

 **On the date of an employee's commencing employment, his employer shall give him**

**a salary statement which must be in writing; this obligation shall not apply in relation to**

**an employee with whom a contractual salary has been agreed. The employer shall include in a salary statement the details of salary grade (salary category) and salary step to which the employee has been assigned, together with the amount of salary rate and other regular items of the monthly salary. The pay-day and place of salary payment shall be given in the salary statement where these facts are not included in the contract or internal regulations. Upon occurrence of a change in facts included in the salary statement, the employer shall communicate this change to his employee in writing, stating the reasons, and he shall do so latest on the date when the change takes effect. As regards a managerial employee who is the statutory body or head of a government agency, a salary statement shall be given to him by the body being competent to determine this managerial employee's salary.**

# **Reference**

**Armstrong, M., & Taylor, S. ([2017]). Armstrong's handbook of human resource management Armstrong, M., & Taylor, S. ([2017]). Armstrong's handbook of human resource management practice (14th edition). London: Kogan Page.**

**Armstrong, M. (2016). Armstrong's handbook of strategic human resource management (Sixth edition). London: Kogan Page.**

**Armstrong, M. (2009). Odměňování pracovníků. Praha: Grada Publishing, a.s.**

**Armstrong, M. (2007). Řízení lidských zdrojů. Praha: Grada Publishing, a.s.**

**Aumayr-Pintar, C., Cabrita, J., Fernández-Macías, E., & Vacas, C. (2014). Pay in Europe in the 21st century. Publlication Office of the European Union.**

**Banfield, P. & Kay, R. (2008). Introduction to Human Resource Management. Oxford:**

**Oxford University Press.**

**d´Ambrosová, H. (2011). Abeceda personalisty. Olomouc: Anag.**

**Development on the Czech labour market in the Q4 2019 (2020). Czech Statistical Office. https://www.czso.cz/csu/czso/ari/the-development-of-the-czech-labour-market-4-quarter-of-2019#**

**Dvořáček, J. – Tyll, L. (2010): Otsourcing a offshoring podnikatelských činností. Praha, C.H.Beck, 2010.**

**Dvořáková, Z. (2007). Management lidských zdrojů. Praha: C.H. Beck.**

**European Commission. (2016). Draft joint employment report from the commission and the council.**

**Hlušička, P. (2013). Motivace zaměstnanců. [Online]. Firemní sociolog. Retrieved from http://www.firemni-sociolog.cz/cz/clanky/142-motivace-zamestnancu**

**Kleibl, J., Dvořáková Z. a Šubrt B. (2001). Řízení lidských zdrojů. Praha: C.H. Beck.**

**Kleibl, J., Dvořáková, Z., Huttlová, E. (1998). Stimulace pracovníků a tvorba**

**mzdových soustav. Praha: Vysoká škola ekonomická.**

**Kocianová, R. (2010). Personální činnosti a metody personální práce. Praha: Grada.**

**Koubek, J. (2011). Personální práce v malých a středních firmách (4., aktualizované a doplněné vydání). Praha: Grada Publishing.**

**Koubek, J. (2007). Řízení lidských zdrojů: základy moderní personalistiky.**

**Praha: Management Press.**

**Lhotský, O. (2005). Organizace a normování práce v podniku. Praha: ASPI.**

**Lhotský, O., & Horný, J. (1998). Rozbor a členění spotřeby času. Práce a mzda, roč. 46, č. 7.**

**Mužík, J., & Krpálek, P. (2017). Lidské zdroje a personální management (Vydání I). Praha: Academia.**

**Šikýř, M. (2016). Personalistika pro manažery a personalisty. (2., aktualizované a doplněné vydání.) Praha: Grada.**

**Shields, J., Brown, M., Kaine, S., Dolle-Samuel, C., North-Samardzic, A., McLean, P. Robinson, J. (2015). Managing Employee Performance and Reward: Concepts, Practices, Strategies: Cambridge University Press.**

**Šubrt, B. (2014). Obsluha mzdy a platu. Praha: Nakladatelství ANAG.**

**Šubrt, B. (2018). Odměňování zaměstnanců a jeho obsluha: průměrný výdělek, srážky ze mzdy a další. Olomouc: ANAG.**

**Urban, J. (2017). Motivace a odměňování pracovníků: co musíte vědět, abyste ze svých spolupracovníků dostali to nejlepší. Praha: Grada.**

**Tomší, I. (2008). Mzdy a mzdové systémy. Praha: ASPI.**

**Plamínek, J. (2008). Vedení lidí, týmů a firem. Praha: Grada Publishing, a.s.**

**Provazník, V., Komárková R. (2004). Motivace pracovního jednání. Praha: Oeconomica.**

**Vacas Soriano, C., Aumayr Pintar, C., Fernández Macías, E., Cabrita, J., & European Foundation for the Improvement of Living and Working Conditions. (2014). Pay in Europe in the 21st century.**

**Zákon č. 262/2006 Sb., zákoník práce ve znění poslední**

Obsah

[1 Introduction 1](#_Toc36546688)

[2 Remuneration in the context of motivation and work performance 2](#_Toc36546689)

[2.1 Motivation 2](#_Toc36546690)

[2.2 Corporate concept of motivation and remuneration 3](#_Toc36546691)

[2.3 Influence of motivation on employee performance 6](#_Toc36546692)

[3 Remuneration in relation to employee satisfaction. Corporate climate. 7](#_Toc36546693)

[3.1 Corporate climate 7](#_Toc36546694)

[3.2 Employee satisfaction and remundation 7](#_Toc36546695)

[4 Job evaluation and Work standardization 10](#_Toc36546696)

[4.1 Job evaluation 10](#_Toc36546697)

[4.2 Standartion of work 12](#_Toc36546698)

[5 Criteria of evaluation employees 16](#_Toc36546699)

[6 Reward systems - types, creation, structure, and application 18](#_Toc36546700)

[7 Forms of remuneration. Wages and salaries structure. 21](#_Toc36546701)

[8 Performance remuneration 24](#_Toc36546702)

[9 New forms of the remuneration of employees 28](#_Toc36546703)

[10 Rewarding employees by methods Balanced Scorecard (BSC) and management by objective (MBO) 30](#_Toc36546704)

[11 Remuneration of management, specialists and expatriates 32](#_Toc36546705)

[11.1 Remuneration of management 32](#_Toc36546706)

[11.2 Remuneration of expatriates 33](#_Toc36546707)

[12 Total Reward Model. Project remuneration. 34](#_Toc36546708)

[12.1 Total remuneration model 34](#_Toc36546709)

[12.2 Project remuneration 36](#_Toc36546710)

[13 Employee benefits. Cafeteria system. 37](#_Toc36546711)

[13.1 Employee benefits 37](#_Toc36546712)

[13.2 Cafeteria system 38](#_Toc36546713)

[14 Remuneration in the business sector 41](#_Toc36546714)

[15 Remuneration trends in the Czech Republic and the EU. Remuneration in the non-business sector. 52](#_Toc36546715)

[15.1 REMUNERATION TRENDS IN THE European Union 52](#_Toc36546716)

[15.2 REMUNERATION TRENDS IN THE CZECH REPUBLIC 53](#_Toc36546717)

[15.3 Remuneration in the non-business sector 57](#_Toc36546718)

[16 Reference 63](#_Toc36546719)

[Obsah 65](#_Toc36546720)