

THE MANAGEMENT OF THE FINANCIAL AND NON-FINANCIAL IMPLICATIONS OF THE SALARIES GROWTH

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Abstract:

The present paper is trying to point out the importance of the firm's management (of the economical entity) throughout the administration of the financial and non-financial implications of the salaries growth in reaching its success.

It is well known that a successful management doesn't mean only an efficient financial administration, but also paying special attention to the non-financial elements implied by the leadership of a work group, more exactly the administration of the human resources.

The present paper is trying to structure best as possible the two sides (financial and non-financial), regarded through the cost perspective, which is that of the administrative accountancy, from the perspective of the human resources management, at the level of the employee's motivation, but also of the perspective of top management and at the level of managerial decision.

The finality of the paper is to point out the convergence of the two directions towards successfully reaching the objectives that any economical entity has established and desires to fulfill, and also to correlate the financial aspects regarding salaries growth with their non-financial effects, reflected at the level of a single individual, of a group of individuals, compartment, division, etc. so that in the end these salaries growths can be benefic on a long term basis.

Key words: salaries growth, financial stimulants, motivational effects, salary politic, evaluations of the performances

JEL Classification: A10 , G20 , M10, M40 , M50 , O10

INTRODUCTION – SHORT DESCRIPTION OF THE WORK GRATIFICATION

In the economical theory and practice, the problem of the work gratification holds a place of great importance. Being connected by the relationships related to the employment, use and payment of the work as a production factor, it captures strongly and continuously the attention, because the way in which the gratification is made depends on the assurance with subsidiary means of a significant part of the planet's population.

Just as much, but from a different position, the way in which the gratification is made captures the syndicates and patronages attention, and, as well, that of the public authorities.

The specialty literature defines in a relative way the employee's gratification, and that is "the total amount of the material and monetary incomes, of the easement and advantages, present and future ones, determined directly or indirectly by the quality of employee and the activity ran by him".

People do not work just for the reward or the salary. Usually there is an entire package of remuneration and it should be assembled mainly from the motivational intentions. The task of the package follows two tendencies that must be over come; first of all, it should be able to attract the right candidates for the organizations mission and to allow the successful development of the recruitment and selection processes, attracting adequate candidates being a competitive process. The second tendency is to maintain the employees in their current jobs and encourage them to stay in the organization.

The problem regarding financial stimulants is one of the most important, because they are so easy to offer and afterwards actually stopping to motivate. On the other side, money is a great motivator, and the way to put them into practice makes the difference. This difference is concretized through the package of rewards cumulated with payments – no matter how they are

Etymologically speaking, the term of “salary” is from the Latin word “salarium” meaning the amount of money paid to the (roman) soldiers so that they could supply salt for their food. This suggests also the fact that the salary is given out to the persons depending on others through a juridical or economical bond, state which is available today as well, when the salary is the amount of money paid to someone for the service provided by the work factor and is destined to maintain the salary labor. Salary has appeared on a certain stage of the merchandise production development, being tied up to the beginnings of the capitalist economical system, when the man, free from a juridical point of view, but not having production goods and natural resources, has appealed to renting his own work force to the owners of the other factors of production, which are land and capital.

1. 1. Salary structures

The individual salary is established starting from the minimum salary per hour established on a national scale, for an average time of work of 170 hours a month, thus:

The fare system will therefore define payments hourly fares, daily and monthly ones, which will find an equivalent in hourly, daily and monthly salaries.

Salaries according to the volume of production regards the volume of the actions executed or of the products obtained and can be determined individually, or collective, if in the realization of a certain number of actions or quantity of products, efforts are put in by a team of specialists in different fields.

Salaries based on percentage from the incomes gained or from the production obtained can apply in companies which obtain products of strict necessity, especially in units of agricultural production.

- Redundancy payment;
- First relocating bonus for the unemployed which get jobs in a city located at a bigger distance than 50 kilometers than their stable home;
- The relocating bonus for the unemployed which get jobs in a different city, reason for which they are changing their dwelling place;

- Subventions given to the employees for finding jobs inside some programs with the purpose of temporarily occupying the work force and executing some activities in the interest of the local community;
- Subventions given to the employers which hire for undefined periods of time graduates of some institutions;
- Health insurance for pregnant women, who can benefit from it free of charge if their income is below the guaranteed brut salary established on a national level;
- Pension assurance and other social rights as long as in their working card aren't registered any payment rights, and they take into consideration the level of the minimum brut salary in the economy.

All of these gratification forms, as well as the benefits associated to them (as are the social ones) are taken into account by the management of the organizations according to their profile (production, services, distribution, outlet a.s.o.) in such a way that they insure the financial balance of the companies. Of course, this activity is very complex and must implicate a collaboration between the personnel management and the top management, as well as between management structures and financial responsible (accountants, financial directors), according to the current legislation and the situation on the labor market.

1.2. The salaries growth transposed into the financial plan

A significant percentage inside the gratification of the direct labor is taken by some special rewards and different easements given to the personnel. The introduction of these instruments was determined by the necessity of accomplishing a directly as possible relationship between the effort put in by every single employee and the level of reward, with the purpose of increasing the performance.

As method of organizational stimulation (it includes the whole working group, based on the financial results of the enterprise), the cast of one share from the profit obtained is used on a large scale inside the autochthon companies, and they aim to connect better the value of the stimulant with that of the turn over, therefore:

- The distribution of the profit during the year, when employees can be given periodically – trimester or semester – certain bonuses which size depend on the rate of overcoming the scheduled turn over;
- The distribution of the profits at the end of the year. Based on the accountancy's final calculation regarding the size of the net profit obtained by the firm, a certain percentage is destined to stimulating the entire personnel at the end of the year as bonuses, often comparable to the size of the monthly average salary of the current period.

Regarding the participation to the capital of the firm, the possibilities of buying shares in the company by own employees may bring advantages to the manager (who is increasing his capital), as well as the personnel, which at the end of the year can gain dividends, or in a favorable conjuncture can place them onto the specific market (for example, exchange market). Through this, his goal, as a shareholder at the company where he works, is for its economical performances to grow, which will lead to increasing implication and loyalty and as well of the individual performances.

Even though acknowledged as a successful gratification of work, almost without exception, the participation to the benefits of the firm has stopped to be regarded as a "bate" for employees given out by the employer to increase his profits, and on the other side fewer are the companies that will give the employees more than 10% from their salaries as bonuses in participating to the benefits of the firm. The size of this percentage depends, in any company, on the importance that the work or the capital holds in the economical activity. For example, in the firms that sell services, the importance of the capital is smaller, the accent being the quality of the employee, the level of professional training and his abilities to communicate with the customers. Also, the more the field is specialized, the more maintaining the personnel with a high professional training is more important.

Regarding the positive consequences of the use by different companies of the profit participation stimulation method, is necessary to pinpoint that besides a simple productivity increase, which is most of the time hard to quantificate, intervene also the maintaining of good relationships between workers and patronage, as well as the fact that it tends to favors the employees tendency to save up. But in perspective, it can assure avoidance of high employee's fluctuations, a situation which is unwanted because it brings extra costs.

In terms of the employees participation to the capital (co-partnership) we show, that ever since 1910 C.Gide claimed that it has appeared because of the necessity to modify the relative and hybrid character of the participation system, half employee, half "patronage's goodness" , transforming it into a real association and it was believed that "the solution could be found by creating some work shares which could be attributed to the worker in terms which would also bring him the same rights as it did to the capitalist share holders".

The shares can be gained by the employees in three ways:

- By changing the rightful sums from the title "participation to profit" into shares;
- Through buys (with or without facilities);
- Through free allocation of shares, according to certain merit.

2. THE MANAGEMENT NON-FINANCIAL IMPLICATIONS OF THE SALARIES GROWTH

2.1. From salary to economical performance

A component of the general politic of the firm, the salary politic of the company represents the sum of the initial and practical measures of the human resources management meant to govern the relationships between employees and reaching the organizational objectives. This characterizes a certain "style" of the company, a certain manner of approaching and solving the salary problems: two firms can have the same objectives, but their concrete ways of getting them fulfilled can be different.

The salaries politic, in the part strictly regarding the salaries, can be conceived tightly, projecting only the income from salaries (which is what we meat under the name of direct salaries costs), as well as it could be conceived widely including the indirect incomes as well, often called accessories or complementary salaries: paid vacation, sick days, social assurance, services and social aid. Because, the last of them are so diverse and have constant growth, as a percentage in the total cost of the working force, they are considered as components of the incomes that the employees receive and are part of the salary politic, defining it along side with other aspect that govern the occupation, the hiring and releasing regime, licenses.

So, the salary politic can't be identified with the salary or the payments politic, because it includes other non-monetary elements that have a wide range.

Two types of variables can influence the practices and the salary politic of the firm and they are:

- The variables that relate to the outside of the firm like: the level of economical growth of the country, the economical conjuncture, the evolution of the prices and of the incomes, the situation of the sectors of the work market, the relationship between the social partners, the enterprise's sector of activity;
- The variables that relate to the inside of the firm like: the size and the organizational structure of the firm, the intern social politic, the image the company wants to have, the type of technology used, the characteristics of the work force.

The specialty literature reveals the fact that the salary politic of the firm is also influenced by other factors like: the general economical climate, the planned rate of the recovery of investments compared to that of forms in the same sector; the influence of the government decisions

(legislation, taxation), the effects of the group working contracts and of the negotiations lead in closing them.

A salary politic is considered optimal when it can assure a balance between the following three components:

- The financial balance of the firm, which determines the global sum of the salaries and its possibilities to evolve;
- The external balance with the work market, which influences the quality of the recruited personnel and the capacity to hold on to the qualified personnel;
- The internal equity, which diffuses a feeling of justice among different employees and everyone's preoccupation towards improving their performances;

Therefore expressed, the result of an optimal salary politic will always be a balanced system of remuneration, based on the following elements;

- The level of the salaries, with its implication on the financial balance of the company, in most cases, the payment of the salaries being the most important financial engagement for the company. The level of the salaries must result from the general politic of the company and even more from the analysis made over the future of the personnel administration;
- The outside competitiveness: the companies that propose remunerations below the level on the work market will have difficulties in recruiting and a great fluctuation of the personnel on job positions;
- The internal balance, which must provide;
- A feeling of justice and balance among the employees regarding their responsibilities;
- Has got to have an exciting character which will encourage every employee to improve his performances.

The economical stability of a company is affected when a component of its system of remuneration is of balanced; for example, offering salaries below the level of the work market will determine difficulties in hiring and on the long run "the exodus" of the employees.

Within an efficient salary politic, adjusting to practice of an optimal remuneration system implies the accurate definition of certain variables, as:

- The level of the salaries and their most likely evolution;
- The level of the salaries on every job position and the down size of the "abnormal" differences;
- Determining the remuneration of the job position and of that which regards the individuals;
- Determining a system of promotions and salary rise according to the experience, qualification and performance.

2.2. The motivational effects of the salaries

The specialty literature reveals the fact that diverse form of gratification, practiced today on firm level, affects the personnel in different proportions on a relatively small scale.

In the following we will mention each form of gratification and they are: fix payment, according to the individual agreement, payments according to the global agreement, and payments on a daily pre-established base, global schemes of payments on organizational level, participation to profits, gratifications according to merits.

Regarding *the fix payment*, it assures only the necessary motivation for reaching a certain level of performance. This is because every employee is getting according to this system a fixed sum per hour, week or month. If the goal is to raise the quality over its level, it takes a stimulant, meaning a bigger salary. The alternative systems, especially those based on individual performance, have the goal to provide this stimulant. Fix payment doesn't offer the motivation for putting in an extra effort, because there isn't a correlation between reward and effort.

Individual agreements are capable to offer a strong motivation in putting in an supplementary effort. There is a very strong correlation between the individual earnings and the

level of effort put in. This correlation depends on the managers' ability to assure an undisturbed flux.

The global agreement can offer small groups a certain motivation in making a supplementary effort, if it visible the correlation between the individual efforts and the results of the group. Is not an efficient motivational factor inside big groups, when it is difficult to correlate the individual effort to the group's results. The intensity of these correlations can be determined by outside factors, which cannot be controlled by the implicated persons (the team-mate's effort).

Payments on a daily pre-established base give the stimulants necessary to maintain an established level of performance, but not the motivation to over come it. People can be unmotivated in making supplementary efforts once the objective in this kind of gratification system is reached.

Global payment schemes on an organizational level represent low motivational factors. The connection between the effort and the reward is reduced. The level of the earnings is strongly determined by factors which are in the hands of the individual workers (the market's tendencies, inflation, management's efficiency).

Participation to profits is a weak motivational factor. The time between making the effort and receiving the reward is to long for the connection between these to be efficient. The level of the reward is, in this case, the object of some external influences, which the employee cannot control.

Gratification according to merits is also, a pretty weak motivational factor. There is not a clear relationship between the effort put in and the level of reward other than if the gratification according to merits is integrated with the performance evaluation system. The grading is made according to a wide range of criteria, from which some can be intangible and impossible to transform by supplementing the effort. The level of the reward is determined by a series of factors which cannot be controlled by the person in case (we are talking about subjectivism in the evaluation by the managers).

An analysis of the relationship between the salary politic and the personnel motivation for work, on the background of the characteristics of the transition from the centralized to the market economy, reveals the following aspects:

- The inappropriate use of the salary as a motivating factor, in the sense in which some public companies and commercial societies that have the monopole on the market have lead a "high salaries" politic with negative effects not only on motivational plan, but also in that of the activity's efficiency;
- The presence of under motivation due to a gratification that even affects the assurance of the primary necessities satisfaction for the employee and his family, which are alimentation, habiting place and equipments; the situation has been degraded by the progressive weakening of the buying capacity of the employee, as well as the sensitive modifications in the pattern and consumption behavior of the population which have led to the tightening of the internal market of consumption goods and equipment;
- The deterioration of the relationship between the minimum wage and the medium one shows some major disadvantages, especially for the personnel in the light industry, agriculture, tourism, services and from the budgetary sector, who is situated below in terms of salary incomes;
- Loss of interest towards work (also) because of the social salary;
- A severe politic of taxation of the salaries in the conditions of a quantitative comparison of the potential contributable, with direct effect onto reducing the net salary, of tightening the consumption of wide ranges of population, the erosion of the households capacity to save up.

We also have to add the diminishing of the work efficiency of the personnel, the growth of their instability and absenteeism, it amplifies the phenomenon of clandestinely work and they won't be able to improve exclusively by adjusting their salary politic, unless they won't solve property related issues, of free competition, as well as those of correction, participation and socialization of the salaries.

In a significant segment of autochthon companies, the salary politics exaggerate in calculating the salary as element of the costs, the management constantly aiming to minimize it

from competitive and profitability reasons, all, in the disadvantage of the personnel's necessities and fundamental purposes, and leading towards the sacrifice of its cohesion and stability.

We mention that the last situation is favored by the specific conjuncture of the past years when it has been registered an appreciable exceeding of work force in almost, with small exceptions, all of the professional categories. The study of the salary politic has leaded us to the conclusion that any proposal of improving them must take into consideration the following:

- Creating the necessary environment so that an equitable part from the added value is redirected toward the employees;
- Clarifying their collective philosophy;
- Stimulating gratification of performance;
- Optimizing the relationship between internal and external equity, between individual and collective equity;
- Flexibility in the reward system;
- Optimizing the salary's structure.

2.3. The importance of the employee's performances evaluation

The evaluations of the performances were underappreciated years in a row because this task isn't seen as a unique motivational opportunity, the only moment when the employee is enjoying his boss's full attention. Even though there are numerous reasons for which the evaluations (ones on trimester or semester) are avoided (first of all, because the assumption of lack of time), time and the efforts from the manager for this king of recapitulation will transmit the employee a clear and concise message.

Therefore, when this kind of meeting takes place face to face, the employees must receive the entire attention of the evaluator, to feel that they are important and that their opinion matters. Ideal it would be for the evaluation forms to make a distinction between the zone interests, and not be limited to identifying an interest zone – for example, cooperation – and offers the manager space to write down a sentence or two about the employee's efforts from that perspective. The comments – especially the negative ones – should be taken as examples. Thus, the diverse causes that leads to the unfulfilling of the employee's tasks can be identified (the manager can take adequate measures to the employee's problems), and on the other side, the non-financial motivation of the employee's is assured, through the privilege that is given to them to state their opinion about their work, work environment, group activities etc. Also, they can find out, for example, why a salary increase is postponed in spite of the good performances: it is the manager's duty to inform them about the changes in the market situation with consequences on the firm's objectives and strategies, which can require high financial resources. Thus, the employee's loyalty is assured, also their support in the development of the organization, in the measure in which they are aware of the direction towards which the management is taking the organization.

In spite of the bad reputation they have, performance evaluations are wanted by the employees, because they need a legitimate and well though feedback regarding their efforts. Although, apparently, it's an activity that requires a high consumption of the manager's time and that it doesn't bring immediate results, the performance evaluation can supply precious information to the top management in elaborating decisions, whether they are on short, medium or long term.

CONCLUSIONS

Once we joined the European Union, even though some autochthon companies have understood that they cannot be competitive on a market where multinational companies have opened affiliations and branch offices in which they apply an entire "arsenal" of personnel motivating methods and efficient salary politics, the most of the Romanian firms have staid the same, respectively considering the salaries as elements of costs that can be diminished just as any other production cost. The consequences on the long run are evidently: the lack of qualified

personnel and the “migration” of the existing one to other companies that offers them better possibilities to make use of their knowledge with more advantageous salary conditions. Finally, the drastic comedowns of the firm’s profitability that apply a faulty management of the personnel are imminent and unavoidable.

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