Efficient system of environmentalist’s remuneration and its practical application

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Abstract. The aim of this article is to bring information on one of the important terms for successful functioning of organizations operating in the environmental sector. The well established and working system of environmentalists´ remuneration, based on the concept of total pay, has major impact on the success and competitiveness of such organizations. The article is focused, on the basis of available theoretical information and the existing practical experience, on describing modern competitive system of environmentalists´ remuneration. It also provides general overview of this issue based on the questionnaire survey made by the authors in the Czech organizations operating in the environmental sector. The purpose of the article is providing recommendation how to help organizations reward environmentalists and increase their overall efficiency.

1. Introduction

Employees' remuneration for their work is one of the most important fields of human resources management. Reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization. It deals with the design, implementation and maintenance of reward processes and practices that are geared to the improvement of organizational, team and individual performance [1]. Remuneration can play a major role in organizations successfully executing their strategies through their employees. Although remuneration has its guiding principles, we will see, that how any remuneration program is specially designed and implemented will help determine its success. For example, organizations, in general, benefit from pay for performance, but there are many types of pay for performance programs and it is not always easy to design and implement a program that has the intended consequences. So, general principles are helpful, but only to a point [3].

Thus, this article views the field of remuneration from two sides. In the first part of the article the authors focus on the issues of remuneration of environmentalists from expert’s standpoint and that of theirs, explain how remuneration strategy decisions interact with the specific context of the organization to influence organizational success. Consequently, in the second part of the article the authors present concrete results of the remuneration research carried out in organizations operating in the environmental sector of the Moravian-Silesian Region.
Every organization, of course that operating in the environmental sector, should have such individual system of remuneration developed that would meet all specific conditions in which a concrete organization works; the needs of both organization and individual needs of its employees.

Remuneration strategy and policy
The strategic aim of remuneration management is to develop and implement the remuneration strategies and the policies, processes and practices required to support the achievement of the organization's business goals, to help attracting and retaining talented people, provide for their motivation and engagement and ensure that they feel valued. Remuneration strategy has to flow from the business strategy and has to be integrated with other human resources management strategies, it clarifies what the organization wants to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals[1, 5]. Remuneration strategy is important for the organization to define how it is going to determine its remuneration or pay levels[2].

Managers must make decisions in new, complicated situations, under the conditions of insecurity and where the likelihood of correctness of the decisions is not explicitly guaranteed [7]. Remuneration policies are one of the most important decisions that the organization will make. They provides guidelines for the implementation of remuneration strategies and the design and management of reward processes. The reward policies will be concerned with, for example, the level of rewards, the relative importance attached to market rates and equity, attraction and retention, the relationship of remuneration to business performance, total reward policy, the role of line managers, the need to involve employees in the design of the remuneration system, the need to communicate remuneration policies to employees, transparency – the publication of information on remuneration structures and processes to employees etc. [1].

Remuneration system and total reward
Strategic systems of employee’s remuneration in organizations should be developed on the basis of a so-called new or total reward approach. This approach emphasizes the importance of all elements of the total reward. Modern systems of remuneration include both tangible and intangible rewarding. To tangible rewarding belong the element of wage the employee is entitled to receive, which is a basic wage or salary, and the element of wage the employee is not entitled to receive which consists of various forms of bonuses, performance bonuses, gratuities, premium allowances, benefits and the like. Among intangible rewards recognition, praise, responsibility, career opportunities, autonomy, quality of working life and others can be ranked. Employee’s total reward thus includes in itself both tangible and intangible element of rewarding (see Figure 1).

The total reward approach links all aspects of reward together and treats them as an integrated and coherent whole. It means that when developing the remuneration system employers must consider all aspects of the work experience that employees value. The total reward approach recognizes that it necessary to get financial rewards (pay and benefits) right. But it also appreciates the importance of providing people with rewarding experiences that arise from the work they do, they work environment, how they are managed and the opportunity to develop their skills and careers. It is a holistic view of reward that looks at the overall reward system in order to determine how its elements should be integrated so that they provide mutual support [2, 5].

Basic pay (salary/wage) is the cash compensation that an employer pays for the work performed. Base pay tends to reflect the value of the work or skills and generally ignores differences attributable to individual employees. Some remuneration systems set base pay as a function of the skill or education an employee possesses; this is common for engineers and school teachers [3].

Variable pay (salary, wage) is compensation linked to individual, group/team and organizational performance. Variable pay of salary/wage attempt to provide tangible rewards to employees for performance beyond normal expectations. The main reasons why organizations adopt variable pay plans are (1) link strategic business goals and employee performance, (2) enhance organization's
performance and reward employees for their contribution, (3) try to strengthen the link between rewards and performance, it means to recognize different levels of employee's performance, make it visible and thus motivate the employees and (4) achieve human resources objectives [4].

![Figure 1. The elements of total rewards Source: M. Armstrong, H. Murlis. Reward Management, 5th ed., Kogan Page, Philadelphia, 2007, p.109, modified.](image)

In most organizations a performance element of salary/wage depends on a greater number of criteria. Especially if managerial and specialized positions are in question then these criteria or aims are being derived from a Balanced Score Card (BSC) method. Strategic aims and their indicators should correspond with a management level of the organization. Top manager's aims mostly relate to the growth of organization's turnover and profitability, quantitative and qualitative aims at lower levels should be determined in such way that they support higher management level's aims [6]. The most often used indicators of four perspectives of the BSC method are represented in the Figure 2.

![Figure 2. Balanced Score Card Source: own processing.](image)
The most usual way of weighing the indicators is as follows: to performance criteria percentage weights are assigned, the sum of which equals one hundred. Relative weights of particular criteria expressed in percents should correspond with the significance of particular indicators in order to achieve organization's strategic aims as a whole, with the demanding way of their achieving, and they should remain relatively constant. Even though there is a tendency to assign the highest weight to financial indicators yet their significance should not be so high as to surpass other indicators.

In practice, a variable pay of employee's reward very often consists of three categories of variable pay – individual, group/team and organizational incentives. *Individual incentives* are given to reward the effort and performance of individuals. *Group/team incentives* provide rewards to teams or groups of employees doing similar work connected with the performance of a team or a group. *Organizational incentives* reward people according to performance results of the entire organization [4]. The most usual instruments of performance rewarding are shown in the Figure 3.

![Figure 3. Categories of variable pay plans Source: R.L. Mathis, J.H. Jackson. Human resource management, 12th ed., South-Western Cengage Learning, Mason, 2008, p. 397.](image)

A great number of organizations operating in the environmental sector, which can be proved by the survey carried out by the authors, use also so-called *additional forms of rewarding (plus rates)* to reward their employees. These may be, but not necessarily, linked to performance of individuals or teams/groups. Among the most usual types of rewarding forms currently used by organizations can be ranked compulsory and voluntary allowances (for work overtime, work on weekends, readiness to on-call work, deputizing...), personal pays (premium for loyalty, benefits on the occasion of jubilee...), thirteen wage, Christmas bonus, contribution for holiday, gratuities on the occasion of being retired and many others.

*Employee benefits* are also part of the system of remuneration [3]. This is a non-claimable and non-monetary way of rewarding which provide a quantifiable value for individual employees. Their amount is directly proportional to the rate of entrepreneurial firm's performance, and whether the employer considers benefits an important motivation factor[2]. Some organizations have already implemented or they are currently implementing a so-called Cafeteria system of employee benefits. Cafeteria system of employee benefits is a system of optional blocks of employee benefits within which a certain volume of points or virtual money is assigned to an employee for which they draw benefits during a specified period (according to their wish) from a broader offer. Employees have an option to choose a 'package' of rewards that is most advantageous from the standpoint of their present needs and their present situation. The system of optional employee benefits is not a real novelty in this country, and companies that can afford time and financial investment gradually implement this novelty. Some of them have a simpler shape in the form of rendering vouchers for leisure time activities others have been created more comprehensively on the basis of benefit for additional old age insurance, a possibility of longer holiday and many other variants of benefits[6].
3. Methodology

The objective of this research was to map the issue of remuneration in organizations operating in the environmental sector in the Moravian-Silesian region. Main aim of the research was to find out, in individual organizations, the following: existence of remuneration strategy, policy and system in organization, practice of the organization with introducing the remuneration system to employees, wage components for worker’s and administration positions, and line managers in organizations, dependence of the amount of variable pay for worker’s and administration positions, and line managers based on the performance type in organization, types of additional forms of salaries used in organization, existence and type of employee’s benefits system in organization, existence of Cafeteria system in organization.

Electronic, written questionnaire was selected as the research method through pre-prepared questionnaire that also included a cover letter, which contained information about the importance of researched issue, request to fill in the questionnaire, definition of the questionnaire purpose, information on how to fill in the questionnaire, information about the form of research’s results and the options to find the results and thank you note for the time devoted to the questionnaire. The questionnaire included 14 questions in total, 11 of them were devoted to the researched issue, 3 questions were identification ones. Problematic questions included 2 filtration questions, 3 dichotomous questions, 4 alternative questions and 2 enumeration questions.

For the creation of respondent’s set, in which the research was carried out, the simple selection method was used, 500 organizations out of the total of 1003 organizations operating in the environmental sector in the Moravian-Silesian region were addressed.

Cover letters including the link for the questionnaire were sent electronically on 10th March, 2017, completed questionnaire were returned from 11th March to 17th March, 2017. From total of 1003 (100%) of sent questionnaires 384 questionnaires (76.8%) returned filled in and 116 questionnaires (23.2%) did not return. From 384 organizations that sent questionnaires filled in, 3 were micro-enterprises, 85 small business, 289 medium enterprises and 7 big business. The organizations were both state and private.

Next step of the research process, processing acquired data, took place from 20th March to 7th April, 2017. Elaboration of data obtained from the research is mentioned in the following text.

4. Results

From the results of the survey it has followed that in 77% of the approached organizations operating in the environmental sector the strategy of remuneration was worked out. The policy of remuneration from which the system of remuneration was consequently derived in concrete organizations, has been implemented in 92% of respondent's organizations. Only in 48% of the interviewed organizations the employees are getting acquainted with the system of remuneration, which is not a very positive finding. Here it is very important for organization's employees to be informed about any changes in this system in time and in an understandable way.

As regards the structure of wages for workmen (blue-collar) positions, in 65% of organizations operating in the environmental sector the total pay consists of a basic wage (time wage or piecework wage) and a variable pay (in the form of premium or bonuses) which in 24% of organizations depends on individual's performance and on organization's results as a whole, and in 11% of organizations a variable pay also depends on appropriate department's performance. According to our opinion, for workmen positions it is very important to support team work and at the same time to show the employees that in spite of being at the lowest hierarchical level they are also part of the whole and that they contribute to the success and competitiveness of the organization.

As regards the structure of salaries for administrative positions (white collars), in 87% of organizations operating in the environmental sector a total pay also consists of the basic and variable
pay in the form of bonuses, premiums or personal performance evaluation. So-called multi-element remuneration has been set in 83% of the approached organizations. It means that a variable pay does not depend only on individual’s performance but also on team's or department's performance or on the results of the whole organization. From the above-mentioned we can come to the conclusion that organizations strengthen employee’s loyalty both within the whole organization and also by encouraging team spirit inside the organization. Nevertheless, managers should not forget that the unsuitable application of individual bonuses may decrease firm's performance and the excessive emphasis put on individual performance will hinder team work, and rivalry will arise among employees. Furthermore, they should not forget that if it is difficult or impossible to evaluate individual performance if it hinders team work then it is more suitable to use rewarding based on team performance.

As for employees working as line managers the structure of salary is analogous to that at administrative positions. The total pay in 94% of organizations consists of the basic and variable pay which always depends on individual’s performance and then a combination of team rewards and rewards depending on the performance of the whole organization is used. Unfortunately, there are also organizations operating in the environmental sector whose system of remuneration is based only on the raise in basic wages. Managers in such organizations should consider whether it will be possible to maintain in that way set system of employee's remuneration in the present business environment and whether that way of remuneration motivates their employees to a higher performance. Nowadays, fixed wages without premium or bonuses seem to be a relic. Productivity of labor is much more distinctly influenced by a floating element of wage on condition this way of reward is directly and clearly dependent on performance and in modern organizations also on competences influencing the achieved results. Increase in the basic or claimable element of wages has a short-term motivation effect only.

As it followed from a carried out questionnaire survey, all approached organizations operating in the environmental sector reward their employees by so-called additional forms of rewarding (fringe benefits). Fifty two percent of organizations provide as an additional form of pay contributions to the jubilee, 34% of organizations give gratuities to those employees who leave to be retired and 31% of organizations reward employees for their loyalty and 32% of organizations contribute to their employees by a certain amount of money for holiday. In practice, there are many other additional ways serving employee’s remuneration either for their superior performance or just because they work in the organization.

Employee benefits are provided to employees in 83% of approached organizations, in 51% of those organizations there is a system of flat pay, i.e. that all employees in the organization receive the same employee benefits. Twenty seven percent of organizations have implemented a differentiated system of benefits - different according to the hierarchical level, in 21% of organizations this differentiated system varies according to work positions and in 2% of organizations there is a differentiated system of providing employee benefits based on the number of years at work. As for the existence of the system of employee benefits in the shape of Cafeteria system, the system of benefits is of the same shape in 34% of organizations operating in the environmental sector. It is very remarkable that these days there are organizations that do not consider employee benefits as part of the system of remuneration (14% of respondents) in spite of the fact that providing benefits is nowadays part of the personal strategy of most organizations.

Managers who are persuaded that employees are motivated by a financial reward only do not pay a sufficient attention and effort to other motivation factors to which employee benefits can be definitely ranked. Their significance is inexorably growing and in many cases they represent that notorious tilt at scales in making decision whether to say yes to the offer of employment to this or that firm. Today, however, employees in organizations operating in the environmental sector do not get benefits only for the reason they are their members, in some organizations the system of employee benefits is interconnected with rewarding according to their performance or rewarding according to their contributions.
5. Conclusions
In the present turbulent environment the remuneration of environmentalists is becoming one of the basic aspects of choice, stabilization and self-advancement of workforce and competitiveness of the organization operating in the environmental sector. So, how should such organizations reward their employees? What forms of benefits should be used so that the system of remuneration could be strategic and motivate not only the current employees but also prospective ones and that all at ensuring reasonable cost? People like to have attention, they want to be provided with a sense of trust, encouraged to openness, motivated, they want to find suitable solutions to achieve change [8]. Creation of a fair, motivating and competitive system of employee’s remuneration is not a simple matter. In practice, there are various forms of environmentalist’s remuneration systems it depends upon the organization itself which strategy of remuneration it will choose. Organization is not mostly able to reward every person individually nevertheless, it should always do its best for the system of remuneration to be 'made to measure' to its actual conditions and at the same time it should take into consideration the internal policy and corporate culture of a certain organization.

Each organization operating in the environmental sector should have created an individual remuneration system that would suit all the specific conditions in which the particular organization operates, the needs of both the organization and its staff. So how should the remuneration system look like? How should the organization create it so as to motivate employees to ensure reasonable costs? The answer to these questions is not easy. The organization needs a series of steps:
- an internal wage/salary structure needs to be created (based on the analysis and evaluation of job positions),
- the wage/salary structure needs to be set on real wages/salaries (based on market data and internal policy of the organization),
- it is necessary to decide how we will pay an individual employee (based on the evaluation of the results of his work),
- it is necessary to determine the conditions for payment of bonuses, profit shares etc. in the organization (again on the basis of an employee's performance assessment),
- it is necessary to decide on employee benefits (the basis should be an analysis of employee motivation and needs and market information).

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