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ORGANIZATIONAL REWARDS IN ROMANIAN COMPANIES

Case Study

Keywords

*Compensation,
Benefits,
Total reward,
Romanian companies,
Preferences*

JEL Classification

J31, J33, J49

Abstract

It has become evident that organizational rewards attract human resources, motivate and maintain them into companies. There is no perfect combination of rewards into an attractive salary package, as they are perceived differently by the employees of each company. Moreover, there are differences in preferences and among employees of the same company. This attraction for a reward or another depends on: the professional experience, the organizational culture, the individual values, etc. Of course, the specificity of business also influences the rewards in one way or another. The purpose of this paper is to design a research proposal through which we are able to analyze the preferences for organizational rewards of the employees from the Romanian companies. Suggestions for practitioners and some preliminary results and recommendations for further research are provided.

INTRODUCTION. ABOUT TOTAL REWARDS

The ideas that sustained total reward have emerged since the 18th century. In 1776, the Scottish economist Adam Smith argued that employees should maximize the "total net benefit" of work, thinking, and not just to put accent on wage. He also said that it is desirable to take into account factors as: tolerance, job security and the possibility of success or failure when analyzing a job position (Gerhart & Rynes, 2003; Reilly, 2010).

Other specialists, such as Armstrong and Murlis (2007), approved that total reward includes both extrinsic rewards (wage) and intrinsic rewards (professional satisfaction). The American consultants Schuster and Zingheim defined total reward as "a philosophy, a set of principles, a way of thinking" and not just a simple guide of rewarding practices (Reilly, 2010).

"All the elements of organizational reward (the basic salary, the contingent remuneration, the benefits and all the non-financial rewards – these latest include the intrinsic rewards – are interconnected and treated as a coherent whole" (Tornikoski, 2011). In other words, this perspective defines the total reward as everything that employees consider valuable in the employment relationship, as a result of their tasks (Tornikoski, 2011; Kantor & Kao, 2004).

An organizational context in which total reward it is used "involves both the use of intrinsic and extrinsic motivations in order to achieve a balance in reward management" (Zhou et al., 2011). Studies indicate that it is advisable to each organization to design an "optimal" mix of financial rewards, prestigious rewards and work-related rewards in order to make employees to be more aware of their responsibilities and to make them to be as involved as possible into their own duties (Zhou et al., 2011). According to Sullivan (2009), employers should cover the entire added value by the company's employees through the offered reward package. However, the effects of applying total reward according to WorldatWork's organization, consist in "attracting, motivating, and maintaining" employees in the company (Boswell et al., 2011).

Michael Armstrong (2007) sustains the holistic approach when defining the concept of total reward, which "includes all the possible rewards-direct and indirect, intrinsic and extrinsic" (Armstrong, 2007). In Armstrong's vision (2007), the components of the total reward are total remuneration and non-financial rewards (also called "intrinsic"). In this vision, rewards are linked to each other and treated as a coherent whole (Armstrong, 2007).

Armstrong (2009) promotes the holistic character of the total reward, insisting that there are no rewarding mechanisms that work separately but, on

the contrary, are considered all the methods in which people can be rewarded for gaining work satisfaction. The purpose of total reward is "to maximize the impact of combining a wide range of initiatives for motivation, commitment and involvement in the workplace" (Armstrong, 2010).

The notion of total reward, says Armstrong (2010), tends more to reward people than to motivate them with money. This idea it is also supported by Paul Thompson, who suggests that the definitions of the total reward "include not only traditional, quantifiable elements such as- wage, variable pay, and benefits, but also intangible, non- financial elements- the purpose of achieving and practice responsibilities, opportunities for career growth, learning and development, intrinsic motivation provided by the work itself and the quality of professional life in the organization " (Armstrong, 2010).

The total reward covers two aspects: the financial and the non-financial one. Total remuneration involves everything that can be quantified in money. Basic salary is the "job rate", considering that fixed pay may increase depending on performance, skills, individual contributions (Armstrong & Murlis, 2007). Contingent remuneration is the indirect expression of individual performance, skills and contributions to the company's objectives (Armstrong & Murlis, 2007).

Benefits represent a distinct component of total reward, which may include: payment of pensions, subscriptions to medical clinics, useful instruments for the performed work (service car, telephones) or other offers (holidays for good prices, discounts for the products/ services purchased as employee from the company, etc.) (Armstrong & Murlis, 2007). According to Armstrong and Murlis (2007), the non-financial rewards do not involve any direct payment, and appear from performing the work itself. For instance: "autonomy in carrying out the working tasks, the recognition of merits, the development of competencies, possible career opportunities" (Armstrong & Murlis, 2007).

The models of total reward are different in number and meaning of the components. Thus, we consider useful a brief review of them in order to bring clarity in this area of study (Armstrong, 2010):

- **The HAY model-** financial rewards (general), base pay, contingent pay, benefits, intangible reward.
- **The IDS model-** financial rewards (general), career development, organizational culture, work environment, including the work itself, work- life balance.
- **The Mercers model** - financial rewards (general), benefits, career development, recognition, learning and development, work

environment, including the work itself, work-life balance.

- **Sibson's model**- financial rewards (general), career development, the work environment, including the work itself.
- **Towers Perrin's model**- base pay, contingent pay, benefits, career development, involvement, leadership, organizational culture, performance management, the work environment, including the work itself, work- life balance.
- **Watson Wyatt' model** - financial rewards (general), contingent pay, benefits, career development, involvement, performance management, learning and development, recognition, work- life balance.
- **The Word at Work model**- financial rewards (general), benefits, involvement, performance management, recognition, work- life balance.
- **Zingheim and Schuster's model**- base pay, contingent pay, benefits, compelling future, involvement, leadership, people focus, learning and development, performance management, recognition.

PRINCIPLES FOR PRACTICING TOTAL REWARD INTO ORGANIZATIONS

There are six principles generally accepted for implementing total reward in companies (Zingheim & Schuster, 2000):

- "Design the rewarding process as naturally as possible, with positive effects". Business leaders have the following responsibilities: to communicate to the subordinates the implementation of the total reward process, to explain what benefits brings, to educate people in this spirit and make them understand, accept and engage in the related practices.
- "Align the organizational rewards to the company's goals to gain a partnership from which both sides will win". The total reward process brings added value for both, organizations and its employees. The people who are involved in achieving the company's objectives, have all the advantages to be rewarded as well.
- "Extend the employee's perspectives". When it comes to understand the vision of the business they are working in, staff are encouraged to know how they actually influence with their individual results the team, their department or even the whole company.
- "Integrate total reward". Each reward tool has a specific duration and destination. When using total reward, it is not advisable to use only financial rewards, taking into account that human resources are currently attracted and retained in organizations through a variety of incentives and non- financial practices.

- "Apply individual reward using basic wage". Basic reward it is useful for: pay the staff's skills, in the absence of which it is not possible to generate organizational results; reward individual/ group performance in time; maintain in the organization human resources according to the wage requirements from the labor market. However, individual total reward will be higher than the basic remuneration, depending on the results obtained.
- "Apply a variable reward". Management expectations can be achieved using variable pay. This is ideal for timely delivery of results because: it is flexible, adaptable, highly receptive to employees, and involves focusing on important and urgent tasks, leading the company to success.

Principles are valuable for organizational practice if are known, accepted and applied by employees. It is advisable that the total reward process to be implemented gradually, with prior information to all involved, without no pressure, but explained, to be naturally integrated. Total reward, as part of the human resources strategy, it is aligned with the organizational strategic goals. The positive aspect for employees is that they are encouraged to better understand the overall picture of the company's activities, in order to propose new technologies and action plans for the working efficiency.

Total reward presumes that other reward opportunities or benefits are present above the basic payment- based on the individual and/ or group results. Additional earnings over basic remuneration usually consist in variable pay and other specific benefits.

In particular, Rotaru and Bostan (2002) refer to the following valid wage setting principles: equal pay for equal work; salaries differentiated according to working conditions; differentiated wages by qualification; different salaries according to the importance of the branches/ sub-sectors of the national economy (Rotaru & Bostan, 2002).

Equal pay for identical work it means that two or more people carrying the same workloads at the same quality and productivity are entitled to the same wage without discrimination (Rotaru & Bostan, 2002). Differentiated wages imply that people who work under hard conditions have a higher wage than people who work in a normal working environment (Rotaru & Bostan, 2002)

The use of differentiated pay according to qualification starts from the assumption that the qualified persons produce added value and a superior quality of products/ services compared to the unqualified employees under the same conditions and content of work (Rotaru & Bostan, 2002). The levels of wages according to the importance of the branches/ sub-branches of the national economy it is based on the idea that each of them contributes differently to the economic and

social development of the state and should be aligned with the national development strategy (Rotaru & Bostan, 2002).

In conclusion, we consider very useful the principles for wage setting, with the observation that, when will be used for for the total reward, will be designed at the superior management levels.

METHODOLOGY

The sample of the study

The sample of the research it is designed with a random and voluntary distribution of the departments of the organizations that are participating in the study (Table No. 1).

Research objectives and hypotheses

The next objectives of the research are related only to the employees from Romanian companies:

1. To determine the importance of: remuneration, benefits, work- life balance, performance and recognition, development and career opportunities at the employment interview/ post-employment.
2. To analyse the differences between the importance given to: remuneration, benefits, work- life balance, individual performance, recognition and development, and career career opportunities at the employment interview and post-employment.
3. To determine the employee satisfaction for: pay, benefits, work- life balance, performance and recognition, development and career opportunities.
4. To determine the differences between the importance given to: remuneration, benefits, work- life, performance and recognition, development and career opportunities after employment and satisfaction for their levels.

Each research hypothesis it is subordinated to a specific objective of the empirical research:

- **Hypothesis 1** for the first specific objective: All the elements of total reward are important at the employment interview/ post employment.
- **Hypothesis 2** for the second specific objective: There is a significant relationship between the importance given to all the elements of total reward at the employment interview and after employment.
- **Hypothesis 3** for the third specific objective: There is a significant relationship between the level of satisfaction work- life balance and the separation between profession- personal life.
- **Hypothesis 4** for the fourth specific objective: The importance of all the elements of total reward post-employment are perceived superior to the satisfaction achieved for the same items.

PRELIMINARY RESULTS

There were no situations in which the Romanian companies' employees obtained equal scores on the importance of total reward elements at the employment interview, and after employment (Figure No. 1). The values for the first stage were inferior to the second stage. The biggest differences before and post employment were registered for the following rewards: financial support in exceptional cases (at the interviewing stage was obtained an average of 3,58 and post employment the average was 4,21); the monthly wage (in the first stage the average value was 4,13, while in the second stage the average was 4,61); the flexibility of the workplace (the average from the interview moment was 3,73, and after the average was 4,13).

At the employment interview, the respondents obtained the highest averages for: prestige and reputation of the company (4,49), learning opportunities (4,43) and health benefits (4,34). Post employment, the most appreciated rewards were: learning opportunities (4,73); monthly wage (4,61); assistance and aid for resettlement (4,60).

In the process of attracting employees in organizations, respondents put accent on: reputation and size of the companies (being an advantage for large companies and a disadvantage for small and medium- sized enterprises), learning opportunities (what need people who do not have work experience) and private health insurances. At the retention stage, the first two places were the same with those from the employment interview top of rewards, plus the presence/ support for resettlement. We consider that the unrepresentative sample for the Romanian companies it is responsible for this last result.

The results regarding the biggest differences between preferred rewards before and post-employment may have the following causes: employees emphasize with mutual assistance when needed, which it is also a humanitarian purpose; in addition, then, it is checked through observing the team spirit while the reaction of colleagues are appearing; the monthly wage represents the most important form of income with which employees can pay the expenses of their families. Job flexibility it is important for the development of human resources since they want to carry out different tasks during a working day and continuous training.

CONCLUSIONS

We conclude that total reward cannot be expressed 100% in costs. We bring as example the relaxed atmosphere that can be installed in an office, and which does not involve any expenses (Turnea, 2017). We accept the definition according to which

total reward represents "everything that an employee receives as a result of his work for the organization" (Kantor & Kao, 2004) and the fact that its components are whether financial or non-financial (Armstrong, 2009).

In order to implement a total reward process, the following two questions can be used: what are the needs of the individuals and groups within the organization? and how much is willing to invest in human resources to achieve these expectations? (Turnea, 2017).

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ANNEXES

Table No. 1
The research sample

| Organizations | Frequency | Percent (%) |
|------------------------|-----------|-------------|
| Conest | 5 | 6.49 |
| Iasicon | 51 | 66.24 |
| Maternitatea Cuza Vodă | 21 | 27.27 |
| Total | 77 | 100.0 |

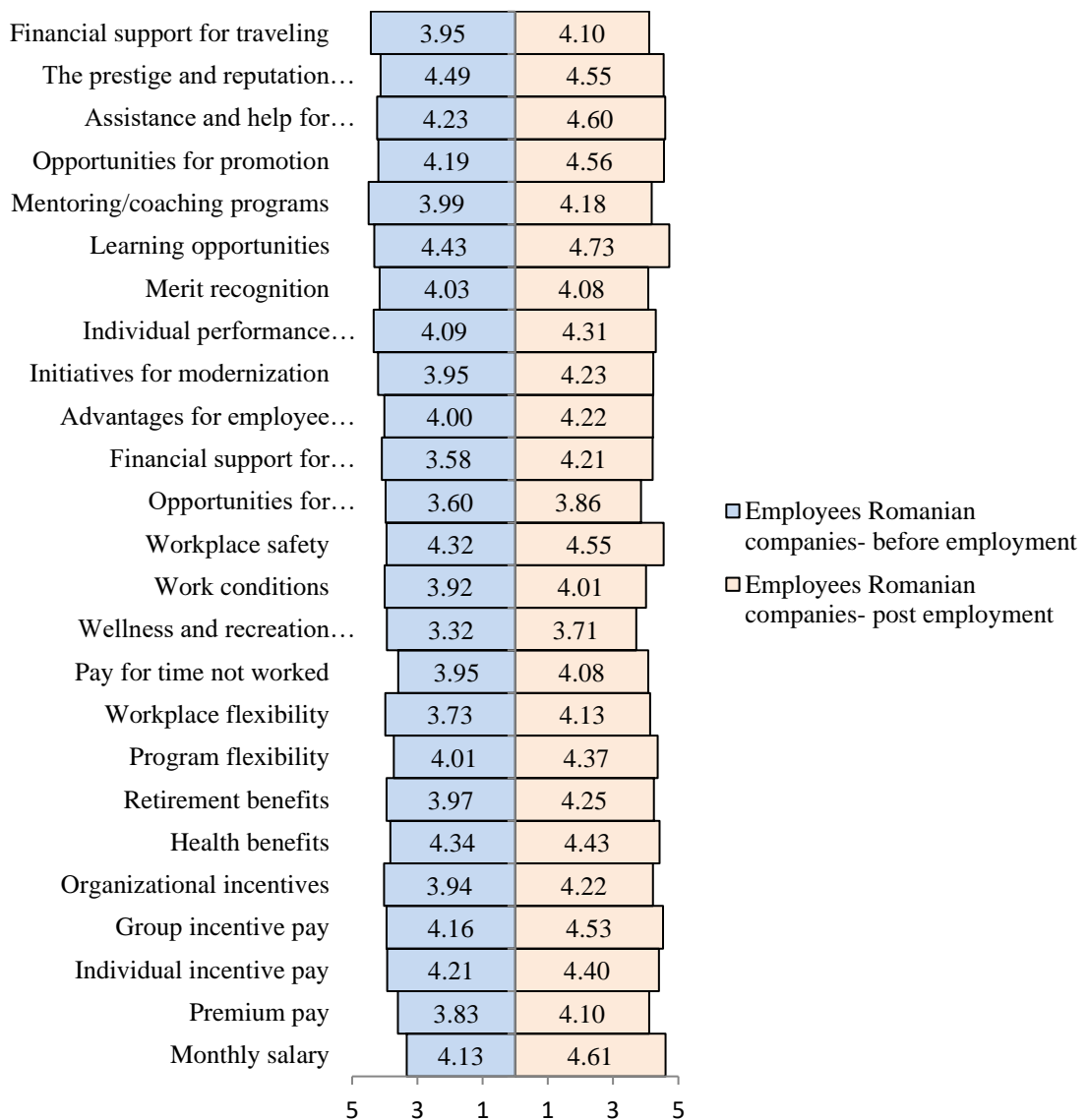


Figure No. 1. The importance of organizational rewards before and post employment for the respondents from Romanian companies