

# SELECTED ACTUAL ASPECTS OF EMPLOYEES REMUNERATION IN SMALL AND MEDIUM-SIZED COMPANIES

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## Introduction

Employees' remuneration is one of the most important aspects of personnel administration in a company. Its scope often depends on company size and subject of its activities. Large companies usually dispose with sufficient amount of qualified staff and their procedures in this area are usually properly sophisticated. Small and medium-sized companies due to their specific features even in this area can provide remarkable characteristics which are necessary to be researched.

The article deals with actual aspects of small and medium sized companies' employees' remuneration. It contains basic theoretical resources concerning employees' remuneration, introduces basic legislative regulations which are followed by Slovak employers when they set up remuneration for the work done, defines individual forms and types of wages, pays attention to an institute of minimum wage.

In this paper we present the results of our own research which was carried out in the second quarter of 2009. The companies we addressed provided their opinions concerning employees' remuneration, presented their attitudes towards wages, funds contributions and actual situation in this area in the period of economic crisis. The results of our research are processed and arranged in general tables and graphs.

## 1. Employees' Remuneration Basic Resources

An employer rates work performed by an employee and consequently based on performance remunerates it. The topic of employees' remuneration is permanently the actual one. Basic resources of employees' remuneration in our conditions are included in relevant legislation: the most important legal form – SR Constitution

(art. 36, letter a)), and other legal norms, which determine or modify employees' remuneration – Labour Code, Minimum Wage Act. Tasks concerning employees' remuneration are also connected with Collective Bargaining Act, Employment Services Act, Material Poverty Service Act, Social Service Act, Living Wages Act, acts concerning social and health insurance, Work Safety and Health Protection Act and others.

When Slovakia joined European Union the above mentioned legal norms applicable in Slovak republic were modified due to directives and regulations of CE and decisions of European court of justice, e.g. about employees' protection against employer's insolvency, employees' job securities, etc.

Due to the article 3 of Labour Code (Act no. 311/2001 Statute as amended) employees are entitled to get a wage for the work done, to be ensured work safety and health protection, to relax and to recover. Employers are obliged to provide their employees adequate wages and build working conditions which enable employees to provide the best performance due to their abilities, skills and knowledge, development of their creative initiative and growth of their qualification.

A wage can be characterized by different ways in dependence on function and goal. We may consider more criteria when we define it. In a company a wage is recorded as a cost which arises in connection with human labour consumption as a factor of production; at the same time it is an important tool of employees' stimulation and their work performance. For employees a wage presents an income which is supposed to cover their living costs.

A wage can be understood as price of work, which is a result of market behaviour (supply and demand). Labour Code defines wage as financial fulfilment/compensation or fulfilment of financial

value (physical wage) provided by an employer to an employee for the work done. Its amount is agreed in Labour contract or its amendment.

Compensation provided in connection with employment due to other Labour Code regulations or due to special rules, especially wage compensation, retirement benefits, notice benefits, travelling allowances, social fund benefits, capital shares yields, bonds yields and compensation for work readiness and other fulfilments/compensations provided by an employer to an employee from after tax profit are not considered as a wage.

In general the term "remuneration for work" is used and this remuneration exists in a form of wage or a salary. The term "wage" is used when remunerating workers/blue collars and the term "salary" is applied when technical and administrative employees are remunerated. Note: it is not correct to identify terms wage and remuneration: remuneration exists in different forms and wage is only one of them.

## 1.1 Minimum Wage in Slovak Republic

An employer and employees agree on the amount of wage. Minimum Wage Act interferes with employees' remuneration since it sets an amount of minimum remuneration for the work done. Through the Government regulation the amount of minimum wage for a full working week is determined (currently 40 h), namely one-hour and monthly for the first level of work severity (due to § 120 of Labour Code). Minimum wage is a vested guaranteed minimum amount of a wage and salary of every employee who is in a labour or similar to labour relation.

Amount of wage and its development together with other indexes indicates on level of economic standard and forwardness of national economy (Uramová et al., 2003, p. 169). Minimum wage as "floor" is a significant instrument of price and income policy (part of economic policy), influences remuneration in all the industries - in Slovak republic minimum wage is connected not only on salary policy in enterprises as basic gross wage involved in their wage system, but is also connected on funds paid over the gross wage as social and health insurance (total 35.2 %). With raise of minimum wage amount raise costs of employers in this way.

Minimum wage history we can follow back to the 19th century in Japan (1865), when it was put forth to guarantee a certain living standards of skilled, unskilled and trained labour forces. Minimum wage as constitutional law came to being for the first time in Mexico in 1917, further on was minimum wage approved in New Zealand in 1896, Australia in 1899 followed by European country Great Britain in 1909, in the USA in 1938, then France in 1950 etc. [19].

In the article 4 European Social Charter [2] deals with the right to get an adequate remuneration and it comes out of social understanding of minimum wage, it means „admit a right of employees to remuneration, which ensures them and their families dignified living standard”.

Based on socially and economically understood meaning of wage it can be stated that minimum wage is the lowest financial compensation (low limit), which an employer provides to employee for the work done, the work which usually requires lower qualification and severity, which should ensure an employee certain living standard at certain living level. According to the statements of some experts the amount of minimum wage determined (regulated) by a state specialists should ensure dignified living of employed people, but we think that this presentation or opinion concerning minimum wage will bring next questions and wide room for future discussions.

With reference to the economic meaning of minimum wage, as mentioned before, a company records it as cost, but minimum wage appears in wage practice in other connections, especially when insurance funds contributions are calculated.

In EU minimum wages are enforced by law and apply nationwide to the majority of full-time employees in each country. Minimum wages are gross amounts, that is, before the deduction of income tax and social security contributions. Such deductions vary from country to country. For most countries, the minimum wage is agreed in terms of a monthly rate [5].

Minimum wage covers all employees in country or is specified by age of employee. Some EU countries (e. g. Denmark, Finland, Sweden) do not have defined by their low national minimum wage as one amount for whole country. In these countries there are strong Unions, they solve the minimum wage problem by negotiation in individual industries. In January 2009, 20 of the 27 Member States of the EU and one candidate

country (Turkey) had national legislation setting statutory minimum wages [1]. Other countries such as USA also have a national minimum wage. Some EU countries have no statutory minimum wage, including Italy, Austria, Germany and Cyprus.

The majority of countries base their minimum wage on a monthly rate, a few fixed the wage at an hourly rate (UK, France, Ireland and also the USA) or monthly and hourly (Belgium, Czech republic, Slovakia, etc.), monthly and daily (Spain), weekly (Malta).

Latest Eurostat figures show that amount of national minimum wage in EU countries is various and differences are really huge – from 123 EUR per month in Bulgaria to 1,643 EUR per month in Luxembourg (July 2008). Slovak republic was with 296 EUR on the 13th position after Czech republic with 306 EUR. Looking at the minimum wages expressed in PPS (Purchasing Power Standards which remove the effect of countries' different price levels), they still reveal Luxembourg as the country with the highest wages, closely followed by the Netherlands, Belgium, France and UK. Luxembourg is on the top also in minimum wage as a percentage of average gross monthly earnings before Malta and France, on the bottom is Romania.

Actual amounts of minimum wages in EU, other countries of Europe and in USA for the year 2010 are in Table 1 below. The lowest minimum wage in Europe is in Moldavia (43 EUR).

The amount of minimum wage in Czech republic is the same since 1. 1. 2007, now it is 30 % of average wage (west Europe: 40 %, Slovak republic 38.56 % in 2009).

Slovakia puts a uniform minimum wage mandatory within all economic branches since 1996. Social partners are to negotiate about the adjustment of the minimum wage for a period of the forth coming year. In Slovakia the amount of minimum wage is determined based on unique regulation of minimum wage in all industries of economy since 1996. According to Minimum Wage Act (Act no. 663/2007 of Code) a minimum wage can be defined as wage which „ensures minimum level of employee income for the work done“; the law also contents mechanism concerning its valorisation.

On 21st October 2009 SR Government regulation no. 441/2009 of Code – by which the amount of minimum wage is determined was published and it comes into effect on 1st January 2010 (Table 2).

For employees who are remunerated through time hour wage the stated monthly wage is only informative, minimum wage claim is recalculated due the number of hours worked. In case of week-

**Tab. 1: Minimum wage in European countries and USA in 2010**

| Country         | Minimum wage (EUR, round No) | Country         | Minimum wage (EUR, round No) | Country    | Minimum wage (EUR, round No) |
|-----------------|------------------------------|-----------------|------------------------------|------------|------------------------------|
| Luxembourg      | 1641                         | Malta           | 635                          | Latvia     | 254                          |
| Ireland         | 1499                         | Spain           | 624                          | Lithuania  | 232                          |
| Belgium         | 1441                         | Slovenia        | 567                          | Romania    | 146                          |
| the Netherlands | 1398                         | Portugal        | 475                          | Albania    | 131                          |
| France          | 1344                         | Croatia         | 386                          | Bulgaria   | 123                          |
| the UK          | 1141                         | Turkey          | 332                          | Russia     | 102                          |
| Austria         | 1000                         | Poland          | 317                          | Belarus    | 56                           |
| Andora          | 915                          | Czech republic  | 309                          | Montenegro | 55                           |
| Cyprus          | 840                          | <b>Slovakia</b> | <b>308</b>                   | Ukraine    | 54                           |
| Greece          | 740                          | Estonia         | 279                          | Moldavia   | 43                           |
| Island          | 724                          | Hungary         | 274                          | USA        | 844                          |

Source: Own processing by [1] and Federation of European Employers materials.

**Tab. 2: Minimum wage amount applied since 1. 1. 2010**

| Minimum wage     | monthly  | one-hour |
|------------------|----------|----------|
| in EUR           | 307.70   | 1.768    |
| in Slovak crowns | 9 269.77 | 53.260   |

Source: Own processing according to SR Government regulation no. 441/2009.

ly working time is determined as lower than 40 hours hourly rates of minimum wage claims adequately increase.

Minimum wage of employees remunerated by a monthly wage is determined for all employees regardless length of weekly working time determined by an employer (e.g. if an employer determined 35 hour working week – an employee in the first level of severity also gets 307.70 EUR). The exception present employees with agreed shorter working week time (part-time job) or they did not work during all workdays in a particular month.

In case of existing agreed collective agreement an employer follows it and in the process of remuneration of employees for the work done it is obliged to follow valid legislation.

The amount of minimum wage used to be a result of effective social dialogue at the national level, among the state and employers (Unions) and employees (also: "social partners") - Tripartite Consultations on the National Level. Since 2006 in Slovak republic there is The Economic and Social Council of the Slovak Republic; the Council is a consulting and concerting body of the Government and of the social partners at the national level.

This last Government regulation (441/2009) is not based on a real agreement among social partners, The Union of employers protests against this regulation primarily because of crisis in economy, but also because of labour productivity is not growing in the same measure. Employers in some industries (e. g. textile industry) declare a necessity of reducing minimum wage amount - with growth of this amount they are forced to downsizing and they present an idea of sure employment with lower wage vs. no employment with no money, especially in some regions of Slovakia (as they say: except of the capital - Bratislava).

Several rules must be obeyed in employees' remuneration, especially the principle of justice – employees should be remunerated in dependence on their performance. Seriousness and requirements of performed work (physical and

mental) and also actual employee's performance should be taken into consideration. More complicated and hard work involves and requires higher qualification, skills and abilities and so a higher remuneration as well.

That is the reason why employer should have a company high quality wage system (system of remuneration), which apart from legislative obeys the principle of justice in remuneration. Wage system contains scales of wage tariffs according to which due to the actual work performance employees are remunerated. The goal is a fair structure of wages.

„Wage system presents a balanced set of tools and defined processes with the help of which individual wage of particular employees is determined“ [7].

From the narrower point of view it is a set of rules to determine individual wages of employees. From the wide point of view it is a set of knowledge and selected company policy (according to a collective agreement) used to assess work in a form of wages, due to general criteria of objective determination of wage level, within the agreed structure of total wages with realisation of effective economic work stimulation.

The form of wage system depends on many factors, e.g. subject of activity and type of a company (legal form, size, owner), number of employees, character of work activities, etc.

Larger company (especially when we consider number of employees as sorting criteria) assumes high quality and more extensive personnel administration. Employers providing jobs to a higher number of employees have got a detailed system of employees' remuneration and also care of employees covers more areas – from education and further employees' development, through jobs analysis, different forms of motivation to a sophisticated social program.

On the contrary – for small businesses – we assume only realisation of basic personnel activities: find out required number of employees, attract them and consequently take care of them,

while care of employees is in some way restricted and concentrates especially on work and work performance assessment and remuneration. Existence of wage system in a small company is rare.

## 1.2 Employees' Remuneration in Small and Medium Sized Companies

Work as a human activity creates useful benefits and relations among people. Human work execution assumes its resolution, effectiveness, necessity and utility. According to a way of activities performance we divide mental and physical work [3].

Specialty of work at work places in companies is its variousness which can be seen especially in its complexity and severity, in a need of work utilization, in different requirements concerning qualification and practical experience of employees.

Way of remuneration of a particular employee depends on several factors. From the point of view of an employer it is an industry he does business in and activities he performs also depends on results of work and other analysis, effective legislation and internal regulations of an employer, etc.

From the point of view of an employee it is a particular work activity performed by an employee, its severity and corresponding requirements towards employee, work performance (result of work), etc. [6]. In accordance with determined norms and work standards an employer then chooses a suitable way of remuneration and type of wage so that it corresponds with work which a particular employee had performed (remuneration due to performance) and it is an adequate remuneration and at the same time stimulation for an employee.

## 1.3 Wage Forms and Types

According to a form in which the wage is paid to an employee we recognize financial and natural wage. Financial form of wage is the most frequently used way of paying out remuneration to an employee – we speak about pay-off (in cash or through clearing transaction) in EUR or in other currency.

The key of natural form of wage is that a part of remuneration for the work done is paid by an employer to an employee through in-kind payments – most often employees get company products

or services. This way of remuneration is used in most of agricultural companies or farms (part of remuneration may be bags of potatoes). In our conditions in-kind payments are also used in other industries – especially during negative financial situation companies give employees their company products (textile and wood processing industry).

A necessary condition in the process of employees remuneration in a way of in-kind payments is that it can be realised only if employees agree with it and can make only a part of a paid wage (minimum wage must be paid in a financial form). But in practice this rule is sometimes obeyed only officially – in a paper. Application of a natural wage in practice follows Labour code in regulations of § 127.

Employee's income may consist of a basic part which must be paid by an employer and for which employees can claim and a variable part which employees may get as a remuneration of their actual performance and working behaviour if employers – often with the aim to motivate an employee – decides so.

There are two basic types of tariff wage – time wage and job wage. Time wage is used as an hour one (the base is an hourly wage tariff) or monthly wage (monthly wage tariff). The hour time wage is used for workers remuneration, who work by the jobs and monthly wage is used to remunerate administrative employees and is known as salary.

Job wage is utilized especially in production companies where it makes sense to remunerate employees for an executed unit of work. It can be flexibly modified to suit to employers' requirements in dependence on the aim they want to reach through its application. A good measurability of work performance and developed technical and economic norms of high quality are assumed. Job wage may exist in more versions, most frequent are a direct job wage or progressive or degressive job wage.

A share wage is applied especially in business activities or in services where the remuneration for an employee directly or partially depends on sales quantity. As to partial dependence of remuneration on sales volume an employee has a defined base and gets commission for sold quantity.

Mixed wage enables a suitable mutual combination of the above mentioned wage categories. (e.g. time and job wage or time and share wage).

A wage for expected/planned work results is an award for the agreed set of works in defined quantity and quality during certain time.

Among so called claimed parts of wage belong also wage compensations. To calculate them an employer monitors obstacles in work on the side of an employee (days off, situations when employees are not able to work because of sickness, taking care of family members, studies, etc.) and on the side of a company (downtimes, unsuitable weather conditions or natural disasters). If an employee meets legally defined conditions employer has to pay him wage compensation. In practice most frequently used is a wage compensation for holiday, even in the case of disability to work (due to sickness) or taking care of family members, because employers monitor the causes of employees' absence and cut down the amount of bonuses.

Employees try to earn as much as possible so that is why they often use their days-off which are supposed to be utilized for their regeneration as days for necessary treatment. Even worse is the situation in companies where some employees come to work when they are sick, since they do not want to lose a part of the pay they get.

Extra pays may be voluntary or compulsory – based on laws (Labour Code determines principles concerning extra pays or wage benefits for work readiness, overwork, night shift work, work during bank holidays and work in more difficult and unhealthy work environment).

Additional (variable) parts of wage complete a basic wage and based on right decision concerning their application may have an important motivational effect. They cannot be claimed based on laws: the way of their recognition and payment is mostly adjusted in a company internal wage principles or in labour contract. Here belong: bonuses, personal remuneration, share on economy result. Also here the rule of fairness should be applied and an employee should be informed under which conditions, and in what quantity he may get this additional part of a wage.

Next ways of employees' remuneration and motivation are for example financial bonuses for submission of effective improvement suggestions or Scanlon's system – it is the situation when employees get bonuses thank to saving of work costs.

In case when employer tries to attract a new high quality employee it may provide him so-called recruitment bonus or pays a part of costs

connected with migration, if it is necessary for an employee to move to a different town. But only bigger and economically stable companies may afford it.

Many businesses often provide their employees so called 13th and 14th pays, holiday or Christmas contributions. From the financial sources of social fund an employer pays some finance at the occasion of employees' life jubilees or when work for the company for a long especially round period of time, etc.

To keep qualified employees an employee may provide a bonus for employees' effort to get higher education or qualification. If an employer tries to keep the employee, he pays him some amount of money so that the employee does not leave the company and work for another employer – this money is called "gold bonds".

In practice employers consider to be fair and sufficient to remunerate employees according to minimum wage claim and through a share in quantity of sales by a variable part of wage. They do not take into consideration individual aspects of severity of performed work at a particular work place.

To ensure fair remuneration companies use especially a variable part of wage, which is agreed based on subjective decision of their subordinates, what on one side enables individual assessment of employees but when defined and applied criteria are not set correctly employees can feel their work assessment and remuneration is not right (fair).

The systems of work performance management which help to reach and to hold on a high level of the enterprise performance, usually are well connected to other business strategies and programs [9], e. g. program of remuneration, motivating systems, career planning systems and systems of succession, development and education, downsizing, etc.

To set the systems working effective it is useful and may be necessary follow a social network as a set of people connected by a set of social relationship (friendship, co-working, information exchange). According to Pomfyyova [13] in SME there is a specific situation because most of employees at top positions are family members. They have high-ranking management competences due to their specific position, but they do not always have topic and actual information. ... Huge amounts of collected but unprocessed and analyzed data are useless for any policymaker.



## 1.4 Remuneration of Employees in Selected Small and Medium Sized Companies in Slovakia

Based on the results of the research which we carried out in the second quarter of 2009 we can formulate the below mentioned findings. Sample random of 77 companies from Slovakia participated in the research and it presents 77 % return from the total number of addressed businesses. Questionnaire was addressed anonymous by mail, e-mail and face-to-face, too. We also spoke to some managers known from our last researches.

As to the size of researched companies, we have reduced sorter criteria to number of employees and information about turnover and balance sum were not asked for with the aim to ensure higher return of questionnaires. The most important part of respondents are micro-companies (employ less than ten employees) which make more than 40 %, followed by small companies which employ less than 49 people – in our case they present 37.66 % and middle-sized companies present almost 17 percent. 3.9 % of respondents employ more than 250 employees, one percent of respondents do not provide information about the number of employees.

Respondents realize their activities in various sectors. Nearly ¼ of them acts in commerce, over 10 % are agriculture businesses, 16.88 % acts in services, handicrafts are 15.58 %, 14.29 % of addressed businesses belongs to building industry, the same share 5.19 % have firms of engineering and textile industry, and 1.3 % extractive industry. Rest 6 % belongs to another sector (unspecified).

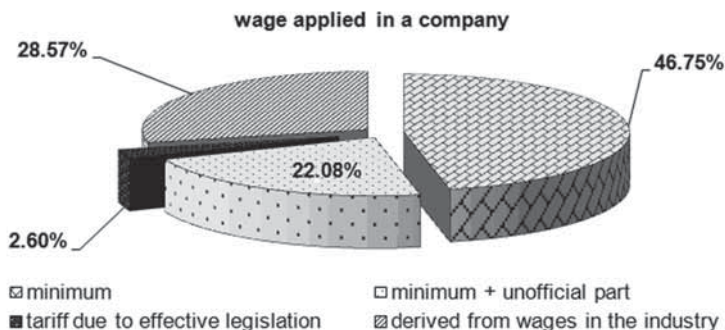
We have found out that more than a half of respondents have worked out a company wage system (54.55 %) which they follow in the situation of employees' remuneration. The rest of employers do not have such a system – it concerns micro and small companies, while 61.54 % of them plan to introduce it in near future. Owners of these small companies mostly carry out all administrative and economic activities including personnel and employees remuneration are simplified so that they pay the same amount of money every month regardless work performance of employees.

Employees of addressed companies are most frequently remunerated (66.83 %) at the level of minimum wage (fig. 1), while one third of them admits that they officially pay employees only minimum wage and then gives them additional payments as "black money". This situation is caused due to the effort of employers to save money they have to send to individual insurance funds. It mostly concerns small businessmen – craftsmen who run their businesses in regional (local) market. A third of respondents sets the amount of remuneration according to wage common in a particular industry or based on tariff scales due to effective legislation. We asked respondents not to take into consideration only actual situation concerning economic crisis when they respond our questions.

In connection with permanently existing consequences of economic crisis we tried to find out if the crisis had an impact on employees' remuneration and what was the first measure accepted by respondents in their companies.

Almost three quarters of respondents say that economic crisis had an impact on wages in a com-

**Fig. 1: Wage which respondents apply towards their employees**



Source: Own processing.

pany. As to particular measures which the respondents carried out as first ones mostly (49.35 %) it was decrease of employees' wages (savings concerned especially bonuses and wage performance items, in several cases also basic salaries; more respondents in their comments said most employees understood the measures). Increase of number of unemployed people brings a chance for employers to attract employees at relatively lower wage.

Almost one fifth of respondents did not accept any measures due to economic crisis, especially companies which present that they were not seriously impacted by the crisis (especially small businessmen - craftsmen), some companies say that they are more successful in actual situation than in the past (some corporations). The survey of respondents' reactions is in the table 3.

We tried to find out what problems concerning employees' remuneration small and medium sized companies consider as the most important ones; the results are processed and provide in the table 3. As we assumed the most critical pro-

blem are high funds contributions (44.16 %). They are the most frequent reason why employees are remunerated only by a minimum wage and consequent unofficial additional payments and also the cause of illegal – black work. At present the amount of funds contributions was changed – effective since 1st July 2009 due to increase of basis of assessment used for funds contributions calculations. They still result from the amount of minimum wage and living wages.

Next identified facts in the order due to their importance are: secondary insolvency, which causes that companies do not have sufficient amount of financial resources to pay wages to their employees, high minimum wage and other problems. More than 18 % of respondents said, that they did not have any problems in connection with their employees' remuneration.

Respondents acting in some industries are certain of positive effect of reduced minimum wage. As they declare, for example employees in textile industry (usually women in age over 40) prefer

**Tab. 3: Review of measures introduced as first ones by respondents due to crisis**

| First measure connected with crisis      | share           |
|--|-----------------|
| wages saving – firing                    | 12.99 %         |
| wages saving – wages decrease            | 49.35 %         |
| wages saving – firing and wages decrease | 14.29 %         |
| other measures not connected with wages  | 3.90 %          |
| did not accept any measure               | 19.48 %         |
| <b>Total</b>                             | <b>100.00 %</b> |

Source: Own processing.

**Tab. 4: Review of measures introduced as first ones by respondents due to crisis**

| the most important problems in remuneration | share           |
|---|-----------------|
| high funds contributions                    | 44.16 %         |
| secondary insolvency                        | 20.78 %         |
| no problems                                 | 18.18 %         |
| high minimum wage                           | 10.39 %         |
| other                                       | 6.49 %          |
| <b>Total</b>                                | <b>100.00 %</b> |

Source: Own processing.



holding on their work position with lower wage to higher wage with risk of unemployment. On the other side, the growth of minimum wage from 295.5 in 2009 to 307.70 in 2010 seems to be not dramatic (according to amount of employees remunerated with minimum wage). With social payments it is 16.45 EUR per person. But the situation on market in this industry is specific – very important role plays China as the big producer of wardrobe and it is more and more difficult to be competitive.

Small and medium sized companies in Slovakia quite often use the institute of minimum wage in the process of remuneration their employees. In some branches, e. g. tourism (hotels, restaurants, pubs) and in some especially small businesses employing a low number of employees (less than 49) pay officially minimum wage and part of money is paid unofficially – black money. They consider high funds contributions as the most critical problem in connection with employees' remuneration. We assumed such result, high funds contributions as a serious problem of businessmen is often discussed at different forums. As a part of shadow economy we consider unpaid work "overtime" – employees work 10-12 hours a day, officially only 8 hrs and employer pays only eight hours (tourism, accounting and tax consulting firms). Employers benefit from actual situation on the labour market (unemployment over 12 %).

Experts often discuss what should be the most suitable basis of assessment, if it is possible to make insurance collection more effective, for example through a merger of more institutions to one (e.g. considerations about merger of Social Insurance and Tax Office: after the merger it would be possible not only to cut wage costs but also cut down administration, simplify distribution of collected funds or make collection of insurance more effective and decrease the number of non-payers). In our opinion the topic of high funds contribution which employers pay for their staff is very actual one and will become a subject of many discussions of experts and public.

Decrease of demand for Slovak products causes unemployment growth as result of the primary arrangements in enterprises having problems – they started to discharge employees in order to save money (personal costs). Unemployment means decrease of purchase power and problems in other businesses because of more falling demand. Long term problems could lead

and will lead not only to mass firing but also to end of enterprises [22].

Companies - in connection with solution of consequences of economic crisis – accepted as first measures concerning wage costs – most frequently they were savings of wage costs through cutting bonuses and wages followed by firing a part of employees and at the same time cutting of wages, part of employers solved this situation only through firing some employees. It is indisputable that the increase of number of unemployed people currently presents for employers an opportunity to attract employees for relatively lower wage (the rate of registered unemployment was 12.7 % on 31st July 2009 and 12.9 in January 2010) [15].

According to the data of Slovak republic Statistic Office employment in national economy went down in the first half of 2009 – due to company reporting - averaged by 3.4 % people to 2 190 900, at the end of the third term it was 4.2 % - to 2 181 800 people. Average monthly nominal wage of an employee in the economy went up – in comparison to the 1st in half of 2008 – by 3.7 % to 721,40 Euro and real wages went up by 1.0 %, which is by 4.3 of percent point lower increase in comparison to the same period of the previous year. According to last actualisation (February 2010) average monthly nominal wage of an employee in the Slovak economy on the 1st October 2009 was 722.51 EUR.

The highest decrease of employment was in administrative services (13.5 %), in industrial production – by 12.0 % and in agriculture – by 10.4 %. The highest increase of employment was recorded in the industry Special, scientific, technical activities – by 11.4 %, Activities in the area of real properties – by 8.9 % and in the industry Information and communication – by 4.2 % (i.e. by 1.2 thousand) [14].

Nowadays employers and Unions in many countries discuss about minimum wage cut. They apply government to reduce minimum wage for all employees or – at least - for some sectors (mainly services) in order to preserve competitiveness in the workforce and because of breakdown threat, advance in the labour productivity does not increase, but wage does, etc. In this way we consider as significant problem of skills, too. Who is or who will be unemployed and who unemployable? For example in case of choice between hiring an unskilled (often young) person and worker with

more experience for the same rate – employer all-ways choose skilled. On the other side: minimum wage is applied for 1-2 % of all employees in Slovak republic, in Czech republic it is only 1 %, but in Luxembourg it is over 14 % employees. In Slovakia the amount of minimum wage is connected with a lot of various acts and codes – every one small change brings many another. We found that more then 7 of inhabitants in Slovakia earns less then 660 EUR (all incomes inclusive of old age pension and other social benefits) in Slovakia while average wage in 2009 was 723 EUR. The most of people (1.7 million) earn less then 331.94 EUR and incomes of 1.3 mil. inhabitants are between 332 and 664 EUR [17].

## Conclusion

In our opinion many companies have to rethink their wage systems and countries have to rethink their minimum wage laws because of new reality of their post-crisis economy. Employers apply to cut down or at least freeze for couple of years the amount of the minimum wage and in this way make local companies more competitive and improve economic growth. Unions argue against – they use words like social justice and staying out of poverty.

Unemployment and wages which are not high enough to cover the costs of living or housing are usually considered as the main risk of poverty indicators. European Union uses 21 indicators to find out if person is at risk of poverty or not. In international comparison as in statistics from OECD or the EU the definition of poverty is stipulated as all households with a disposable family income less than 50 % of the median income of all households in the country during one year.

Nearly 80 million people in the EU have such limited sources that they cannot afford the basics and face unpredictable long-term consequences of the 2008 international economic and financial crisis [23]. It means: nearly 17 % of full-time employees in EU are low-wage earners. In Slovak republic is in danger of poverty 11 % of people (more women than men), in Czech Republic it is 10 % of inhabitants. We can say economic and financial crisis is being transformed into social crisis - in better case brings lower wages, in worse unemployment.

Problem of black money paid over the official minimum wage in some branches is significant,

but - in our opinion - difficult to be held under the control. As we found, in some branches (tourism, services) customers often pay cash for the services (tips included in) – it is impossible to control it. The most often by employers presented reason of using black money is in high funds that employers pay over the official gross wage – minimum base for funds (assessment base) is the actual minimum wage in Slovakia. It means that here we do not need to decrease amount of the minimum wage as such, possible particular solution is decrease in the assessment base or employer contribution, resp. contribute refund. Contribution reform must be realised in connection with tax policy. Without close checking real working time and lower assessment base could mean lower collection of contribution and iteration the same problem of black money again.

With respect to irrelevant number of people remunerated on level of minimum wage in Slovakia we think that amount of minimum wage and its reduction or increase cannot solve actual situation per se. Important is relation among wage increase and advance in the productivity. Part-time working and reassess condition of remuneration in individual branches or industries (e. g. textile industry and services) we can see as some of effective feasible solutions, too. In considering elaboration of economic measures it is necessary to distinguish between what is effective for the economy and what is just a part of political ring.

In the process of employees' assessment it is critical for employers to communicate with employees, to provide reasons which led to final assessment and expect and in details monitor feedback. Each decision must be sufficiently explained, especially the decisions which seems to be negative for employees – for example decrease of wages due to problems caused by economic crisis may - apart from decrease of employees' income – cause only relative certainty of job security.

Consequently employers may utilize the results of their findings in the process of creation (or correction) of wage system in a company and fair remuneration. We think it is necessary to point out that feedback really plays a very important role so it is needed to discuss tasks concerning remuneration for the work done with employees.

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**ABSTRACT****SELECTED ACTUAL ASPECTS OF EMPLOYEES REMUNERATION IN SMALL AND MEDIUM-SIZED COMPANIES****Katarína Zimermanová**

*Employees' remuneration is one of the most important aspects of personnel administration in a company. Its scope often depends on company size and subject of its activities. Large companies usually dispose with sufficient amount of qualified staff and their procedures in this area are usually properly sophisticated. Small and medium-sized companies due to their specific features even in this area can provide remarkable characteristics which are necessary to be researched.*

*The article deals with actual aspects of small and medium sized companies' employees' remuneration. It contains basic theoretical resources concerning employees' remuneration, introduces basic legislative regulations which are followed by Slovak employers when they set up remuneration for the work done, defines individual forms and types of wages, pays attention to an institute of minimum wage. Minimum wage in Slovak republic is confronted with other EU countries as amount in EUR, type of rate and coverage.*

*Minimum wage is a significant instrument of price and income policy, influences employer's remuneration in all branches. Amount of minimum wage is connected not only with salary policy in enterprises as basic gross wage involved in their wage system, but is also connected on funds paid to social and health insurance and with a lot of various acts and codes. With raise of the minimum wage amount raise costs of employers, but only in case they pay their employees on its level. Significant problem is relation between wage increase and advance in the labour productivity.*

*This paper presents the results of author's own research which was carried out in the second quarter of 2009. The respondents provided their opinions concerning employees' remuneration, presented their attitudes towards wages, funds contributions and actual situation in this area in the period of economic crisis. The results of research are processed and arranged in general tables and graphs.*

**Key Words:** wage, minimum wage, forms of wage, types of wage.

**JEL Classification:** M50, M51.