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Modern approaches to managing the system of wages and benefits in a market economy

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Abstract: This article examines the theoretical foundations and practical aspects of managing the wage and benefit system in modern economic conditions. Particular attention is paid to the analysis of various theoretical approaches and techniques, as well as the practical application of this knowledge in various sectors of the economy, including the banking sector.

Keywords: wages, human resource management, motivation, wage theories, banking.

Introduction

In the context of globalization and dynamic market development, payroll and benefits management is a key aspect of strategic human resource management. A fair and competitive remuneration system contributes not only to increasing the motivation and productivity of employees, but also ensures the stability and development of organizations. This article is aimed at studying the theoretical and practical aspects of the formation of effective remuneration systems.

Human resource management is one of the key aspects of modern management of an organization. In the modern conditions of dynamic business development and the changing labor market, human resource management is becoming an increasingly strategic function aimed at effective personnel management and achieving organizational goals. One of the most important functions is to ensure a fair and competitive pay system that encourages employees to achieve better results and contributes to increasing their job satisfaction.

Salary is a remuneration paid to an employee for his professional activities. The amount of wages is determined by various factors, including the complexity of the work, working conditions, the quality and quantity of work spent, as well as additional incentives and compensation payments [1].

Research methodology

The study is based on the analysis of scientific literature, domestic and foreign studies on the topic of wages and benefits. Methods of qualitative analysis of theoretical models were used, including the theory of supply and demand in the labor market, the theory of human capital and the theory of effective



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wages. Various approaches to building remuneration systems were also studied and analyzed using practical examples from the banking sector.

In economics, there are several theories explaining the process of wage formation. One of the main theories is the theory of supply and demand in the labor market. According to this theory, wages are formed on the basis of the interaction between supply and demand for labor. A high demand for workers leads to an increase in wages, while an excess of labor can reduce their level.

Another theory is the theory of human capital developed by Gary Becker. According to this theory, wages depend on investments in the worker's education, training, and experience, which increase his productivity and, accordingly, his wages.

Literature review

It is also worth mentioning the theory of effective wages proposed by George Bordeaux. He believes that wages should be sufficient to provide the employee with the desired level of satisfaction so that he can achieve high work results.

According to V.V. Adamchuk, wages are treated as an element of the employee's income and one of the elements of costs [2].

R.Y. Povalova and N.N. Abakumova understand wages as a part of the entrepreneur's income that is spent on the remuneration of hired workers. These definitions do not fully characterize the whole essence of wages, but only reflect some part of its functions [3].

V.P. Pashuto defines wages as the cost of labor, which is formed based on an objective assessment of the employee's contribution to the results of the enterprise [4]. The amount of wages depends on the established minimum level of wages, the complexity and qualification of labor, the supply and demand for labor, working conditions and the results of the enterprise. But this definition does not mention individual and collective responsibility for the results of work, which can negatively affect the efficiency of activities.

However, it should be noted that the concepts of "wages" and "price of labor power" are not completely identical. They do not coincide either in quantitative or functional aspects. For the same reason, the definition proposed by S.Y. Roshchin and T.O. Razumova, that wages are the price of labor services, requires additional analysis and clarification.

V.A. Vaisburd considers wages as a transformed form of the value of labor power. Its size is determined by the cost of those goods and services that are necessary to ensure the reproduction of labor force, as well as the relationship between supply and demand in the labor market and the results of the functioning of labor force in the production process.

This definition takes into account the basic principles of market dynamics, which determine wages through the interaction of supply and demand. It emphasizes the importance of the relationship



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between labor productivity and the level of wages, and also correctly reflects the essence of the relationship between the employee and the employer.

A number of authors, for example, V.A. Volgin and B.G. Mazmanova, distinguish four functions: reproductive, stimulating, regulating, and social [5].

Results of the study

The reproductive function reflects the importance of providing workers and their families with sufficient funds for the restoration, development and reproduction of the labor force, which is an integral part of the social protection of workers. This aspect emphasizes the need to create social programs and support measures aimed at ensuring the stability and well-being of the society's labor resources.

The social function provides for the creation of a fair differentiation of wages. This should encourage workers to improve their skills and move up the social hierarchy. Such differentiation should be consistent with the principles of social justice, ensuring fair remuneration for the work performed. Also, wages perform a social function by providing employees with funds to meet their material needs. This is important to ensure a decent standard of living for employees and their families. In addition, wages play the role of an indicator of the social status of an employee in society, reflecting the level of his economic well-being and contribution to social activities.

The regulatory function is the distribution of wages, which provides for the division of types of economic activity, the categorical and territorial division of workers, which depends on the quantitative and qualitative nature of labor. This allows wages to influence the amount of demand and supply of labor force, its location, and also the formation of labor market conditions.

Stimulating function - salary is an important motivating factor for employees. High wages can encourage employees to improve their productivity and achieve their goals. A decent salary is a confirmation of recognition and respect from the employer. Competitive salaries also help attract and retain talent by reducing turnover. Offering the prospect of salary growth depending on professional development can encourage employees to continuously improve their skills and knowledge.

It is important to note that the activation of all functions, especially the stimulating one, will lead to an increase in the efficiency of wages.

Thus, wages play an important role in the economy by ensuring fair remuneration for work and incentivizing workers to increase productivity. Its role is not only social, but also economic and regulatory, which emphasizes its importance as an element of the functioning of a market economy.

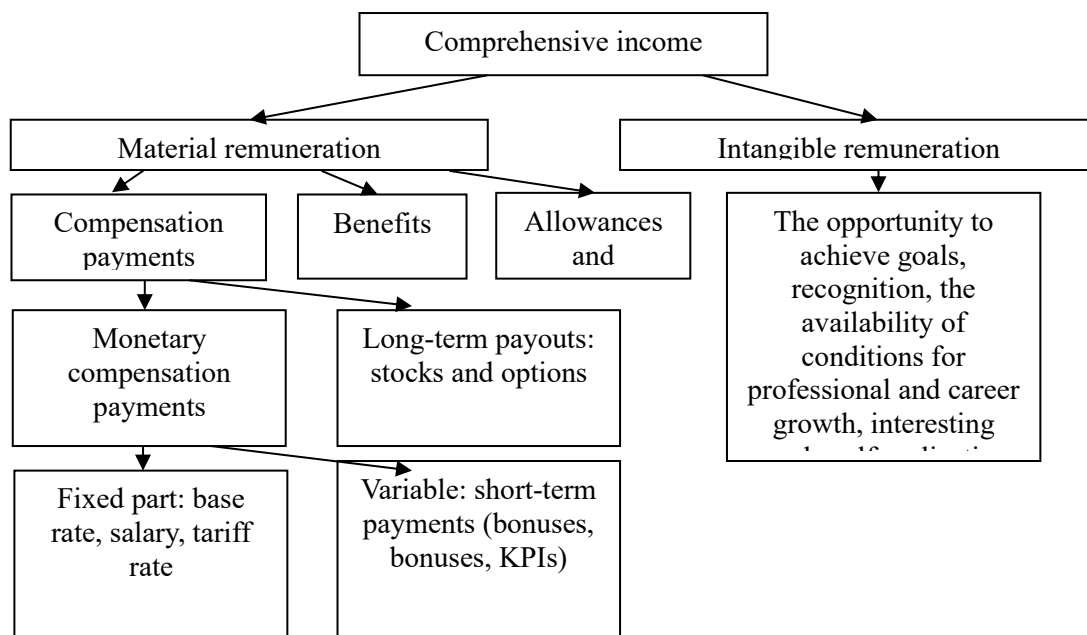
The analysis showed that effective payroll management systems should take into account not only economic, but also psychological aspects in the motivation of employees. The development of fair, transparent and strategically adapted remuneration systems allows organizations to increase their



competitiveness and efficiency. In the banking sector, it is important to pay special attention to the stability and adaptability of payment systems to external and internal changes in the economic environment.

Methods and principles of building a system of wages and benefits

The remuneration system is a key tool for personnel management, affecting the motivation and productivity of employees. This system should be honest, transparent and understandable. Let's consider the main methods and principles of building such a system. Total income consists of tangible and intangible elements. Intangible include opportunities for professional growth, recognition, powers, etc.



Rice. 1.1. Structure of total income[6].

Material income includes wages, benefits, allowances and cash payments under the Labor Code, as well as long-term payments in the form of shares and options. Wages are divided into fixed and variable parts. The fixed part is paid for the performance of standard functions specified in the job description, while the variable part depends on the employee's performance and is evaluated through the job evaluation method.

Defining strategic goals is a key element in building a remuneration system in an organization. This is important for a number of reasons. First, strategic goals determine the main directions of the



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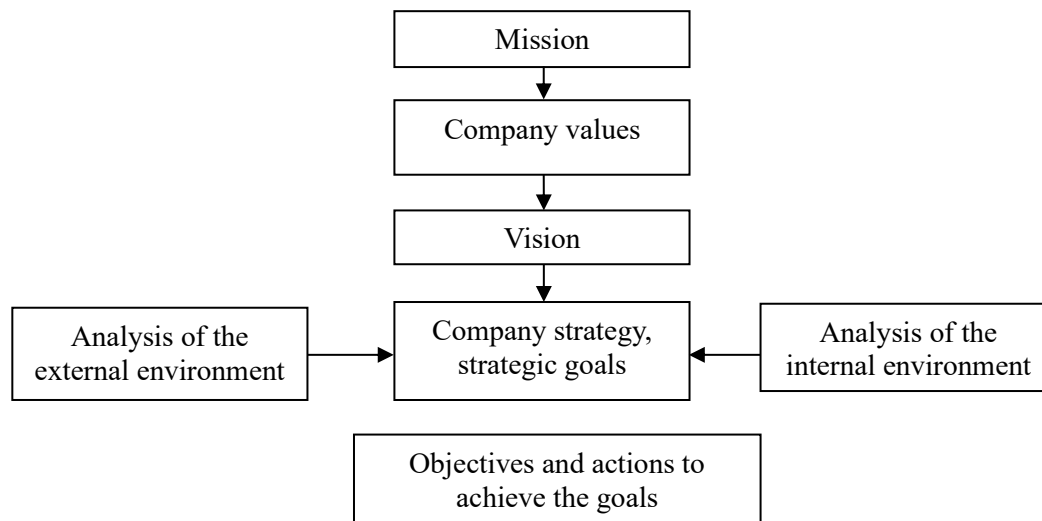
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organization's development. They reflect its mission, vision and values, as well as identify priorities for the long term.

Second, defining strategic goals helps to focus the efforts of all employees on achieving common goals. A clear understanding of what the organization is striving for contributes to joining forces and creating an effective team. The reward system in this case should be built in such a way as to encourage collective cooperation and the achievement of common results.

Thirdly, strategic goals determine the criteria for assessing the effectiveness of the organization and its employees. They help to determine which results are key to the successful implementation of the strategy, and based on this, develop an evaluation and reward system. For example, if one of the strategic goals is to increase market share, then the reward system should stimulate the achievement of specific indicators of market share.



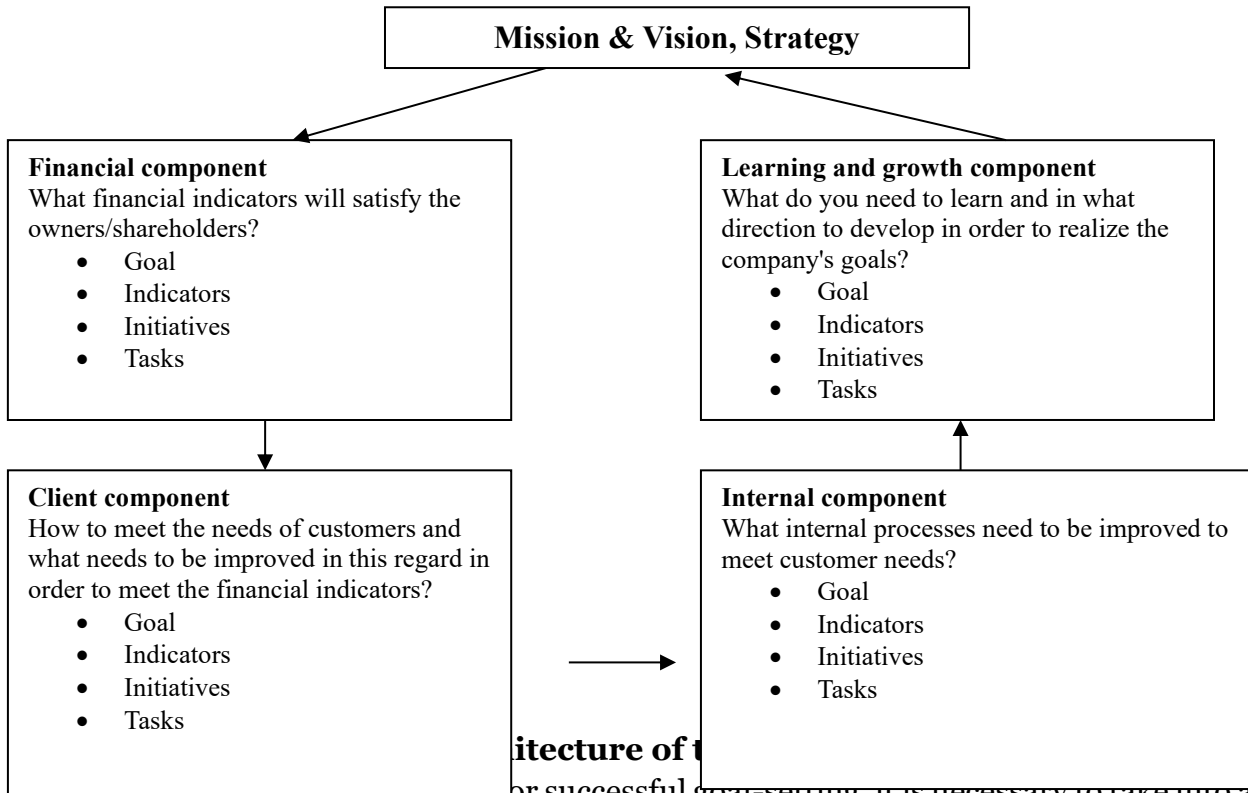
Rice. 1.2. Taking into account the impact of components on the strategic goals of the company[7].

A good tool for building balanced and interrelated goals is the Balanced Scorecard [8].

BSC (balanced scorecard), or balanced scorecard, is a tool for implementing a strategy developed by Robert Kaplan and David Norton. This is a unique system that allows you to integrate both financial and non-financial performance indicators, since financial indicators reflect the performance of work in the past and do not always warn of problems that arise in the present time. The Balanced Scorecard allows you to separately convey to all departments of the organization their significant role in the implementation of the strategy.



In order to set goals for BSC, you first need to build a cause-and-effect balanced scorecard architecture.



For successful goal-setting, it is necessary to take into account several components: financial, client, internal, and the component of learning and growth. All of them are interrelated. Based on this framework, organizations can set goals correctly to implement their strategy.

After setting goals correctly, key performance indicators (KPIs) are developed based on the company's strategic map. A strategic map defines the main goals and directions of the organization's development, identifying key success factors. KPIs, in turn, are a tool for measuring the achievement of these goals and allow you to assess the effectiveness of the strategy. Thus, KPIs are developed based on the strategy map to ensure its successful implementation and achievement of the set goals.

In order for the developed motivation and remuneration system to be effective and work to achieve the company's goals, it must take into account important principles.

Taking into account motivational factors, expectations and needs of personnel. Taking into account motivational factors, expectations and needs of personnel is a key aspect in creating an effective remuneration system. One of the important aspects when considering motivational factors is to understand the basic needs of employees, both financial and non-material. Therefore, when developing



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a remuneration system, it is necessary to take them into account. First of all, it is necessary to analyze the motivational factors and needs of the staff, and then identify and prioritize them.

There are several priority motivational factors:

- confession;
- the opportunity to grow and improve the level of professionalism;
- self-actualization;
- interesting work;
- The money;
- Sustainability of the company.

According to Herzberg's theory, the strongest motivator is recognition. According to him, people are motivated by achievements, and failures entail demotivation. Since recognition and achievement are the strongest motivator, it is enough to provide employees with opportunities to realize their potential to improve efficiency. Following this, employees in managerial positions need to express their appreciation more often and encourage initiative workers.

In order to take into account this principle of building a remuneration and motivation system, it is necessary to analyze all the motivational factors and needs of employees, and then take them into account directly during the development.

Elimination of demotivating factors. When developing a remuneration system, it is necessary to take into account not only motivating, but also demotivating factors that can have a negative impact on employees and labor productivity.

It is necessary to identify and eliminate factors that contribute to a decrease in motivation, such as conflicts, internal discomfort, high levels of stress, failure to fulfill promises by management, unachievable goals and objectives, lack of resources to fulfill them, lack of remuneration for individual contribution, and others. If employees feel that their salary does not match their contribution to the job or does not reflect their professional skills and achievements, this can cause dissatisfaction and impair their motivation. All these factors can significantly reduce the level of employee motivation.

Therefore, before changing the payment system, it is important to identify and eliminate these demotivating factors. This can be done by changing the organizational culture of the company.

Transparency and clarity of the remuneration system. The reward system should be clear to the employee, that is, he has the opportunity to assess what efforts will be required to achieve the goal and what reward will be received. According to V. Vroom's theory of expectations, if the employee's efforts correspond to the expected reward, this stimulates him to complete the task or achieve the result.



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However, if it is difficult for an employee to determine what reward he will receive, due to the complexity of calculations, subjectivity and the lack of clear evaluation criteria, then he will probably not be interested in working as hard as possible on the tasks set.

Remuneration for both individual and collective results. It is important to consider both individual and collective employee performance to ensure that the reward system is effective. This means that the reward system should cover three types of results: organizational, individual and team. By taking into account individual and collective results, employees can be encouraged to work together, maintain and allocate resources correctly. It is known from management theory that the greater the individual reward, the less motivation the employee has to share with colleagues, as he seeks to preserve his knowledge and skills to achieve better results. The higher an employee is in the hierarchy, the higher their role in collective results should be, as their contribution to the overall success of the company becomes more significant

Timeliness of remuneration payment. The organization must set the exact timing of payment of fixed and variable payments. The regularity of salary payments contributes to the establishment of a trusting relationship between employees and the employer, which is the basis for building a stable and effective working atmosphere. From a psychological point of view, delays or inconsistencies in the payment of wages can lead to stress and frustration among workers and can ultimately negatively affect their productivity and performance. Timely payment of remuneration is also important in terms of maintaining employee satisfaction and reducing staff turnover. If possible, it is necessary to reduce the time between the payment of the bonus part of the salary and the result of employees' activities.

Market Salary Survey. A review of market wages is an important step in the development of a remuneration system in an organization. It allows you to assess the level of wages in the labor market and determine the competitiveness of the rewards offered. To conduct a survey of market wages, it is necessary to analyze data on wages in similar organizations operating in a similar industry. Such an analysis makes it possible to identify the average level of wages, as well as to identify trends and features of remuneration in this industry.

Based on the results of the market salary survey, the organization can adjust its remuneration system to match the level of remuneration in the labor market. This allows you to attract and retain qualified employees, as well as increase their motivation and efficiency.

Taking into account the stage of the company's life cycle. Taking into account the stage of the life cycle allows you to adapt remuneration to the current state of the organization and its strategic goals. Each stage of the company's life cycle has its own characteristics that must be taken into account when developing a remuneration system.



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At the stage of a company's formation, that is, when it is in the process of formation and development, it is important to establish incentives to attract and retain talented specialists. In this case, remuneration can be focused on providing long-term prospects and participating in the success of the company through the issuance of shares or options.

In the growth phase of a company, when it achieves high growth rates and expands its business, it is important to ensure that high performance and performance are fairly rewarded. In this case, the remuneration system can be focused on bonuses for achieving goals and results.

At the stage of maturity of the company, when it achieves stability and has an established position in the market, it is important to keep employees motivated and remain competitive through a variety of rewards and benefits. In this case, the remuneration system may include bonuses for length of service, additional benefits and opportunities for professional development.

At the stage of a company's decline, when it faces difficulties and unprofitability, it is important to keep employees motivated and manage labor costs. In this case, the remuneration system can be focused on reducing costs and setting more stringent standards for receiving remuneration.

Flexibility and adaptability of the payment system. The remuneration system should be flexible and adaptive to changing conditions inside and outside the organization. This means that it must be able to respond to changes in the market environment, internal changes in the organization, as well as changes in the needs and expectations of employees.

The instability of the global economy significantly affects the banking system, which plays a key role in maintaining economic stability. Effective human resource management and optimization of the remuneration system are becoming critical to maintaining the competitiveness of banks. Banks are focusing on developing transparent and standardized remuneration management procedures, improving job evaluation methods and optimizing the pay structure adapted to market and regional specifics.

Progress in information technology and new approaches to HR management, including KPI assessment and 360-degree certification, allow banks to improve their work with personnel. This not only contributes to the growth of employees' skills, but also helps banks adapt to rapidly changing market conditions. Banks are actively implementing incentive and reward systems that combine both material and moral incentives to maintain high motivation and satisfaction of employees.

Such an integrated remuneration system provides synergy between different levels of the organizational structure and contributes to the achievement of the bank's strategic goals, which leads to an improvement in overall productivity and long-term stability in the banking industry.

Conclusion and suggestions



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The study confirmed the importance of developing and implementing effective payroll and benefits management systems as tools for strategic human resource management. Understanding the theoretical foundations and applying practical approaches to remuneration allows you to create a fair and motivating working environment that contributes to the long-term success of organizations.

In this scientific article, we have considered the main theoretical aspects of determining benefits and wages in the context of personnel management. Key concepts such as benefits, compensation, remuneration and incentives for personnel were highlighted. An important point emphasized in this context is the need to take into account the strategic goals of the organization when determining the remuneration system. Strategic goals determine the direction of the organization's development and should be reflected in the reward system in order to stimulate employees to achieve common goals.

We have considered the methods and principles of building a system of wages and benefits. In this context, the importance of setting goals correctly and developing key performance indicators based on the company's strategic map was emphasized. It is also noted that it is necessary to take into account motivational factors, expectations and needs of personnel when developing a remuneration system.

Both approaches emphasize the importance of taking into account both material and non-material incentives when building a remuneration system. This allows us to create a more flexible and adaptive remuneration system that will meet the needs and expectations of various categories of employees.

Thus, the aspects considered help to understand the basic principles and approaches to determining benefits and wages, as well as methods for building a remuneration system in an organization. They emphasize the need to take into account strategic goals, motivational factors and the needs of personnel when developing a remuneration system, which is a key element of successful personnel management.

In addition, it is important to emphasize that in the process of developing and implementing a remuneration system, it is necessary to constantly improve approaches to motivation and remuneration, based on changes in the business environment and employee expectations. This requires the company's management to be flexible in management, as well as ready to make innovative decisions to maintain high efficiency and employee satisfaction.

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