

ORGANIZATIONAL-LEVEL ANALYSIS OF THE EMPLOYEES' COMPENSATION SYSTEM IN THE REPUBLIC OF SERBIA

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The purpose of the research is an analysis of the employee compensation system at the organizational level in the Republic of Serbia to determine the effects of the position of employees in the company, the size of the company, belonging to the private or public sector, headquarters, type, and belonging to the service or manufacturing sector. The sample was collected through an electronic Google Forms questionnaire, where respondents had the opportunity to answer two parts of the questionnaire, the first part related to organizational characteristics and the second part to questions about the assessment of the compensation system. A total of 1121 employees answered the questions, and after collected database performed by the authors, a non-parametric analysis was conducted using the Mann-Whitney and Kruskal Wallis test using the IBM SPSS statistics software program for data processing. The results indicate the existence of statistically significant differences in the level of application of the compensation system at the organizational level in the Republic of Serbia. Due to the insufficient number of papers on this topic, it can be said that this research represents a great contribution, but also a shortcoming due to the impossibility to compare with the author's research on this topic in the Republic of Serbia. The recommendation for future research refers to a larger number of respondents and the possibility of determining the impact on the working attitudes and behaviour of employees.

Keywords: Organizational level; Compensation system; Employees; Republic of Serbia.

INTRODUCTION

Human resource management (HRM) refers to management activity in the field of human resources, which includes some of the basic activities such as recruiting, training, evaluating, and rewarding employees (Armstrong & Murlis, 2007, p. 4; Janakiram & Narayanamma, 2019; Štangl-Šušnjar et al., 2017, p. 22). Armstrong (2006, p. 134) points out that the process of developing a human resources strategy includes the generation of strategic options related to HRM, and then making strategic decisions. The choice of practice that the employer will implement depends to a large extent on numerous factors at the organizational level, which are related to the inclusion of business and production strategies,

support in the human resources management policy, etc.

Managers should influence the improvement of employees' work performance in a strategic, ethical, and socially responsible way. Creative and productive employees are of great importance for the successful operation of any company (Amason et al., 1995; Bousinakis & Halkos, 2021; Gašić, 2021). In addition to the basic activities performed by managers, there is an essential one, i.e. the creation of such a compensation system that will positively affect work attitudes (job satisfaction, engagement, intentions to leave, commitment, etc.) and employee behavior (innovative work behavior, performance employees, lower turnover and absenteeism) (Buller & McEvoy, 2012; Kehoe & Wright, 2013; Zayed et al., 2022; Zhou et al.,

2011). In moments of crisis, determining the amount of the basic salary, incentives, and benefits represents a significant impact on the performances of employees, which is then reflected in the success of the company's business, so it can be said that there is a mutual benefit (Berber et al., 2017; Jean et al., 2017; Will, 2015). The objectives of compensation management relate to the search for qualified personnel, keeping the existing personnel, ensuring fairness, rewarding desired behavior, controlling prices, the efficiency of administration, etc. (Mehmood et al., 2013).

Štangl-Šušnjar & Leković (2009) emphasize that compensations represent a direct financial cost for companies and point out that they represent a significant monetary amount of total business costs and that in some industries they can reach up to 60% of total operating costs. Business owners should view compensation as an investment that will result in increased company value. External factors that influence the compensation system are government policy, economic pressures, laws, culture, and customs, while organizational factors can be the technology used in the company, human capital, company strategy, employee attitudes, fairness, etc.

The research consists of four parts. The first part refers to the theoretical background where the explanation and importance of the compensation system will be made, as well as the connection with organizational characteristics. The second part refers to the research methodology, where the questionnaire used during the collection of the sample would be presented, followed by questions related to organizational characteristics such as position in the company, size of the organization, belonging to the private or public sector, company headquarters, type and belonging to the manufacturing or service sector. The third part refers to the analysis, presentation, and discussion of the obtained results using non-parametric Mann-Whitney tests and Kruskal Wallis test. The last part refers to the concluding remarks, where the most important data obtained will be summarized, suggestions for future research will be made and limitations will be highlighted.

THEORETICAL BACKGROUND

Human resources management includes activities as well as policies in the execution of managerial tasks in the area of human resources, which refer to staffing, evaluation, compensation, etc., in the

conditions of a safe and fair environment for both the company and the employees (Haslinda, 2009; Macke & Genari, 2019; Štangl-Šušnjar et al., 2017, p. 22). As stated in the previous definition, one of the basic activities within HRM is managing the employee compensation system. Compensation represents internal (intrinsic) and external (extrinsic) rewards that employees receive for the work they perform. Internal rewards reflect the psychological state of employees, while external monetary and non-monetary rewards are the responsibility of compensation managers (Martocchio, 2009, p. 29). In some organizations, labor costs can represent a significant amount of total business costs. In some industries, the amount of these costs reaches 60% or more, usually service industries (Štangl-Šušnjar & Leković, 2009).

The basic goals of the compensation system for employees are (Štangl-Šušnjar et al., 2017, p. 454):

- *purchasing power* (the most important goal of the employee is to achieve a sufficient level of salary that will provide him with adequate purchasing power and standard of living),
- *fairness* (organizations should provide a level of salary that employees consider fair, and accordingly if employees believe that the salary is determined fairly, they will be motivated to strive more for the better success of the organization in which they are employed),
- *rights* (the right of employee to participate in realized profit of the company or social wealth),
- *recognition* (refers to monetary and non-monetary benefits to employees who express recognition of the work commitment of a given job, more precisely the recognition of employees for the effort they put in that has a positive effect on better work performance in the future) and
- *structure of the salary* (employees' attention is drawn to the way the salary is structured).

On the other hand, employers' goals are (Štangl-Šušnjar et al., 2017, p. 455):

- *attracting employees* (it implies that the employer must offer a sufficiently lucrative compensation package to attract the necessary workers, the more attractive that package is for workers, the more of them will apply for a potential open position in the organization and the employer will have a wider offer of better-quality candidates who tomorrow through their efficient and productive work will create as much profit as possible for that organization),

- *retention of employees* (in modern business, especially now that the Y generation is increasingly present, who do not want to suffer any pressure and easily make up their minds to leave the company where they work, organizations are forced to create an adequate remuneration package for employees to retain (Arora & Dhole, 2019). If the organization fails to keep the current employees in the company, it is necessary to hire a new person in that position and train them, which is a significant expense for the company, and that is why it is necessary for the company to fight for its employees and to invest the money to keep talented employees)
- *employee motivation* (employers want to create such a salary system that will motivate employees with the aim of achieving better work performance),
- *costs* (it refers to the salary level, which directly affects the costs and, through that, the company's profit),
- *prestige* (an adequately created salary system affects the reputation of the employer because those organizations that provide a higher level of salary to their employees will have better prestige and will have a higher offer of potential employees during recruitment) and
- *change management* (it is a tool that helps organizations to more easily implement changes into the organization, wages can serve as rewards for adequate behavior or attitude of employees towards work).

The salary system consists of a basic rate that represents the minimum level salary, in some cases this amount is a standard salary, while in other cases it is supplemented with other salary elements, and incentive salary that is determined depending on individual or group performance (Gašić et al., 2023; Gupta et al., 2020; Jenkins, 1980). Employees have to know what is expected of them and, based on that, be able to control the success factors of their performance. Incentive pay can be short-term in the form of bonuses, or long-term if tied to the organization's shares (Baker et al., 1988; Berber, 2015, p. 107; Lazear, 2018), they can also occur in three forms, individual, group or organizational stimulation of employees. The third element of the salary system is represented by benefits, which are indirect parts of the compensation system and represent benefits above the basic and incentive salary. They usually cover health and pension insurance as well as

unemployment insurance, in addition to the basic ones, there are also other benefits such as a company car, kindergarten for children, transportation costs, advisory services, etc. (Ahmed & Ahmed, 2014; Bryant & Allen, 2013; Kadir et al., 2019).

From the perspective of management, in addition to the costs of wages of employees as one of the most significant costs of business in companies and as we emphasized in the service sector, the implications of compensation decisions are one of the most important in preserving sustainability, achieving competitiveness in the market. From the perspective of HRM, the success of the main human resources activities is related to or depends on the policy and practice of the compensation system used in the company. Success in achieving human resource planning goals related to attracting future potential candidates, recruiting human capital, and retaining current talented employees is largely influenced by an adequately offered compensation system (Dulebohn & Werling, 2007; Morley et al., 2016).

Compensation professionals should present employees with training opportunities and information on how successful results will increase current earnings and the advancement opportunities they can expect. There is a need for written correspondence and informative meetings led by compensation managers and human resources representatives with the aim of effective communication media and clearly defined rules for the employee reward system (Martocchio, 2017, p. 18).

The authors Gašić & Berber (2022) examined "The practice of financial participation in corporations in the CEE countries", where they established that for rewarding managers, professionals, and clerical/manual workers in the Republic of Serbia, profit sharing is used in the most, followed by stock options and somewhat to a lesser extent employee share scheme. The author Cardona (2006) emphasizes that performance-related pay for management positions is used to bridge the pay gap between managers in the public sector and those employed in the private sector to attract and retain private sector managers in the public sector and to help the development of the public sector. Managers represent the most responsible individuals for implementing strategy, defining business policy, and realizing goals in the company (Ulrich, 1998). Employees in micro and large

organizations rated the compensation system better than employees in small and medium enterprises. Autor Sigler (2011) emphasizes that the size of the company is one of the most important factors in determining the level of the CEO's total earnings. Fisher and Govindarajan (1992) investigated the remuneration of profit center managers and examination of the market, political, and human capital factors based on which they found that company size is positively correlated with PCM, bonus ratio, also, profit center size is positively correlated with PCM and that firm performance in correlation with compensation for PCM (especially bonus).

METHODOLOGY

This part will present the main research hypothesis, a questionnaire that was used to collect data on organizational characteristics: belonging to the public or private sector and manufacturing or service sector, position in the company, size of the company, headquarters of the company, type of the company as well as 8 questions related to the ratings of the employee reward system. The second part refers to the presentation of the organizational characteristics of the sample based on the completed questionnaire.

Hypothesis

Based on the above-mentioned in the introduction and theoretical part of the paper, the following research hypothesis is:

H1: There are statistically significant differences in the level of application of the compensation system regarding the organizational-level variables (the position in the company, size of the organization, sector, industry, headquartered of the company, and type of the company) in the Republic of Serbia.

Survey instruments

The authors created a questionnaire to collect a sample on which they performed data analysis. The questionnaire consists of two parts, the first part refers to organizational indicators where respondents had the opportunity to mark the answers to some of the following questions: position in the company, size of the company, belonging to the public or private sector, headquarters of the company, type of company and belonging to the sector (manufacturing or services). The second part refers to 8 questions related to the evaluation of the compensation system

called the "Questionnaire on performance appraisal and Compensation of Employees" (Boon et al., 2011). Respondents answered questions related to the employee reward system on a Likert scale from 1 to 5, where 1 means "I strongly disagree" and 5 means "I strongly agree" (Boone & Boone, 2012).

The authors created an electronic questionnaire "Google-Forms" where employees throughout the Republic of Serbia had the opportunity to answer the questionnaire at any time from their electronic devices. Respondents answered the questions anonymously and voluntarily. They could leave the survey at any time or continue answering in another period, which in modern conditions is one of the great advantages when collecting a sample.

Participants and data collection

Data collection was carried out via an electronic Google Forms questionnaire in the period from March to June 2022. For this period, a total of 1121 employees filled out the questionnaire.

Based on data shown in Table 1, we conclude that the smallest number of respondents are "manual workers" (15%), followed by "manager" (17.2%), "administrative worker" (22.7%), while the largest number of them are "professional worker" (45%). If we look at the affiliation according to the size of the company, we conclude that the smallest number of them belong to "micro" (13.6%), "small" (19.6%), "medium" (29.4%), while the largest number of them belong to large organizations (37.3 %). The smallest number of them indicated that they work in the "public sector" (41.8%), while the rest work in the private sector (58.2%). In the case of headquartered of the company, the smallest number of them marked "other" (1.1%), "a non-EU country" (2.4%), USA (4%), EU (18.5%), while the largest number of respondents marked that the headquarters of the company they work for is in the Republic of Serbia (74%). In the case of type the company, the smallest number of them indicated "a subsidiary of the national company" (5.3%), "a subsidiary of an international company" (13.8%), "an international company" (22.4%), while the largest number of them marked "national company" (58.5%). And finally, in terms of belonging to the manufacturing or service sector, a smaller number of them marked "manufacturing" (20.4%), while the rest of them marked "service" (79.6%).

Table 1: Organizational characteristics

Position in the company	Number of employees	Percent (%)
Manager	193	17.2
Professional worker	505	45.0
Administrative worker	255	22.7
Manual worker	168	15.0
Total	1121	100
Size of the company	Number of employees	Percent (%)
Micro	153	13.6
Small	220	19.6
Medium	330	29.4
Large	418	37.3
Total	1121	100
Belonging to the public or private sector	Number of employees	Percent (%)
Public	469	41.8
Private	652	58.2
Total	1121	100
Headquartered of the company	Number of employees	Percent (%)
Republic of Serbia	830	74.0
EU	207	18.5
A non-EU country	27	2.4
USA	45	4.0
Other	12	1.1
Total	1121	100
Type of the company	Number of employees	Percent (%)
National Company	656	58.5
A subsidiary of a national company	59	5.3
An international company	251	22.4
A subsidiary of an international company	155	13.8
Total	1121	100.0
Sector	Number of employees	Percent (%)
Manufacturing	229	20.4
Service	892	79.6
Total	1121	100

Source: The authors' research

RESEARCH RESULTS AND DISCUSSION

In the first part, the authors performed an analysis to determine whether there was evidence of normality of distribution in the research sample (according to the values of the Kolmogorov-Smirnov test ($p = 0.200$) and the Shapiro-Wilk test ($p > 0.05$)). These two tests are used for the investigation of the normality of distribution in the

research sample. If we look at the values of Sig. with the Kolmogorov-Smirnov test, the value is 0.000 ($p \neq 0.200$), the sig. value of the Shapiro-Wilk test for the observed variable is below 0.05, this means that the data significantly deviate from the normal distribution. In the continuation of the analysis, the authors will perform the analysis using non-parametric tests Mann-Whitney: according to the sector (public/private) and (manufacturing/service), Kruskal Wallis test according to the position in the company (manager, professional worker, administrative worker, and manual worker), size of the company (micro, small, medium and large), headquartered of the company (Republic of Serbia, EU, a non-EU country, USA and other), and type of the company (national company, a subsidiary of a national company, an international company, a subsidiary of an international company). Mann-Whitney and Kruskal Wallis tests were performed to investigate the differences in compensation systems among different groups of employees (according to previously mentioned categories). Those are non-parametric tests for comparing two or more independent samples of equal or different sample sizes.

Based on the presented Table 3, it can be concluded that there are statistically significant differences according to belonging to the public or private sector because the value of $p < 0.05$ ($p = 0.000$), while there are no statistically significant differences according to belonging manufacturing or service sectors because the value of $p > 0.05$ ($p = 0.054$).

Based on the presented Table 4, the value of the mean rank for the private sector is better (mean rank = 607.65) than in the public sector (mean rank = 496.15). Also, the value of the manufacturing sector records a better value (mean rank = 597.69) than the service sector (mean rank = 551.58). Based on the obtained results, it can be concluded that employees in the private and manufacturing sectors rate the compensation system better than employees who work in the public and service sectors.

Based on the presented Table 5, it can be concluded that there are statistically significant differences in all observed variables because of the value of the $p < 0.05$.

Table 2: Review of Kolmogorov-Smirnov & Shapiro-Wilk indicators

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Compensation system	0.065	1121	0.000	0.979	1121	0.000

a. Lilliefors Significance Correction

Source: The authors' research

Table 3: Mann-Whitney according to sector affiliation (public/private; manufacturing/service)

Compensation system		
Mann-Whitney U	122479.5	93732.5
Wilcoxon W	232694.5	492010.5
Z	-5.691	-1.923
Asymp. Sig. (2-tailed)	0	0.054
Grouping Variable:	<i>public or private</i>	<i>Manufacturing or service</i>

Source: The authors' research

Table 4: Value of mean rank (public/private; manufacturing/service)

Compensation system	Belonging to the public or private sector	Number	Mean Rank
	Public	469	496.15
	Private	652	607.65
	Belonging to the manufacturing or service sector	Number	Mean Rank
	Manufacturing	229	597.69
	Service	892	551.58

Source: The authors' research

Table 5: Kruskal Wallis test according to the position in the company, size of the organization, headquartered of the company, and type of the company

Compensation system				
Kruskal-Wallis H	28.918	15.696	47.755	59.357
df	3	3	4	3
Asymp. Sig.	0	0.001	0	0
a Kruskal Wallis Test				
b Grouping Variable:	position in the company	size of the company	Headquartered of the company	type of the company

Source: The authors' research

By analyzing the evaluation of the compensation system according to the position of the employee shown in Table 6, we conclude that managers rated the compensation system better than others because the value of mean rank is 625.45, followed by the professional worker (mean rank = 589.43), administrative worker (mean rank = 511.38), while the manual worker was the lowest mean rank (mean rank = 476.82).

By comparing the size of the company, we can conclude that employees in micro-organizations rated the compensation system better than others (mean rank = 608.56), followed by employees in large organizations (mean rank = 593.29), small

(mean rank = 537.77), and the lowest mean rank of the compensation system was recorded in medium organizations (mean rank = 513.54).

By comparing the compensation system according to the headquarters where the company is located, we can conclude that the employees who marked "other" gave the better ratings (mean rank = 777.17), but it should be borne in mind that only 12 out of a total of 1221 respondents indicated that the headquarters of the organization in which they operate are found in some other countries outside of the other options listed. Then employees who indicated that the headquarters of the organization in which they work are located in the USA (mean

rank = 752.6), EU (mean rank = 649.24), and non-EU country (mean rank = 602.91), while the lowest mean rank of the compensation system is recorded by companies based in the Republic of Serbia (mean rank = 524.12). Also, it should be emphasized that the largest number of respondents indicated that the headquarters of the company they work for is located in the Republic of Serbia.

Table 6: Value of mean rank (position, size, headquartered, and type of the company)

Compensation system	Position in the company	Number	Mean Rank
	Manager	193	625.45
	Professional worker	505	589.43
	Administrative worker	255	511.38
	Manuel worker	168	476.82
	Size of the company	Number	Mean Rank
	Micro	153	608.56
	Small	220	537.77
	Medium	330	513.54
	Large	418	593.29
	Headquartered of the company	Number	Mean Rank
	Republic of Serbia	830	524.12
	EU	207	649.24
	A non-EU country	27	602.91
	USA	45	752.6
	Other	12	777.17
	Type of the company	Number	Mean Rank
	National Company	656	506.97
	A subsidiary of a national company	59	487.3
	An international company	251	647.91
	A subsidiary of an international company	155	676.97

Source: The authors' research

By comparing the type of organization where the employee works, the best ratings of the compensation system recorded in a subsidiary of an international company (mean rank 676.97), then in an international company (mean rank = 647.91), national company (mean rank = 506.97), while the lowest mean rank recorded in a subsidiary of a national company (mean rank = 487.3) - out of the total sample of 1221, the smallest number of them indicated that they work in a subsidiary of a national company (n = 59).

CONCLUSION

Due to the insufficient number of studies on the topic of analyzing the compensation system at the organizational level in the Republic of Serbia, as well as the impact of modern business on the employee compensation system and the effects they create at the organizational level, the authors examined its impact to determine whether there are statistically significant differences at the organizational level. The authors performed an analysis to determine whether there was evidence of normality of distribution in the research sample (according to the values of the Kolmogorov-Smirnov test ($p = 0.200$) and the Shapiro-Wilk test ($p > 0.05$)). If we look at the values of Sig. with the Kolmogorov-Smirnova test, the value is 0.000 ($p \neq 0.200$). The sig. value of the Shapiro-Wilk test for the observed variable is below 0.05, which means that the data significantly deviate from the normal distribution. In the continuation of the analysis, the authors will perform the analysis using non-parametric tests Mann-Whitney: according to the sector (public/private) and (manufacturing/service), Kruskal Wallis test according to the position in the company (manager, professional worker, administrative worker, and manual worker), size of the company (micro, small, medium and large), headquartered of the company (Republic of Serbia, EU, a non-EU country, USA and other), and type of the company (national company, a subsidiary of a national company, an international company, a subsidiary of an international company).

Based on the conducted Mann-Whitney test, it was established that there are statistically significant differences between employees in the private and public sectors. Employees in the private sector rated the compensation system better than employees in the public sector, in the comparison between employees in production or service activities, the analysis showed that there are no statistically significant differences.

Analyzing the Kruskal Wallis test, it was established that there are statistically significant differences in all observed analyses. By analyzing the compensation system according to the position in the company, it is noticeable that managers rated the compensation system better than professional workers, administrative workers, and manual workers. In the case of the headquarters of the company, employees who marked others, USA and EU rated the compensation system better compared to non-EU countries and the Republic of Serbia,

and by analyzing the type of the company, it is noticeable that employees who belong to a subsidiary of an international company they rate the compensation system better concerning an international company, national company and a subsidiary of the national company.

Limitation of research: Insufficient number of research papers dealing with this analysis of the employee compensation system at the organizational level in the Republic of Serbia and also other countries worldwide. Also, one of the limitations of the work is the number of respondents.

A suggestion for future research is to include a larger number of respondents as well as other organizational characteristics with the aim of higher quality and more accurate results. Also, it would be interesting to conduct research with a similar questionnaire but at a different point in time to make a comparison concerning present results.

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ANALIZA SISTEMA KOMPENZACIJE ZAPOSLENIH U REPUBLICI SRBIJI NA ORGANIZACIONOM NIVOU

Svrha istraživanja je analiza sistema kompenzacije zaposlenih na organizacionom nivou u Republici Srbiji radi utvrđivanja efekata pozicije zaposlenih u preduzeću, veličine preduzeća, pripadnosti privatnom ili javnom sektoru, centrala ili filijala, tipa i pripadnosti uslužnom ili proizvodnom sektoru. Uzorak je prikupljen putem elektronskog upitnika Google Forms, gde su ispitanici imali priliku da odgovore na dva dela upitnika, prvi deo koji se odnosi na organizacione karakteristike, a drugi deo na pitanja o proceni sistema kompenzacije. Na pitanja je odgovorilo ukupno 1121 zaposlenih, a nakon prikupljanja podataka koje su izvršili autori, urađena je neparametarska analiza pomoću Men Vitni i Kruskal Valis testa korišćenjem IBM SPSS statistics softverskog programa za obradu podataka. Rezultati ukazuju na postojanje statistički značajnih razlika u stepenu primene sistema kompenzacije na organizacionom nivou u Republici Srbiji. Zbog nedovoljnog broja radova na ovu temu, može se reći da ovo istraživanje predstavlja veliki doprinos, ali je nedostatak nemogućnost poređenja sa istraživanjima autora na ovu temu u Republici Srbiji. Preporuka za buduća istraživanja odnosi se na veći broj ispitanika i mogućnost utvrđivanja uticaja na radne stavove i ponašanja zaposlenih.

Ključne reči: Organizacioni nivo; Sistem kompenzacije; Zaposleni; Republika Srbija.