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## **Modern Approaches of the Management of Remuneration**

*The study is a systematical approach on remuneration and on its management in the domain of the human resources management, trying to identify the main variables with decisive influence in setting the minimal and maximal limits of remuneration, competences and the managerial art of administrating the remuneration system in the context of continuous law changes.*

**Keywords:** *management, remuneration, human resources*

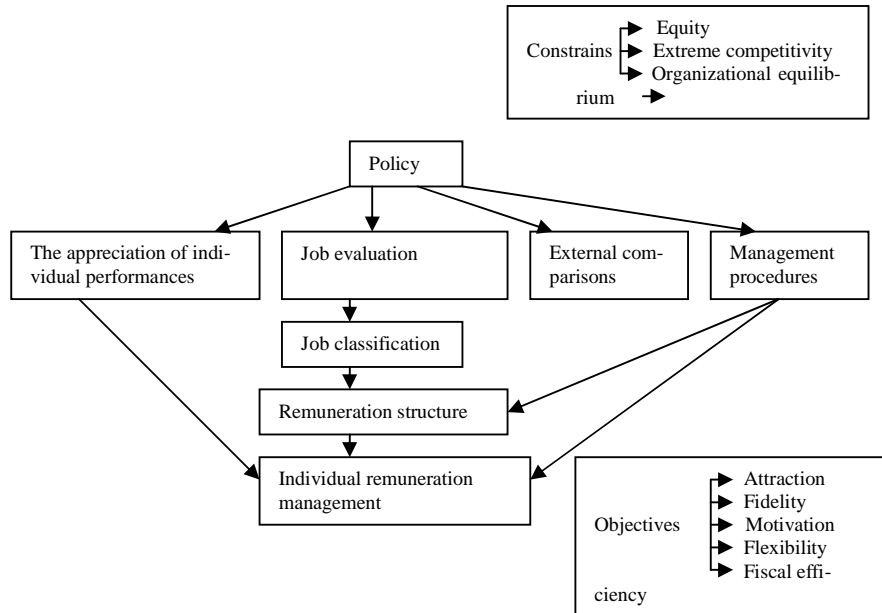
### **1. Introduction**

The need for flexibility and change of work organizing sets restrictions which lead to new approaches concerning remuneration, underlined especially by the way they are understood and solved, on one hand, the concepts of management of global and individual remuneration, and on the other the remuneration system and global remuneration.[1]

### **2. The individual remuneration management and of global remuneration management**

**A. The individual remuneration management**, synthesized in the first figure, is made in condition of restraints existence (equity competition, organizational balance), by the integration of two different systems, of job evaluation and performances appreciation, looking to reach multiple different objectives, like motivating the employees, the flexibility of the costs, fiscal efficiency etc.

If for the job evaluation rigorous systems are used, concerning the appreciation of employees' performances, the systems produce objective results. In this domain we have approaches which, most often, are dominated by excessive empirism because the managers generally combine quantitative and qualitative criteria to measure the performances with a subjective appreciation concerning the potential of the individuals.



**Figure 1** The management of individual remuneration

This difference between the rigor of the job evaluation and the empirism of the employees' evaluation is most often the cause for failure of the individualization politics and comes from the fact that the job evaluation methods aren't always conceived in order to allow an understandable and just evaluation of the individuals. As result, the managers are put in the situation of allowing the existence of two evaluating systems with different logics. This junction is one of the sources of the misunderstandings when the employees feel there is not enough equity.

Equity – one of the essential values of democracy – represents an important restraint which mustn't be ignored. If the organization is conceived as a group association and not as a functional pyramid, equity can be the collective value which brings order to the remuneration system. The concept of equity does not negate the hierarchy between remunerations, but explains the conditions in which they are legitimate. Without doubt, the feeling of equity is the hardest to obtain and conserve in the individualization domain. To obtain this feeling, the individualization must produce some sort of revolution in the thought and exercising of power methods. If you keep a way of organization based on unparted authority, equity will not exist. The income individualization without equity will lead to exaggerating wage conflicts.

**B. Global remuneration** is based on a typology of direct salary and of complementary benefits, a typology which first of all presents a pedagogical use; it

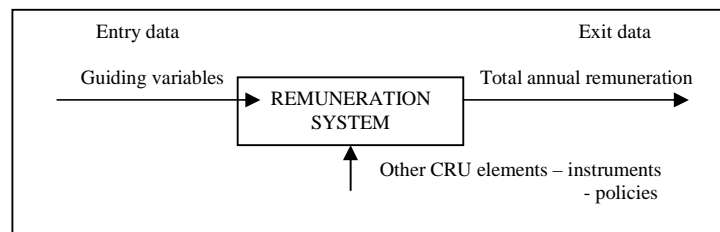
allows the social dialog to avoid the focalizing on a restraint vision of the remuneration system application.

After what was said, I consider that the following statement is in order: because the term of remuneration has a purely monetary connotation, like the price of work, it becomes less appropriate, the term of retribution is more adequate. But the acceptations which the involved parties give the terms are also important.

### 3. The remuneration system and global remuneration

For the strategic approach of remuneration, the concepts of **remuneration system** and **global remuneration** must be explained.

**The remuneration system.** Systemic analysis is interesting especially for the definition of the remuneration politics, based on the difference between the so-called **piloting variables** and **action variables**, evidenced in the second figure.



**Figure 2.** The systemic approach of remuneration

*Piloting variables* are those which answer to the question: "**What must be paid?**" They can be grouped in: variables which relate to the economical and juridical context: the rate of inflation, the work market, economical growth, etc.; variables which relate to the individual: the job level, the job performance, etc. *Action variables* allow the answer to the question: "**What must be the structure of the remuneration?**" The answer to this question lies in the concept of global remuneration, whose content we will be analyzed before being defined.

**Global remuneration.** There are 11 action variables which can be regrouped into two categories: the elements of external remuneration and the elements on internal remuneration. *External remuneration* is composed of variables, independent from the content of the activity; it results from aspects like collective convention, results obtained appreciation of the hierarchy etc. Here are some quantitative action variables: fixed remuneration; remuneration according to individual performance; remuneration according to collective performance; participation to profit; participation to capital; advantages in nature and diverse bonuses; advantages concerning retirement; long term advantages: insurances. [2]

*Internal remuneration* is composed of elements attached to the content of the job. There are three qualitative variables of remuneration: advantages related to

carrier; professional development perspectives; social statute; the interest for the activity. [3] The elements presented above aren't a finite list; there can also fit in, for example: the management style, work ambiance etc. Each of these elements has a different impact on the restraints or objectives already mentioned.

The systemic approach of remuneration calls for the analysis of restraints from other domains of the human resources management, in terms of instruments, procedures and options about politics. There will always be interactions between the different systems of leading the human resources. We can now define the concept of **global remuneration** as being the combining of action variables of the remuneration system, with the goal of reaching fixed strategic objectives and to make the domains of the human resources coherent. Global remuneration becomes the key element for techniques of evaluating the posts and people to become coherent for seeking an optimal economical and social development.

#### 4. Conclusions

Considering the interdependence of the domains that compose human resources management, I consider that the systemic approach of remuneration is necessary, considering the quantitative external variables concerning the obtained results, appreciation of the hierarchy, etc. and the qualitative internal variables of remuneration, concerning advantages tied to the perspective of professional development, the social statute, the valuable character of the post for the individual and the noble character of work that satisfies the need for personal development, also respecting the legal limits and the principal of adapting the management style to the concrete situations and the occurred crisis [4].

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