

## SCIENTIFIC FOUNDATIONS OF STAFF MOTIVATION IN THE AGRO-INDUSTRIAL SECTOR

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Transformation of material incentives for workers of agricultural enterprises from 1991 to this day has been researched in the article. The structure of the mechanism of material incentives for labour at agricultural enterprises has been considered. Stages of labour remuneration reforming have been analysed. Positive and negative changes in the material incentives for agrarian workers have been given.

**Key words:** material incentives system, labour remuneration, labour productivity, labour law, human resources management.

Agricultural enterprises experienced in practice that further economic development is not possible without finding new modern forms of labour motivation and incentives. Material incentives of agrarian labour are influenced by political, economic, social and psychological factors that have undergone significant changes in the course of the agrarian reform.

Thus, changes in the economic system also cause reforming the labour incentives system. Its main objective is to increase labour productivity and efficiency but these tasks are carried out under the new economic conditions.

Inadequate system of material incentives of modern agricultural enterprises has already had a negative impact on the implementation of the agricultural enterprises potentials, leading to a massive alienation of people from the results of their work, reducing labour productivity and human resources efficiency which updates the scientific search for more affordable models and material incentives systems.

Along with changes in the regulatory nature concerning the material incentives system, the wage structure, which was clearly divided into two parts: basic and additional payment, was changing. Legislative establishment of the minimum wage in practice led to a decrease in the share of basic one (almost to the minimum) and the increase of additional wage and other incentive and compensation payments. As a result, the stimulatory role of basic wage was unreasonably reduced. In total, agricultural enterprises workers' wages became low in size and purchasing capacity, unreliable as a source of income and partly illegal in the nature of payments.

On July 1, 1993, the Law of Ukraine "On Collective Agreements and Contracts" [3] was adopted; it has defined general legal and organizational basis for drafting, conclusion and performing collective agreements and contracts; its significant part has concerned issues of regulating labour remuneration, establishing forms, systems,

amount of wage and other payments for labour (additional payments, allowances, bonuses), quota setting (in the collective agreement), minimum social securities of labour remuneration (agreements at the national level) etc.

The law has actually established a centralized system of collective bargaining regulation of labour relations and given an opportunity to turn to contractual regulation of many important issues, including labour remuneration.

With certain conventionality, the period of 1991-1995 can be named the first stage of reforming the material incentives system in Ukraine in general and in agriculture in particular since in those years legal bases for labour remuneration, formed in market conditions, were laid.

However, it should be noted that acts of the Soviet period being not adapted to the new economic conditions were still in force simultaneously with the acts of the independence period designed for the transitional stage. Despite some reform changes in general, the labour legislation, including the legislation on labour remuneration, did not meet the needs of time and available acts were of spontaneous challenging nature for circumstances and did not meet the principle of consistency. There was not a basic law - a law on labour remuneration. The positive achievement of the first phase was legislative embodiment of social partnership system that enabled to arrange labour remuneration on the basis of agreements reached in the process of the social dialogue [2].

Enactment of the Law of Ukraine "On Labour Remuneration" (the Law) can be regarded the beginning of the second stage of the material incentives system reforming [1]. This Law determines economic, legal and organizational basis of labour remuneration for workers who are employed on the basis of labour contract concluded with enterprises, institutions and organizations of all forms of ownership and management, as well as individual citizens, and areas of public and contractual regulation of labour remuneration and was intended to provide reproductive and stimulatory function of wage.

Since the Constitution of Ukraine was adopted in 1996, rule-making activities of the Cabinet of Ministers of Ukraine (CMU) on labour remuneration of different categories of workers have been significantly intensified.

The Decree of the CMU of 8 February 1995 No. 100 "On Approval of the Calculation of the Average Wage" was essential for labour remuneration regulation as well as "Instruction on Wage Statistics" No. 323 of 11 December 1995 approved by the Ministry of Statistics of Ukraine which regulated payment of funds of basic, additional wage and other incentive and compensation payments.

Institutional changes in the material incentives system were taking place against the background of the deep structural crisis in Ukraine's economy caused by redistribution of property, creation of enterprises having new organizational legal forms with inevitable fall in production, mass dismissals of workers and arrears of wage.

Arrears of wage as a peculiar way to shift all the shortcomings in economic and organizational work of enterprises on the workers' shoulders as well as a way to reduce production costs became a factor of social tension.

It is possible to select a number of negative factors that led to the massive devaluation of labour force, namely:

- hyperinflation developed in a deep economic crisis;
- wage indexation inadequate to the inflation rate;
- financial distress and unprofitableness of most enterprises of the real sector of economy;
- crisis of payments;
- inadequacy of budgetary, fiscal, monetary systems;
- poor organization of the system of public and collective bargaining regulation of labour remuneration, social partnership at all levels [4].

The actual establishment of the legislative and legal framework governing labour remuneration in Ukraine in the late 90<sup>s</sup> was devalued due to the lack of mechanisms for implementation of the legislation provisions.

The third stage of reforming the material incentives system of labour (from 2000 till now) has been associated with the stabilization of the economy in the late 90s of the last century and its access to the path of economic growth since the year 2000. During this period, the Concept of further reforming of labour remuneration in Ukraine, aimed at improving living standards, increased paying capacity, reduction of social tension in the society, has been developed. That meant, above all, transition from the principle of determining wage as a share of income of an enterprise to the principle of determination of wage as a cost of the labor force; phased approaching of the government guarantees of the minimum wage to the subsistence level (the new social standard introduced in 2000); changing the poverty line, which has been used since 1995; a significant increase of a labour income level.

The current stage of transformation of material incentives of labour remuneration is associated with its approach to the international wage standards. Firstly, it concerns the rule according to which the minimum wage does not include additional payments, allowances, incentive and compensation payments.

Secondly, the recognition of the priority of wage payment, timing and extent of which can not be made dependent on performance of other payments and their priority (Art. 24 of the Law of Ukraine "On Labour Remuneration"<sup>1</sup>) [5]. Thirdly, the legislation established the proportion of wage that can be paid in kind in the amount not exceeding 30% of its total monthly size. Fourthly, the provision under which if a dismissed worker was employed to do another job until a final settlement, the amount of his employer-caused wage arrears for the entire wage arrears period to the date of actual calculation was reduced by the amount of wage received for a new job was excluded from the Labour Code (LC).

The whole period of the material incentives system reforming was accompanied, on the one hand, with resistance of employers to implement mandatory standards, and,

on the other hand, with decline of trade union and public control over compliance with labour legislation which generated a conflict both inside enterprises and the economy as a whole.

Structural changes in the agricultural sector of the economy resulted in reduction of the number of workers employed in the industry - from 1418100 persons in 2005 to 458300 persons in 2014, which ultimately led to the transformation of a part of the large-scale agricultural production into an insufficiently controllable sector of rural households, focused on their self-sufficiency. Simultaneously, there is a concentration of production within the agricultural holdings whose managers put forward high demands for workers' skills, offering them relatively high wage. Since the early 2000s, rather diverse wages at different agricultural enterprises have shown an overall positive dynamics of the industry, although agricultural workers' wages are relatively lower in comparison with their average level in the national economy, which is typical for many countries.

Growth of alienation of employed workers from the means of production and their weak social cohesion are reducing their capacity to put pressure on employers to protect their rights. With worsening of economic dynamics, there is a tendency to cut down on wages in the private sector.

So, if in the early 2000s, wages were higher at private enterprises, in 2014, communal agricultural enterprises paid their workers more than the private ones [4].

Irregularity of workers' wage and arrears of wage are still problems of material incentives in the agriculture that against their low level worsens workers' financial position and serves as a destructive factor in their motivation.

To improve motivation of agricultural enterprises workers in Ukraine, taking into account the entire period of the material incentives system reforming, it is appropriate to take measures as follows:

- to help to increase payroll at an enterprise based on rationalization of the expenses structure reducing: other material costs included in the cost of production; and other operating expenses included in the operating profit of an enterprise;
- to develop systems of additional payments for overfulfilment of variable performance standards or seasonal tasks;
- to provide incentives to workers for performing seasonal tasks in due time;
- to promote improvement of employed agricultural workers' qualifications, not just search for more skilled personnel outside an organization;
- to conduct workers' qualifications assessment to provide material incentives;
- to establish an additional payment for trainings conducted by experienced workers having a high professional level (usually of pre-retirement or retirement age) for workers with lower skill levels;
- to carry out revaluation for fuel consumption in sowing and harvesting, transportation a crop to warehouses or places of sale, performing technical work in the livestock, given the complexity of territorial and climatic conditions and technical state of a vehicle for each worker;

- to develop an optimal mechanism of collective-contractual regulation of labour enumeration funds of agricultural enterprises;
- to take into account a regional differentiation of labour remuneration to preserve a uniform potential between the most developed and depressed regions;
- at the state level, to help to improve the system of protecting the workers' rights, taking measures to "approach" the production to modern scientific developments and, if there is an actual increase of production efficiency, creating conditions for its further development (including ways of additional investments and provision, if necessary, privileges for the development of agricultural sectors).

Implementation of the proposed measures needs making informed, reasonable decisions at all the levels of government (public and private). Nowadays, it is essential to amend, make additions and clarifications of a number of legislative acts regulating the agricultural sphere [1].

Positive changes in material incentives for agricultural workers include:

- a steady upward trend in both nominal and real wage;
- increasing its proportion with regard to both an average wage in the economy and minimum social standards;
- reducing cases of arrears of wage;
- increase in volumes of sales of goods due to increased wage and payment in kind;
- improving the wage structure.

However, pressing problems of material incentives for agricultural workers are still:

- extremely low wage;
- its irregularity and late payment;
- low wage for agricultural labour in the private sector;
- insignificant rents of leased land and property shares etc.

Measures to improve motivation for workers of the Ukrainian agricultural enterprises are previously listed in the article.

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