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The role of benefits in employee motivation and retention in the financial sector of the Czech Republic

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ABSTRACT
This article deals with the role of benefits in employee motivation and retention in the financial sector of the Czech Republic. This discussion defines the basic theoretical background from the classical to the contemporary theories pertinent to this issue. Based on empirical research, supplemented by the roundtable method, this article determines the significance of the benefits for employee motivation and retention as one of many factors. It explores changes in employee preferences between years 2011 and 2013. In addition, it refers to the identified differences with regard to the respondents’ gender, education, age and job. Lastly, the article provides recommendations for business practice.

1. Introduction
The success or failure of each company in a competitive environment is dependent on many factors, with one of the key parameters, human potential, at the disposal of a given society. In the late 1960s, Drucker (1994) predicted that knowledge and those identified as knowledge workers would become an essential and decisive capital. An important driving force for the development and competitive advantage of each company is human capital, knowledge-based work teams of employees who work in a knowledge-based society (Truneček, 2004) and the principle that knowledge is becoming the principal economic resource (Beazley, Boenisch, & Harden, 2002).

The key to corporate commercial success is optimally motivated employees, who collectively form teams of knowledgeable employees, who as a team, have enough knowledge, experience and necessary skills. However, they are also interested to dedicate their knowledge, skills and energy to teamwork to achieve the task of reconciling personal objectives with both team and corporate. A global shortage of young talent was identified in the first decade of this millennium and companies started to realise there was a ‘lack of talented employees across industries, from the low-tech to the high-tech, as well as across countries, from the developed to the developing ones’ (Křečková Kroupová, 2008).

KEYWORDS
Banking sector; financial sector; employee motivation; employee retention; employee benefits

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Managers are obliged, especially during difficult global economic situations, to consider all expenses and investments in human capital. Pines (2013), among others, lists the following costs that stem from the tight regulation of the global financial system that promote fair competition like 'labour protection, stringent procedures, permanent growing compulsory training.' A survey (‘PwC Česká republika’, 2013) in which 109 managing directors of leading companies in the Czech market participated, determined that 49% confirmed that although they were obliged to improve operational efficiency in the past, they had to continue to reduce costs and improve production efficiency. The same research indicates that 37% of those surveyed held concerns about labour market shortages that possess specific expertise, skills and experience that remain central to corporate success (‘PwC Česká republika’, 2013). At the same time, it confirmed the hypothesis that there was a designated successor only for every second key position; the remaining qualified experts able to immediately replace the existing key employees still had to be educated to ensure continuity in the functioning of the working position, and thus the entire company. The selection of new hires, their familiarisation with their job-content, initial training, comprehension of corporate processes and acclimatisation to the new corporate environment constitute considerable costs. That’s why the importance and necessity to retain and motivate employees who are important for the company is so obvious. One of the factors which affects the motivation and retention of employees is benefits that companies offer to their employees.

The aim of this article is to define the role of benefits in employee motivation and retention, identify the different importance of various benefits according to individual respondent groups, and highlight the importance of benefits not only for employees but also for their employers.

2. Theoretical basis

The topic of employee motivation and retention is a complicated issue, which is given by the individuality of each person and reflects not only the specific needs of each person, but sometimes even their very different rating in terms of importance. There are the two things playing an important role in this area: how much employees understand the consequent systems of their activity and how much they objectively understand the strategy and policy of their company, business environment and possibly also the international context in which the company is active (Štěrbová, 2013).

Motivation is the goal-oriented behaviour of each individual. It consists of a set of internal factors, which are the driving forces of a human being, who regulates his/her own behaviour and experience. Motivation is achieved by developing some effort – an activity which is expected to lead to a goal representing the satisfaction of individual needs of the person. Well-motivated people are those who have clearly defined goals, which effectively operate and have developed a sense of duty, because they are aware that their efforts lead to satisfaction not only their own needs but those of the company as well (Armstrong, 1999).

The beginning of the nineteenth century saw the first theories of motivation, which had their basis in the methods of scientific management’s founder F.W. Taylor (1911), e.g., Instrumentality Theory, which is based on a system of external control and that does not count with human needs and informal relationships between employees (Armstrong, 1999). Many initial theories were based on instincts supported by psychodynamic theories of
personality. A.H. Maslow in his ‘Hierarchy of Needs Theory’ replaced the term ‘instinct by need’ (Landy & Conte, 2010). Among the classical theories, we can find the theory of behaviourism (Skinner, 1988), that perceives an individual’s behaviour as a result of his experience, Lewin’s field theory, which is based on different forces in the psychological environment and their interaction and combination into the final direction as the Group Dynamic (Landy & Conte, 2010).

The importance of employee motivation in the workplace was already addressed by Morris S. Viteles in the first half of the twentieth century. In his books, Industrial Psychology (1932) and Motivation and Morale in Industry (1953), he puts into balance motivation, performance and productivity at work and says that a productive worker equals a happy worker, even though it is not entirely clear how he came to that conclusion.

Herzberg’s Theory of Two Dimensions of Motivation to Work (Dvořáková, 2007), or also Herzberg’s Two Factor Theory (Landy & Conte, 2010), or Herzberg’s Two-Factor Model (Armstrong, 1999) divides motivation factors into two groups with different functions and status: motivators of internal needs – satisfactors concerning the need to develop profession and improve skills of each individual; Herzberg names these factors as the most effective component of motivation to work and they lead not only to job satisfaction, but also improved performance. Hygiene factors – dissatisfactors form an important base of the first group – satisfactors – and serve mainly to prevent dissatisfaction with employment. These factors are related to company management, its leadership, working conditions, administrative procedures and fair remuneration, etc.

American psychologist Alderfer’s existential, relatedness, growth (ERG) theory (Alderfer, 1972; Arnolds, 2002) formulated these three categories of needs. McGregor is the author of Theory Y (2005), which compares people with personality types of Theory X, the founder of which is considered Sigmund Freud. According to Theory X, man is a lazy creature with an innate aversion to work. In contrast, McGregor’s theory Y (2005) is based on the assumption that physical and mental work is a natural part of human life and highlights the need for innovations. Skinner’s Theory of Strengths (1988) believes that an occasional reward creates a higher level of performance than continuous rewards.

Vroom’s valence, instrumentality, expectancy (VIE) theory (Armstrong, 1999; Kanfer, Chen, & Pritchard, 2008) assumes that an individual can judge whether certain behaviour will lead to the expected result, whether a primary result will lead to a secondary outcome, and whether these secondary outcomes are relatively attractive for him.

Among the modern theories that see a man as a scientific model, we can find goal setting theory, which was created by Locke and Latham (2002). The authors of this theory argue that motivation and performance of individuals are higher if they have specific goals. But these goals must be proportionately difficult and there must be feedback on performance. Locke and Latham (1996) also claim (1996) that the theory of goal setting is only the first level of explanation of behaviour, but the question remains where the goals are coming from. And they offer a hypothesis that the goals are derived from the values and motives.

Goal theories are used by a number of other authors in various forms up to the present day – after all, only in the names in the headings/titles of professional articles dealing with work motivation did the term ‘goal setting’ appear more than 140 times over last three years (‘ProQuest,’ 2014).
Another qualitative shift in motivation theories is control and concept of self-regulation theories, which are based on feedback principle. Representatives of this theory are Vancouver (2005) and Cervone, Shadel, Smith and Fiori (Landy & Conte, 2010). Bandura is the author of the Theory of Self-Efficacy (Armstrong, 1999; Landy & Conte, 2010), which speaks of the confidence of an individual in its ability to achieve certain goals. Locke (2001) takes the view that human self-efficacy is directly proportional to the level of goal and a sense of commitment to fulfil the goal that the man himself has established.

Probably the most extensive considerations of the intent role in motivated behaviour are described in Action Theory in the works of Frese and Sabini (1985), Frese and Zapf (1994), Gollwitzer (1993, 1999), Gollwitzer, Heckhausen and Ratajczak (Landy & Conte, 2010) the Concept of Employee Retention involves the effort and endeavour of the company to minimise unwanted leavings of its quality employees who are indispensable for the company.

An outcome of that is the need to deal with employee motivation and retention, because the key to success is the human potential of the company, which also may substantially differentiate the company from its competitors and it can become just the desirable decisive competitive advantage. Companies create for their employees – mostly with the help of specialised consulting agencies – incentive programmes that are in many cases based on the division of motivation into two types – external and internal motivation (Armstrong, 1999). The benefits examined by this article belong to the group of extrinsic motivation factors, whose creation is because of participation by company management.

How can the term ‘benefit’ be understood? One definition says ‘… benefits include all financial rewards other than direct payment. Benefits cost the firm money, but employees usually receive them indirectly’ (Wright, Mondy, & Noe, 1996, p. 356). The definition of benefits can also be seen in terms of accounting, when from an accounting perspective:

... the most comprehensive definition of the employee benefits was surprised by the International Accounting Standard IAS 19, which indicates that the employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. Also, IAS 19 identifies and classifies these benefits into five categories namely: short-term employee benefits, post-employment benefits, other long-term benefits, benefits for the employment termination contract, compensation in the form of the equity participations. (Mirea, Naftanaila, & Mirea, 2012, p.148)

3. Research methodology and survey methodology for data processing

The author conducted empirical surveys of employees at financial institutions, which included banks and investment companies operating in the Czech Republic in 2011 (Němečková, 2011), and carried out a follow up in 2013. The survey was conducted by quantitative (questionnaires) and qualitative research (roundtable discussions, interviews).

Part of the survey was dedicated to benefits as one of the many factors influencing employee motivation and retention; 142 respondents participated: 119 in the questionnaire survey and 23 respondents during four roundtables.

Of the 119 questionnaire respondents, one-third were employees from the same bank, the second third of employees from the same investment company and the third group was composed of employees from different banks and investment companies. Participants
in roundtables were divided into four groups, which formed separate roundtables where discussions took place. The above numbers of respondents adequately represent employees of the financial sector in the Czech Republic, not only in terms of numbers, but also the structure of the respondents in terms of their classification within the company hierarchy, job contents, gender, age, educational level, social status and length of employment of respondents. The representativeness of the respondents’ sample was confirmed by comparison with other sources (‘ČSÚ, 2014, budoucnostprofesi.cz, 2013).

Respondents of the questionnaire survey lined up items by their individual importance ratings from most important to least important in the paper questionnaires. These – by importance ranked items – were subsequently assigned by a certain number of points per each item. This helped to determine the importance employees assigned to the item for their motivation and retention in the company. Respondents determined the order of importance of the following items: clothing contribution, opportunity to relax at the workplace, professional stays (traineeships), notebook (laptop or notebook computer), language courses, sick days, pension scheme, Internet, paid meals, cell phone, paid education, health insurance, life insurance, paid culture (Financial amount contributed by employer to employees for cultural events (e.g. tickets to theatre, concerts, etc.)), paid vacation, legal services.

After entering all the assigned points to the table, calculation of the total weight of the items followed, when the ordinal scale was converted to a rating scale of value points, while the weight of an individual item was determined by the following formula:

\[ w_i = \frac{n_i}{\sum_{i=1}^{N} n_i} \]

where \( N \) is the number of items offered in the given area of research, and \( n_i \) is the number of points awarded to each item in this ranking (Němečková, 2013).

The results obtained from the roundtable discussions as qualitative research served for a more detailed clarification and confirmation of the results of the questionnaire survey; there was no significant difference between them. Their unique importance consisted of the possibility of immediate feedback and the ability to use the findings gained from structured interviews at roundtables for the understanding and interpretation of some results, because not everything, especially in the area of employee motivation and retention research, is possible to read just from numbers, but direct contact and the chance to talk to respondents is of vital importance.

The demographics of the respondents are shown in the following Table 1.

<table>
<thead>
<tr>
<th>Split by</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt;33</td>
<td>34–50</td>
<td>51+</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High school</td>
<td>31.9</td>
<td>68.1</td>
</tr>
<tr>
<td>University</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary</td>
<td>31.1</td>
<td>41.2</td>
</tr>
<tr>
<td>Specialist</td>
<td></td>
<td>Mid-manager 16.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Top manager 10.9</td>
</tr>
</tbody>
</table>

Source: Author’s research.
4. Research results

Based on the above empirical research conducted by the author of this article in 2011 and the follow up in 2013, it was found that employees rank benefits in 7th position out of the 11 most important factors, the fulfilment of which impacts positively their job motivation.

The research results for the entire respondent group are summarised in the following chart. The results of benefits analysis by individual demographics categories are presented based on research results from 2011.

It is visible in Figure 1 that in 2011, the respondents preferred most, from the options available, sick days (11%), employer’s contribution to pension scheme (10.9%) and language courses (10.8%). The least appreciated benefits were legal services (1.7%), contribution to clothing (2%) and professional stays (Traineeships) outside of own workplace (2.6%).

The figure also highlights obvious changes in importance of the preferences of individual items of employee benefits in 2013 compared to 2011. Sick days were replaced in first place by pension schemes, while the importance of both has increased. The benefits that grew the most in importance from 2011 were pension scheme (+2.9%), sick days (+2.3%) and health insurance (+2.1%). It shows that employees were focusing more on benefits providing extra security both in case of illness and retirement. The biggest loss in importance ranking can be noted in the case of paid culture (−2.1%), Internet access (−1.7%) and cell phone (−1.6%). These results can be explained by the fact that there was a reduction in prices for mobile calling and Internet services provided by telephone operators, so these benefits no longer appear so interesting to the addressed respondents. Contribution to culture is seen more like ‘nice to have’ and in times of uncertainty, it usually loses its importance. There was a significant increase (almost double) showed in the opportunity to use legal services paid by employer, which – due to the difficult economic situation worldwide and the rising number of foreclosures and personal bankruptcies – is a logical and understandable phenomenon.

Figure 1. Benefits preferred by respondents in 2011 and 2013. Source: Author’s research.
When dividing respondents by gender (Figure 2), it shows that both men and women give utmost importance to benefits such as ‘sick days’ (at average 11.55%). Men favour, in the next order of importance, use of a cell phone for private purposes (10.1%) and employer’s contribution to a pension scheme (9.8%). Women appreciate employer’s contributions to language courses (10%) and meals (9.7%) as well as pension scheme (9.7%).

When looking at the research results from an educational point of view (Figure 3), then university-educated respondents prefer the employer’s contributions to pension schemes (12.8%), sick days (9.3%), employer’s contributions to meals and health insurance (8.4%). The secondary education group of respondents prefers employer’s contribution to meals (12.1%), contribution to pension funds (11%) and the possibility to use sick days (10.1%).

Figure 2. Benefits preferred by gender of respondents. Source: Author’s research.

Figure 3. Benefits preferred by education of respondents. Source: Author’s research.
A different importance is assigned to individual types of benefits by respondents of different age groups (Figure 4). The age group of respondents under 33 years prefers out of the benefits offered sick days (11.7%), employer’s contribution to meals (10.3%) and language courses (9.3%). Respondents in the age range of 34–50 years evaluated at highest rate the possibility to use sick days (11.7%), pension schemes (10.9%) and language courses (9.4%). Respondents from 51 years upwards prefer employer’s contribution to pension schemes (12.8%), opportunity to use sick days (9.3%) and employer’s contribution to meals and health insurance (8.4%).

Figure 4. Benefits preferred by age of respondents. Source: Author’s research.

Figure 5. Benefits preferred by job of respondents. Source: Author’s research.
The division of respondents by their jobs (Figure 5) shows that all groups except top management give utmost importance to sick days (from 10.4 to 12.5%). While ordinary employees favour paid meals the most after sick days (10.6%) and language courses (10%), independent specialists equally prefer pension scheme and language courses (both 10.2%) and middle managers a cell phone (11.5%) and health insurance with paid education (9.4%). Top managers, on the other hand, have lined up their top priorities from cell phone (13.6%), pension scheme (12.1%) to sick days (11.2%).

5. Conclusion

The personal interviews and roundtable discussions showed that employer contributions to pension schemes and meals are already taken for granted by most employees. The same can be said about an additional week of vacation over that which is required by law. All these items are seen as most important by respondents. In times of crisis, there is a higher trend in the shift of interest towards items focused on a guaranteed immediate financial benefit (meal allowance, contributions to health care, pension scheme, life insurance, etc.), but also on the benefits of free legal consulting. Benefits of increasing skills and expertise (professional training, contributions to private education, etc.) enjoy relatively significant interest even in times of crisis because, thanks to them, the likelihood of loss of employment with the current employer reduces and also the chance of finding a new job increases. Although individual items related to education, language training and up-skilling recorded a decrease in their separate evaluations, when combined, their final sum weight of importance elevates them to the forefront (15.4%) and their combined score is higher even than the popular item of ‘sick days’. This is conclusive evidence of how the possibility of further education and professional growth is an important incentive for employees of the financial sector.

The above findings result in the recommendation for businesses not to offer all employees the same benefits, as the weight of particular benefits is individual from employee to employee. High financial resources spent by companies for all benefits often miss the deemed effect and mean inappropriately invested funds for the company. It is important to consider the financial cost and effect ratio of individual benefits with regard to specific requirements of individual employees and decide accordingly on their structure and way to provide them. For some companies, the solution may be using cafeteria benefits (a comprehensive range of benefits, from which each employee selects a preferred service/product within a certain financial limit provided for each employee by his/her employer) used by a number of companies in relation to employee benefits.

Finally, it should be emphasised that benefits – with regard to the Herzberg’s theory of two dimensions of motivation to work – must be seen as a hygiene factor, a so called dissatisfaction, which serves primarily to prevent employee dissatisfaction and it is an important prerequisite for their satisfactors, or motivators of intrinsic needs. Meeting employee ideas about benefits affects their positive attitude towards work; on the contrary, their complete absence or bad condition leads to employee dissatisfaction. However, this has no direct impact on higher level of job satisfaction and employee performance. When selecting new employees, it is good to examine not only their personal goals and their compliance with company objectives, but also their preferences regarding individual benefits, and to create an optimal structure of benefits accordingly, or structure benefits along the lines of a cafeteria plan.
It is important to realise that preferences of employees may vary depending on the period of economic cycle and as some literature suggests, for instance, managers usually report higher satisfaction than ordinary employees during boom periods (Ahn & Sánchez-Sánchez, 2013). Potential cyclical changes in the role of benefits in employee motivation and retention will be subject of a consequent research in the years 2016 and 2017 with a possible extension of the research focus into more industries.

**Disclosure statement**

No potential conflict of interest was reported by the author.

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