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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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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 the interests of different stakeholders. In the 1980s, the emergence of young talent and the need for companies to adapt to the changing market environment led to the realization that traditional management practices were no longer sufficient. To the high-tech industry, the focus shifted from 'hard' skills to 'soft' skills (Kanter & Mirvis, 1985). Managers are now encouraged to consider all external factors, lists the following strategies to promote employee engagement in a growing market. Managing human resources that 49% of companies in the past 10 years have implemented the same re-



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 also the company's needs. There are the theoretical approaches that understand motivation subjectively and others that understand it objectively (Kováčik and Kováčiková, [2013](#)). Motivation is a set of internal processes that cause an individual to exert his/her effort – an individual's own activity towards achieving his/her individual goals, which are aware of the company's needs and goals, which are aware of the company's needs and goals, which are aware of the company's needs and goals, as well (Kováčik and Kováčiková, [2013](#)).



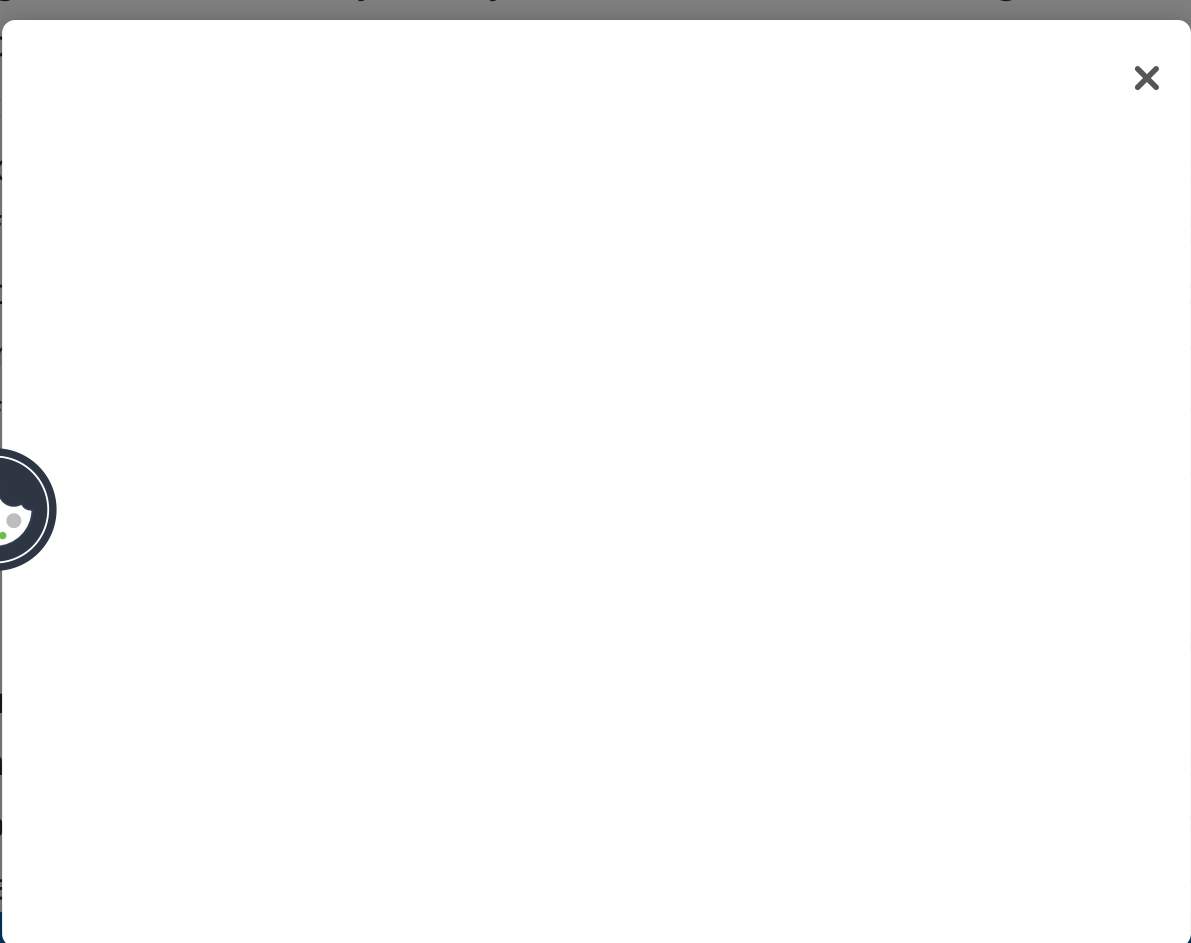
The beginning of the nineteenth century saw the first theories of motivation, which had their basis in the methods of scientific management's founder F.W. Taylor ([1911](#)), e.g., Instrumentality Theory, which is based on a system of external control and that does not count with human needs and informal 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) and states that the most effective way to develop professional workers as the most effective workers is to provide them with the most effective job. Herzberg's theory states that workers form an important part of the management, and that their dissatisfaction, etc.

American psychologist Abraham Maslow (Alderfer) is the author of the theory X, the theory of the lazy creature, and the theory Y ([2005](#)) is



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

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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 1. Demographics of respondents.

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4. Research results

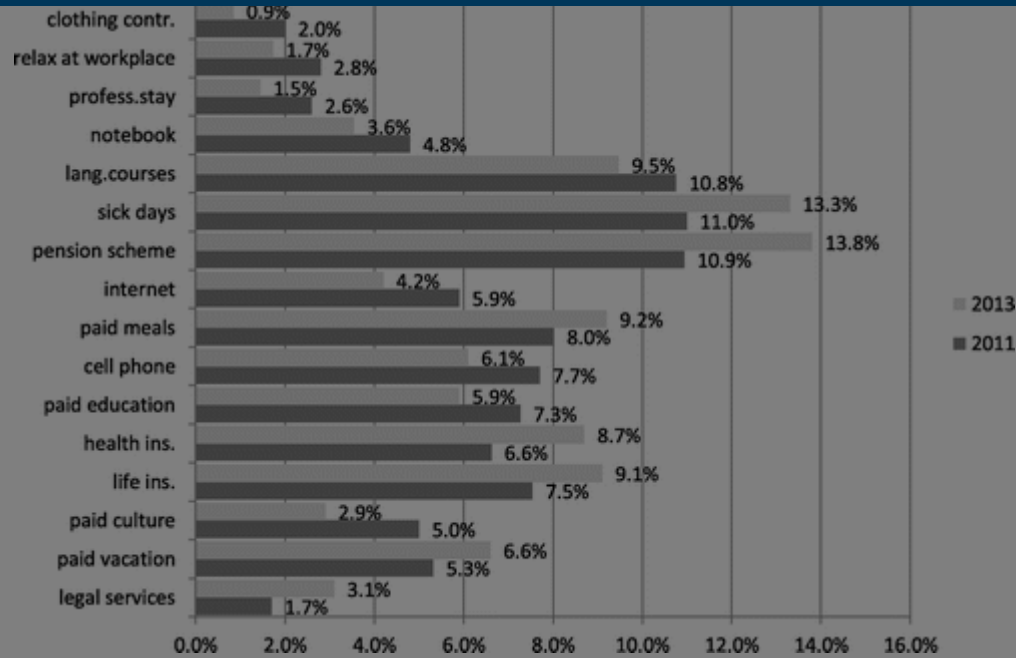
Based on the above empirical research conducted by the author of this article in 2011 and the follow up in 2013, it was found that employees rank benefits in 7th position out of the 11 most important factors, the fulfilment of which impacts positively their job motivation.

The research results are presented in the following chart. The results are presented in the following chart. The results are presented in the following chart.

It is visible from the chart that the most popular options are (9%) and (1.7%), of own workplace.

Figure 1. Research results.



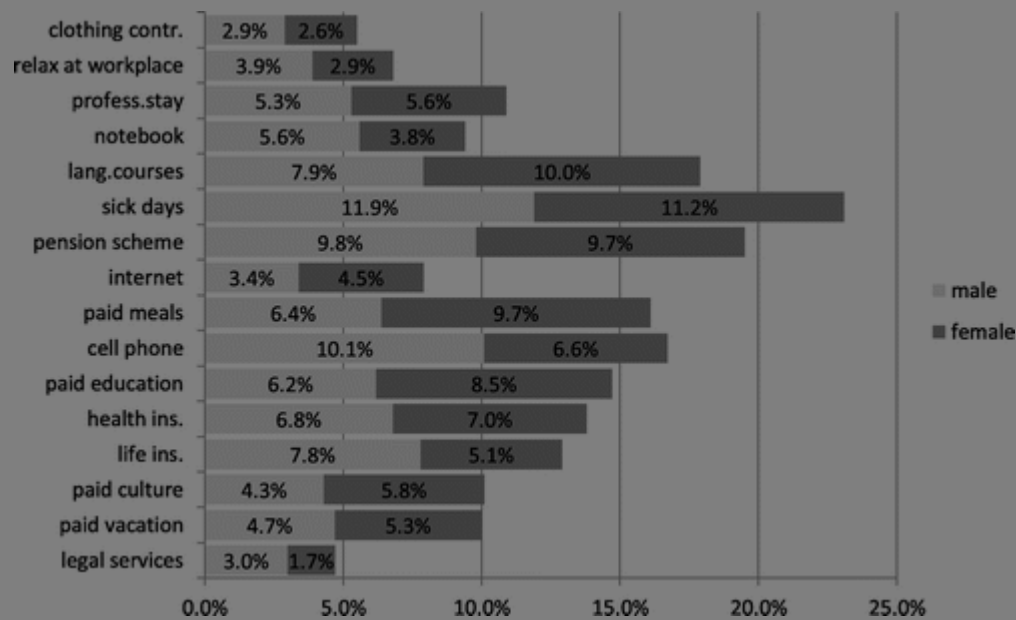


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The figure also highlights obvious changes in importance of the preferences of individual items of employee benefits in 2013 compared to 2011. Sick days were replaced in first place by pension schemes, while the importance of both has increased. The 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%) followed by legal services (-1.7%) and health insurance (-1.6%). These results can be explained by the fact that employees are more interested in benefits that are more like 'nice to have' services and the importance of these services is rising under the influence of the economic crisis. When did you last give utm in favour, i (10.1%) employees



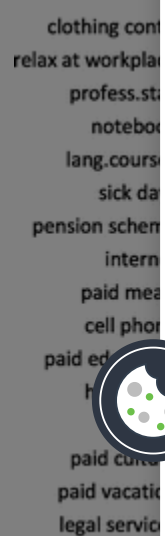
Figure 2. Benefits preferred by gender of respondents. Source: Author's research.



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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 3. Benefits preferred by educational level of respondents. Source: Author's research.

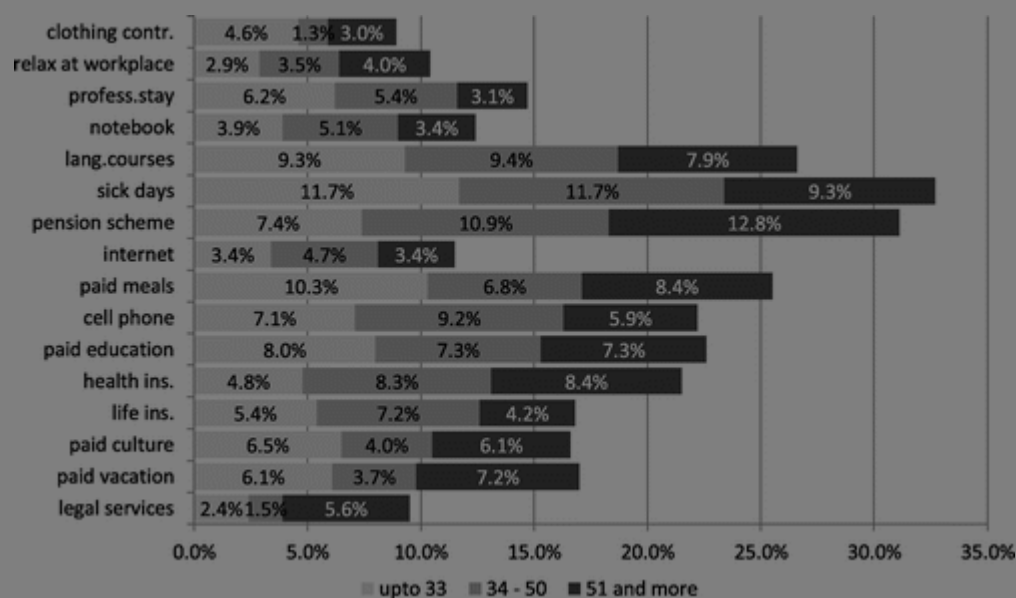


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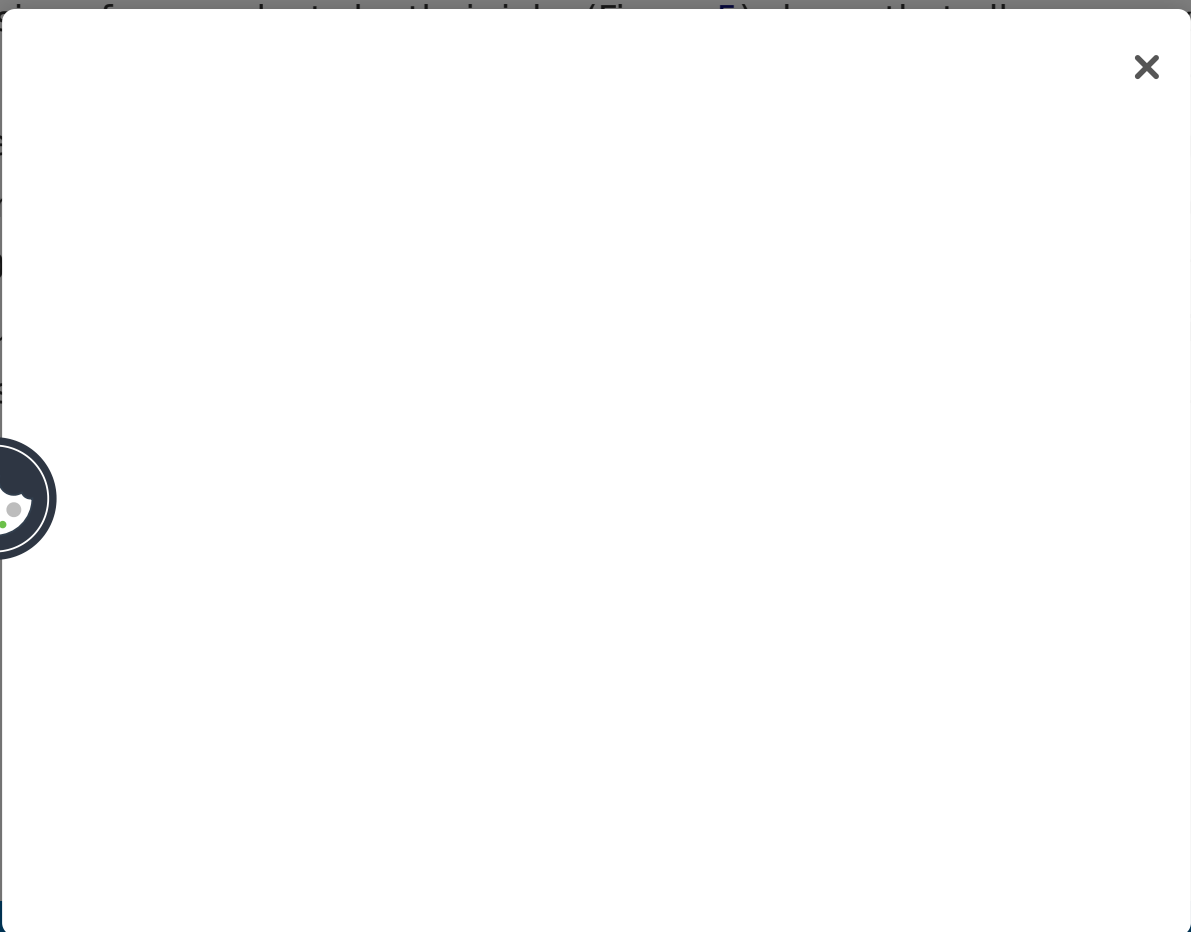
out of the benefits offered sick days (11.7%), employer's contribution to meals (10.3%) and language courses (9.3%). Respondents in the age range of 34-50 years evaluated at highest rate the possibility to use sick days (11.7%), pension schemes (10.9%) and language courses (9.4%). Respondents from 51 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%).

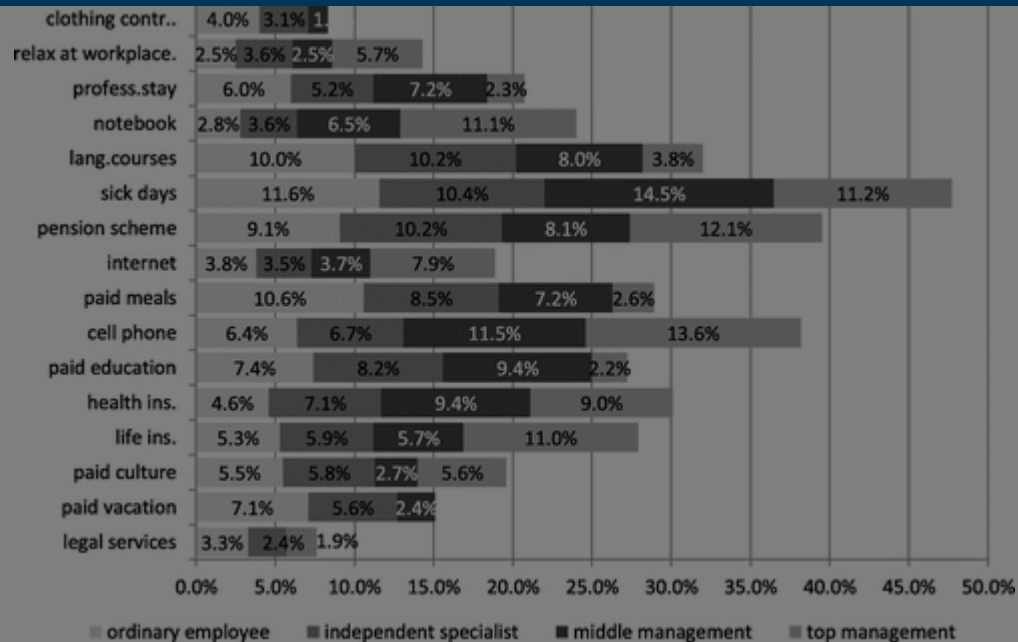
Figure 4. Benefits preferred by age of respondents. Source: Author's research.



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The division of respondents by age group (upto 33, 34-50, 51 and more) is shown in Figure 4. The chart shows that respondents in the 34-50 age group prefer 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%).





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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



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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 dissatisfactor, 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 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.


Discussions on the period of implementation of the benefits program on the part of managers usually require several periods (Ahn & Sánchez 2016). The employee motivation and performance in the years 2016 and 2017 with...



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