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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 themselves to the company's success. The process of reconciling the interests of young talent with the company's needs to realise its goals is a challenge to the high-tech companies' (K

Managerial practices to consider all existing and future employees, lists the following system that promotes permanent growth and development of which 109 managers determined that 49% of the efficiency in the labour market is determined by 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 individual characteristics of each person, his/her position in the company, the nature of the work, the company's strategy, etc. There are the theoretical and practical aspects of this issue. The theoretical aspects are the understanding of the motivation and retention of employees, the understanding of the factors that affect them, and the understanding of the ways to improve them. The practical aspects are the application of the theoretical knowledge in the company's management. The understanding of the motivation and retention of employees is a complex task, which requires a deep understanding of the human psychology and the company's environment. The understanding of the factors that affect the motivation and retention of employees is a complex task, which requires a deep understanding of the human psychology and the company's environment. The understanding of the ways to improve the motivation and retention of employees is a complex task, which requires a deep understanding of the human psychology and the company's environment. (Pová, [2013](#)).

Motivation is a process that leads to the activation of the individual's energy and the direction of his/her effort towards the achievement of his/her goals. It is a complex phenomenon, which is influenced by many factors, such as the individual's characteristics, the company's environment, the nature of the work, the company's strategy, etc. The understanding of the motivation and retention of employees is a complex task, which requires a deep understanding of the human psychology and the company's environment. The understanding of the factors that affect the motivation and retention of employees is a complex task, which requires a deep understanding of the human psychology and the company's environment. The understanding of the ways to improve the motivation and retention of employees is a complex task, which requires a deep understanding of the human psychology and the company's environment. (Pová, [2013](#)).



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.

The diagram illustrates the relationship between the 'What' and 'How' of a business. The 'What' side (left) lists 'functions' and 'to develop' as the primary focus, with 'as the' and 'ob' as secondary. The 'How' side (right) lists 'form an an' and 'nt' as primary, with 'management,' and 'neration,' as secondary. A central box labeled 'etc.' is connected to both sides by arrows.



## Article contents

#### Related research

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. In the last three years, over 100 articles have been published on this topic.

Another group of theories of self-regulation are goal setting theories (Locke & Latham, [2002](#); Vancou, [2010](#)). Bandura's theory of self-efficacy (Bandura, [2010](#)), which is based on the idea that people have certain goals and that the level of effort they put into achieving them is proportional to the level of self-efficacy they have. Bandura himself has established that self-efficacy is a key factor in determining the level of effort people put into achieving their goals.

Probably the most widely known goal setting theory is the one by Locke and Latham (1994), which is based on the idea that people have certain goals and that the level of effort they put into achieving them is proportional to the level of self-efficacy they have. Locke and Latham (2010) have established that self-efficacy is a key factor in determining the level of effort people put into achieving their goals.



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



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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](#)).

where  $N$  is the number of samples and  $\mu_i$  is the mean of the  $i$ -th component.

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

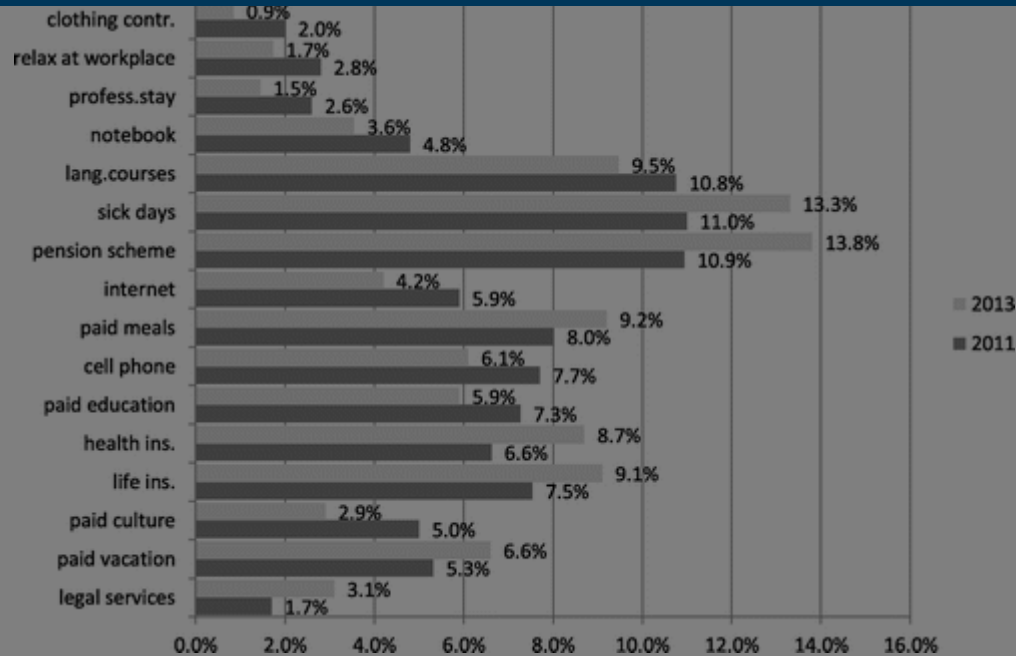
Based on the above empirical research conducted by the author of this article in 2011 and the follow up in 2013, it was found that employees rank benefits in 7th position out of the 11 factors that motivate them in their job.

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

It is visible that the most popular options are: 1. Salary (29%), 2. Benefits (19%), 3. Work environment (17%), 4. Career development (15%), 5. Job security (13%), 6. Flexibility (12%), 7. Training and development (11%), 8. Work-life balance (10%), 9. Company culture (9%), 10. Job satisfaction (8%), 11. Job autonomy (7%).

Figure 1. Research results. The chart shows the following results:





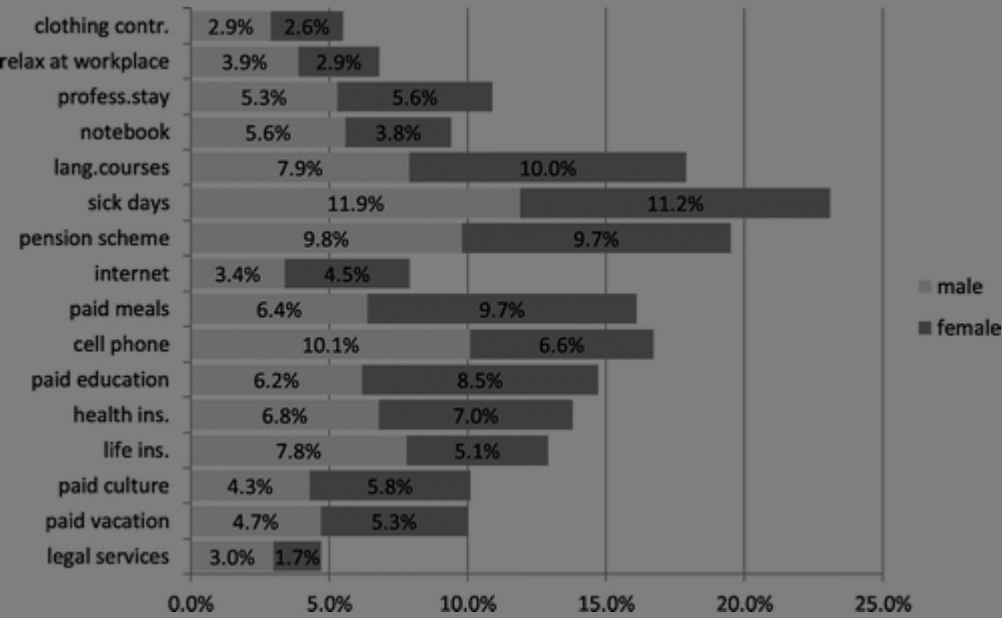
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The figure also highlights obvious changes in importance of the preferences of individual items of employee benefits in 2013 compared to 2011. Sick days were replaced in first place by pension schemes, while the importance of both has increased. The 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

(-2.9%). The results can be explained by the fact that employees are more like 'nice to have' services and the importance of these services is decreasing. The results can be explained by the fact that employees are more like 'nice to have' services and the importance of these services is decreasing.

When did you give utm favour, i (10.1%) employee

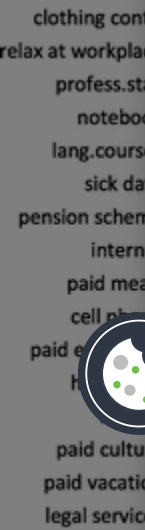
Figure 2. Benefits preferred by gender of respondents. Source: Author's research.



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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. Research.

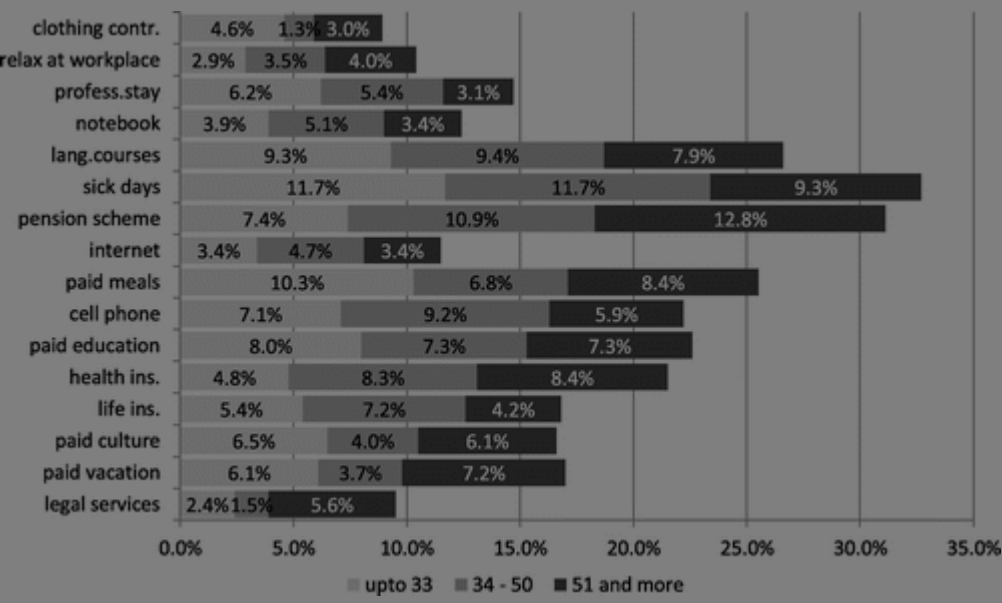


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A difference between the preferences of students of

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.

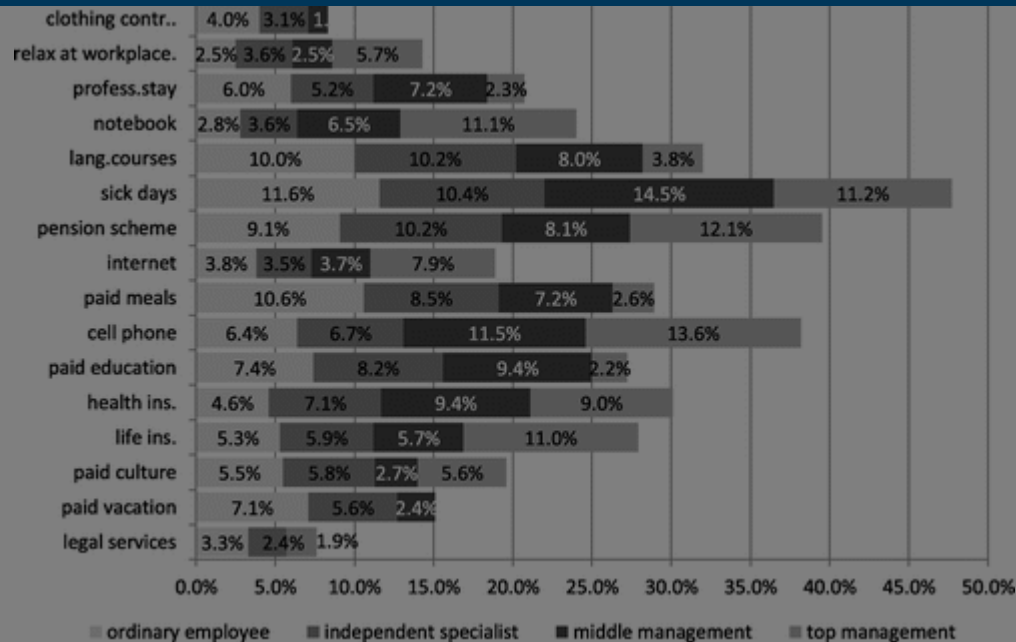


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## 5. Conclusion

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, employees are more concerned about their health care, consulting. Benefits are seen as important to private sector because, if employer reduces benefits related to education, it will separate them from the public sector. The item of 'sick days'. The professional sector. The above all employees

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 note that the period of time when the employee usually receives the benefits (Ahn & Sánchez, 2016; Sánchez, 2017) with

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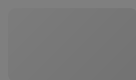
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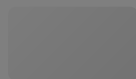


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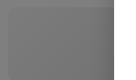


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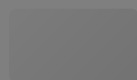
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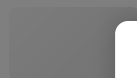
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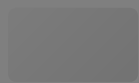
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