

## THE ANNUAL EMPLOYEE ASSESSMENT VERSUS THEIR REMUNERATION – A RELATIONSHIP MEANT TO INCREASE BUSINESS COMPETITIVENESS

Mădălina BRUTU<sup>1</sup>, Daniela MIHAI<sup>2</sup>

<sup>1</sup> Faculty of Economics and Law, University of Pitești, madalina.brutu@yahoo.com

<sup>2</sup> Faculty of Economics and Law, University of Pitești, dana\_mihai2005@yahoo.com

**Abstract:** *This paper aims at presenting a model for the application of the relationship between the annual employee assessment and the level of their remuneration, a relationship meant to ensure business competitiveness and the motivation of the efficient staff. The example we have presented is that of a building enterprise which, for the first time last year, undertook to establish a relationship between the salary level and the employee assessment results.*

**Key words:** remuneration system; personnel assessment; competitiveness.

**JEL Classification Codes:** M11, L21.

### 1. INTRODUCTION

Employee remuneration is one of the most important management tools that influence the efficiency of the company activity. Currently, the remuneration system is continuously changing, with the purpose of evolving in terms of satisfying the Romanian staff, among others. For example, Government Emergency Ordinance no. 99/2017 on the remuneration of public servants that was adopted with the purpose of continuing Government Emergency Ordinance no. 57/2015 regarding certain measures for the remuneration of the staff paid from public funds, the extension of deadlines and fiscal measures, which ceased to be applicable on 31 December, 2016. If this ordinance had not been passed in Romania, the provisions of Framework Law no. 284/2010 regarding the unitary payment of employees paid from public funds, as subsequently amended and supplemented would have been applied from 1<sup>st</sup> January, 2017, which would have generated including wages cuts for certain categories of staff. As we can see, this subject is extremely important and topical and can be seen in discussions of all people in Romania and not only there.

### 2. DEFINING REMUNERATION SYSTEM

As a summary of all definitions given to the remuneration system, we can say that it is the entire set of all regulations establishing the conditions in which a company fulfils its counter-performance represented by the payment of the work related to the activity carried out by each employee, according to the type of work they undertook to perform through the individual labour agreement.

In the book “Dictionary of Economics” (Dobrotă, 1999) we find that “the remuneration system represents the successive operations or activities, which consist of determining and



This is an open-access article distributed under the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>).

paying the salary and which implies: revealing the salary situation; appraising (determining) the salary as absolute and relative figure; composing the salary from constitutive, existing or potential elements; paying salaries.

In the specialized literature, we can also find another kind of definition, appropriate from the legal perspective, as well as one from the economic perspective.

*From the legal point of view*, the remuneration system is the “set of rules stipulating the principles, objectives, elements and forms of remunerating labour, which also regulate the means, methods and tools used for such remuneration, by determining the conditions for the establishment and payment of salaries - the base salary, supplements and bonuses to this salary (Ghimpu and Tziclea, 1997).

*From the economic point of view*, the remuneration system is a set of consistent rules that are governed by the labour demand and supply law, conceived based on the economic and social principles that cannot be considered separately because they are interconnected, through which individual salaries are differentiated in a company or in an economic branch.

According to art. 162 of Law no. 53/2003 as updated in 2017, Labour Code, the remuneration system is determined depending on the form of organization of the company, the financing manner and also its nature. According to the same article in the Labour Code, the remuneration system is determined in two ways:

- By individual negotiations between the employer and the employee, these rules are applied in the case of trading companies, national enterprises and companies, government business enterprises, natural person employers, employing legal entities, corporations, etc. (Law no. 53/2003 as updated in 2017, *Labour Code*, art. 162, item 2.)
- Under the law, in the case of the employees of the public authorities and institutions fully or mostly financed from the state budget, the state social security budget, local budgets and special fund budgets, upon consulting the representative trade unions. (Law no. 53/2003 as updated in 2017, *Labour Code*, art. 162, item 3.)

A very important detail that must be analysed in this paper is the remuneration system in the budgetary field. The unitary system of remunerating public servants paid from the general consolidated state budget (Law no. 284/2010 as updated in 2016, regarding the unitary payment of employees paid from public funds, chapter 1, art. 1, item 1.), is applicable to all persons working in public authorities and institutions, more specifically the Parliament, the Presidential Administration, the Judicial Authority, the Government, the ministries, the other specialized bodies of the central public administration, authorities of the local public administration, other public authorities, Government administrative authorities, and the institutions subordinated to them, fully financed from the state budget, local budgets, state social security budget, special fund budgets and others.

For this category of employees, the management is performed by the chief authorising officer, who must be very careful and monitor the compliance with the annually allocated financial resources, and also the number of jobs stipulated through the laws on the state budget, the state social security budget. According to the Ministry of Public Finance in Romania (<http://www.mfinante.ro/salariati.html?pagina=domenii>), at the end of December, 2016 we had 1.190,366 positions filled in public institutions and authorities.

### **3. THE ANNUAL EMPLOYEE ASSESSMENT VERSUS THEIR REMUNERATION IN A BUILDING ENTERPRISE**

The assessment of the professional performance is made for the objective appraisal of the employees' activity, by comparing the degree of achievement of the set assessment objectives and criteria, for the respective period, with the results actually obtained by each and every

employee separately. In Romania, under the law in force, the assessment is made at least once a year, by the representative of the Human Resources Department together with the direct superior of the assessed person, within an organized, standardized framework, meant to comply with the general assessment criteria stipulated in the Internal Regulations and the Collective Labour Agreement, in such a way as the respective assessment sheet should be signed by both parties, i.e. the employee and the employer. Each company may implement its own professional performance assessment system, which can help increase motivation and long-term efficiency, decrease staff fluctuation, and increase incomes on employee.

The organization in question wishes to apply a remuneration and reward system based on performance and motivation, which should ensure the connection between labour and performance, where employees' continuous professional training and development should be carried out as often as possible, with the purpose of increasing their competences.

The objective of the annual professional assessment is to establish equity in the workplace in relation to the results obtained, which is a quite difficult matter, even though the remuneration system is meant to be equitable, and employees must view it as such themselves. For the design and implementation of a remuneration system based on the performance achieved, the payment must be viewed as a result of performance, performance assessments must be viewed as subjective, rewards must be viewed as rewards, and organizations must successfully take into account motivational sources other than money as well. Following the assessment, the promotion to immediately higher grades is carried out, and should be carried out every 3 years, depending on the individual professional performance, rated with "very well", at least two times in the past 3 years, by direct superiors, some of whom should be the employees' representatives.

The correct position assessment is a method that must be supported by employees' representatives, in order to be integrated into the procedure of the organization and in their actions of negotiation with the company management in relation to wages, because the assessment of positions provides a basis for the building and management of an objective remuneration system, helps manage employees who fulfil various positions, determines the wages and other elements related to a new position following an objective procedure. It also supports the development of an equitable remuneration system, and the implementation of the article mentioned in the labour agreements, namely the one concerning the equal pay for work of equal value. Thus it also provides a base for the identification and measurement of the competences of the employees who fulfil different jobs and helps develop a system for the assessment and improvement of employees' performance.

At the end of 2016, the assessment of the level of competence of the company employees was carried out, and the resulted data are shown in the tables below:

**Table no. 1. Assessment results summary**

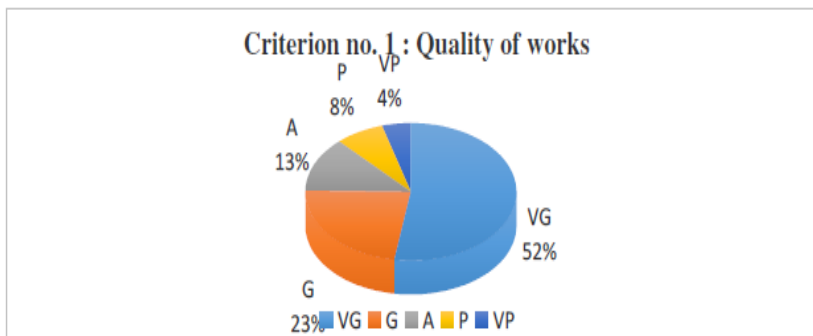
It. no.	Criterion	Share	Rating	Score	Criterion score	Persons	Share
1	Carrying out all tasks correctly according to the instructions, norms, procedures, promptness, correctness	4	VG	5	20	131	52.40
			G	4	16	57	22.80
			A	3	12	32	12.80
			P	2	8	19	7.60
			VP	1	4	11	4.40
2	Productivity, work rhythm, achieving the established workload, organizing tasks, priority, observing the time	3	VG	5	15	118	47.20
			G	4	12	72	28.80
			A	3	9	47	18.80
			P	2	6	8	3.20
			VP	1	3	5	2.00

The Annual Employee Assessment Versus their Remuneration – A Relationship Meant to Increase  
Business Competitiveness

3	Professional knowledge and skills required for the function and their application	2	VG	5	10	112	44.80
			G	4	8	86	34.40
			A	3	6	35	14.00
			P	2	4	10	4.00
			VP	1	2	7	2.80
4	Adjustment to new conditions and works corresponding to the progress of his speciality or acquiring different techniques compared to the ones implied by the current function. Time of acquisition	2	VG	5	10	114	45.60
			G	4	8	71	28.40
			A	3	6	45	18.00
			P	2	4	12	4.80
			VP	1	2	8	3.20
5	Interest for new ideas, the desire to learn, general learning skills	2	VG	5	10	121	48.40
			G	4	8	72	28.80
			A	3	6	40	16.00
			P	2	4	11	4.40
			VP	1	2	6	2.40
6	Ability to propose and carry out new, efficient works	1	VG	5	5	108	43.20
			G	4	4	64	25.60
			A	3	3	45	18.00
			P	2	2	18	7.20
			VP	1	1	15	6.00
7	Observing rules and assigned, trust inspired. Absences. Delays	2	VG	5	10	125	50.00
			G	4	8	61	24.40
			A	3	6	39	15.60
			P	2	4	14	5.60
			VP	1	2	11	4.40
8	Cooperation with the others, teamwork, desire to help others.	2	VG	5	10	128	51.20
			G	4	8	66	26.40
			A	3	6	41	16.40
			P	2	4	9	3.60
			VP	1	2	6	2.40
9	Tact, sense of measure in his behaviour, respect for others, kindness	2	VG	5	10	115	46.00
			G	4	8	76	30.40
			A	3	6	35	14.00
			P	2	4	15	6.00
			VP	1	2	9	3.60
10	Compliance with the occupational safety standards and the fire protection standards	2	VG	5	10	129	51.60
			G	4	8	65	26.00
			A	3	6	30	12.00
			P	2	4	15	6.00
			VP	1	2	11	4.40
	<b>TOTAL - (average for each rating)</b>		<b>VG</b>	<b>5</b>	<b>90-110</b>	<b>120</b>	<b>48.04</b>
			<b>G</b>	<b>4</b>	<b>70-89</b>	<b>69</b>	<b>27.60</b>
			<b>A</b>	<b>3</b>	<b>50-69</b>	<b>39</b>	<b>15.56</b>
			<b>P</b>	<b>2</b>	<b>30-49</b>	<b>13</b>	<b>5.24</b>
			<b>VP</b>	<b>1</b>	<b>19-29</b>	<b>9</b>	<b>3.56</b>

The graphical representation of each assessment criterion was made below according to the share of the ratings obtained.

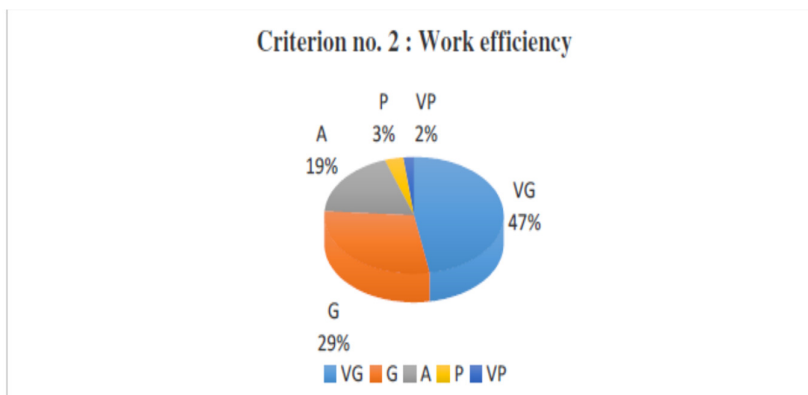
Criterion no. 1 – QUALITY OF WORKS - Carrying out all tasks correctly according to the instructions, norms, procedures, promptness, correctness:



**Figure no. 1: Results obtained for the quality of works**

In the chart shown above we can see that 52 % of the employees got the rating “very good” (VG), 23 % the rating “good” (G), 13 % the rating “average” (A), 8 % the rating “poor” (P), and 4% the rating “very poor” (VP).

Criterion no. 2: WORK EFFICIENCY - Productivity, work rhythm, achieving the established workload, organizing tasks, priority, observing the time.

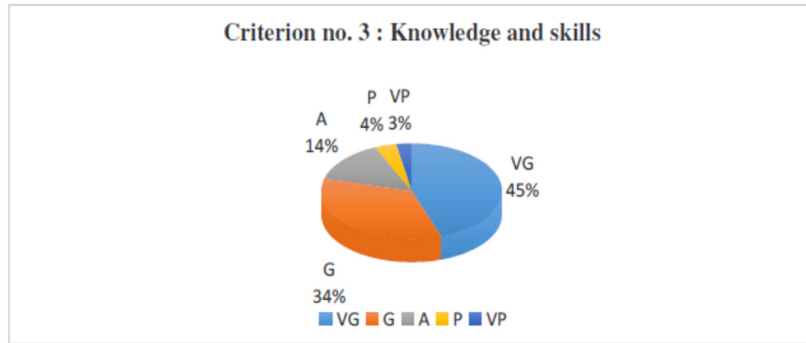


**Figure no. 2: Results obtained for the work efficiency**

In the chart shown above we can see that 47 % of the employees got the rating “very good” (VG), 29 % the rating “good” (G), 19% the rating “average” (A), 3 % the rating “poor” (P), and 2% the rating “very poor” (VP).

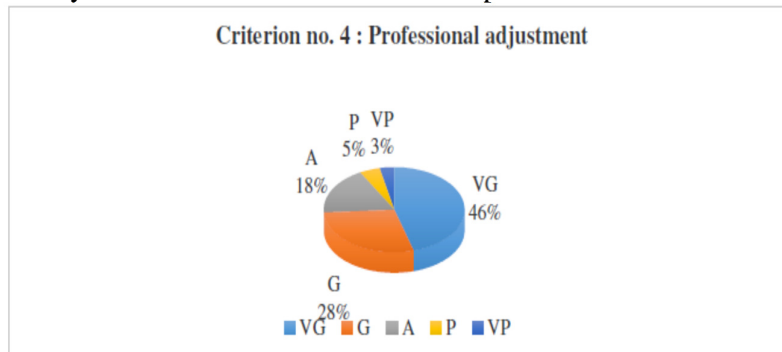
Criterion no. 3: KNOWLEDGE AND SKILLS - Professional knowledge and skills required for the function and their application.

We can see that 45% of the employees got the rating “very good” (VG), 34 % the rating “good” (G), 14 % the rating “average” (A), 4% the rating “poor” (P), and 3% the rating “very poor” (VP).



**Figure no. 3: Results obtained for the criterion Knowledge and skills**

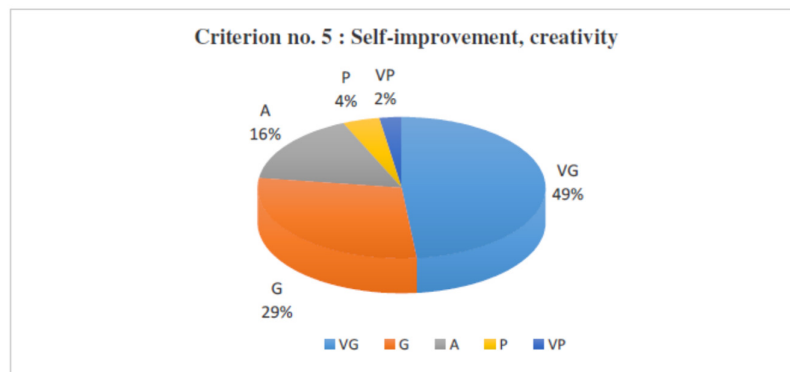
Criterion no. 4 : PROFESSIONAL ADJUSTMENT - Adjustment to new conditions and works corresponding to the progress of his speciality or acquiring different techniques compared to the ones implied by the current function. Time of acquisition.



**Figure no. 4: Results obtained for the criterion Professional adjustment**

We can see that 46 % of the employees got the rating “very good” (VG), 28 % the rating “good” (G), 18 % the rating “average” (A), 5 % the rating “poor” (P), and 3 % the rating “very poor” (VP).

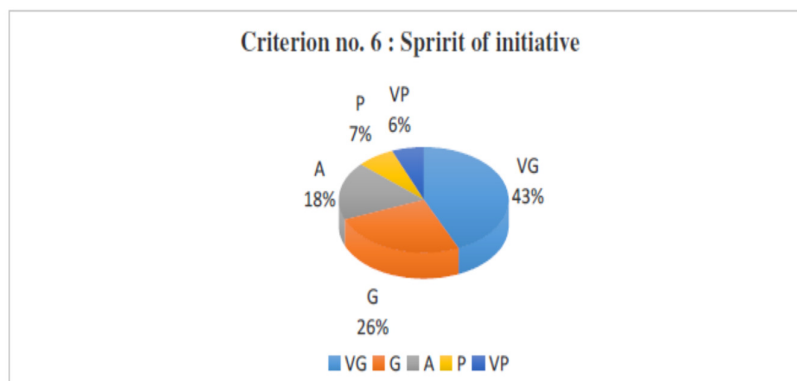
Criterion no. 5: SELF-IMPROVEMENT – CREATIVITY - Interest for new ideas, the desire to learn, general learning skills.



**Figure no. 5: Results obtained for the criterion Self-improvement**

So, 48 % of the employees got the rating “very good” (VG), 29 % the rating “good” (G), 16 % the rating “average” (A), 4 % the rating “poor” (P), and 3 % the rating “very poor” (VP).

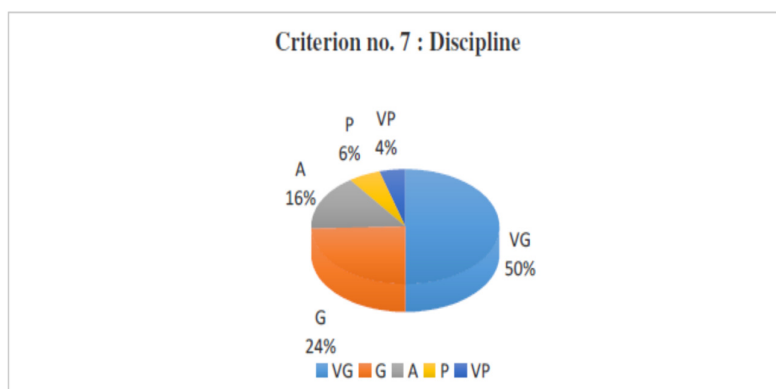
Criterion no. 6: SPIRIT OF INITIATIVE - Ability to propose and carry out new, efficient works.



**Figure no. 6: Results obtained for the criterion Spirit of initiative**

In the chart above we can see that 43 % of the employees got the rating “very good” (VG), 26 % the rating “good” (G), 18 % the rating “average” (A), 7 % the rating “poor” (P), and 6 % the rating “very poor” (VP).

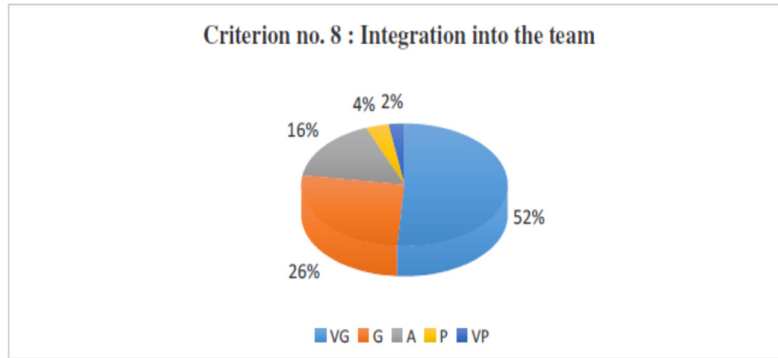
Criterion no. 7 DISCIPLINE - Observing rules and assigned, trust inspired. Absences. Delays.



**Figure no. 7: Results obtained for the criterion Discipline**

We can see that 50 % of the employees got the rating “very good” (VG), 24 % the rating “good” (G), 16 % the rating “average” (A), 6 % the rating “poor” (P), and 4 % the rating “very poor” (VP).

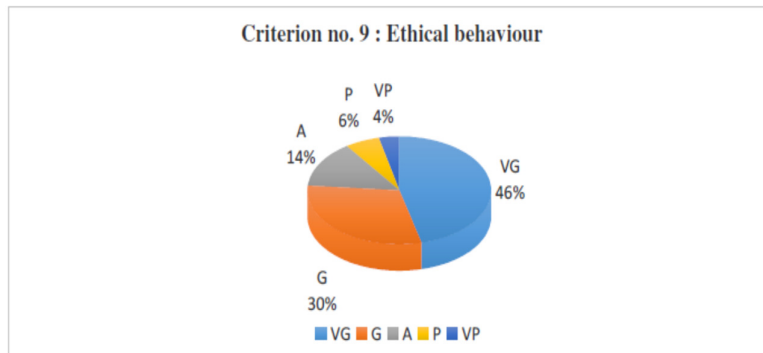
Criterion no. 8: INTEGRATION INTO THE TEAM - Cooperation with the others, teamwork, desire to help others.



**Figure no. 8: Results obtained for the criterion Integration into the team**

51 % of the employees got the rating “very good” (VG), 26 % the rating “good” (G), 16 % the rating “average” (A), 4 % the rating “poor” (P), and 3 % the rating “very poor” (VP).

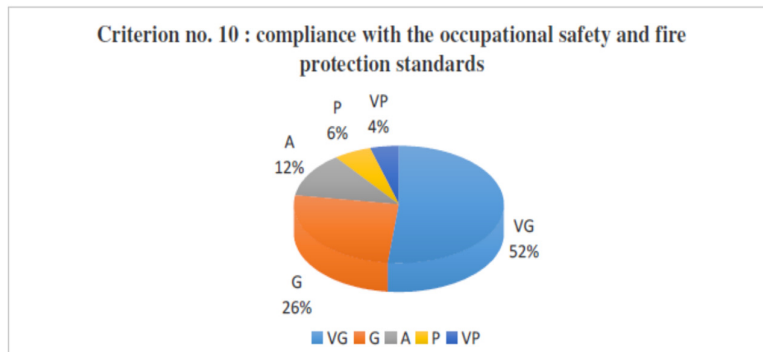
Criterion no. 9: ETHICAL BEHAVIOUR - Tact, sense of measure in his behaviour, respect for others, kindness.



**Figure no. 9: Results obtained for the criterion Ethical behaviour**

Consequently, 46 % of the employees got the rating “very good” (VG), 30 % the rating “good” (G), 14 % the rating “average” (A), 6 % the rating “poor” (P), and 4 % the rating “very poor” (VP).

Criterion no. 10: COMPLIANCE WITH OCCUPATIONAL SAFETY AND FIRE PROTECTION STANDARDS - Compliance with the occupational safety standards and the fire protection standards.

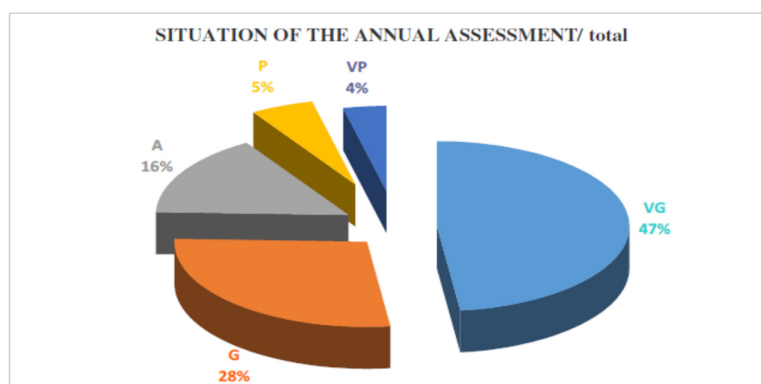


**Figure no. 10: Results obtained for the criterion Compliance with the occupational safety standards and the fire protection standards**



In the chart above we can see that 52 % of the employees got the rating “very good” (VG), 26 % the rating “good” (G), 12 % the rating “average” (A), 6 % the rating “poor” (P), and 4 % the rating “very poor” (VP).

Finally, we have the graphical representation of the total situation of the summarized data and the average calculated for each rating separately:



**Figure no. 11: Graphical distribution of the total results obtained**

Following the analysis of the chart presented above, and upon summarizing the results, we can notice the following:

- 48 % of the total employees appraised obtained a score ranging between 90-110 points, and the level of performance resulted was *very good* (VG);
- 28 % of all the appraised employees obtained a score ranging between 70-89 points, and the level of performance resulted was *good* (G);
- 15 % of all the appraised employees obtained a score ranging between 50-69 points, and the level of performance resulted was *average* (A);
- 5 % of all the appraised employees obtained a score ranging between 30-49 points, and the level of performance resulted was *poor* (P);
- 4 % of all the appraised employees obtained a score ranging between 19 - 29 points, and the level of performance resulted was *very poor* (VP).

Based on the results of the assessment, the internal and external training needs were determined, the main objective of the company being the continuous improvement of its employees, as well as a salary increase proposal.

The organization tried to increase salaries for the first time based on the analysis of the correlation between the employees’ professional training and the responsibility of their positions, following the annual assessment, as follows:

**Table no. 2. Summary of the assessments and salary increases proposed**

<i>It. no.</i>	<i>Assessment result</i>	<i>Assessment category</i>	<i>Category increase</i>	<i>Amount proposed for the increase</i>
1	48%	VG	A	300
2	28%	G	B	200
3	15%	A	C	100
4	5%	P	D	50
5	4%	VP	E	50

At the same time, a list of the employees proposed for promotion was prepared, as follows:

- 8 persons among workers on various occupations rated VG (*very good*) were proposed and promoted to team leaders;
- 5 persons among workers on various occupations rated VG (*very good*) were proposed and promoted to the position of work chiefs, with at most 10 subordinate;
- 3 persons among workers on various occupations rated VG (*very good*) were proposed and promoted to the position of work chiefs, with more than 10 subordinates;
- The employees who received the lowest scores, more specifically P (*poor*), and VP (*very poor*) respectively, were sent to trainings, and were to be reassessed after 6 months;

This procedure will be repeated each year for the old employees on teams and whenever it will be necessary when new people will be employed, or for those who have accommodation issues.

### 3. CONCLUSIONS

Employee remuneration is a subject that can be noticed in employees' and employers' discussions, at the same time. The relationship between employee assessments versus the level of their salary is one that can induce the motivation of the efficient employees, but can also generate dissatisfaction among the less efficient employees. Many private companies in Romania undertook the correlation of these two aspects, obtaining positive results in relation to their competitiveness.

The model we have presented is that of a building enterprise which, for the first time last year, created a relation of causality between employee assessment and their remuneration.

In the public sector, this relationship is more difficult to apply due to the legislation, mentalities, yet not impossible. This will be the topic of future research.

### REFERENCES

1. Dobrotă, N., Dictionary of Economics (Dicționar de Economie), Economic Publishing House, Bucharest, p. 197, 1999.
2. Ghimpu, S., Tziclea, A., Labor Law (Dreptul muncii), 2<sup>nd</sup> Edition, Șansa Publishing House and Press, Bucharest, p. 34, 1997.
3. Law no. 53/2003 as updated in 2017, Labour Code, art. 162, item 2.
4. Law no. 53/2003 as updated in 2017, Labour Code, art. 162, item 3.
5. Law no. 284/2010 as updated in 2016, regarding the unitary payment of employees paid from public funds, cap. 1, art. 1, item 1.
6. <http://www.mfinante.ro/salariati.html?pagina=domenii>