THE EVALUATION OF NEEDS AND EXPECTATIONS IN BUSINESS ENTERPRISES: THE GAP BETWEEN THE ACTUAL AND DESIRED WAGE

Laura ŽIOGELYTĖ
Vilnius University, Faculty of Economics
Department of Business
Saulėtekio al. 9, LT-10222 Vilnius, Lithuania
E-mail: laura.ziogelyte@ef.vu.lt
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Abstract. Rapidly changing and unpredictable internal and external environments effecting successful business activities are progressively influenced by satisfaction of needs and expectations of workers and security of cooperation between business companies and workers, harmony, and coordination of interest. One of the main factors motivating workers is material remuneration corresponding to their needs and expectations. On that basis, the objective of the paper is to evaluate the gap between the desired remuneration satisfying the needs and expectations of workers (considered as fair by workers) and the currently received remuneration in business companies. It would be expedient for business companies to involve employees in the process of formation of the system of remuneration for work, create possibilities for them to express their opinion about the needs and expectations that should be reflected in the elements of wage.

Keywords: net and gross wage, needs and expectations of employees, motivation.
JEL classification: M540, M520, J310.

Introduction

Human resources in a modern business world are considered as the main value and one of the main sources for gaining competitive advantage in a business considering rapidly changing labour market conditions. It should be stressed that a problem of shortage of skilled labour in pursuance of development of economics in Lithuania is the most frequent subject of discussions in business, science and political environment. Its relevance is even more evident in a context of emigration, taking into consideration the fact that a major part of emigrants is young individuals and individuals with more qualitative education gained in their native country. According to data of the Department of Statistics under the Government of the Republic of Lithuania, 23 percent less residents departed from Lithuania in 2012 than in 2011. Although the number of emigrants is obviously less, it has to be stressed that the majority of the emigrated individuals (about 75 percent) may be attributed to a group of 20 to 29 year-olds with no working experience or individuals who did not have a job in a year
or longer before leaving the country. A number of young, educated or experienced individuals depart to foreign countries due to higher remuneration, better collective relationship or conditions abroad and lack of a desired job in Lithuania.

A problem is that business companies in Lithuania fail to find ways to raise wages corresponding to needs of workers, stopping them from emigrating, and accordingly lose human capital stored either by employers themselves, or by other persons, although this fact is the basis for long term business survival in a dynamic competitive market. A new employee works for a company for a set wage, however, new expenses relating his training, adaptation to new working conditions, etc., appear.

Work payment and motivation are influenced by multi-element uncontrollable external and internal environments factors, the influence of which needs to be further identified and analysed in order to achieve relevant formation of the needs and expectations of employees as well as their increasing motivation.


The objective of this paper is to evaluate the needs and expectations of business company workers in respect of the gap between the desired and the received remuneration. The following tasks shall be invoked for achieving the objective:

1) to evaluate theoretical aspects of satisfaction of needs and expectations of workers and possibilities of motivation expansion in business companies;
2) to analyse the relation and the gap between the desired and the received remuneration of business company workers;
3) to perform evaluation of wage increase possibilities in respect of the business companies.

The paper uses the following research methods: systematic analysis of scientific literature sources based on comparative and generalisation approach, statistical data analysis, questionnaire survey of selected business company workers. Statistical processing of the results of empirical research is performed using statistical analysis software, data examination packages Microsoft Office Excel, IBM SPSS Statistics 21 (calculation of averages, standard data deviation, analysis of correlation, linear regression).

Satisfaction of needs and expectations of workers in a context of motivation expansion: theoretical aspects

When analysing usage of labour power in business companies, importance of implementation of fair remuneration policy and integration into human resource strategy for motivation, stimulation, focusing and satisfaction of needs of workers is emphasized in order to achieve the highest labour productivity, quality, customer guidance and successful company existence in a competitive market. Bakanauskienė and Brasaitė (2011) define the employees’ motivation as the achievement to affect the needs of employees, which influence
motives and behaviour changes. Kumpikaitė (2007) relates remuneration and motivation to the material and moral benefits of employees in meeting their basic needs and expectations.

Theoretical aspects of formation, satisfaction of needs and expectations of workers are closely related with provisions of motivation theories, widely analysed in scientific literature even now. Norbert and Ritz (2004) summarized the main motivation theories, distinguished the main aspects of creating the remuneration and motivation systems in the business company: there are different types of individual needs, however, remuneration has an individual degree of satisfaction. A study on needs and expectations of workers in non-governmental companies performed by Ya-Anan and Bunchapattanasukda (2011), with reference to theoretical aspects of Maslow (1946), emphasized the importance of implementation of satisfaction of physical needs and fair culture when forming work remuneration system in companies. According to Lithuanian authors (Kumpikaitė and Kalinauskienė, 2011), a different work group according to social status (distinguished by Bourdieu, 1976) in a motivation theoretical model is related to adequate motivation methods (according to Maslow, 1946). It should be stressed that physiological need is a motivation source for non-qualified workers. Naturally, workers with higher education or working in higher posts seek to satisfy the need of self-realization, acknowledgement, though material remuneration should also satisfy major personal needs. Material wage increases employee’s motivation, because it is related to the basic needs of employee and his family members (Klupšas, 2009), which is the key factor in the employee-employer relationship (Bakanauskienė et al., 2003).

In this paper, the most important thing is to emphasise the gap between the desired and the received remuneration (considered as fair by workers) for the same job. Business companies most commonly collide with a problem regarding insufficient wage on the viewpoint of workers, however, it is often not expressly defined quantitatively, i.e. how does the received material payment differ on the viewpoint of a worker from fair remuneration for the job done. Fair remuneration policy from the perspective of a worker and a business company should not necessary differ highly. In a business company, it is purposeful to expressly define the needs and expectations of workers, for after the expected material wage is secured it is possible to solve other problems related to the satisfaction of other needs in order to achieve productivity, quality of the job done by the worker and the increase of motivation possibilities.

Work (sale of work services to a business company), according to Sahoo and Sahoo (2011), who analysed hierarchy of needs of workers (the major and less important needs), always positively correlate with satisfaction of major needs. Analysis of the aforementioned authors showed that the importance of the need of worker security should be stressed; however, the subjectivity of perception of this need on the viewpoint of each worker was designated.

Satisfaction of higher level needs – social, respect and self-respect, self-expression distinguished in the aforementioned Maslow’s model, may increase motivation of workers, however, the aforementioned theory does not explain why some of the individuals, who reach a certain level, are not motivated by the needs of a higher level. By seeking to remain competitive in the market, the objective of profit maximization stimulates companies to react rationally in changes in the market and offer not only higher wages, but also to ensure a safe, positive psychological climate for the employee (Pacitti, 2011).

As Schmidt et al. (2011) state, depending on the circumstances, determined material remuneration may not only increase motivation of workers, but it may also decrease it. A negative effect may be anticipated in cases when performance assessment and remunera-
tion system is control-oriented. And conversely, a positive effect may be anticipated when major attention is dedicated to strengthening of not only collective cooperation, but also self-confidence of workers. It is very important to note that the created stimulation system is effective only if a worker is implied that the work done by him is evaluated, and this is a great challenge to any business company (Kumpinaitė and Rupšienė, 2008). Fairly determined and satisfactory remuneration influences the increase of efforts of workers in seeking the possibility to create the desired living conditions, purchase of the desired goods or services, satisfaction of the need of greater public respect and self-expression (Graham and Bennett, 1998). As Buford and Lindner (2002) state, a result of goal achievement giving workers a feeling of winning, acknowledgement, also stimulates more effective work. In general, a perception of importance of motivation measures and a fair and honest remuneration policy may help to avoid material remuneration or may “reduce” its consequences (Blinder and Choi, 1990).

Summarising the opinions of the authors, the importance of implementation of principle of equity in a remuneration system of a business company is highlighted. Köbler (2001) emphasizes equity in a field of remuneration and stresses particular principles and additional principles basing the implementation of fair remuneration. The author relates particular equity principles to requirements of workplace, quality of worker’s work and conditions of external environment. According to Blinder and Choi (1990), formation of equity principle based work remuneration system in a company is much more complicated than a process of increase or decrease of wage. Implementation of provisions of Theory of Justice in a remuneration process is related with the analysis of an external and internal environment of a business company influencing the remuneration in order to base differentiation of remuneration of workers in a labour market, i.e. remuneration differences formed in different economic activities or regions, also regarding peculiarities of remuneration system in business companies or regarding weak bargaining power of the worker himself.

On the basis of the aforementioned theoretical aspects of satisfaction of needs and expectations of workers, importance of expectations of workers related to the basic needs (livelihood and safety security) is emphasised. Namely, material remuneration set for worker in the business company is the basis for satisfaction of the aforementioned needs. Empirical research on the ground of these circumstances has been performed in order to emphasise the gap between the desired and the received (just and corresponding expectations) wage for the same work.

**Empirical research method**

The empirical research is based on the doctoral thesis “Systematic Evaluation of Factors Influencing Remuneration in Lithuanian Business Organizations” (Žiogelytė, 2013). Five hundred and nine respondents (employees, permanent workers) were surveyed using a questionnaire in May 2013. It is essential to select representative groups of the researched business companies and employees in order to achieve statistically reliable, objective research results, which would reflect population characteristics (the actual situation regarding the received and desired remuneration corresponding needs and expectations of workers). Influence of statistical deviation stipulated by accidental selection mistakes is undoubtedly decreased if the number of respondents is large enough. It is a big limitation, because due
to the confidentiality of data (employees do not want to disclose their wages and needs in business company), unwillingness of business company participation and other difficulties while collecting this type of data, the research lacks extensive work remuneration systems applied nowadays, what needs and expectations of employees are reflected in the remuneration system.

The size of the representative scope according to Paniotto's formula is 400 employees working in a permanent employment calculated from the average population (1191.6 thousand in the year 2011, according to data of the Department of Statistics under the Government of the Republic of Lithuania) in Lithuania (inaccuracy – 5 percent, value of reliability probability – 0.95). Research respondents were selected by a method of probability layered survey, for the population may be divided in separate layers due to its inhomogeneity. Most of the interviewed workers operated in economic activities, such as accommodation and food service activities, education, wholesale and retail trade, financial and insurance activities.

Quantitative data processing (calculation of averages, standard data deviation; analysis of correlation, legal regression) allows determining if there is a connection between the analysed subjects in quantitative indicators and dependence between these subjects (the desired and the received remuneration of workers).

**Relationship between the desired and the received remuneration of the worker: analysis of the results of the empirical research**

Average remuneration is one of the main factors desired to be emphasised during the survey of workers and according to which it is purposeful to group answers of the respondents. In the number of all the surveyed persons (N=509), average wage received in a present job is LTL 3000: LTL 1000-2000 (N=297 or 58.3 percent of all the surveyed persons) and LTL 2001-3000 (N=153 or 30 percent of all the surveyed persons). Remuneration of the first group of workers is less than two national minimum wage rates (calculating on the basis of the minimum wage rate in Lithuania in the year 2013 – LTL 1000), and wage of the second group is less than three national minimum wage rates. A more detailed analysis of difference between the received and the desired wage for the same job may be performed under characteristics of an average wage rate (except these groups of workers), i.e. if the gap between the desired and the received remuneration of workers who receive higher wage (fair wage on the opinion of workers) is less.

When analysing remuneration desired to be received by a worker according to Chi square criterion, it is obvious that connection between the desired wage on the basis of distinguished aspects of respondents (gender, age, family status, education, working according to speciality, etc.) is statistically significant (p<0.05). Table 1 shows average wage rates desired to be received by workers and standard deviations according to the aforementioned aspects.
Table 1: Averages and standard deviation of the desired wage of employees (by different aspects – gender, age, family status, education, work experience, working according to speciality)

<table>
<thead>
<tr>
<th>Aspects</th>
<th>Actual average wage is LTL 1000-2000</th>
<th>Actual average wage is LTL 2001-3000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td>Standard deviation</td>
</tr>
<tr>
<td>General (LTL)</td>
<td>2133,8</td>
<td>627,7</td>
</tr>
<tr>
<td>Gender</td>
<td>2250</td>
<td>621</td>
</tr>
<tr>
<td>Man (LTL)</td>
<td>2097,3</td>
<td>626</td>
</tr>
<tr>
<td>Women (LTL)</td>
<td>2250</td>
<td>621</td>
</tr>
<tr>
<td>Age (LTL)</td>
<td>20-30 years: 2050,5</td>
<td>198</td>
</tr>
<tr>
<td></td>
<td>40-50 years: 2156,2</td>
<td>937</td>
</tr>
<tr>
<td>Family status</td>
<td>2023,7</td>
<td>573</td>
</tr>
<tr>
<td>Unmarried (LTL)</td>
<td>2436,6</td>
<td>720</td>
</tr>
<tr>
<td>Married and with children (LTL)</td>
<td>2644,3</td>
<td>721,6</td>
</tr>
<tr>
<td>Education</td>
<td>2062</td>
<td>469,4</td>
</tr>
<tr>
<td>Bachelor (LTL)</td>
<td>2644,3</td>
<td>721,6</td>
</tr>
<tr>
<td>Master (LTL)</td>
<td>0-1 years: 2015,9</td>
<td>411,7</td>
</tr>
<tr>
<td>Work experience</td>
<td>5-10 years: 2242,8</td>
<td>729,7</td>
</tr>
<tr>
<td>(LTL)</td>
<td>2302,1</td>
<td>656,4</td>
</tr>
<tr>
<td>Working according to speciality</td>
<td>1929,1</td>
<td>524,4</td>
</tr>
</tbody>
</table>

Source: created by the author

When analysing the received data, it is obvious that an average of the wage desired to be received by workers of both groups is higher than the wage received presently: an average of the wage desired to be received by workers, whose average wage is LTL 1000-2000, is almost 7 percent higher than LTL 2000 and an average of respondents, whose wage is LTL 2001-3000, is 7.4 percent higher than LTL 3000. When comparing an indicator of average rate of the desired wage, it is obvious that men (of both work groups who receive an average wage of LTL 1000-2000 and who receive an average wage of LTL 2001-3000) tend to evaluate their work more than women; older workers, married and having children, more experienced workers also desire higher wage than younger, unmarried and less experienced workers. The rate of the desired wage by the aspect of education is emphasised for an average rate of the desired wage of the worker with master’s degree receiving an average wage of LTL 1000-2001 is the highest in this group (19.3 percent higher than an average in this group of workers). The least apparent average of the desired wage in this group of workers is of the workers working not according to their speciality and an average wage of which is LTL 1000-2000 (9.5 percent less than an average in this group of workers). Whereas there is no vivid difference between an average desired wage by different aspects in a group of workers who receive an average wage of LTL 20001-3000, it follows that persons who receive higher wage tend to indicate even higher desired wage (see Table 1).

Linear regression analysis has been performed in order to evaluate the level of interdependence of the received and desired remuneration of workers. The following statistical hypotheses were raised:

H₀: relationship between the received and the desired remuneration does not exist.
H₁: relationship between the received and the desired remuneration does exist.

At first, using Kolmogorov-Smirnov test, it was checked if the analysed data corresponds to the normal distribution. It was determined that the variables correspond to normal distributions (p>0.05; z₁=4.145; z₂=3.847), therefore, Pearson’s correlations are calculated further (in order to determine intensity of connection between the recently received and the desired remuneration). The determined correlation matrix showed that these indicators have strong correlation (r=0.861) and statistically significant (p<0.01) connection. The following interdependence was emphasised – the increase of the received remuneration increases the desired remuneration and vice versa, the decrease of the received remuneration decreases the desired wage for the same job.

Whereas the analysed data is strongly interdependent, a problem of multicollinearity is checked, however, it is rejected (VIF<4). Coefficient of model’s definiteness R² is 0.741, therefore, the model explains 74.1 percent of the desired remuneration dispersion towards an average by linear regression of the recently received remuneration. P value of the criterion of ANOVA is less than 0.01. H₀ hypothesis is rejected.

The determined linear regression model is the following: AW= -154.2 + 0.788 * DW. Where: AW – actual wage; DW – desired wage.

It follows that the recently received wage of the worker (AW) may be predicted according to its desired remuneration (DW) by 95 percent, i.e. the recently received wage in average is lower from LTL 271 to LTL 37.4 than the desired wage of the worker working in the current workplace. It must be concluded, in summary, that workers do not tend to overrate their current situation in the market and the gap between their wage satisfying needs and expectations and the received wage is not that big. It should also be emphasised that greater remuneration of a worker governs a smaller gap from the desired remuneration. Linear regression model allows determination of the difference between the net remuneration received by a worker in a business company and the desired net remuneration for the same job in average.

It should also be emphasised that general costs for a worker (the price of a worker) in a business company should also be considered, therefore, data in Table 1 show the expenses suffered by a business company for the desired remuneration of a worker (gross wage and expenses of the employer), also the difference in employers expenses in case of the desired and the received net remuneration of a worker.

If the desired net remuneration of a worker is 3000 LTL (gross wage of 3950 LTL), then according to the linear regression model the received wage is less by about 26.3 percent. Expenditure paid by an employer when a worker receives the desired net wage is greater by 26.3 percent than expenditure of an employer in case if the worker receives the current wage.
Figure 1: The relationship between actual and desired wage of employees

Source: created by the author

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1 Gross wage calculated by evaluating non-taxable income, tax of individuals (15 percent), social insurance benefit (9 percent), cost of company calculated by evaluating also social insurance benefit (30,98 percent), deposit to cover.
Expenditure of an employer for a worker influenced by external environment factors allows reasoning of differentiation of remuneration on the basis of different aspects in a business company. A greater received remuneration governs a less gap between the desired remuneration and less company expenses if remuneration for a worker is increased to the remuneration desired by the worker. If the desired net remuneration of a worker is 5000 LTL (gross wage of 6580 LTL), in such case the difference between the received net and gross wage is about 24.3 percent (expenditure of the employer for a worker in case of paid wage of 5000 LTL is also 24.3 percent greater). It should be emphasised that net remuneration desired to be received by a worker is almost or equal to expenditure of the employer suffered by the business company when paying the worker its recent wage (more than 6500 LTL).

The results of the performed survey on business company workers showed that the gap between the received and the desired remuneration of a worker is not that distinctive in labour market of Lithuania, however, evaluation showed that the taxation when calculating net and gross remuneration is making it difficult for the business companies to pay the workers the remuneration satisfying their needs and expectations. It should be emphasised that an increase of remuneration for workers who receive less remuneration (in average 1000-2000 LTL) is more difficult to be implemented by the business companies and requiring greater payroll.

**Conclusions**

Properly considered remuneration management, based on experience of the business company itself and other business companies, is a vital process in order to implement goals, satisfy needs and expectations of both the business company and the worker. It also allows to reach greater efficiency, quality and motivation of the worker, to understand what governs development of the companies and livelihoods of workers. The results of a complex study show that the gap between the desired wage, which satisfies the needs and expectations of employees, and their actual wage is not very significant (the interval between LTL 271 and LTL 374). This confirms the hypothesis that employees usually do not overestimate potential possibilities and are well-aware of the existing situation. Bigger wages earned by employees produce a smaller difference between the desired and actual wage. If the net wage desired by an employee is LTL 1500, then the difference between it and the actual wage is about 31 percent, whereas in the case of employees whose desired wage is LTL 5000, this difference is only about 24 percent. For more sensitive groups of employees earning a smaller wage, its increase to the amount desired by the employees would cost more (about 31 percent) than for employees receiving a bigger wage.

It is necessary to emphasise the involvement of the employee in the process of formation of the business company system of remuneration for work. It would be expedient for business company to involve employees in the process of formation of the system of remuneration for work, creating the possibilities for them to express their opinion about the needs and expectations that should be reflected in the elements of wage. It is necessary to emphasise a consistent relationship between gross and net wages. Gross wage calculated by evaluating non-taxable income, tax of individuals, social insurance benefit, cost of company calculated by evaluating also social insurance benefit, deposit to cover. The employee's wish to get gross wage is almost equal to the employer's business expenses paying the employee
his current salary. The employee must understand the difference between net wage and cost of company paying the net wage (that employee work price is not equal to the net wage). It is recommended for the employee to get familiarised with the statistical data provided by the Department of Statistics under the Government of the Republic of Lithuania on the amount and structure of wage by separate aspects (employee’s age, length of service, occupation groups, gender, economic activity or region where the organisation operates) in order to ensure reasonable formation of own expectations and needs and to achieve a constructive dialogue at the level of the organisation addressing the matters of remuneration for work.

References


DARBUOTOJŲ POREIKIŲ IR LŪKESČIŲ VERSLO ĮMONĖSE VERTINIMAS:
GAUNAMO IR NORIMO GAUTI DARBO UŽMOKESČIO ATOTRŪKIS

Laura ŽIOGELYTĖ
Vilniaus universitetas, Lietuva

Santrauka. Sparčiai kintančios ir nenuspėjamos verslo įmonių veiklai įtaką darančios išorinės ir vidinės aplinkos kontekste vis labiau sėkminga jų veikla priklauso nuo darbuotojų poreikių ir lūkesčių patenkinimo, verslo įmonių ir darbuotojų bendradarbiavimo, interesų darnos užtikrinimo. Vienas pagrindinių darbuotojus motyvuojančių veiksnių yra jų poreikius ir lūkesčius atitinkantis materialusis darbo užmokestis. Į tai atsižvelgiant straipsnyje iškeltas tikslas – įvertinti darbuotojų poreikius ir lūkesčius atitinkančio, norimo gauti (darbuotojų nuomone, teisingo) darbo užmokesčio atotrūkį nuo dabartinio gaunamo darbo užmokesčio verslo įmonėse. Verslo įmonėms tikslinga į darbo apmokėjimo sistemos formavimo procesą įtraukti darbuotojus, tokiu būdu sudarant jiems galimybes išreikšti savo nuomonę dėl asmeninių poreikių ir lūkesčių, kuriuos turi atspindėti darbo užmokesčio elementai, patenkinimą.

Reikšminiai žodžiai: neto ir bruto darbo užmokestis, darbuotojo poreikiai ir lūkesčiai, motyvavimas.