



Motivational career systems and compensation systems

In view of demographic change and the continuing high demand for qualified specialists, employers are encouraged to retain employees in the long term through attractive compensation and career systems. The boundaries between monetary and non-monetary incentives are becoming increasingly blurred. More and more companies are focusing on giving employees greater freedom and flexibility. These days, employees expect this flexibility as a matter of course.

 ARTS Expertise

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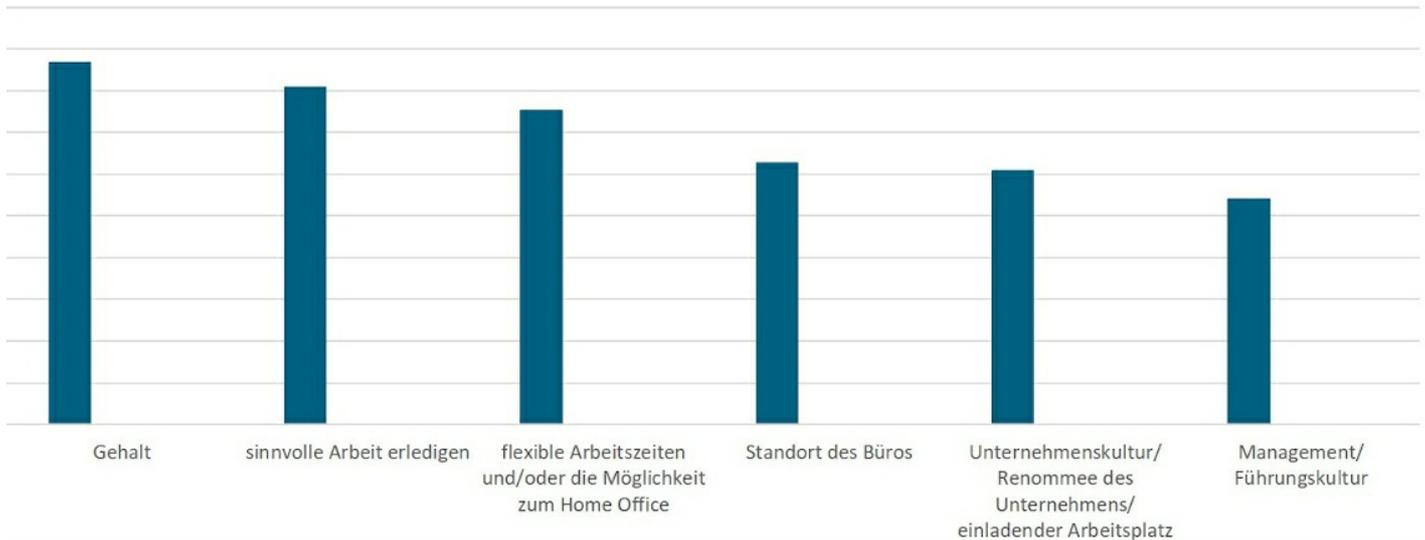
Attractive incentive systems in the war on the shortage of specialists

The statistics clearly indicate that in 2010 only 16 percent of all companies saw the shortage of skilled workers as an obstacle to development, whereas in 2019, according to a survey by the German Chamber of Industry and Commerce, more than 50 percent already considered it to be the case. A reversal of the trend is currently not on the horizon: Although the Specialist Immigration Act to facilitate the influx of qualified specialists from abroad will come in force on March 1, 2020, it will not be possible to reverse the trend. But every year more and more experienced employees leave the companies and leave gaps. The number of vacancies registered in Germany has more than doubled from around 359,000 in 2010 to around 774,000 in 2019.

With this development, the relationship between employer and employee has also changed fundamentally: Today, well-qualified specialists have the opportunity to choose the most attractive among various employers. The trend shows that more and more employees attach importance to [flexible working time models](#), the possibility of home office and meaningful tasks. According to a survey from 2019, however, the [salary](#) is still the decisive factor for employees. This is how the various factors were assessed:

- salary (4,34/5)
- meaningfulness of the work (4.04/5)
- flexible working hours and the possibility to have home office (3,76/5)
- location of the enterprise (3,13/5)
- corporate culture/renominee (3.04/5)
- management / leadership culture (2.7/5)

Faktoren für die Mitarbeiterzufriedenheit



How important are certain factors for employee satisfaction. Own illustration based on © [wrike.com](https://www.wrike.com)

The results of the survey clearly show that even today, employers can still attract qualified specialists primarily through attractive remuneration and career systems. However, the meaningfulness of tasks and flexibility of working hours are becoming increasingly important.

Focus on modern compensation systems

Various types of compensation systems are designed to motivate employees for their work. A primary distinction is made between performance-related, social and performance-related compensation. While performance-related pay is based on quantitative (hours worked) and qualitative (work results) performance, social compensation also takes account to factors such as the [employee's age](#), number of children and length of service. Performance-based compensation allows employees to participate in the company's development, for example by issuing shares or paying a company bonus.

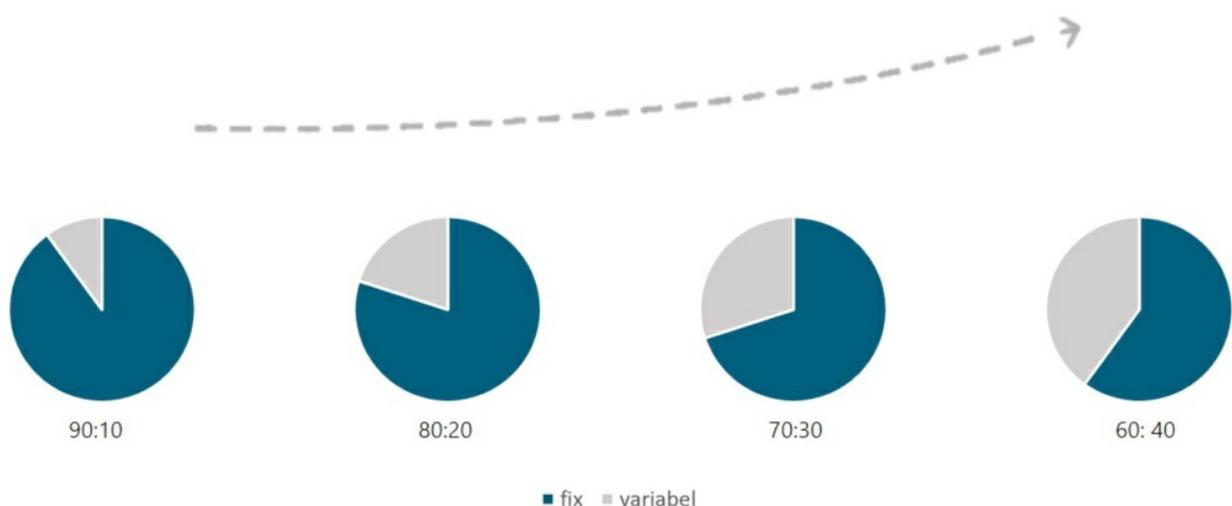
The compensation systems currently in use can each be assigned to these three types. However, there are considerable differences between the different compensation methods. The most common types of compensation include:

- **Time wage:** Fixed payment per time unit (hour, day, week, month)
- **Time wage with benefit supplement:** payment of allowances for quality, quantity, punctuality, overtime, etc.

- **Pensum payment:** Supplementing the time wage with a performance-related, variable payment
- **Variable salary:** combination of salary and performance-related bonus. The bonus may depend on the general development of the company or the performance of the individual employee.
- **Proactive salary increase:** Regular increase of fixed salary according to a fixed formula.
- **Free choice of salary:** The employee himself determines a salary that he feels is performance-related

Not all of these systems are commonly used. The free choice of payment, for example, is a comparatively new model for which no extensive experience is yet available. By contrast, the payment of a salary with a variable component is widespread and is used as an incentive to improve performance, especially for higher-skilled employees. From the employer's point of view, it is important to agree on clear targets.

Verantwortung vs. Gehaltshöhe & variable Anteile



Responsibility vs. Salary & variable shares. Own illustration based on © saxoprint.de

Target agreement and approach

Variable compensation systems are designed in particular to convey corporate strategies and goals. In order to be able to measure the success of an employee or the company, the determination of objectives as well as the weighting of various criteria is decisive. These are to be determined by the managers. As usual, qualitative and quantitative targets are differentiated from each other. This is done in a ratio of 30:70. It is important to note that corporate objectives are not to be equated with work tasks.

The reason for this is simply the different contribution that each employee can make individually due

to the different workplace and field of activity. Do not formulate elaborate annual goals, but communicate and distribute tasks clearly to the workforce. Then calculate the results by evaluating an as-is or plan/actual comparison.

Career systems create incentives

Career systems are closely linked to compensation systems, as advancement on the career path is usually associated with a plus on the pay slip. Nevertheless, the creation of career systems for companies is an alternative incentive method for employees: After all, employees usually not only strive for a higher salary, but also want to take on more responsibility and management positions.

Today we can observe these career systems in German companies in particular:

- **Career of strength:** The career of strength is largely determined by the "right of the stronger". This is where those who can assert themselves against their colleagues and gather the most employees around them reach the top. This form of career system is - at least officially - not very widespread today.
- **Chimney career:** In a chimney career, the person who has been with the company the longest climbs the hierarchy upwards. This form of career system is not very performance-related. It is typically handled in government agencies as well as in large companies.
- **Performance career:** This type of career system is all about performance. Whoever performs well, rises. Those who do not perform well are either relegated or left behind. The performance career is known from management consultancies and law firms.
- **Team career:** As the name indicates, it's a team career! In a team career, everyone works together and subordinates himself to the company's goals. Here team spirit and drive are more important than the career of the individual.
- **Individualist career:** In an individualist career, various career incentive systems are combined. This form is mainly characterized by the fact that experts go their individual way. Lifelong learning and flexible working are the keywords here.

While the classic chimney career and the pure career of strength are discontinued, the performance career and the career of individualists are on the rise. Especially in start-ups, the team career is becoming more and more common as a counter-model to the classic hierarchy.

Non-monetary incentives for employees

The attitude of employees towards entitlements has been changing for years. Salary still plays an important role. However, aspects such as flexibility, the balance between family and work or leisure time are about to replace the company car as a status symbol. Soft factors such as pure appreciation for work also represent motivating incentives for employees. Among the non-monetary incentives, these factors are particularly common:

- **Appreciation:** The appreciation of one's own work is decisive for job satisfaction.
- **Work-Life-Balance:** The generation of the "Millennials" is characterized by the fact that self-fulfillment, leisure time and social contact are highly valued.
- **Range of tasks:** The more interesting and varied the tasks are, the more satisfied employees will be.

- **Transparency:** Companies create incentives, in particular for management decisions, if they communicate them transparently and openly. This strengthens the "we-feel| ing" and the team spirit.
- **Family friendliness:** Extending the lunch break to pick up the daughter from daycare, working from home on Fridays or even taking the child to the office. Family friendliness is an important non-monetary incentive for employees.

Trend development at company level and practical insight

The shortage of skilled workers on the one hand and the changing expectations of employees on the other hand have led to a need for companies to rethink their compensation and career systems. In the battle for qualified specialists, more and more companies are moving away from purely monetary incentive systems.

For employees, salary is still the decisive factor in choosing an employer. Compensation systems with variable, performance-related components have become increasingly important, especially in management positions.

But: Non-monetary incentives such as family friendliness, flexibility and [work-life balance](#) are also taken for granted by employees today. In terms of career systems, it is evident that the trend is moving away from power-driven career ladders or "chimney careers" towards performance-based careers and team careers.

High performance by motivation - ARTS Benefits

Our employees are our [success](#). Therefore, we are interested in developing our specialists and managers in the best possible individual way - whether at the customer's or in [our offices](#), we live the performance career. Everyone has the opportunity to develop and pursue their respective passions. We not only offer monetary incentives, such as a performance-related salary with partly performance bonuses and special payments, but also want to make it easier for our team members to balance family and work. We believe that above all, [satisfied employees](#) are motivated. A flexible time account helps to achieve this just as much as standard annual vacation and special vacation for extraordinary events.

Sources: [dihk.de](#) | [statista.com](#) | [syenja-hofert.de](#)



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