



## Mechanism of Payment for Labor

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### ABSTRACT

This article talks about the mechanism of payment for labor. The market mechanism of setting the level of payment for labor is based on the nature of the supply of labor resources and their demand in the labor market. In this matter, first of all, the decision taken by the person himself regarding the implementation of labor activity is important. If he intends to work, first of all, he should decide how much time he will be engaged in paid work and how much time he will devote to free time. Based on his decision, the person makes his demands to the employer in the labor market.

### Keywords:

economy, labor, payment process, export, import, share, digital economy.

The salary of an employee is established by an employment contract in accordance with the systems of remuneration and labor incentives in force for a given employer.

Forms and systems of remuneration, bonuses, additional payments, allowances, incentive payments are established in collective agreements, as well as other local acts adopted by the employer in agreement with the trade union committee or other representative body of employees. At the same time, they should be based at each employer on those guarantees that are provided for by the Labor Code and other regulatory legal acts on labor.

The employer and representatives of employees have the right to choose the legal form of fixing the rules of remuneration, which seems to them preferable. At the same time, the rules for the correlation of various sources of labor law should be observed. So, a local normative act cannot worsen the situation of employees in comparison with a collective agreement, agreement, and a collective

agreement - in comparison with an industry, professional agreement, etc.

In practice, the wage system is usually established by a collective agreement or local regulations. There is also such an option - part of the rules is established by a collective agreement, part - by a local normative act. In the event that a collective agreement is not concluded or the system of remuneration is not defined in it, it is established in a local regulatory act. Usually such an act is called the Regulations on remuneration. It is possible to establish a remuneration system by several local regulations that are in system unity, for example, the Regulation on the tariff system (staffing with official salaries), the Regulation on bonuses, the Regulation on incentive bonuses and the Regulation on compensatory surcharges.

In a small business, as a rule, a collective agreement, as well as any local regulations on labor, are not accepted, the amount of payment and other working conditions are established in an employment agreement (contract).

Is the efficiency of functioning and social development of certain business entities (labor collectives) ensured primarily by the formation of appropriate individual and collective material incentives? the leading form of implementation of which is the remuneration of various categories of personnel.

Remuneration is any earnings, calculated, as a rule, in monetary terms, which, under an employment contract, the owner or a body authorized by him pays the employee for the products produced (work performed, services rendered)

It consists of basic wages and additional wages. The amount of remuneration of an employee depends on the results of his work, taking into account the results of the overall economic activity of the enterprise.

The basic salary of an employee is determined by specific tariff rates, piece rates, official salaries, as well as allowances and additional payments in amounts not exceeding those established by the legislation in force in the country. The level of additional wages in most cases depends on the final results of the enterprise. Usually, additional wages include bonuses, other incentive and compensation payments, as well as allowances and surcharges that are not provided for by current legislation or are set in excess of the amounts that are allowed to them. According to calculations at industrial enterprises in Ukraine over the past few years, the basic wage and additional wages are respectively 70-80 and 20-30% of the total earnings.

In the context of the development of entrepreneurship and the existence of various forms of ownership, an employee's earnings are no longer determined by the size of some guaranteed wage fund, but increasingly depend on the final results of the activity and income of the entire enterprise. It should be borne in mind that the employee himself is increasingly becoming more or less a real co-owner of the enterprise. Therefore, when remunerating the employee-owner (co-founder), it is necessary to accrue a certain income not only for labor, but also for the capital invested in the enterprise. Given the changes in the nature and mechanism of the formation of an employee's

earnings, instead of the concept of "wage", the terms "labor income", "remuneration", "remuneration", "earnings", "income" are increasingly used. But in any case, full compensation (monetary or non-monetary, sometimes mixed) for the efforts spent, including wages, should reflect the contribution of each employee to the common cause, the effectiveness of his work.

The effectiveness of remuneration is determined by how fully it performs its main functions - reproductive, stimulating, regulating and social. Moreover, the individual structural components of each remuneration function reflect specific aspects of the problem: target orientation, principles, directions and implementation criteria (Fig. 15.7).

The implementation of the reproductive function of wages provides for the establishment of wage rates at a level that ensures the normal reproduction of the workforce of appropriate qualifications and at the same time allows the use of reasonable labor standards that guarantee the owner to obtain the necessary result of economic activity. The incentive function boils down to the fact that the possible level of remuneration should encourage each employee to the most effective actions in his workplace. The regulatory function of remuneration implements the commonly used principle of differentiation of the level of earnings in accordance with the specialty and qualifications of the staff, the importance and complexity of labor tasks. The social function of wages aims to ensure equal pay for equal work; it must combine state and contractual regulation, as well as implement the principle of social justice in relation to obtaining one's own income.

#### *Contemporary politics.*

Full and effective implementation of these main functions of remuneration is possible only if a scientifically based policy of such remuneration is formed and consistently implemented both at the macro level (state, industry, region) and at the micro level (enterprise, organization, their divisions).

The state wage policy is practically implemented as part of the general mechanism

for implementing the state's socio-economic policy.

The use of specific levers of the mechanism of state regulation of wages depends on various factors.

In particular, wage minimization is regulated taking into account the level of economic development of the country, labor productivity, average wages, as well as the value of the minimum consumer budget ("basket"). To this it must be added that the full implementation of the information function of the state, i.e., the timely preparation and publication of statistical data: quarterly - on average wages and working hours by industry, groups of professions and positions; annually - on the cost of labor in accordance with the standard international classification of labor costs.

The wage policy of enterprises, organizations and other primary business entities is formed and implemented within the framework of the current legislation, primarily the Law of Ukraine "On wages" (1995). It should take into account the strategic and tactical goals of the activities of specific business entities, their industry specifics, absolute size, geographical location, degree of international integration, level of social development of the team, etc.

The specific implementation of the wage policy is carried out on the basis of an agreement on the regulation of wages for employees of the enterprise, i.e., on the basis of the conclusion of tariff agreements at three levels:

- intersectoral (general tariff agreement);
- sectoral or municipal (respectively, sectoral or regional tariff agreements);
- production (tariff agreement as an integral part of the collective agreement).

A tariff agreement is an agreement between representatives of the parties on wages and social guarantees. It has a specific content characteristic at each level. In particular, the subject of the tariff agreement at the production level (as an integral part of the

collective agreement) are the structural elements.

In the case of hiring an employee under a contract, the owner or a body authorized by him may establish (with the consent of the employee) both those stipulated by the collective agreement and individual conditions of remuneration.

It should be taken into account that the norms of a production-level tariff agreement may temporarily (up to 6 months) allow a wage level lower than the norms determined by the general industry or regional agreement, but not lower than state norms and wage guarantees.

During the validity (terms are determined by the parties to the negotiations) of tariff agreements, none of the representatives of the parties that are in the scope of these agreements can unilaterally demand an increase (decrease) in the amount of wages and benefits beyond what is provided for by the tariff agreement.

#### *Organization Basics.*

The practical organization of wages is based on the state and contractual regulation of its absolute level and the mechanism for determining the individual wages of all categories of workers (workers, specialists, employees, managers) of enterprises and institutions of various forms of ownership. The main organizational and legal tool for substantiating the differentiation of wages for employees of different economic entities (activities) is the tariff and job system, which includes the following structural elements: tariff and qualification directories: qualification directories for the positions of managers, specialists and employees; tariff scales and rates; official salary schemes or a single tariff scale.

Tariff-qualification reference books in the form of a unified tariff-qualification reference book of works and professions of workers (ETKS) is a collection of normative acts that contains qualification characteristics of works and professions, grouped by industries and types of work. ETKS is intended for billing of works, assignment of qualification categories to workers, as well as for the formation of training

programs for the training and advanced training of workers.

Qualification directories of positions of managers and employees are normative documents that provide sectoral qualification characteristics of these categories of employees. They contain job responsibilities, requirements for knowledge and work experience in the specialty, level and profile of training of managers, specialists and employees.

The tariff scale establishes the appropriate ratios in the remuneration of workers of different qualifications. It is, in fact, a list of tariff categories and their corresponding payment coefficients. The parameters of the tariff scale established in Ukraine are given.

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