ECONOMIC AND LEGAL ANALYSIS OF PREMIUMS AND INCREMENTS TO STAFF

Urgency of the research. In modern conditions of development of economic relations in Ukraine the issues of proper material incentives and increase of labor motivation of employees by paying them additional payments and surcharges remain relevant.

Target setting. Violation of laws – non-payment or untimely/incomplete payment of premiums/increments to staff – is one of basic reasons for the most of labor disputes and conflict situations. Insufficient motivation of staff negatively affects the growth rate of production, leads to decreased labor productivity, and low performance of staff.

Actual scientific researches and issues analysis. At different times, problem of applying the premiums and increments was studied by D. D. Hordiyenko, I. V. Zhyhley, G. T. Zavinovska, A. V. Kalyna, A. M. Kolot, M. V. Koryahin, P. O. Kutsyk, O. V. Lyshylenko, M. B. Makhsma, G. A. Semenov and others.

Uninvestigated parts of general matters defining. Despite the significant scope of theoretical and practical developments made by scientists, issue of enhancing the role of premiums/increments, as material incentive for improved performance and productivity, remains open and requires further scientific research.

The research objective. Identifying the economic and legal content of premiums and increments, on the basis of research, and generalization of normative acts regulating the remuneration issues in Ukraine.

The statement of basic materials. Premiums and increments, paid for labor success, ingenuity, and special terms of work, form an integral component in variable part of wages. By their intended purpose, they should be considered as compensatory and incentive payments.

Conclusions. Premiums and increments form an essential tool of material incentives for staff – to maximize the quality, productivity, and efficiency of work. So far, there is an urgent need for legislative framework of "premium" and "increment" terms – for their proper understanding and application in practice.

Keywords: remuneration; salary; cash security; position salary; premium; increment.


Urgency of the research. In actual conditions of developing the economic relations in Ukraine, arrangement of effective remuneration system for employees is one of critical issues, including the
proper material incentives, increased labor motivation, and monetary compensation of additional labor costs (under current legislation on terms and size of these payments). Now, important forms of labor motivation at enterprises, institutions, and organizations include premiums and increments, as integral element of additional wages. Setting the premiums and increments is appraisal of employee’s achievements, encouraging the most active, initiative, and skilled staff. Presence of such payments initiates the employee’s sense of maximum responsibility for performance of duties, while contributing to increased labor productivity and improved quality of products (services).

**Target setting.** Violation of laws in the field of remuneration, including the inadequate payment of premiums and increments, is main cause of the most labor disputes/conflict situations. They include untimely (incomplete) payments, absence of premiums to minimum wage, employer’s annulment of premiums for work in harmful and hard conditions, at night, etc. Such and other violations are massive – in private businesses and in state organizations. As a result, insufficient motivation of staff negatively affects the growth rate of production, leads to decreased labor productivity and low performance of staff. Employees have a rhetorical question: why work better, if wages are the same? So, it appears that ensuring of production efficiency is only possible by solving a problem of material incentives for each party in production process. Decent remuneration of staff, with full payment of premiums/increments, guarantees stability and prosperity of enterprise.


**Uninvestigated parts of general matters defining.** Despite the significant scope of theoretical and practical developments made by scientists, issue of enhancing the role of premiums/increments, as material incentive for improved performance and productivity, remains open and requires further scientific research.

**The research objective.** Purpose of the article is to determine the economic and legal content of premiums and increments, on the basis of research, and generalize the normative acts regulating the remuneration issues in Ukraine.

**The statement of basic materials.** Relations between staff and employer are always characterized by such criterion as remuneration of labor. This is one of fundamental principles in social-labor relations meaning that any labor shall have fair remuneration ensuring the sufficient standard of living, i.e., adequate meals, clothing, housing, etc. This principle is consistent with concept of “wages” in Part 1, Clause 1, Law of Ukraine “On Labor Remuneration” [1]. The concept is understood by legislators as reward, usually calculated in monetary terms and paid by employer to staff for performed work (under labor contract) [1].

Structurally, the wages are divided in 3 parts: 1) basic salary; 2) additional salary; 3) other incentives and compensation payments. 2-part classification is also known: 1) constant part of salary (basic tariffs and rates), which serves as guaranteed and stable amount of remuneration for work; 2) variable part of salary, mostly used to improve the labor motivation of staff. Premiums and increments, paid for labor success, ingenuity, and special terms of work, form an integral component in variable part of wages. They are characterized by stable payment and usually assumed for particular employee.

According to Part 1, Clause 15, Law of Ukraine “On Labor Remuneration” [1], terms of implementation and size of premiums/increments are set by enterprise in collective agreement, following the norms and guarantees assumed by laws, general, sectoral (inter-sectoral), and territorial contracts. In case if collective agreement is not concluded at the enterprise, employer has to agree the issues with elective body of primary trade-union organization representing the interests of the most employees; in the absence thereof – with another authorized representative body [1]. Specific size of premiums/increments is defined regarding the above requirements. According to some Russian experts, it is reasonable to set the premiums/increments for a certain period, as changes may occur: a) in attitude of staff to work; b) in terms of work; c) in financial sources for labor remuneration [2, p. 253].
It must be noted that, as of today, Labor Code of Ukraine [3] and laws of Ukraine “On Labor Remuneration” [1], “On Collective Contracts and Agreements” [4] have no definition of concepts “premium” and “increment”. Besides, legislators do not differentiate the above categories and usually use them in unity, i.e., see no difference between them. Completely different opinion is expressed by scientists, who believe that each of the above terms has certain semantic load and special purpose.

Thus, N. Ovsyuk notes that premiums are intended to compensate the additional labor costs caused by objective difference in terms and complexity of labor. In turn, increments stimulate fair attitude to work, professional development, labor intensity, discharge of labor duties in certain conditions, and initiative in fulfillment of tasks and assignments [5, p. 270]. According to V. I. Prokopenko, increment is individual reward to staff for high skills, and purpose of premium is to compensate the staff in case of deviation from normal working conditions [6, p. 357]. N. L. Shevchenko states that premium shall be understood as monetary payment to staff for additional job duties, increasing the labor intensity, night/overtime work, and other cases established by law. Increment is monetary payment to staff for complex and intense work, job experience (years of service), special nature of work, level of skills, and other cases established by law [7, p. 187]. N. B. Bolotina states that purpose of premium is to stimulate the improved business skills and qualification of staff, long-term discharge of labor duties in certain area of work; increment is generally used to compensate the increased labor intensity and stress [8, p. 408].

Given the above opinions of scientists, premiums/increments shall be reviewed by target use as compensatory and incentive payments. This point of view is also supported by I. I. Demko, according to whom, compensation payments must ensure compensation of potential losses (working capacity, productive use of work hours, full use of professional and qualification potential) for staff, due to circumstances beyond control. And incentive payments are intended to form the incentive motives to work, as well as to higher labor productivity [9, p. 492]. M. B. Maksma also notes that compensatory payments (for terms of work, night work, etc.) are independently determined by enterprise, but not lower than size established by law; incentive payments (premiums/increments for high qualification, professional skills, work by minimum staff, awards, rewards, etc.) are provided by enterprise within its financial capabilities and also determined independently [10, p. 101].

As seen, compensatory premiums/increments, in contrast to incentive ones, are imperative (supported by state guarantees) and aim to reimburse the efforts for work under special conditions. In turn, incentive premiums and increments are, in most cases, established by employer. They are paid to encourage the staff and contribute to more efficient use of labor potential, while causing a wish to improve professional qualities. For example, Decree of Cabinet of Ministers of Ukraine “Remuneration of staff at state bodies” [11], No. 15 of January 18, 2017 assumes that heads of public service at state body have the right to establish additional incentive payments for public servants – within the savings of wage fund [11]. This decree clarifies that additional incentive payments to public servants include the increments:

1. For labor intensity. Provided to public servants regarding such criteria: 1) quality and complexity of prepared documents; 2) urgency of tasks, processing and preparing the documents; 3) initiative in work.
2. For especially important work. Provided to public servants regarding such criteria: 1) implementation of tasks and functions related to priorities of state policy, participation in drafting the normative legal acts, expertise of such acts; 2) performance of work requiring special organizational-executive skills and responsibility of staff, which results in increased management efficiency [11]. Tab. 1 shows limit size of monthly increment for particularly important work – to specialists on reformation issues (Tab. 1).

Getting back to compensatory premiums and increments, let’s note that, in turn, they are also divided in two groups: 1) premiums without restrictions by sphere of work – usually, obligatory for enterprises of any ownership (work on weekends, holidays, and overtimes; work of under-aged staff, regarding their reduced work day; work of staff below assigned wage grade); 2) premiums in certain field of work. Some of them are established to compensate the additional work (not directly related to main functions of staff); others – for unfavorable terms of work [10, p. 101-102].
Limit size of monthly increment for particularly important work – to specialists on reformation issues

<table>
<thead>
<tr>
<th>Position</th>
<th>Size, UAH</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Secretary of Cabinet of Ministers of Ukraine, state secretary of ministry, head of state body</td>
<td>40,000-55,000</td>
</tr>
<tr>
<td>First Deputy of State Secretary of Cabinet of Ministers of Ukraine, first deputy head of state body</td>
<td>36,200-50,000</td>
</tr>
<tr>
<td>Deputy of State Secretary of Cabinet of Ministers of Ukraine, deputy head of state body</td>
<td>36,500-50,000</td>
</tr>
<tr>
<td>General director of directorate, director of general department, General Director of Government Office for Coordination of European and Euro-Atlantic Integration</td>
<td>37,570-50,000</td>
</tr>
<tr>
<td>Head of expert group in directorate, general department, Government Office for Coordination of European and Euro-Atlantic Integration</td>
<td>33,000-45,000</td>
</tr>
<tr>
<td>State expert of directorate, general department, Government Office for Coordination of European and Euro-Atlantic Integration</td>
<td>28,300-40,000</td>
</tr>
</tbody>
</table>

Source: [11; 12]

Item 2.2.1, Instruction No. 5 of January 13, 2004 [13], as normative act applied to legal entities and separate subdivisions, regardless of ownership and organizational-legal management, assumes a list of basic premiums/increments to tariff rates (wages, position salaries). First of all, these are premiums and increments for: combining of professions (positions); extended service area or increased scope of work; discharge of duties for temporarily absent staff; work in hard/harmful and extra hard/harmful conditions; labor intensity; night work; foremanship; high professional skill; category of drivers; labor achievements (to public servants as well); critical work within certain period; knowledge and use of foreign language in work; clearance to state secrets; diplomatic rank, special rank of official, rank of public servant, qualification category of judge; academic degree; normative time of stay in mine (shaft to work place and back, for staff constantly involved in underground work); work in radioactively contaminated territory; other premiums/increments assumed by current legislation, including the premium to minimum wage [13].

Regarding this list, the following shall be noted: first, it does not cover all premiums and increments, just main ones, as other spheres of work may have other additional monetary rewards – depending on nature of work performed by staff; second, size of such premiums/increments is not indicated. Their size and terms of provision are contained in other regulatory acts. For example, in Decree of Cabinet of Ministers of Ukraine “Remuneration of staff on the basis of unified tariff system and remuneration ratios of staff at institutions, facilities, and organizations in specific sectors of budget sphere”, No. 1298 of August 30, 2002 [14], General Agreement regulating the basic principles and norms of implementing the socio-economic policy and labor relations in Ukraine dated August 23, 2016 [15], sectoral (inter-sectoral) and territorial agreements, collective agreements of enterprises, institutions, organizations, and in special laws establishing some features of labor regulation for certain categories of staff; third, as we see, legislators do not differentiate premiums and increments, but place them in one list. Instead, the above Decree of Cabinet of Ministers of Ukraine, No. 1298 of August 30, 2002, and General Agreement of August 23, 2016 place increments and premiums for staff to individual groups; fourth, attention shall be paid to the fact that legislators include premium to minimum wage in general list of premiums and increments traditionally understood as payments over basic rate (salary) of staff. Such premium also refers to remuneration fund within the additional wage fund; it is calculated and paid at the end of month, along with wage for second half of the month. Premium to minimum wage is subject to Unified Social Contribution, personal income tax, and military fee. Premium to minimum wage is considered during calculation of average wage. Features of calculating and paying the premium to minimum wage depend on work schedule, terms of labor contract, compliance with labor standards, etc. [16, p. 97]; fifth, we consider provisions of Instruction No. 5, January 13, 2004, outdated (on premium for qualification category of judge). Today, qualification categories of judges are not assigned any more. According to Part 2, Clause 52, Law of Ukraine "On Judiciary and Status of Judges", judges in Ukraine have uniform status, despite the court position in judiciary system or administrative position of judge in court [17]. Quite logically, Clause 135 “Judicial remuneration” of
this Law also does not assume such premium. Situation with premium to diplomats, for diplomatic rank, is the same. Indeed, prior to entry of new Law of Ukraine “On Public Service” [18] (No. 889-VIII, December 10, 2015) into force, Clause 35, Law of Ukraine “On Diplomatic Service” [19] assumed such premiums. However, current conditions of remuneration to diplomats, including premiums/increments, are set according to Law of Ukraine “On Public Service”, i.e., on general basis (with payment of premium exactly for rank of public servant).

We believe that Tab. 2 shall provide the size of basic premiums and increments regarding the relation between Decree of Cabinet of Ministers of Ukraine, No. 1298 of August 30, 2002 [14], which assumes the size of premiums and increments to staff of institutions, facilities, organizations in certain sectors of budget sphere, and General Agreement of August 23, 2016, which assumes the list and size of premiums/increments to tariff rates, wages, and position salaries of staff at enterprises, institutions, organizations of inter-sectoral nature (except for budget sphere) [15; 20] (Tab. 2):

<table>
<thead>
<tr>
<th>Premiums and increments</th>
<th>Size of premiums and increments</th>
</tr>
</thead>
<tbody>
<tr>
<td>under Decree of Cabinet of Ministers of Ukraine, No. 1298 of August 30, 2002</td>
<td>under General Agreement of August 23, 2016</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

### PREMIUMS:

- **For discharge of duties of temporarily absent staff**
  - up to 50% of position salary (tariff rate)
  - up to 100% of tariff rate (wage, position salary) of absent staff

- **For combined professions (positions)**
  - up to 50% of position salary (tariff rate)
  - premium per employee is not limited by maximum size and set within the savings of wage fund – at tariff rate/salary of combined position

- **For extended service area or increased scope of performed work**
  - up to 50% of position salary (tariff rate)
  - size of premium per employee is not limited and determined by presence of savings on tariff rates and salaries, which could be paid subject to compliance with normative number of staff

- **For night work**
  - up to 40% of hourly rate (position salary), if higher amount is not determined by law – for every hour of work 10 p.m. to 6 a.m.
  - 35% of hourly rate (position salary) – for every hour of work at that time

- **For work in the evening – 6 p.m. to 10 p.m. (multi-shift work)**
  - 20% of hourly rate (wage, position salary) for every hour of work at that time

- **For academic title**
  - professor – within 33% of position salary (wage rate);
  - associate professor, senior researcher – within 25% of position salary (wage rate)

- **For academic degree**
  - doctor of science – within 25% of position salary (wage rate);
  - candidate of science, doctor of philosophy – within 15% of position salary (wage rate)

- **For work in hard / harmful and extra hard / harmful conditions**
  - for work in hard/harmful conditions – 4, 8, 12% of tariff rate (salary);
  - for work in extra hard/harmful conditions – 16, 20, 24% of tariff rate (salary)

- **For use of disinfectants and to staff involved in cleaning of toilets**
  - 10% of position (monthly) salary
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In addition to these premiums/increments and their size, special statutory legal acts, regulating certain spheres of labor activity, may set other (specific for this profession only) premiums/increments – with indication of relevant size. For example, we can cite some of them.

Premium for prestige of pedagogical work. It is set up to 30% of position salary (wage rate), but no less than 5% – to pedagogical staff of preschool, extracurricular, general secondary, vocational, and higher education institutions, as well as the other institutions and facilities, regardless of their subordina-
tion [22]. Pedagogical and scientific-pedagogical staff is also provided with monthly increments for years of service: over 3 years – 10%; over 10 years – 20%; over 20 years – 30% of position salary [23; 24].

Public servants are also entitled to such increment: in other circumstances and of different size. Thus, increment for years of public service is set as 3% of public servant’s salary – for each calendar year of public service, but no more than 50% of position salary. Also, they are provided with increments to position salaries for rank of public servant: 9th rank – 200 UAH, 8th rank – 300 UAH, 7th rank – 400 UAH, 6th rank – 500 UAH, 5th rank – 600 UAH, 4th rank – 700 UAH, 3rd rank – 800 UAH, 2nd rank – 900 UAH, 1st rank – 1,000 UAH [11].

Staff of legislative, executive, and judicial bodies, prosecutor’s office, and other state bodies, Verkhovna Rada of Autonomous Republic of Crimea, Council of Ministers of Autonomous Republic of Crimea, local self-government bodies, enterprises, institutions, organizations, which, under their professional activity, constantly work with data forming a state secret; besides, increment to position salaries (tariff rates) is set depending on sensitivity of information: data and carriers classified as “critical” – 20%, “top secret” – 15%, “secret” – 10%.

Significant amount of increments/premiums is paid to National Police officers by Decree of Cabinet of Ministers of Ukraine “On Funding of National Police Officers” [25], No. 988 of November 11, 2015. In particular, these are the increments for years of service in police, functions of state expert on secrets, service under regime restrictions, continuous experience of cryptographic work, “honorary” title; premium for night service, academic degree, academic title [25]. It is also noted that the above Decree of Cabinet of Ministers of Ukraine, No. 988 of November 11, 2015 [25], in addition to terms “increment” and “premium”, also operates such concept as “raising the position salary”. For example, cadets are provided with 25% increase of position salary for excellent study or getting the relevant number of points under ECTS (by results of exam session). Besides, persons directly involved in ensuring the public order and security of citizens (special police service) may be provided with increase, up to 100% of position salary [25]. This, in turn, enables a statement that legislators do not identify a term “raising the position salary” with “increment” or “premium”.

Meanwhile, some normative acts use definition “special increments”. For example, they are set and paid to officers, privates, sergeants, and petty officers serving under contract – in command/military units of Special Forces, Armed Forces of Ukraine (in percentage of living wage for able-bodied persons).

Conclusions. Based on the above, let’s note that premiums/increments form an essential tool for material stimulation of staff to the most high-quality, productive, and effective work.

Scientific circles still have no unity of views in understanding the terms “premium” and “increment”. This is mostly due to absence of legal definition for such categories in Labor Code of Ukraine and Law of Ukraine “On Labor Remuneration”. Thus, there is an urgent need to formalize this terminology – for proper understanding and application in practice. Concepts “premium” and “increment” are closely related, but cannot be identified, as they have different purpose.

Ratio between size of basic premiums and increments (paid to staff of institutions, facilities, and organizations to position salaries) is set depending on sensitivity of information: data and carriers classified as “critical” – 20%, “top secret” – 15%, “secret” – 10%.

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