

## EMPLOYEE BENEFITS PRACTICE IN SLOVAKIA

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The authors of the paper together with other research fellows at the Faculty of Economics, J. Selye University have been researching and analyzing the practice of employee benefits in Slovakia since 2012. Scientific Paper was elaborated within the framework of the projects KEGA 001UCM-4/2016, and GAAA 19/2018.

**Abstract:** Nowadays we can observe the shortage of workforce with the skills required - for a growing number of vacancies, - that makes looming problem for the companies in the region. Due to the shortage of suitable candidates, it is quite common that companies are struggling to hire new talents and retain the existing one. Several international researches (Blanchard, 2003) have shown, that traditional „money based“ compensation cannot be the sufficient tool in the previous mentioned competition. According to an old business proverb, only employees who themselves are well treated will be loyal to their employer (and treat the customers well). It is, of course, important to acknowledge that this aim can most easily be achieved by creating a motivating working environment and a pleasant and flexible organizational structure, all of which enables employees to produce their best. Recognizing the value represented by employee benefits is, in fact, of increased importance in complicated situations such as those recently experienced. The category of ‘employee benefits’ comprises the whole range of non-wage ‘reward tools’, and there is, in fact, no company which does not provide some benefits to its employees. However the aim of the employers providing benefits is more or less similar, we can explore huge differences in the way they are providing them and the amount of provided benefits compared to the wage. Determinative disparities can be identified in the context of significant differences in the field of labor law regulation. There is no doubt that the need for comparativism is growing, due to the ever expanding communications and information technology, as international cooperation develops and the free movement of labor increases. This study, based upon a research, arranged in 2016 provides insight into the Slovak practice of employee benefits.

**Keywords:** employee benefits, cafeteria, labor market, Slovakia.

### 1 Introduction

The rapid technological change we may experience at the beginning of the 21st century represents the biggest challenge for today’s business leaders (Morrison, 2017; Csókás and Machová, 2017; Reschreiter, 2015). Employers, that wishing to keep up in the era of Industry 4.0 have to pay special attention to their human resource management, as they are inevitably facing with lack of skilled labor that results a more intensive competition to acquire them (Mura et al., 2017; Gavurová and Glova, 2012b; Prakovičiūtė, Korsakienė, 2016; Otter and Halasi, 2018). This trend also poses serious demands on educational institutions, since most of them are unable to adapt quickly to the new needs of labor market (Hitka, 2018; Švec, 2011). New professions are born, others disappear. (Perry, 2016) According to a 2013 report on Oxford academic research, 47% of American workers have jobs at high risk of potential automation (Mahdawi, 2017, Cseh Papp et al., 2018). This accelerated change, called digitalization is ringing throughout the entire economy. The major challenges of the business world at the beginning of the Fourth Industrial Revolution are the following:

- globalization (Razminiene & Tvaronaviciene, 2017),
- digitalization,
- shortage of skilled labor,
- labor migration (brain drain) (Lincényi, 2017),
- cyber security/ handling big data.

“Keeping up with the rate of digital advancement (automation, harnessing big data, emerging technologies and cyber security) will add a whole new layer of complexity for the future leaders, as they try to stay ahead of competitors and innovate”, said Siegers, CEMS executive director. Lack of candidates with suitable skills does not hit solely the companies with advanced R&D activities, but all employers as well in the CEE region, due to:

- labor mobility and the so called brain drain (Olšovská and Švec, 2017). According to Kahanec and Zimmermann (2016) there were approximately 230.000-250.000 Slovakian workers employed abroad in 2007, that means 10-12% of the active labor force.
- non-targeted education.

The phenomenon is absolutely bidirectional. The other segment of the labor market also suffers from the reported situation. Although, there is a constantly growing demand for labor in numbers, the large proportion of job seekers can’t meet the current labor market expectations. “We often meet with candidates without a chance to find an appropriate job,” said Ričányová, the regional manager of Grafton Recruitment in Košice, adding that this is true mostly for graduates of managerial programs, lawyers, teachers, translators, graduates of political sciences and international relations. In case of these graduates we build many times on the knowledge of foreign languages and they find jobs, for example in client service.” Similarly to other CEE (Central Eastern European) countries, strong dissonance can be observed at the Slovak labor market with lack of workforce with appropriate skills, and overqualified hopeless job seekers at one time.

### 2 Empirical background

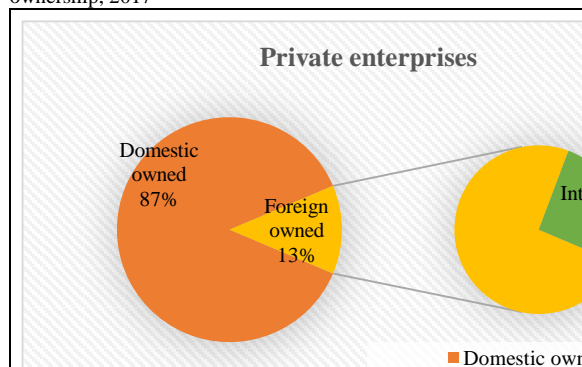
During the last two decades the Slovak economy experienced the so called „investment driven stage“ by Porter (2011), that is characterized by high rate of capital inflows - as the economy is not enough prepared to have been driven by innovation – primarily the labor-intensive industries are targeted by foreign direct investors. Slovakia has become an „assembly workshop“ for Western and Northern European automotive and electrical products manufacturing for a long term. Well trained technical specialists and relatively cheap workforce represented an excellent opportunity to increase their profits by outsourcing some of the manufacturing operations to Slovakia (Liptáková, 2015; Kádár 2017). According to the current (2017) Sario report, the car industry - directly by the 3 car producers: VW, PSA, Kia and their Tier 1 suppliers - employs cca. 80.000 people. Together with subcontractors and other related sectors and services, the automotive industry gives jobs to more than 200.000 people, and generates 13 percent of the country’s gross domestic product (GDP). Production of transport vehicles, which for the first time in 2010 represented more than 20 percent of total industrial sales and gradually increased its share up to 35% in the first half of 2017 (Sario, 2017), played important role in bringing down unemployment from the near 20 percent levels experienced at the beginning of the century. On the other hand, labor migration had even bigger impact on the decline in the unemployment rate. It is complicated to get accurate information about work migration abroad. However the official statistics display 134.000 Slovaks worked abroad in 2014, local experts presume, that the exact number may be even higher. According to Baláž, prognosticator at the Slovak Academy of Sciences, the realistic estimation may be up to 250.000 active workers (Minarechová, 2015). By 2007, the destinations Slovaks headed to, were mostly the Czech Republic, followed by the UK, Hungary and Austria. Two thirds of them were men, 70 percent were aged 25-44 years, 80 percent had secondary education and 15 percent university education, based on Infostat data. After the beginning of the crisis in 2008 the number of Slovaks working in Austria has increased significantly, while the interest in working in the UK has declined (Jurčová, 2015).

Latest happenings, which can have significant effect on the situation at the Slovak labor market are Brexit, as an external influencing factor, and the current development of FDI inflow experienced particularly within automotive industry, as global carmakers are extending their production in Slovakia to the entire production process, most cases including research and development – as an internal factor influencing the current situation at the Slovak market.

The Automotive Innovation Slovakia Survey 2014, published by KPMG in December 2014 noted that as many as 26 subcontractors in Slovakia have their own R&D centers, employing altogether 700 people, and some 16 others are set to launch within three years. The number of big car manufacturers hosted by the country reaches number four, as in 2015 the British Jaguar Land Rover (JLR) carmaker, owned by the Indian Tata Group, announced its intention to set up its new manufacturing plant in western Slovakia. The reported volume of investment in 2016-2018 reaches €2 billion. Total employment at the facility will initially exceed 1.500 and expected to climb close to twice the amount, while total employment at subcontractors could initially reach 5.000 and could gradually climb to nearly 9.000 overall. Analysts and market watchers nonetheless warn that the availability of labor force might be a problem as several companies are already complaining about the lack of qualified labor force. Another 3 car factories that have earlier settled in the country are KIA Motors – 3800 employees, PSA Peugeot – 3500 employees, and Volkswagen Slovakia – 9900 employees (Liptáková, 2015). The statistics show that the proportion of large enterprises accounts only 1% of the total number of businesses, while the remaining 99 percent belong to the category of small and medium-sized enterprises (SME). SME's are seen a substantial segment of the Slovak economy, offering job opportunities to nearly three quarters (73.6%) of the active work force and participated with more than half (52.8%) in the creation of added value. (Slovak Business Agency, 2016) Based on the data processed by the Slovak Statistics Office (2017), there has been 210.766 registered business ventures in 2017, out of which only 644 are large enterprises.

The dominance of domestic owned companies can be observed based on the data, collected by the Slovak Statistics Office. The total number of registered private entities is 210.187, out of which 26,208 are foreign owned.

Figure 1 Private enterprises registered in Slovakia categorized by ownership, 2017



Source: own processing according to the data collected by the Slovak Statistical Office

The above-mentioned trends raise the question of what tools employers are using to acquire and retain talents. Whether the demonstrated change of circumstances have any effect on the companies' HR practices, at all? Let's have a look at the data collected and analyzed by the Slovak National Bank on changes in wage and labor productivity compared to the last year (Table 1). The average nominal wage increased by 3.3% during 2016. At the private sector and at the whole economy, real wage growth reached almost the level of the pre-crisis period (i.e. from Q1 2007 to Q3 2008).

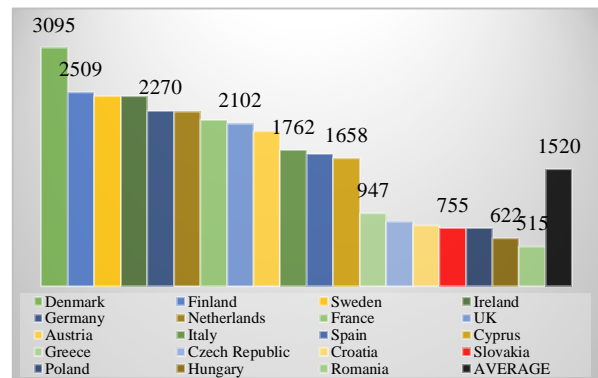
Table 1. Wages and labor productivity (annual change in percentage)

	Q1	Q2	2016 Q3	Q4	Q1-Q4	2017 Q1
Average wage (headline)	3.3	2.7	3.3	3.6	3.3	3.5
Consumer price inflation	-0.5	-0.7	-0.7	-0.1	-0.5	0.9
Average real wage (headline)	3.8	3.4	4	3.7	3.8	2.6
Average wage (ESA 2010)	2.7	1.8	2	3.3	2.5	2.6
Compensation per employee (ESA 2010)	2.2	1.4	0.8	2.5	1.8	3.5
Nominal labor productivity (ESA 2010)	0.7	1.1	-0.1	0.3	0.5	1.9
Real labor productivity (ESA 2010)	1.1	1.5	0.5	0.4	0.9	1

Source: own processing

The report says, that behind the wage growth stays the growing demand for labor, and the perceived shortage of skilled labor. Wage levels are expected to be influenced in the next quarters by labor productivity and profit growth. (National Bank of Slovakia, 2017) An important question is whether the current average wage of EUR 755 will be able to compete for Slovak workforce in the open European labor-market. Considering the significant difference in average wages inside the European Union (Figure 2) we have no reason to be optimistic. Of course, various other aspects must be considered when choosing a job, not to mention if this involves change of residence as well. But it is also a fact that wage equalization cannot be the goal of foreign investors. They are probably going to find some alternative way to attract local workforce, or get it from other countries with even lower wage expectations.

Figure 2 List of European countries by average wage 2017



Source: Fisher, 2017

### 3 Theoretical Background

This study investigates the characteristic features of recent compensation practice at the Slovak labor market. First base of the research is the existence of non-financial compensation forms that have vital influence on employee engagement and retention (Messmer 2007; Myšková et al. 2016; Gavurová and Glova, 2012a; Sungatullina and Neizvestnaya, 2017).

The category of 'employee benefits' comprises the whole range of non-financial 'reward tools', including those quite unrelated to performance (Hitka-Sirotiaková, 2011). There is, in fact, no company which does not provide some benefits to its employees. The three most important types are as follows: firstly, mandatory or compulsory benefits, whilst a second group, serving to improve the living or working conditions of employees (Snell-Bohlander, 2007). The third are distributed on the basis of the social needs of employees. One strategic issue of the reward system is the decision making process involved in providing employee benefits. The possibilities are:

- fixed system – in which the benefits are identical for all employees,
- flexible system – which permits free choice from several forms of benefit.

Traditional reward systems have a fixed character, in that they offer similar benefits to everyone, even if, perhaps, subject to a value- or quantity determining formula. Administration is relatively simple, but the system itself is quite inflexible (Lorincová, 2018; Mura, 2017). The ‘cafeteria’ model is one of the newer solutions in the field of reward management; it originated in the USA, although by now it is used worldwide. The greatest success in Europe was achieved in the UK, but, due to taxation rules in Germany and Austria, the model is relatively rarely used in these countries (Kasper-Mayrhofer, 2002).

Employee benefits have a great importance in creating a pleasant and motivating working environment (Išoraitė, 2013; Ubrežiová et al., 2015; Vlacseková-Mura, 2017). Since it is an important area for both workers and employers, a wide range of surveys are being carried out around Europe to monitor employee benefits.

Taking into account several researches conducted by local consulting firms and university research teams as well, as a comparative basis for our research we have chosen the research on employee benefits carried out by Cranet International Research Network. In the research of HRM model in Europe the previously mentioned Cranet researches have played pioneering role. “The Cranfield Network on International Human Resource Management, launched in 1989, was established to meet the need for ready access to information on best practice and comparative performance within Europe and globally. Cranet is now an established research collaboration, coordinated by Cranfield School of Management, Cranet is the acknowledged leader in all aspects of international human resource management, both theoretical and practical, with a distinguished reputation worldwide. The Network itself is a collaboration between over 40 universities and business schools” (Cranfield.uk).

### 3.1 Cranet research on employee benefit practice

The questionnaire of Cranet research consists of seven parts. Questions on incentive schemes are contained in part five. The answers have been analyzed on the basis of three major samples - the whole world, Central and Eastern European countries and Slovakia.

#### 3.1.1 Characteristics of participating organizations

Table 2. Repartition of organizations in the international Cranet sample by ownership form

Sector	All	CEE	Slovakia
Private sector	69.50%	71.70%	90.10%
Public sector	22.70%	25.20%	8.80%
Nonprofit	4.30%	1.30%	0.00%
Mixed ownership	3.50%	1.80%	1.1%
All	100.00%	100.00%	100.00%

Source: own processing according to the data collected by Cranet

Based on the analysis of the sample, it can be seen that most of the examined organizations belong to the public sector, the private sector is being presented to a lesser extent, while non-profit and mixed-type organizations have the lowest rate in the sample. The global breakdown by sector is similar to that of Central and Eastern European countries, but Slovakia has a significantly higher private sector share.

Table 3. Repartition of the organizations in the international Cranet sample by sector

Sector	All	CEE	Slovakia
Industry and Constructions	32.00%	35.10%	36.30%
Services	50.00%	51.00%	43.90%
Agriculture	3.10%	4.90%	3.80%
Other	14.90%	9.00%	16.00%
All	100%	100%	100%

Source: own processing according to the data collected by Cranet

Globally as well as in the CEE region, half of the organizations surveyed provide services and only a minimal part of the organizations are working in agriculture. The sectoral breakdown of each Central and Eastern European countries does not differ significantly from all the countries in the CEE region, the repartition of the Slovak sample is also similar to the whole sample. In the latest survey? There are fewer service providers and some more industrial manufacturing companies.

Table 4. Repartition of organizations in the international Cranet sample by size

Size – number of employees	All	CEE	Slovakia
less than 100	8.10%	10.00%	15.30%
100 – 250	23.90%	33.90%	47.30%
251 – 1000	40.00%	38.60%	22.90%
1001 – 5000	20.50%	14.10%	12.60%
more than 5000	7.50%	3.40%	1.90%
All	100.00%	100.00%	100.00%

Source: own processing

The most common company size of respondents is between 250 and 1000 employee headcount.

Proportion of large enterprises, over 5000 employee headcount is 7.5% of all respondents, while in Central and Eastern Europe it is even less, 3.4%. The majority of respondents in Slovakia belongs to organizations having 100-250 employees. Their proportion is significantly higher (47%) than in the region (34%) and the total sample (24%), and the proportion of companies employing more than 5000 people is only 2%.

#### 3.1.2 Application of flexible benefits

The research examines how the ownership, organizational size and sector of operation affect the application of flexible benefits. Considering the private sector, 44 percent of all respondents, as well as private sector organizations, and regional respondents use flexible form of benefits provision, while in Slovakia this figure is somewhat lower, 40% percent. In the public sector, there is a significant disparity relative to the proportion of flexible benefits, while it is 28% globally, 23% in the region, 44% in Slovakia.

Table 5. The proportion of organizations using flexible benefits by ownership category

Sector	All	CEE	Slovakia
Private sector	44.10%	43.60%	39.80%
Public sector	27.50%	23.30%	43.50%
Nonprofit	32.30%	9.10%	
Mixed (public & private)	34.50%	35.70%	33.30%

Source: own processing according to the data obtained during the research

Flexible form of benefits have been used in the highest proportion (44 %) at industry sector respondents, but the other sectors are either far behind. The proportions are even more balanced in the sample of Central and Eastern European region, but the industry is here also the leader (39%). The proportions are similar in the Slovak sample, 45% of respondents, providing

flexible benefits represent the industrial sector. The share of agricultural organizations is somewhat higher (40%) than at the aggregated and regional samples.

Table 6. The proportion of organizations using flexible benefits by sector

Sector	All	CEE	Slovakia
Industry and construction	43.70%	39.30%	45.30%
Services	37.00%	38.40%	38.30%
Agriculture	35.30%	33.80%	40.00%
Other	39.30%	35.20%	33.30%

Source: own processing according to the data obtained during the research

The Chi squared test shows significant correlation with the sector only for the aggregated sample, but the strength of the relation represented by the Cramer's V indicates weak relation, the value of the coefficient is 0.063. (The Chi square test cannot be performed in case of Slovakia.)

In relation of the organization size, there is no significant difference in the application of flexible benefit form. The largest proportion of respondents (46%) globally using flexible benefits are the organizations with over 5,000 employees, but the other categories are following them with 37 to 40%. The proportions are very similar as well as in Central and Eastern Europe. This value is somewhat higher (43,70%) in Slovakia, while its proportion is only 40% in the whole sample and in the regional as well.

Table 7. The proportion of organizations using flexible benefits by size

Size number of employees	All	CEE	Slovakia
less than 100	38.20%	36.10%	32.50%
100-250	36.80%	37.10%	39.50%
251-1000	38.10%	36.40%	40.00%
1001-5000	39.80%	39.80%	51.50%
more than 5000	46.20%	43.90%	40.00%
All	38.70%	37.40%	43.70%

Source: Composed by the authors according to the data obtained during the research

The Chi square test shows significant correlation between application of flexible benefits and the organizational size for the whole sample but the relation is very weak (Cramer's V=0,048). There is no significant relationship between the variables in the Central and Eastern European neither in the Slovakian sample.

#### 4 Empirical experiences

The research conducted among Slovakian employers in 2016 is based on a questionnaire comprising 10 kinds of question group. The questionnaire consists of the following main parts:

- name of the company and contact information,
- characteristics of the participants,
- benefits provided by participants ,
- granted benefits,
- flexible benefits,
- organizational features of the operation of cafeteria systems,
- cafeteria frame sums,
- operation of cafeteria systems in the changed tax environment,
- intention of the introduction of cafeteria system, if not used yet,
- future of benefits.

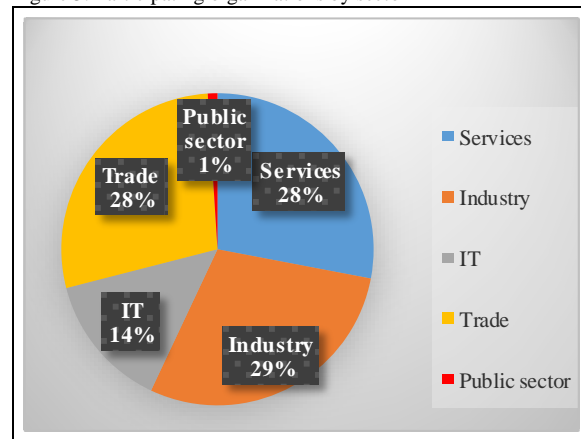
The findings of the report are based on the exertion of general statistical methods (average, frequency and repartition). For our research we had 85 completed questionnaires. The research has a benchmark character that is able to provide a basis for further

comparison, queries and research. The aim of the research is to picture of how respondents think about the current role of employee benefits.

#### 4.1 Research sample

99% of respondents belong to the private sector, and only 1% represents the public sector. Most of the business sector respondents operate in the field of industry, trade and services.

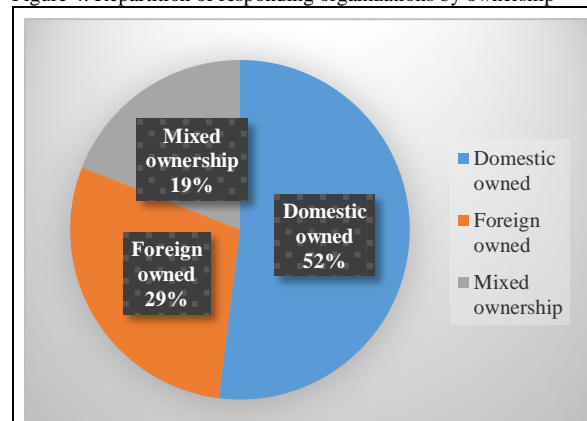
Figure 3. Participating organizations by sector



Source: own processing

Most of the respondents (52%) are domestically owned, while 29% are in foreign ownership. The remaining 19% are in mixed ownership.

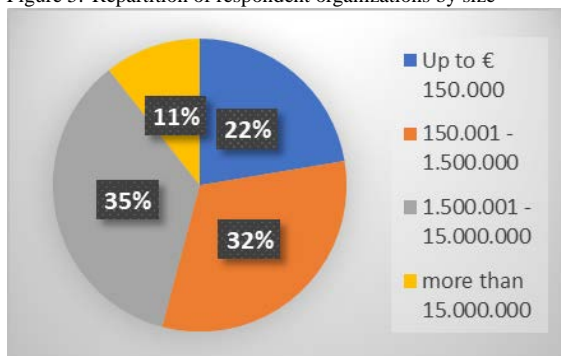
Figure 4. Repartition of responding organizations by ownership



Source: own processing

The dominance of small and medium-sized enterprises can be observed in the sample, but some of the companies surveyed are classified as large companies in terms of annual sales revenue.

Figure 5. Repartition of respondent organizations by size



Source: own processing

#### 4.2 Legal framework of benefits

Legal framework of employee benefits in Slovakia has been determined in the Labor Code, the Personal Income Tax Act, the Law on the Social Fund, the Act on Workplace Safety and Health Protection, the Travel Contribution Act, and the Act on Salary Pay for a Temporary Invalidation Worker.

Compulsory non-financial benefits are referred in Chapter 7 of the Labor Code, and the benefits listed therein are required to provide for all employee. The most basic such a benefit is the warm meal, for which every employee is entitled to, if works at least 4 hours a day, and is entitled to 2 hot dishes after 11 hours of work per day. According to the law, at least 55% of the meal price must be reimbursed by the employer.

The Labor Code requires the employer to insure the continuous training and development of the employee, with special regard to cases when the employee does not possess the skills required for the position, or if he changes his position to another. The law obliges not only the employer to provide trainings for the employees, but also the employee to participate in these trainings.

Pursuant to Article 7, §156 of the Labor Code, the employer is obliged to insure each of his employee for the case of permanent incapacity.

The employer is obliged to ensure the protection of health and life of his employees during the working time in all respect. One of the tools, named in the act is the provision of the necessary protective equipment and workwear, the cost of which is entirely borne by the employer.

The Law on the Social Fund stipulates that every economic entity that operates in the territory of the Slovak Republic and employs at least 1 manpower shall establish a social fund. The amount and the way of its use is accurately defined by the law.

#### 4.3 Taxation of benefits

The Slovak Income Tax Act, does not distinguish the earnings according to their financial character. Every earning regardless of whether it is earned in cash or non-financial benefit, have to be taxed. The income tax rate of natural persons is 19% up to €198.09/month, and 25% above. Nevertheless there exist some „fringe benefits” that are freed from under taxation.

4.3.1. The following benefits are payable free of tax charge in Slovakia

- Benefits funded by the Social Fund
- Mandatory travel allowance
- The value of required protective equipment and workwear
- Contribution to regeneration and recreation, as well as the cost of preventive medical treatment in some cases
- Repayment of costs related to the employee's position
- The amount spent by the employer to the employee trainings

- Meal allowance up to the prescribed limit of law (55% of €4,2), above it, the exemption exists only if it is financed by the social fund.
- Value of non-alcoholic beverages provided by the employer at the workplace.
- Requisition of recreational, health, educational or sports facility provided by the employer.
- Compulsory insurance paid by the employer.
- Wage supplements paid by the employer in case of the employees incapacity.
- Profession related and social benefits to members of the armed forces, armed security forces, Mountain Rescue Service, National Security Bureau, Fire Service, Military Service and the Slovak Information Service.
- Material rewards of firefighters and rescue teams.
- Sum of the wage premium paid according to the §32 of the Income Tax Act.
- Non-financial benefits from the employer's own products up to €200 only in the case of agricultural ventures.
- Social assistance in case of death of a worker's close relative up to the limit of €2000 per year.

Except for those named as an exception, all other benefits increases the tax base. The tax base, however, may be reduced by the so-called “tax-free part”. In 2017 this sum reaches the annual € 803,33.

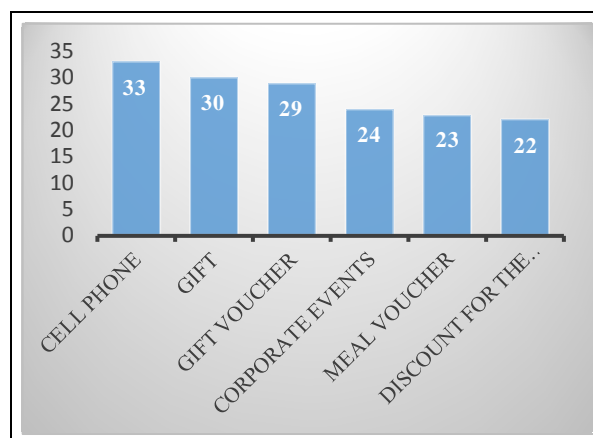
#### 4.4. Research results

Participant organizations provide eight kind of benefits on average. The amount of benefits offered is closely related to the size of the company.

Hot meal provided in or near the workplace, meal allowance, workwear required for safe work, as well as the necessary training, have been provided for all employee.

Based on the survey results we have found that, despite the tax free opportunity to support the employee to get to the workplace by the Social Fund, a relatively low proportion of employers chose this form of employee benefits.

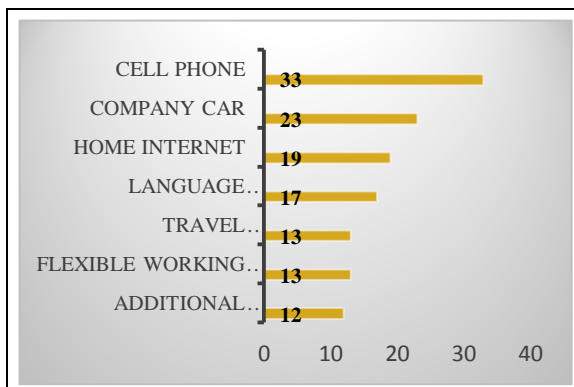
Figure 6. Most often provided non-compulsory benefits by the 85 respondents



Source: own processing

Benefits, provided exclusively for certain groups of employees are company car for private access, cell phone for private use, vouchers of several cultural events, more payed holiday, flexible working time, as well as professional or language trainings.

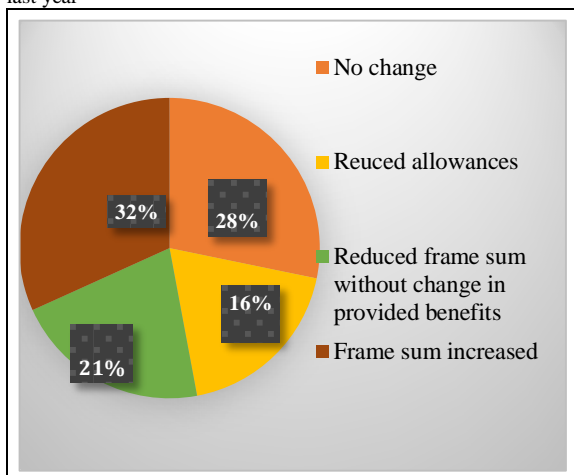
Figure 7. Benefits provided exclusively for certain groups of employees



Source: own processing

Only 28% of the participating organizations did not changed the amount spent for benefits compared to the last year. 32% of respondents increased the frame sum spent on employee benefits. 40% reduced the frame sum or the number of provided benefits.

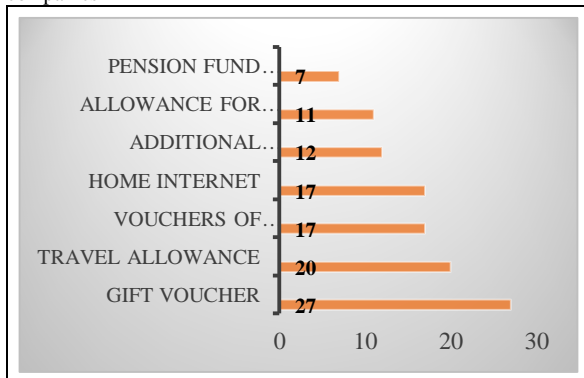
Figure 8: Changes in value spent for benefits compared to the last year



Source: own processing

According to the respondents' answers, most of the organizations provide flexible form benefits. Only 22% of participating organizations do not allow free choice between benefits for any group of employees.

Figure 9. Most frequent cafeteria items in 2016 at the respondent companies



Source: own processing

The validity of the following two hypotheses were analyzed during our study:

*Hypotheses 1: There is a connection between the main factors involved in the development of the benefit system and the sectoral distribution of the companies.*

In the context of our first hypothesis we have examined the following three factors:

- the benefit system increases employee motivation,
- the benefit system means predictable, well-designed costs
- applying benefit system contributes to increasing employee satisfaction

Table 8. Statistical analysis of the sectoral affiliation (N=85)

Source: own processing

Important factors		The benefit system increases motivation among employees	The benefit system means predictable, well-designed costs	Applying the benefit system contributes to increasing employee satisfaction
Industry	Mean	3.27	3.20	2.92
	N	26	26	26
	Standard deviation	1.31	1.01	1.16
Service	Mean	3.78	3	3.46
	N	59	59	59
	Standard deviation	0.95	0.85	1.25
Sum	Mean	3.62	3.01	3.29
	N	85	85	85
	Standard deviation	1.09	0.93	1.24

From the table above, we can see that on average, the highest values were achieved by the motivational factors. In the case of services, the value is 3,78; while in industry 3,27. Increasing employee satisfaction was moderately important factor in the industrial sector, while it was far more important in the service sector. In most cases, the size of the standard deviation exceeds 1, and this number indicates that the respondents considered these criteria to be very important or less important in almost all cases. Based on the ANOVA test, there is a statistically significant difference on the 95% confidence interval level (Sig = 0,046) between the following variables: the benefit system increases motivation among employees; and sectoral affiliation. However, the connection between these variables was weak (Eta = 0,047) This test was also carried out on the two remaining criteria. We also found statistically significant difference (Sig = 0,067) in the case of employee satisfaction, however, as in the previous case, there is a weak connection between the two variables (Eta = 0,04). At the third criterion we didn't found statistically significant difference. According to our analysis we can say that there is a connection between the main factors involved in the development of the benefit system and the sectoral repartition of the companies.

*Hypothesis 2: There is a connection between companies with large revenue and the number of provided flexible benefits.*

In the following figure we can see, which benefits were considered as flexible benefits by the examined companies.

Table 9. List of the flexible benefits

Flexible benefits	Percentage
catering at work (canteen)	19.40%
gift card	16.70%
support public transportation	11.60%
internet	9.30%
PC	8.80%
vouchers for cultural events	8.30%
none	6.50%
season ticket (public transportation)	5.10%
sport events vouchers	5.10%
pension fund	2.80%
Insurance above compulsory insurance	2.30%

support of housing	1.90%
supporting sport activities	1.40%
vouchers for recreational activities	0.90%
Sum	100%

Source: own processing

We can see at the table above that the most popular flexible benefits are the following: canteen, that is provided by 19,4% of respondents. This is followed by the gift card 16,7% and 11,6% provide travel allowance. Among the least-used flexible benefits are the following: vouchers for recreational activities (0,9%) and supporting sport activities (1,4%).

Table 10. Number of provided flexible benefits according to revenue categories (N=85)

Number of flexible benefits	0	1	2	3	4	5	6	7
0 – 300 000	8	7	13	8	6	0	0	0
300 001 – 15 000 000	6	3	6	6	8	3	2	0
15 000 001 <	0	3	0	3	1	0	1	1
Sum	14	13	19	17	15	3	3	1
Mean	2.38							
Standard deviation	1.66							

Source: own processing

At the table above, we can see how many types of flexible benefits have been provided to the employees. In 14 cases companies do not provide any flexible benefit to their employees. They are mainly small businesses. Most companies offer two, three or four flexible benefits to their employees. There are some companies, offering five, six or seven kind of flexible benefits. Their revenue is above 10 million, they represent the biggest companies of our sample.

The conducted ANOVA test between the variables of the number of flexible benefits and the sales revenue showed the following results: There is a statistically significant difference (Sig = 0,034) on the 95% confidence interval level, but the connection between the two variables proved to be weak (Eta = 0,079). The size of the standard deviation is 1,66, which shows us how much we differ from the average number of flexible benefits. According to our analysis there is relationship between the number of provided flexible benefits and the size of the company by annual revenue.

## Conclusions

Our examination and the international Cranet research of established reward practice in Slovakia revealed, that most of the organizations in Slovakia consider employee benefits as an indispensable compensation tool. There is almost no employer that does not provide something beyond mandatory benefits. As benefits provision is a general trend in Slovakia and in the EU, no employer can avoid it. Providing more benefits and making free choice available between them is considered as general mainly at large enterprises. The statistical analyses have proved that the number of provided benefits is in relation with the company size. The respondents, providing only mandatory benefits represents the category of smallest ventures in the sample. Based on the observation of the forms of provided benefits we can conclude, that biggest part of benefits have been used to motivate specialized groups of employees. Benefit forms that are used to support all employee are very rarely used. Such kind of a benefit is the travel allowance, which in spite of that it could be funded by the social fund, relatively small proportion of employers provide it. Since the basic level of social care of employees is the employer's duty prescribed by the law, most of the employers consider them as sufficient contribution in case of operative workforce. Retention and motivation of specialists and

professionals are considered as the most important HR challenge. The respondents' answers point out, that employers find employee benefits as an effective and useful motivation tool. Benefits, provided exclusively for certain groups of employees are company car for private access, cell phone for private use, vouchers of several cultural events, more payed holiday, flexible working time, as well as professional or language trainings.

According to the research, conducted by Cranet research center, it can be stated that Slovak employers are not in the leading position in terms of employee benefits provision in comparison with other EU countries. Taking into consideration, that the average wage in Slovakia is not competitive at the common European labor market, in terms of employee benefits they should be more powerful. Moreover, 40% of respondents in our sample reduced the provided benefits, or the frame sum, compared to the last year.

Overall, it can be stated that despite the fact that respondents consider employee benefits as an important motivation tool they still do not use this alternative form of compensation to the appropriate extent.

The present situation in the labor market would justify the expansion of the frame sum and the number of provided benefits as well as the introduction of new, innovative benefit forms in order to increase employer competitiveness. Presumably this trend may be expected in the future. The authors are planning to repeat the research, and monitor the changes of compensation practice at the Slovak labor market.

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