

Methods of employee engagement in a digital economy

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Abstract — Modern economy has undergone a sea change under the influence of digital and electronic technologies – the scientific and technical achievements of the last several decades triggered development of the economy in a new direction. Innovative technologies are introduced in all the spheres of our life changing the established organizational processes. A digital economy renders special importance to the issue of education, since a regular upgrade of electronic programmes and introduction of new gadgets demands that personnel have special skills and experience. The constantly changing economic environment demands that heads of organizations pick their employees more meticulously, meaning hiring A-rate professionals capable of adjusting to work in the constantly changing environment. Today supply and demand on the labour market are equally high. Workers are now more demanding of their employers than ever making corporate benefits programmes more important than before. The goal of introducing a benefits package in a company is its higher competitiveness among peer companies and, as a consequence, attraction of highly qualified personnel. Besides that, benefits plans can also include different types of educational programmes, training programmes and such. Entrepreneurs from all over the world see a benefits package as one of the most efficient ways to motivate their employees to work better. Russian businessmen, working in an economic model aimed primarily at tax collection to the budget see the benefits package as a way to reduce the taxation base for the profit tax. Taking the experience of their foreign partners as an example, Russian entrepreneurs took over the methods of the most efficient forming and use of corporate benefits programmes in commercial organizations of various types.

Keywords — corporate benefits programme, package of benefits, a flexible benefits plan, fiscal accounting, performance motivation, the cafeteria type of package of benefits.

I. INTRODUCTION

Modern economic environment changes all the time. A so-called digital economy is becoming more and more influential and develops faster each day. Digital and electronic technologies are applied in all the spheres of our life, endowing an organization with necessary competitive advantages. Development of digital economy boosts entrepreneurship and introduction of a large number of innovations in all the spheres of activities.

The problem of hiring highly qualified personnel capable of training and retraining becomes especially important in a digital economy. This is why the issue of the methods of hiring and motivating personnel arises.

The wage of an employee is, without doubt, an incentive for the employee to work – the better the employee works, the higher his salary is. However, an employer cannot raise the employee's wage incessantly increasing his payroll expenses. But employees' interest in work diminishes without the possibility of receiving a higher salary, which means that labour productivity also falls. In such cases employers seek new ways to motivate their workers.

Currently, the most popular type of labour motivation is provision of employees with additional social guarantees and advantages, which make part of a package of benefits. Foreign companies have long been using social programmes as one of the significant elements of their development strategies. Today large Russian companies use benefits packages as a method of motivation of their personnel and increasing the company's profit.

The subject is also important because highly qualified workers have no problems with finding a highly paid position on the labour market and when choosing a job they pay attention to other conditions, which are no less important for them. The key goal of creating a package of benefits for an organization is motivation of its employees, pushing them to work creatively, proactively, and responsibly.

The corporate benefits programme notion is not reflected in legislation. This is why many researchers, the authors of articles devoted to the issue offer interpretations of their own. G.G. Cherkassova defines corporate benefits programme as a total of guarantees, compensations and advantages provided to an employee voluntarily and at the expense of an employer and offered depending on qualifications of an employee, his record of work in the position outlined in an employment agreement or a trade union contract. F.I. Ninalova together with Z.M. Kikova writes that a social package is a total of additional social benefits and guarantees, which increase attractiveness of a company. I.V. Dolgoplova believes that a The corporate benefits programme unites indirect methods (monetary and non-monetary methods) of stimulating workers [5, 6, 11].

The aforementioned researchers agree that a benefits package has a positive influence on an organization:

- as a competitive advantage of the organization on the labour market;
- increases the share of qualified personnel;
- decreases the turnover rate of personnel;

- improves the company's image;
- stimulates labour productivity;
- as expenses included in the costs when calculating the profit tax (the taxation base minimization).

M.V. Kravets researched the principles and methods of forming a benefits package in organizations depending on staff numbers, the possibility of their differentiation, an individual treatment of workers in the organization as well as the budget of a company [6].

Hsiu-I Ting, Po-Kai Huang, the authors of foreign-language articles on the subject, write about the positive influence of perquisites offered as a part of a social package on the status and image of a company. Larry Fauver, Michael B. McDonald, Alvaro G. Taboada focus in their research on formation of an employee-friendly (EF) culture, which is a significant factor in human resources management in an organization, through an offer of additional advantages to their employees. Chenxing Jing, Kevin Keasey, Ivan lim, Bin Xu also pointed to direct correlation between social advantages in an organization and their employees' satisfaction with their jobs. Nevertheless, there are different opinions on the matter. German researchers Andrea Hammermann, Alwine Mohnen concluded that the use of monetary incentives is more effective than non-monetary awards in order to boost labour productivity and improve the end result of operations. American researchers Lian Fen Lee, Michelle Lowry, Susan Shu doubted the positive influence of some privileges offered as a part of company benefits, namely corporate jets, and called them excessive. [7, 9, 4, 2, 1, 11].

II. METHODOLOGY AND HYPOTHESIS

While doing our research, we studied the periodicals devoted to the matter of providing workers with additional social benefits. We used such general scientific research methods as analysis and synthesis, induction and deduction, comparison and description as well as qualitative analysis. We applied the methods of grouping, generalization, classification, systematization and modelling while processing information.

Information on the structure of corporate benefits used in the Russian Federation and abroad as well as information on the taxation order of a social package components in the Russian Federation we have analyzed is presented in the form of a table for illustrative purposes. After the research was completed, the process of forming of a benefits package was modelled in three key variants.

Hypothesis: various criteria form the basis for a benefits programme in different countries. The criteria depend on the goal the organization sets for its corporate benefits package. This is a way for the organization not only to award its employees certain social benefits in order to attain their loyalty and attract highly qualified personnel, but it also ensures additional advantages for itself.

III. RESULTS

Formation and introduction of a corporate benefits portfolio is a complicated and comprehensive process. The portfolio may include various guarantees, compensations and advantages depending on the goal to be attained. For example, they can be

split into the following groups – services complementing working conditions, help the company's employees feel more comfortable in their workplace, form an efficient working environment (payment of mobile communications, transportation, the Internet). Social services target employee's motivation for work directly (financial help, free meals, advantages and guarantees for children). Image services point to the status of an employee, his value for the employer (corporate apartments, vehicles, payments for sports facilities). Individual services target workers' motivation by providing them with necessary stimuli (a flexible working day schedule, reimbursement of training and housing services expenses) [5].

For example, the management of a Chinese bank introduced such perquisites as corporate vehicles, club memberships, travelling, entertainment, yachts and jets to its corporate culture after analyzing the effectiveness of corporate benefits plans in the United States of America. The aforementioned components of corporate benefits helped the bank increase the status of its executives among competitors, and, as a consequence, improved the image of the company [7].

The appearance of corporate benefits in Russian practice was greatly influenced by the development of this trend in foreign countries. However, the order of a social package formation as well as its components differ significantly in Russian and foreign firms (table 1).

TABLE I. COMPARATIVE ANALYSIS OF BENEFITS PACKAGES AT FOREIGN AND RUSSIAN COMPANIES

№ p/p	Comparative criterion	Russian companies	Foreign companies
1	2	3	4
1.	The order of formation	The employer compiles the benefits package on his own, and decides what he will include in it and to what extent	<u>A flexible social benefits plan</u> : there is a limiting criterion (for example, the price or the number), the employer offers a list of privileges for the employee to choose, allows him to define the volume of the privilege
2.	The structure of the benefits package	The employer creates a small list of privileges, which complement working conditions or privileges of a social character	The employer creates a relatively long list of privileges, consisting of different privileges, mainly <u>image and individual</u>
3.	The most popular social benefits plans	Voluntary medical insurance, non-state pension provision, free meals, financial help, bonuses for anniversaries, New Year gifts for children	Payment for education, healthcare and pension provision, a corporate car and apartment, a flexible working schedule, payment for sports amenities and privileges to the family of the employee

Source: The table is compiled with the help of data from article by F.I. Ninalova, Z.N. Kikova Social Package As A Competitive Advantage of A Company: Local And Foreign Practice.

In the hi-tech industry, represented by such companies as Google, Yahoo, Netflix, Microsoft employees enjoy the following benefits to create employee-friendly (EF) culture – free meals, generous paid leave packages, in-building fitness, entertainment amenities[9].

Russian companies have a problem now – there are guarantees in benefits programmes, which the employer is obliged to provide by law – a lunch break, a paid sickness and vacation leave; extra pay for work at night time and on holidays; extra pay for overtime work, etc. Nevertheless, a standard set of social benefits (pension, medical insurance) is offered by practically each company, both local and foreign [11].

From a financial point of view, the key advantage of a package of benefits is its ability to reduce the taxation base for the profit tax under Russian legislation. To assess a package of benefits as a constant expense for the organization, we should turn to fiscal accounting (table 2).

TABLE II. FISCAL ACCOUNTING FOR EMPLOYEE BENEFITS

№ п/п	Components of a social benefits plan	Personal income tax	Pension payments	Profit tax
1	2	3	4	5
1.	Free meals	Taxable (p.1 article 210 of the Russian Federation Tax Code)	Charged (pp. 1 i. 1 article 420 of the Russian Federation Tax Code)	Included in tax calculation (pp. 4 and 25 article 255 of the Russian Federation Tax Code)
2.	Reimbursement for dry cleaning	Taxable (p.1 article 210 of the Russian Federation Tax Code)	Charged (pp. 1 p. 1 article 420 of the Russian Federation Tax Code)	Included in tax calculation (p. 25 article 255 of the Russian Federation Tax Code)
3.	Transportation fees			
4.	Sports amenities reimbursement			
5.	Financial aid	Taxable for the part exceeding 4000 rubls. (p.28 article 217 of the Russian Federation Tax Code)	Charged for the part exceeding 4000 rubls. (pp. 11 i. 1 article 422 of the Russian Federation Tax Code)	Not included in tax calculation (p. 23 article 270 of the Russian Federation Tax Code)
6.	Reimbursement of education (English language classes, corporate and internal training and other educational programmes)	Not taxable (p.21 article 217 of the Russian Federation Tax Code)	Not charged (pp. 12 i. 1 article 422 of the Russian Federation Tax Code)	Included in tax calculation (p. 23 article 264 of the Russian Federation Tax Code)
7.	Healthcare benefits	Not taxable (p.10 article 217 of the Russian Federation Tax Code)	Charged (pp. 1 i. 1 article 420 of the Russian Federation Tax Code)	Included in tax calculation (p. 25 article 255 of the Russian Federation Tax Code)
8.	New Year and other gifts from the employer for the employee	Taxable for the part exceeding 4000 rubls. (p.28 article 217 of the Russian Federation Tax Code)	Charged for the part exceeding 4000 rubls (pp. 11 i. 1 article 422 of the Russian Federation Tax Code)	Not included in tax calculation (p. 16 article 270 of the Russian Federation Tax Code)
9.	Payments for voluntary medical insurance (further VMI) under labour contracts of no less than one year	Not taxable (p.3 article 213 of the Russian Federation Tax Code)	Charged (pp. 5 i. 1 article 422 of the Russian Federation Tax Code)	Not included in tax calculation (p. 6 article 270 of the Russian Federation Tax Code)
10.	Payments for voluntary medical insurance under one year or longer labour contracts	Not taxable (p.3 article 213 of the Russian Federation Tax Code)	Not charged (pp. 5 i. 1 article 422 of the Russian Federation Tax Code)	Included in tax calculation (p. 16 article 255 of the Russian Federation Tax Code)

Source: The table compiled with data from article Corporate Benefits for Employees: Where To Include and How to Tax by M.G. Sukhanovskaya.

The following features of taxation are important to single out. The sums paid by the employer for healthcare services of its employees are not subject to a personal income tax only if the payment is cashless. Education fees will also not be subject to the income tax and payments only if the educational establishment has a licence; the employer has to make sure that education is received in its interests to include the fees in the expenses when calculating the profit tax. Payments for meals, transportation, dry cleaning and fitness classes will reduce the profit tax on condition that these services are included in the labour or trade union contract. Payments for voluntary medical insurance are included in the expenses for labour remuneration within 6% of the payroll [12].

IV. DISCUSSION

With the above-mentioned information at hand, the employee can introduce a flexible privileges system in his organization, which will offer the employees the right to decide which corporate benefits programme he prefers on his own. The order of organizing and arrangement of the privileges in a benefits package can vary. However, there are usually three key

principles of forming a social package in an organization -- Bar, Cafeteria and Set Menu.

A social package compiled according to the Set Menu principle ensures splitting employees into groups and creation of programmes of privileges, which cannot be changed in the future for each separate group. This will help the employer to reduce the overall sum of expenses on a corporate benefits programme. However, creation of social packages with equal costs and satisfying all personnel's whims is difficult.

A benefits programme of the Bar type allows the employee to form his benefits plan on his own from a list of privileges within a designated sum. The advantage of this programme is the possibility to change the amount of the services on offer by increasing one type of services at the expense of others. However, this type of social package is very labour consuming for the employer, because it has to record all the changes in benefits programmes [8].

The most popular scheme of forming a corporate benefits programme is called Cafeteria. The employee chooses the privileges he needs from a list offered by the employer within

an allocated sum. This plan works for a year, and can be changed afterwards. This helps the employer follow the changing demands of his employees and manage its social expenses. At the same time, it allows the employee to receive the privileges he needs at a certain period of time. This approach demands that the employer calculate the cost of one corporate benefits plan and the cost of all the privileges.

Foreign companies offer special privileges to its executives and shareholders. They are so called image social services, which include a corporate car with a driver, private jets and other entertainments. It attracts investors, improves the image of the organization among its competitors. Nevertheless, such assets have to be justified. This type of assets has to be linked with operations of the company. For example, a private jet is necessary for the executives to sign numerous contracts abroad, and the jet reduces the time of signing contracts with foreign investors. This is necessary to avoid various checks and maintain the image of the company (to safeguard against possible exposure by competitors of alleged corruption and other illegal activities). The same reason can be used to justify cars and drivers [10].

V. CONCLUSION

Progress forges ahead. Technological innovations rushed into the economy to shape a new route of development – a digital economy. The system of personnel incentives has also undergone alterations – financial rewards are replaced with various corporate benefits. Further development and enhancement require the use of the latest technologies and instruments. The most effective and modern methods have to be used to find solutions in the era of a digital economy. Introduction of a corporate benefits programme is the solution of the problem of attracting professionals to your organization.

Attractiveness of a corporate benefits programme for the goal will be revealed in the following conclusions.

A corporate benefits plan is an array cash and non-cash awards offered by the employer to its personnel. Introduction of such a plan is good for an organization because it boosts its competitiveness, its image, attracts A-rate professionals, stimulates labour productivity growth.

Besides, the most significant factor favouring introduction of a corporate benefits plan for modern businessmen is its ability to reduce the taxation base for the profit tax. A study of fiscal accounting on the payroll expenses will help companies form

their corporate benefits programmes in the most efficient way and improve their profits.

Foreign entrepreneurs, especially company executives having a wide range of services included in a benefits programme can use company assets to a great advantage for themselves. By offering a corporate benefits plan for other employees, the management can reduce their expenses by reducing financial awards.

The process of formation of a corporate benefits plan is of a significant importance in managing the company's resources. A flexible approach to forming a corporate benefits programme is becoming most popular. Personnel has to be allowed to form their corporate benefits programmes depending on the limits introduced by the company to assure the employee that the company cares about him so that he cares about the company.

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