THE IMPACT OF NON-FINANCIAL INCENTIVES ON THE QUALITY OF HUMAN CAPITAL AND INNOVATIVE CAPACITY OF ENTERPRISES


Abstract. Today, industrial production is not the only source of goods in the market and not so much the form of the realization of the aspirations of the businessman to profit, but the social doctrine of material prosperity in the country. This is so-called social side of the industrial labor: wages as the financial basis of the welfare of employed members of households and taxes on labor as the financial basis of the welfare of the unemployed household members. But this mechanism is triggered when the employee is stimulated to work efficiently, and the employer has an incentive to compensate adequately the worker for his quality efforts in manufacturing. The salary only is not able to lead to a qualitatively new economic growth. We need new incentives – first of all, the factors of labor or human capital.

Human capital is a factor of increasing of economic efficiency growth and the factor of growth of frequency and national wealth (Becker, 1964). To improve the quality of human capital the management of the enterprise should base on the development of forms and methods of motivation of employees that are directly associated with non-financial incentives to work and self-realization.

The author makes an attempt to study non-financial incentives to work as the basis of development and growth of human capital, their relationship to the performance and quality of work, and the impact on innovative development of the enterprise.

Key words: non-financial incentives, human capital, motivation, productivity, innovative economy.

1. INTRODUCTION

Under the human capital it is meant the knowledge and skills embodied in a person, which play an important role in determining productivity and ability to absorb new knowledge and master new technologies, innovations (Schultz, 1961). Studying the issues of methodology of human capital management at the industrial enterprise, many experts note the existence of direct reciprocal connections between non-financial incentives and productivity. Professional knowledge, skills and abilities of staff are a source of added value of the enterprise (Mustafin, Khusanbaev & Shlyakhtin, 2016). These parameters also affect the innovative capacity of an industrial firm. If we proceed from the classical definition of price as the monetary expression of value or otherwise: utility as a financial expression of the product – it is logical to conclude that the intangible factors of growth of innovative potential of enterprise are the epitome of non-financial incentives that affect the productivity and quality of labor at an industrial enterprise.

2. METHODS

The research methodology presents the methods of graphical analysis, synthesis, connection of the historical and logical, normative and positive analysis, as well as methods of expert estimations.

3. RESULTS

The transition from raw economy to the innovative path of development requires substantial investment to modernize the economy. Innovation has become the core competitiveness of enterprises, increase efficiency, improve the quality of products and services (Akhmetshina & Mustafin, 2015). If we turn to the studies related to the innovative development of the economy, the authors argue that in the modern world building an innovative environment in the economy is impossible without adequate development of the productive forces. The labor market is the main source of accumulation of capital and wealth in the country, and therefore there is a need to increase the interest of employees in increasing productivity (Zubakov & Mustafin, 2015). Productivity directly depends on the methods of motivation of workers in the enterprise. The increase in the level of human capital has a positive effect on the growth rate of labor productivity (Hanushek, 2000).

Stimulation is an act or promise for more active actions. Incentives are the motivation that is characterized by a desire to receive additional compensation or benefits for any achievements or improvements. The development of advanced forms and methods of motivating employees should be based on a system of tangible and intangible incentives to work and self-realization (Mustafin, 2016). In figure 1 the system of requirements and incentives for the enhancement of human capital as the basis of innovation oriented company is suggested. This model is based on the needs of the person as a participant in the production process.

Let us discuss the characteristics of the two forms of labor motivation:

a) advanced stimulation, when the individual learns about the incentive and the terms of its loan even before the beginning of the activity.

b) supportive incentives, when the object of management receives the information about the principles of rewards (penalties) after he committed the action and before receiving reward for it, or simultaneously with its receipt.
In the first case we are talking primarily about financial incentives for labor, which are already well established on the example of the millennial practices of industries around the world. In the second case, we believe, we are talking primarily about non-financial incentives, which do not have such a long history of practical application, but which is now – in conditions of the developed innovative economy, where there is a factor of knowledge or human capital – are of particular relevance and importance.

We would like to discuss the non-financial motivation of employees in more details. Modern researchers examine non-financial incentives as the process of introduction at the enterprises of various ways to motivate professionals to work effectively, not related to the financial component. Financial incentives include various cash allowances, bonuses, compensation, etc. Of course, this form of motivation has a positive effect. However, it turns out that is not always the organization’s leadership can afford to allocate funds to increase staff salaries. Sometimes, these finances are essential for economic growth. In this case, non-financial methods of motivation to work come to the force. The introduction of non-financial incentives to work can have a greater effect on the enterprise than the financial motivation of the employees.

There are many forms of non-financial motivation of employees to work.

First, it is the recognition of the specialists’ labor. Despite the fact that this method of motivation requires a minimum of monetary investment, it is one of the most effective. Its essence is that the supervisor points out the work of the specialists, who made the maximum contribution to the development of the company for a certain period of time. The best way is to do this during the traditional general meeting of the company. At this moment the whole team will be able to see the leaders in the work, to get to know the employees, who give the maximum amount of strength to the common cause. Many companies in addition to oral praise, award its employees letters of appreciation, flowers and small gifts etc. To this category of awards can be attributed the knowledge of the head of all his subordinates by name and patronymic. Respect, appreciation and trust of the team can be earned only so that when meeting with each employee the supervisor will greet, adding the name of the person addressed. Many Directors, when they want to gain confidence in the team, ask subordinates how they feel, how their families are, etc. However, in this case, you must clearly memorize the answers of people, to continue this topic in the conversation next time.

Second, it is the status change of the employee. To this kind of the employees’ motivation to work can be attributed not only the promotion of the most active, purposeful and prospective employees in the career. Here, for example, training of specialists at the expense of the employer is included. And, as a rule, after successful completion of training and demonstration of acquired knowledge in practice, the employee expects a long-awaited promotion. This form of motivation includes the possibility to present your company in various forums and seminars. The opportunity to be the “face of the company” expresses its confidence to the specialist as a valuable employee. However, in addition to simple participation, the employee can share experiences, learn something new, meet other people, learn from the experience of other, more promising organizations, etc.

Third, it is the change in the quality of the workplace. The purchase of new equipment, furniture, redecorating in the offices of the best employees is included to this unit. Moving to the more spacious and bright room also helps to increase the efficiency of work of the employee. For this you can review the job duties of the subordinates. Maybe someone of them needs to work in separate offices, as he/she is forced to write complex texts, to work with important documents, keep records, etc. This job requires maximum focus. Sometimes, due to the fact that the specialist can not concentrate at work, the errors are caused, leading to large financial losses or a reduction in the company’s reputation in the eyes of the surrounding society.

Fourth, it is the provision of official transport or telephone to those employees, who need it, or are in constant movement in the city, or who are forced to be around the clock.

Next, let’s refer to the researches of A. A. Moskovsky, who gives the arguments, which are very interesting from the point of view of the topic of our research. She writes about the process of modernization of the social package of an employee, which is not less motivating his work factor now, than the actual wages (Economic science of modern Russia, 2009). *New trends in the development of the system of providing social benefits and services to employees in 2000-ies can be reduced to the following trend:
a) optimization of expenses on the social package of an employee;

b) using of external providers (insurance companies, private pension funds, state and private medical institutions, etc.) instead of having the objects of the labor sphere inside the firm;

c) replacing the direct provision of services by the insurance system (depends on the development of the market for these services, which are unevenly developed across regions and countries);

d) selection of programs for particularly valuable employees, which may include experts of rare profile in the labor market, young professionals, managers (for those staff can be used expensive programs – for example, housing);

e) depending on the functional responsibilities of the employee, all benefits that facilitate the performance of his professional duties (mobile phone, camera, equipment "mobile office", car or chauffeur services, etc.);

f) attempts to link social benefits with the results of the employee – imply selectivity, but on the principle of labor achievements.

In any enterprise, any employee has the dilemma between the presence effect (the effect of substitution of free time by work) and the effect of liquidity (effect of income from this wage labor). This should be taken into account to any manager in the production sphere – and, above all, from the point of view of the "presence effect", in the workplace you need to focus on non-financial incentives, as financial incentives are already known in advance to the employee and are accepted by him when applying for a job.

4. INSIGHTS

Human capital in the innovation economy has become increasingly sensitive factor of production, when the situation associated with its poor supply in quality or quantity, may be critical for the production (Mustafin, 2016). For the vast majority of institutional and private investors human capital is the biggest asset throughout the life of its owner (Mustafin & Gira, 2016). Human capital, like any capital is self-expanding value. Innovative economy requires the company to develop methods and ways to improve the quality of human capital. You need to develop a system of "merit worker" and to integrate this system seamlessly in the innovative development of the enterprise. This should be done systematically, comprehensively and directly: from the time-table of labor in the enterprise – to the system of stimulation of work of the employee in an industrial enterprise.

5. CONCLUSION

The modern skilled employee, we believe, to be interested in just non-financial incentives, that form the internal component of a full human life. Non-financial employee motivation to work is the basis of innovative potential of the enterprise and is becoming increasingly popular. This system is applied as in small firms and in large organizations. Non-financial forms of motivation provide not only an additional incentive to the employees to work effectively, but also unite the team, which makes the specialists not only like work colleagues but good friends, who also meet and communicate outside of work.

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REFERENCES:


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