

TAMBOV  
REGIONAL OFFICE  
FREE ECONOMIC  
society of Russia  
SCIENTIFIC NOTES  
Tambov regional branch of the Free  
economic society of Russia  
scientific-theoretical and practical journal  
Volume 6, issue 2  
Tambov 2003

V. A. Martynov

On the evaluation of the effectiveness of the system  
material stimulation at the enterprises

The relationship between the economic efficiency of production and the system of material incentives makes it possible to raise the question of what additional economic benefits will the subject of economic activity of a certain level by improving the mechanism of material incentives. Or, how effective is the use of funds to increase the wages of the employees.

In the economic literature, this issue is not sufficiently investigated.

There are only methodological developments, according to which the effectiveness of specific activities aimed at improving the awarding should be determined by indicators of absolute and relative efficiency.

Absolute efficiency refers to the difference between the effect obtained from changes in the performance of premiums for the analyzed period and the amount of premiums paid.

Relative efficiency refers to the ratio of the effect obtained to the relative savings of the wage Fund.

This approach to the problem reflects the current economic situation is not optimal. However, it does not fully reflect the optimal functioning of the subject of economic activity under the existing system of management. Moreover, it does not reflect the real economic development that is necessary for the transition of the economy and a particular economic entity to the post-industrial information system of management. In this regard, this approach is insufficiently justified, including for the following reasons:

1. Concrete changes in the system of material incentives only create conditions for the growth of the final results of improving production efficiency.

The effect in this case is achieved through a more complete and rational use of the main factors of production.

For example, the introduction of new technology increases the economic efficiency of production and the rate of growth of the final results of enterprises

and does not affect aspects such as the growth of social and other non-economic factors, including creativity.

Improvement of the mechanism of material stimulation only directs material interest of workers to achievement of big results in work.

The immediate source of this is an increase in the intensity of the work of workers and the higher efficiency of the newly introduced new equipment.

They can be provided as much as possible only thanks to growth of creative work, disclosure of creative abilities of workers and entrepreneurial abilities of heads of the subject of economic activity and its structural divisions

2. The improvement of the mechanism of material stimulation does not always mean the additional direction of funds in the wage Fund.

In some situations, it is possible to save. Then the indicator loses its meaning. calculated as the ratio of the obtained effect to the relative savings of the wage Fund.

3. The resulting increase in effect is also associated with the action of many factors: technical, organizational, structural, social, political, environmental, etc.

In this regard, it is necessary to take into account both positive and negative results achieved under the influence of other factors that are not directly related to material stimulation.

The economic efficiency of the system of material stimulation is advisable to evaluate:

- first, based on the analysis of changes in the economic efficiency of production and its components of technological and socio-economic efficiency;
- second, by determining the ratio between the rate of productivity growth and the rate of average wage growth;
- thirdly, taking into account the dynamics of changes in the level of use of production reserves of an economic entity.

In assessing the effectiveness of the system of material incentives, it is necessary that the indicators reflecting the costs and results of enterprises in the base period were given to conditions comparable to the reporting period.

This will take into account the impact of factors associated with the labor and creative achievements of workers. Then the acceleration of growth rates of economic efficiency of production and improvement of indicators will indicate the positive impact of the system of material incentives on the efficiency of production, and Vice versa.

Changes in the indicators of socio-economic and technological forms of economic efficiency will reflect the additional effect that is achieved by specific factors that determine them, less part of the funds aimed at increasing the wage Fund, primarily an increase in average wages in order to strengthen material interest and, above all, creative work.

Characteristics of the efficiency of the system of material stimulation, the effectiveness of its impact on all factors that ensure the intensification of production should be formed on the basis of the effect obtained by increasing the indicators of socio-economic and technological forms of production efficiency.

At the same time, it is important that the norms for deductions to the salary Fund and the material incentives Fund be established by economic entities at the optimal level.

The optimal level of material incentive standards means that the share of additional contributions to the wage Fund or consumption Fund from the total increase in the final product, obtained by increasing labor productivity, provides the maximum increase in production efficiency.

Particular attention in assessing the effectiveness of the system of material incentives should be paid to the impact it has on the level of use of domestic production reserves.

Mobilization of internal reserves is an important source of increasing the efficiency of production, which allows to increase production without additional involvement of material factors of production, i.e. due to social factors, entrepreneurial activity and creative work.

The fuller the internal production reserves are used, the less additional resources are required to obtain the planned result and, therefore, the more effective the system of material incentives.

Qualitative and quantitative changes in the use of internal production reserves, in the level of optimization of the use of basic resources and on this basis changes in the efficiency of the system of material incentives should be reflected and taken into account on the basis of the efficiency factor of the technical and economic potential of the enterprise.

The efficiency factor of the use of technical and economic potential (CEP) can be calculated by the formula:

$$\text{Cap} = V / (C - Z + Z_T + Z_n + T \times B_P + \text{OPF} \times E_N) = V / S_p;$$

where:

V-volume of production by the enterprise in comparable prices, RUB. ;

C-the cost of production given to comparable conditions taking into account change of the prices of raw materials, materials, purchase semi-finished products, rates for fuel and energy resources and transportation, rub. ;

Z-salary costs of the industrial and production personnel with the deductions included in production cost, rub. ;

(C — 3) - costs of materials, purchased semi – finished products, fuel and energy resources (hereinafter – TER), depreciation and other expenses included in the total cost of production. rub.,

Z<sub>T</sub>-the transaction costs caused by the costs arising at implementation of the activity connected with the conclusion and implementation of the contractual relations, interaction with partners, etc., rub.;

Z<sub>n</sub> - costs, due to the influence of non-economic factors;

T-the actual number of industrial personnel, people.;

B<sub>P</sub>-the average production of one working at the enterprise, rub.;

$T \times B_p$  - the actual costs of live work on production calculated in the cost form, rub. ;

OPF - average annual value of industrial fixed assets, aimed at implementing and tall intensive factors of production (the increase in capital-labour), rub.;

$E_N$  - the standard of total efficiency of the capital investments equal for the industry - 0,16;

$OPF \times E_N$  — recurrent costs of basic production assets, to increase the capital-labor aligned in a single dimension, with the current consumption with standard overall efficiency of capex and regulatory the magnitude of the increment of additional effect (increase of production) due to the use of the basic production assets, to increase the capital-labor, rub.

$S_p$  - the total actual costs of all factors of production (including transit and non-economic factors: socio-political. cultural-ethical, ecological. factors of creative work and entrepreneurial abilities), rub.

Consequently, the efficiency factor of the use of technical and economic potential reflects the level of compliance of the actual total costs of all resources to the costs of various factors of production.

If the ratio of the numerator to the denominator of the formula is less than one, it will mean that the existing enterprise labor, material resources and fixed assets, as well as creative and entrepreneurial factors are not used effectively enough. Transaction costs and negative non-economic factors that require significant costs are also excessively high.

Ego also means that the technical, economic and organizational level of production, social conditions do not meet the modern requirements of post-industrial society.

The additional effect of the increase in production, obtained by the growth of only the technical component of the Fund-labor, is less than the additional effect of the increase in production, which could get the economic entity due to the growth of the component of the Fund-labor, which provided an increase in the social effect and a decrease in transaction costs.

Consequently, the system of material incentives does not function efficiently.

If the ratio of the numerator of the formula to the denominator is equal to one or more, it will mean that the system of material stimulation functions effectively or efficiently.

The existing assessments of the efficiency of the system of material incentives at the enterprise should be supported by indicators of socio-economic and technological efficiency of production, as well as other indicators that characterize the effectiveness of economic activity of enterprises.

Thus, the efficiency factor of technical and economic potential usage gives a generalized assessment not only of the efficiency of the material stimulation system, but also shows the level of optimization of the use of all factors of production or resources used in production.

It is advisable to use it for the formation of the Fund for material incentives by economic entities (given the fact that this ratio may be less than one for objective reasons, for example, as a result of reconstruction, restructuring, reforming, changing the form of ownership, entering into associations, transition to the production of high-demand market products, etc.).

This approach will make it possible to attract employees to ensure production efficiency.