

## Features of Wages in the Service Sector

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### ABSTRACT

*The article considers a number of specific features of the remuneration system in the service sector and recommends the establishment of an appropriate incentive system.*

**KEYWORDS:** *wages, labor wages, incentives, performance, hourly wages, full wages.*

**Introduction.** When studying the issues of remuneration and its promotion in the service sector, it is necessary to take into account, first of all, the specifics of service enterprises: it is necessary to take into account the goals of the enterprise, the features of the goods sold and the services provided, the specific features of the commodity market, the period of the enterprise's activity and the national traditions of a particular region.

In the commercial enterprises that are the object of our study, in most cases, without considering these circumstances, a simple way to motivate employees is organized by providing a direct link between sales and wages. It should be noted that it is desirable to motivate the sales staff not for short-term sales, but for long-term profits<sup>1</sup>.

In the service sector, economists have identified two groups according to labor motivation:

- meaning of work;
- wage.

In the pre-market economy, trade was the lowest paid industry. In general, wages were the main motivational mechanism in the national economy, and in the field of trade, due to the low level of wages, it was believed that it was possible to have unique goods as a motivational mechanism, to have hidden incomes that were several times higher than wages. Therefore, the motivational basis of "interesting work", consisting of such values as high qualification, self-expression and the usefulness of work, has not been widely adopted in the field of trade. The level of professionalism was not required in labor motivation. There was a desire to receive maximum wages at low labor costs. This sector of the economy was characterized by labor passivity.

The motivation system for sales personnel should express the desire to achieve high results and meet the following criteria:

- the possibility of wage increases should be high;
- methods of remuneration and encouragement should be simple and understandable;
- bonuses are assigned depending on the skills and additional efforts of the employee;
- protection of workers from the influence of the external environment.

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<sup>1</sup> Scone T. Management accounting / Translation from English, edited by N.D. Eriashvili. M. Audit, UNITI, 1997

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Financial incentives appear as a supplement to the total salary. Additional wages are determined: firstly, by the rate of labor productivity, and secondly, by the share of bonuses determined for the full period of wages<sup>2</sup>.

In economics, there are two methods for determining incentive bonuses. In the first method, a certain limit is set on the amount of rewards. Supporters of the second method emphasize that incentives should not be limited at all, and, in their opinion, restrictions can also limit the quality of sales services.

In the conditions of economic modernization, the individual system of remuneration of employees has an advantage over collective remuneration. An employee recognized as worthy of an award realizes that the award is the result of his work and does not depend on anyone else. This method is relevant for small businesses.

The most common systems of material incentives are associated with an increase in labor productivity. The management of the enterprise determines the daily rate of production. Norms can be in the form of money, time, quantity of production. Setting norms in the retail sector has its own challenges, and each store has its own norms in terms of sales volume and cash flow.

The system of collective remuneration is also used in the field of trade. The collective remuneration system applies to a group of employees of a given enterprise engaged in the same or related activities. For example, in sales, a group of employees perform the same task, so there is no need to supervise each of them. The total amount of work is known and the team distributes the work among its members. The main purpose of this system is to allow team members to come together and achieve a common result, as well as to allow the reward to be shared among team members.

It is also appropriate to consider analytical systems of remuneration. A feature of this system is the establishment of a stratified wage level depending on the qualifications, labor costs and working conditions of workers and others.

There are other types of financial incentives. In some organizations, the promotion method in the form of gifts is common. Workers and employees are rewarded with valuable gifts, vouchers and so on in accordance with their achievements. The awarding process takes place at workplaces, social gatherings and events. This situation leads to the recognition and encouragement of achievements among all employees.

In commercial enterprises, it can be in two main forms: a material-in-kind form of remuneration and professional development. In turn, the system of in-kind rewards can be divided into two forms: the first is wages, the second is social, in-kind and paid services.

Despite the high economic value of financial incentives aimed at increasing sales, their use has been declining in recent years. This happens due to the following reasons:

- an increase in the share of material and additional costs in the amount of production costs and a decrease in labor costs to a certain extent;
- that the managers of the enterprise do not have the opportunity to use these systems in the long term;
- uncertainty of the level of accuracy of work rationing.

The reason for not using these systems is that it can lead to increased sales, reduced customer contact time, and fewer purchases. The desire to sell goods faster can lead to a decrease in purchases, so we considered it appropriate to offer a reward system to improve the quality of services provided. This system should complement existing systems.

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<sup>2</sup> It is desirable that the remuneration for labor productivity is at least 25% of the daily salary. Based on this, 100% of the established rate and 25% of overtime workers and employees. Remuneration should be made depending on the qualifications and abilities of the employee.

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It should be noted that the mechanisms of material incentives are similar to the system of stimulating labor productivity in terms of quality indicators. It is known that the system of material incentives for improving quality indicators is specific to the trade sector. But measuring this quality indicator is difficult. If we consider it from the point of view of the qualitative indicators of the overall work in the field of trade, then it is manifested by additional attention shown in reality, courtesy, neatness, sincerity, complete information about the product being sold, and assistance to the client in choosing.

If it is impossible to use the form of remuneration, a time-based form of payment is introduced. In fact, the main feature of the distinction between both forms of remuneration is the possibility of quantitative measurement of labor productivity. It is defined as the ratio of the volume of the product in kind to the working time. Similar features are available on a pay-as-you-go basis. At its best, pay per hour refers to pay based on results, where results and costs are indicators of value. At the time of payment of wages, the rate of output is the basic rate of labor. It is also calculated in accordance with the length of working hours established by law. For the implementation of such a norm, the employee receives remuneration in the amount of the tariff rate. If the tariff rate is not observed or exceeded, the pay accrued to the employee will be correspondingly lower or higher.

Along with the basic labor rate, hourly and time-based wage systems often use one or more additional labor rates. Current awards are issued for the complete and overfulfillment of these labor standards. In terms of their economic content, such bonuses consist of wage rates established in addition to the basic labor rate. From an economic point of view, there is no significant difference between time and hourly forms of wages: both are based on the price of labor, determined by the labor market, and the length of working hours established by law. With two forms of payment, both the results of labor and working hours are taken into account.

The market model of the organization of wages provides for a clear division of responsibilities between the employer and the employee. The employer is financially interested in the positive results of the enterprise, its strengthening and development. He determines the technical policy, studies the market situation, determines what and how much to produce, at what price and to whom to sell. An employee is responsible only for the results of his work, regardless of the results of the enterprise, for this work he must receive payment. Thus, in the market model of the organization of remuneration, the personal interest of the employee in the results of his work is in the first place.

Compensation systems can be simple or complex in terms of their impact on an employee's financial well-being. Conventional systems associate payment to an employee only with the main indicator of the results of his work: labor systems - only with the volume of the prepared product, time systems - only with the amount of time worked.

Complex systems make wages dependent on several indicators. One of them is the main one, and the rest are additional indicators. The number of additional indicators depends on the ability of employees to influence the use of available resources to increase labor productivity. In addition to the objective conditions for increasing production efficiency, the subjective qualities of employees can also be taken into account.

## **CONCLUSION.**

According to studies conducted on the level of wages in the field of trade, there is no significant difference in the level of wages in this area. It is known that the more the level of income equalizes, the more the incentive effect of wages decreases. Therefore, the incentive function of wages is important.

The law of supply and demand affects labor in the field of trade. The labor market leads to differentiation of wages for various categories of workers and employees.

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The labor market in trade has the following characteristics:

- an increase in the need for personnel in the field of trade in the context of economic modernization;
- as a result of the arrival of other specialists in the field of trade, workers who do not have special skills are hired;
- the possibility of a higher income in this area compared to other areas increases interest in the area;
- high need for young personnel in the field and the need for their motivation.

It can be seen that the system of remuneration in the service sector has a number of features. In this regard, for the development of this industry, it is necessary to organize an incentive system, taking into account the above features.

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