



OPPORTUNITIES FOR UTILIZING INTERNATIONAL EXPERIENCES IN ORGANIZING PAYROLL ACCOUNTING WITH EMPLOYEES

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Article history:	Abstract:
Received: 7 th July 2025 Accepted: 6 th August 2025	This article highlights the opportunities for utilizing international experiences in organizing payroll accounting with employees. In particular, the payroll systems of the United States, Japan, France, and Germany have been studied and analyzed.

Keywords: Salary, contracts, lifetime employment, KPI, incentives, minimum wage, in-kind payment.

INTRODUCTION

It is well known that in developed countries, payroll accounting systems have formed under the influence of various economic and social conditions. The regulation of wages, including the establishment and adjustment of minimum wages, is addressed in the International Labour Organization's Convention No. 131 "On Minimum Wage Fixing," adopted in 1970.

According to this convention, the main criteria for determining the minimum wage are as follows:

- the needs of the worker and his/her family;
- the level and growth rate of national income;
- the level of employment in the country.

At the same time, in global practice, each model has its own characteristics in terms of labor remuneration systems.

LITERATURE REVIEW

Issues related to the organization of payroll accounting based on international experience have been studied by various economists.

For instance, L.E. Isakova emphasized: "The most widespread form of payment in the United States is hourly wages. In the U.S., both fixed and variable (bonus) components of salaries largely depend on the level of achievement of key performance indicators (KPIs) defined for each employee" [1].

E.G. Moskaleva stated: "Increasing employee motivation, encouraging them to achieve set goals and fulfill their tasks, as well as optimizing payroll expenses, is possible because wages are directly linked to work performance" [2].

According to A.N. Zakharov: "In Japan, the concept of lifetime employment has undergone significant changes in recent decades. The Japanese wage model is increasingly incorporating both collective and individual performance indicators (KPIs), which allow for the assessment of each employee's personal contribution and serve to improve the overall efficiency of the wage system in Japan" [3].

MATERIALS AND METHODS

During the research, various theoretical methods were used, such as analysis and synthesis, induction and deduction, abstract-logical reasoning, comparison, and analogy. Empirical methods like observation, measurement, comparison, and economic-statistical analysis (including financial and statistical analysis) were also applied.

RESULTS AND DISCUSSION

According to ILO Convention No. 131, the key criteria for determining the minimum wage are as follows:

- the needs of the employee and their family;
- the volume and growth rate of national income;
- the level of employment in the country.

France can be considered a vivid representative of the European wage regulation model. In France, labor relations and wage-related issues are regulated based on agreements concluded between ministries, trade union organizations, companies, and employees.

The agreements reached between trade unions and relevant ministries in France are referred to as "national labor contracts." These contracts stipulate the following:

- the minimum required work experience to qualify for a salary increase;
- conditions under which salary increases are permitted;
- general tariff schemes for different sectors of the economy;
- the maximum allowable indexation level for employee salaries, among other matters.

Based on these national contracts, collective and labor contracts are drawn up at the enterprise level.

The key components of such contracts typically include:

- general approaches to setting wage levels;
- procedures for paid leave;
- terms for annual bonuses.



Each employee also signs an individual labor contract with the enterprise, which specifies the exact amount of salary and other related compensation.

In recent years, it is especially noteworthy that in European practice, Key Performance Indicators (KPIs) have been increasingly used to monitor the fulfillment of main performance criteria when calculating annual bonuses and incentives for employees.

In Germany and the United Kingdom, wage systems are often tied to profit or income distribution. This model allows for a significant increase in wage levels alongside improvements in labor productivity and production profitability, while also providing moral motivation for employees.

In the UK, trade unions—representing the interests of both the enterprise administration and the workers—sign productivity agreements. These

contracts outline the proportional distribution of revenue generated from productivity gains between the employer and the employees.

As a result, enterprises gain the ability to increase wages without directly increasing production costs.

The practice of setting minimum wages in developed countries is highly diverse (see Table 1). The minimum wage represents a certain balance between a society's social needs and its economic capabilities.

Since January 2015, Germany has introduced a national minimum wage law, under which the minimum wage is determined by the state.

Wage payment lies at the core of the employer–employee relationship and directly influences job satisfaction, labor quality, and the overall standard of living.

Table 1.
Practices of Setting Minimum Wages in Developed Countries

Country	Minimum Wage Determination Mechanism	Responsible Authority	Notes
France	National labor agreements between unions and ministries	Ministry of Labor + Trade Unions	Indexed annually; includes sectoral agreements
Germany	Set by national legislation	Minimum Wage Commission + Government	National minimum wage introduced in 2015
United Kingdom	Based on productivity agreements and legal framework	Low Pay Commission + Government	Adjusted regularly based on economic indicators
United States	Federal and state-level legislation	U.S. Department of Labor + State Agencies	States may set higher minimum wages than federal
Japan	Regional and industry-specific minimum wages	Ministry of Health, Labor and Welfare	Minimum wages vary by region and sector

In many European countries, in addition to the base salary, companies are increasingly implementing additional incentive systems aimed at motivating employees and rewarding their work performance.

These systems typically include:

- performance-based payments;
- in-kind (non-monetary) compensation;
- additional contributions to social security;
- financial participation schemes, such as profit-sharing

In international practice, there are three main models for organizing wage payments to employees:

1. **American model**
2. **Japanese model**
3. **Western European model**

In most member states of the European Union, in-kind compensation is widely used as part of the remuneration structure (see Table 2).

Table 2.
Prevalence of In-Kind Compensation in EU Countries

Country	Common Forms of In-Kind Compensation	Prevalence	Notes
France	Meal vouchers, company car, housing allowances	Very widespread	Often tax-deductible for employers



Country	Common Forms of In-Kind Compensation	Prevalence	Notes
Germany	Health insurance supplements, transportation passes	Widespread	Regulated by labor agreements
Netherlands	Pension top-ups, training programs, bicycles	Common	Encouraged by government incentives
Sweden	Childcare, wellness programs, stock options	Common	Part of collective labor agreements
Italy	Food coupons, housing subsidies	Moderate to widespread	Varies by industry and region

Characteristics of the American Wage Model

A distinctive feature of the American model is that wages are assigned not fully to the employee, but rather to their job position responsibilities. The fixed salary component for employees constitutes approximately 45% and is formed based on job evaluation and allowances.

Additionally, in the U.S., the variable part of wages makes up about one-quarter of total income, while benefits and pensions account for another 20%. Both the fixed and variable (bonus) parts of wages largely depend on the degree to which each employee meets the established key performance indicators (KPIs). Company revenues are tied to achievements in improving product quality. KPIs can be used to evaluate the overall company performance, its departments, and individual employees.

The main types of additional payments in the U.S. include:

- Additional pay for skill improvement and work experience;
- Compensation payments upon retirement;
- Extra pay for work done without hourly rates;
- Income-related bonuses;
- Bonuses for middle and senior managers;
- Sale of company shares to employees;
- Special bonuses for managers regardless of success

In the U.S., wages are based on employee qualifications. Particular attention is paid to the employee's abilities and continuous development, which is especially important in a knowledge-based economy. The system is aimed at encouraging employees interested in improving and developing their skills. Group rewards are also highly valued. In this context, the principle is established that salaries reflect individual results, while bonuses reflect group achievements.

Summary of Wage Systems in Developed Countries

Thus, various wage systems are applied in developed foreign countries, characterized by the following features:

- **France:** Individualization of wages;
- **Germany:** Encouragement of labor productivity growth;
- **United Kingdom:** Payments based on individual contracts;
- **Japan:** Payments based on work experience and voluntary proposals;
- **USA:** Qualification-based payment system.

In general, incentive schemes are used in the wage mechanisms of both Europe and America, which allows for a deeper assessment of each employee's labor productivity. In particular, KPIs are used as key performance indicators in determining position salaries (American model) and in employee rewards (European and American models).

The Japanese Wage Model

One of the most distinctive wage systems is the Japanese model, which includes a system of collective agreements between employees and enterprises.

In this system, a monthly salary is determined, consisting of a bonus and a tariff rate, which in Japan is called the "basic wage."

The Japanese wage system is always based on the employee's tenure at the company, with the main goal being employee retention. According to the approach, the longer the employee works at the company, the higher their knowledge, qualifications, and productivity. This tenure-based approach gave rise to the concept of "lifetime employment" in Japan. The tariff rate forms the main part of the wage. It can constitute up to 85% of the monthly salary, 75% of annual income, and up to 60% of labor costs. The personal tariff rate forms the basis of lifetime employment and includes "personal" qualities such as the worker's age and tenure. The tariff rate grid defines the qualification level (horizontal axis of the grid) and productivity (vertical axis). Japanese companies have a



color-coded system to account for qualification levels. Moving from one rank to another is only possible through passing relevant exams. Employees' labor contribution is determined through annual evaluations conducted by immediate supervisors. Based on the evaluation, employees can move up one, two, or three ranks vertically on the tariff grid. Evaluation criteria include fulfillment of standards, teamwork skills, and attitude towards work. The composite rate is calculated by combining the personal and labor tariff rates, which can be done by simply adding rates or creating a multifactor model. Tariff supplements usually constitute 13-15% of the tariff wage but can reach up to 30% in some cases.

Lifetime Employment Scheme Components:

- Personal tariff rate;
- Labor tariff rate;
- Tariff wage;
- Tariff supplements;
- Overtime payments;
- Monthly salary;
- Semi-annual bonuses (rewards);
- Severance pay;
- Composite rate.

Tariff supplements may be:

- Labor tariff supplements (for skills, qualifications, managerial duties, productivity, etc.);
- Non-production tariff supplements related to a specific company (housing, family, territorial, transport, etc.).

In Japan, the largest wage supplement for rank or class usually does not exceed 50%. Overtime payments constitute about 10% of monthly wages. Their absolute amount equals roughly twice the tariff. Despite economic instability, there is a trend of decreasing overtime payments. Bonuses or premiums in Japan are usually paid twice a year (June and December), based on the company's semi-annual performance. Currently, nearly 97% of Japanese producers pay bonuses, with more than 99% of workers receiving them. Bonuses typically amount to 3.5–4 months' salary and sometimes up to 10 months' salary. Bonuses constitute about one-quarter of annual wages. However, this approach has negatively affected labor productivity over time because it does not motivate employees to achieve specific goals.

Despite the adoption of IFRS, EU directives, and a common European currency, Germany maintains a strict national accounting system regulated by the state.

CONCLUSIONS

1. Based on the study of scientific works by economists, methods and information sources

for payroll accounting with employees have been identified.

2. Schemes for the use of remuneration in kind have been developed in European countries and are being implemented.
3. The practices of setting minimum wages and the features of wage systems in the USA, Japan, France, and Germany have been studied.

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