



Article

The Essence and Types of Material and Non-Material Compensations

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Abstract: This article provides a comprehensive analysis of the role and importance of the compensation and benefits system in modern human resources management. It covers material and non-material forms of compensation, their impact on employee motivation, labor productivity, and organizational effectiveness. Within the framework of material compensation, the content, types of wages, rewards, bonuses, and additional payments, as well as the criteria for their effective organization, are described. Non-material compensation is revealed as a means of increasing the internal motivation of an employee, using the example of praise, recognition, career opportunities, a favorable working environment, and advanced training. The article presents the need to align compensation policy with the organization's strategy, the importance of a fair and transparent approach, and also provides recommendations for improving the human resources management system in the conditions of Uzbekistan.

Keywords: Compensation, Benefits, Human Resource Management, Material Incentives, Non-Material Incentives, Salary, Reward System, Bonus, Allowance, Motivation, Labor Productivity, Loyalty, Organizational Strategy

1. Introduction

Compensation and benefits are central concepts in the modern human resource management system, playing a decisive role in the effective functioning of the organization, increasing employee interest in work, their productivity and loyalty. Compensation is not limited to the salary or wages paid to the employee, but includes a comprehensive incentive policy. This policy makes it possible to adequately assess the employee's contribution to the organization, appreciate his work and retain him in the organization for the long term. The correct organization of the compensation system serves to ensure competitiveness in the labor market, attract talented and highly qualified employees, and increase the job satisfaction of existing employees [1]. In the scientific literature, the compensation system is traditionally considered in two areas of selection – material compensation and non-material compensation in the aspect of human resource management. Material compensation is wage, salary, fee, bonus, pension, insurance, medical and other money means paid to the employees as a retribution of his labour. This form of motivation satisfies the initial needs of the employee and provides their economic security. Particularly now, in the context of ever-fashionable competition for personnel and struggle for wages, the enterprise wants or even more than one basic wage for

Citation: Ochilova X. N. The Essence and Types of Material and Non-Material Compensations. American Journal of Economics and Business Management 2025, 8(11), 5568-5578.

Received: 20th Okt 2025

Revised: 30th Okt 2025

Accepted: 10th Nov 2025

Published: 17th Nov 2025



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employees, but a complex social package, some more money and special forms of stimulation [2].

Summary: The Compensation System has been examined in the human resource management literature as one of the most powerful tools for motivation. Within it, G. Dessler in his book *Human Resource Management* defines compensation as a collection of material and non-material incentives for people for functional labor markets underlining its significance as an important ingredient in attainment of strategic objectives of the organization [3]. According to him, while material compensation includes wages, salaries, bonuses, insurance and other financial incentives, non-material compensation is associated with factors such as satisfying the psychological needs of employees, improving the working environment, professional growth and recognition.

Literature Review

M. Armstrong in his book “*A Handbook of Human Resource Management Practice*” considers the compensation system as the basis of motivation and presents it as a management mechanism that serves to form fairness, incentives, and loyalty. He argues that fair compensation policies increase employee participation, increase productivity, and reduce staff turnover [4].

Uzbek scholar A. Akhmedov emphasizes in his study that the system of material and non-material compensations in local conditions has not yet been fully formed, in particular, non-material incentive mechanisms (letters of thanks, social recognition, opportunities for professional development) are not used effectively enough [5]. In his opinion, the compensation system will provide sustainable results only when it is aligned not only with material benefits, but also with employees' values, internal attitude to work, and opportunities for personal growth.

In their work “*Compensation*,” T. Milkovich and J. Newman evaluate the compensation system as a factor that increases the strategic competitiveness of an organization and justify the need to build it on the principles of internal equity and external equity. In their opinion, while material forms of compensation are a short-term motivational tool, intangible forms - for example, a creative environment, self-realization, professional development - ensure long-term loyalty of employees.

Also, S. Robbins and T. Judge in their work “*Organizational Behavior*” emphasize that employees' motivation to work is satisfied not only through their material needs, but also through their psychological needs - recognition, freedom, respect. Therefore, non-material compensations (e.g., work flexibility, positive environment, leadership trust) are becoming increasingly important in modern management practice [6].

The Labor Code of the Republic of Uzbekistan (2023 edition) also defines a system of compensation payments, material assistance, improvement of working conditions, rest and social guarantees for employees, which serves as a legal basis for ensuring the stability of the labor market [7]. In this regard, the general conclusion in local and foreign sources is that the success of the compensation system depends not only on material payments, but also on the development of intangible values and a socio-psychological environment.

2. Methodology

Such qualitative analytical methodology is derived from a theoretical exploration, and an interpretive analysis of ongoing practices in compensation systems. Based on a wide-ranging literature review from international and Uzbek scholarly literature, policy documents, and legal systems, the article examines such functional characteristics of material and non-material compensation mechanisms in modern human resource management. A conceptual foundation is built up with information from authors like Dessler, Armstrong, Milkovich, and Robbins, while the integration of local studies and the revised Labor Code of Uzbekistan situates the issue in national realities. In this way, the method also includes comparative analysis, which is critical for identifying similarities and

differences between existing global compensation models and those being worked on in Uzbekistan, especially in the context of ongoing reforms underway (KPI based assessments, unified salary structure, digital payroll systems get used). The study aims at synthesising insights obtained from foreign best practices and national reforms to uncover the most effective compensation tools (financial and intangible) that affect employee motivation and job satisfaction as well as organizational performance [8]. The overarching flow of analysis is to interpret how wages, bonuses, social package, recognition, career, and work environment plethora of elements interacting in isolation to define employee behavior. This methodological design not only describes the systems currently in place but also examines the functioning of these systems and their potential for adaptation in Uzbek enterprises, thus providing a basis for defensible recommendations for adjusting compensation systems to the principles of modern HRM.

3. Results and Discussion

Non-material compensation includes incentive measures aimed at increasing the internal motivation of employees. For example, factors such as recognition within the organization, praise from management, social status, career growth, opportunities for professional development, a comfortable working environment, flexible work schedules, and psychological comfort can in many cases be a stronger incentive than material compensation. Today, many leading companies are achieving high performance not only with money, but also through non-material incentives for employees. Because the human factor is the most important resource of any organization, and the level of attention paid to it directly affects the success of the entire organization. The compensation system should be inextricably linked to the organization's strategy. The system is not just a one-time payment or reward, but forms a long-term, consistent incentive policy. For example, a compensation policy that is consistent with the goals of the organization forms a sense of loyalty, responsibility, and teamwork among employees. Also, a properly organized compensation system reduces employee turnover, increases their confidence and satisfaction with work, and strengthens the positive image of the enterprise. Compensation policy in the current global economic environment is one of the key strategic orientations of human resource management in a number of economically developed countries. In addition to high salaries, companies are fighting not only for specialists, but also for professional personnel, guarantees of social protection, a healthy working environment and a high culture of management. In Uzbekistan, the changes taking place in the labor market and the growing needs and expectations of employees require organizations to improve the compensation system in line with the requirements of the times. Therefore, enterprises need not only to strengthen material incentive mechanisms, but also to create a non-materially favorable and motivating environment for employees.

Material compensation is one of the main factors in motivating employees to work, increasing their interest in work, and ensuring their economic well-being. This type of compensation refers to payments and benefits provided to employees in material form for their work, effort, and contribution to the organization. The central element of material compensation is the salary and reward system, which is not only the employee's main source of livelihood, but also a powerful source of motivation for work [9]. Salary is the main material payment paid by the organization for the employee's labor activity, which depends on the supply and demand established in the labor market, the employee's qualifications and position, and the volume and quality of work performed. In modern conditions, the salary system is being formed not only in the form of a traditional salary, but also in the form of a multi-level system enriched with various additional payments and incentive mechanisms.

Payment systems can have a number of different arrangements. One common form is hourly pay, where an employee is paid per hour worked. An example would be a paycheck which can be monthly, weekly or hourly. Another common labor productivity

incentive is piece-rate pay. In this arrangement, the employee is compensated for the output produced or the amount of work completed. The manufacturing field utilizes this format far more frequently and encourages the worker to work more. Additionally, there can be a mixed wage type where hourly wages and piece-rate are used at the same time. This system is widely available for service, trade and technical industries. Bonus system as a refined instrument that supplements the wage system and causes the employee to work harder. There are various types of rewards: one-time cash payments, yearly performance bonuses, bonuses achieved or exceeded production goals, and the availability of a portion of the company's financial results given to employees. The reward system is designed to provide a fair assessment of the individual roles undertaken by scholar employees, increase their degree of self-drive responsibility and spur work productivity. It motivates the employees to develop a competitive attitude, helps in building a healthy competition environment in the team, and aids in increasing the overall productivity of the organization.

Modern-day organizations have actually embraced a rewards system that is not only anchored on annual or quarterly performance yet also on particular metrics monthly or week. Such as, in trading companies, employees who achieved beyond the goal parameters will be given extra bonuses, likewise in IT industry, incentives are provided for completing the project earlier than expected time. In addition, some companies have introduced a reward system in the form of profit sharing or shares, which further strengthens employee loyalty to the organization [10]. The salary and reward system not only ensures the material well-being of employees, but also expresses the internal culture, values, and strategy of the organization through them. For example, a fair and transparent compensation system builds trust and loyalty in employees, while an unclear or unfair system reduces motivation and increases employee turnover. Therefore, in modern management, market standards, employee needs, the financial capabilities of the enterprise, and internal strategic goals are taken into account when developing a salary and reward system. In conclusion, the salary and reward system is the main foundation of material compensation, which is an effective means of assessing the work of employees, motivating them and connecting them to the organization. The more fair, transparent and result-oriented the system is, the more positive the attitude of employees to work will be. Therefore, each organization needs to carefully consider its salary and reward policy and form it on the basis of a strategic approach. Bonuses and bonuses are an integral part of the modern material compensation system, they are an effective tool for additional motivation of employees, motivating them to achieve high results and strengthening their loyalty to the organization [11]. A bonus is an additional material payment given to an employee for the volume of work performed, quality indicators, the degree of achievement of set goals or his contribution to the success of the organization. A bonus is usually a form of incentive payment, which is established in addition to the employee's basic salary, permanently or temporarily. Bonuses and allowances strengthen the organization's overall compensation policy, create healthy competition among employees, and significantly increase labor productivity.

Bonus payments are often based on results. For example, in sales organizations, employees are paid a certain percentage bonus when they meet or exceed the established plan indicators. In organizations that conduct project activities, bonuses are awarded when the project is successfully completed, delivered on time, or implemented within the budget. In addition, it is a tradition of giving corporate bonuses to employees based upon how well the business did as a whole during the year. This mechanism helps to attract employees attention toward interests and results it translates to increasing company performance while motivating employees to participate actively in the strategic success of the enterprise. And in some organizations, portion bonuses are caught quarterly or monthly based on some metrics, which also helps the employee to maintain consistent productivity in every stage of the work. Bonuses, on the other hand, are determined on a

kind of a national basis for Overtime wages. These may be provided as per the skills, experience, job profile, difficulty of work environment, night shifts, additional workload or risk. For instance, night shifts earn physicians extra pay, factory workers earn more for working in a dangerous environment, or engineers get extra payment if they work on a complex project. At some companies, if an employee has long served and is dedicated, bonuses are handed out accordingly [12]. This inspires staff members to attach themselves for the long term, develop their loyalty, and helps maintain essential employees.

A fair, transparent and criteria-based approach is essential for the effective organization of a bonus and bonus system. If bonuses and bonuses are given only to certain employees for unclear reasons or the criteria are not clear, this leads to dissatisfaction among employees, negative forms of competition and a decrease in motivation. On the contrary, when bonuses and bonuses are tied to clear indicators, when all employees know what reward they will receive for their work, this incentive system works more effectively. In modern enterprises, the bonus system is often determined by linking it to KPIs (key performance indicators), production plans or individual results. In addition, bonuses and bonuses also serve as a means of strengthening the company's brand and retaining employees in the long term. Many leading companies do not only tie bonuses to short-term results, but also increase the amount of bonuses with increasing length of service in order to encourage long-term loyalty. Also, in some companies, the bonus system is combined with stock or profit-sharing mechanisms, which leads to an even stronger connection of the employee to the interests of the organization.

Intangible compensation is one of the areas that is gaining increasing importance in the modern human resources management system. While material compensation is aimed at ensuring the economic well-being of the employee, intangible compensation serves to increase the internal motivation of employees, to bind them more strongly to the organization, to create a positive atmosphere in the workplace, and to strengthen human values. In today's globalization and competition, many companies are trying to attract talented specialists and retain them in the long term not only by offering high salaries to employees, but also by effectively using intangible incentives [13]. Especially in developed countries such as Europe, the USA, and Japan, the policy of intangible compensation is being formed with special attention as one of the important components of the company's success.

Intangible incentives include praise, recognition, social status, career opportunities, a favorable work environment, opportunities for training and professional growth, open communication with management, respect and appreciation. Although these tools are often not directly related to money, they increase the employee's job satisfaction, loyalty and initiative. Numerous psychological studies show that a person seeks not only material needs, but also to feel valued, have a place in society and that his work is recognized. It is this need that is satisfied through intangible incentives. One of the most effective forms of intangible incentives in many organizations is a system of praise and recognition. Public recognition of an employee's work, gratitude from management, and recognition from teammates serve as a powerful motivational factor. For example, some companies have recognition programs such as "employee of the month", "most active employee", "author of the most innovative idea". Such programs can be implemented together with monetary payments or separately, but in many cases even a small recognition or praise makes an employee feel valued. This increases their loyalty to the organization and encourages them to work even harder. Another powerful tool of non-material motivation is career opportunities. When an employee sees that he is not just working in the organization for a salary, but also improving his professional potential, having the opportunity to move up to higher positions, this gives him strong internal motivation. In organizations with a clearly defined career path, employees see their work not only as an obligation, but also as a platform for long-term professional development. Therefore, many companies have introduced clear career planning systems: advanced training programs, internal training,

a mentoring system, and leadership training courses are vivid examples of this. Along with recognition and praise, giving employees freedom and trust is also one of the means of non-material motivation. By expressing trust in an employee, the management gives him the opportunity to make independent decisions, which strengthens the employee's position in the organization. This, in turn, increases the employee's initiative, encourages creative thinking, and strengthens team spirit. Below is a table with the main forms of non-material motivation and their description, see Table 1:

Table 1. Forms of non-material incentives and their description

Non-material form of incentive	Description	Expected result
Praise and recognition	Openly recognize the employee's work, express gratitude, and acknowledge it to the team	Increased intrinsic motivation, increased commitment
Career opportunities	Creating opportunities for employee professional development, promotion, and advanced training	Long-term motivation, stability
Flexible work environment	Providing freedom in working hours, location, and responsibilities	Enthusiasm for work, stress reduction
Open communication	Transparent communication between management and employees, opportunity to express opinions	Confidence, participation and responsibility increase
Social status	The employee's position in the team is respected.	Feeling of self-worth, loyalty
Encourage initiative	Supporting innovation and ideas, giving creative freedom	Innovative thinking, high efficiency

Above from the table apparently It is said that intangible encouragement tools employees only work activity not , maybe their psychological situation , oneself appreciation level , team was loyalty also strengthens . This and far within the period organization general to the results directly positive effect shows . Another important aspect of non-material incentives is their universality. The financial capabilities of each organization may be different, but the introduction of tools such as praise, recognition, respect and open communication does not require large funds. This makes it possible to effectively motivate employees even for small and medium-sized enterprises. For example, in small companies, a simple word "Thank you", an open expression of gratitude or recognition of an employee at a team meeting often has a greater motivational effect than large bonuses. In addition, non-material incentives should be tailored to the personal values and needs of employees. The motivational factors of each employee are not the same: for someone, career opportunities are a priority , for another, recognition and respect, and for another, a flexible work schedule may be important. Therefore, an effective non-material incentive policy is based on an individual approach. Many progressive companies study the motivation profile of employees and develop an incentive strategy based on their individual needs. Another strong point of non-material compensation is that it creates a positive atmosphere within the organization. Mutual respect and trust are formed between management and employees, teamwork is strengthened, and conflicts are reduced. In such an atmosphere, employees feel like they are not just employees, but important members of the organization [14]. This creates the basis for the sustainable development of the organization, high efficiency, and innovative activity.

Incentives through career opportunities are especially important for highly qualified employees. Such employees usually pay more attention to professional development than money. They value the opportunity to increase their experience and potential, advance to new positions, participate in complex projects, and gain international experience. Therefore, companies strive to create systems with clear career ladders and transparent assessment criteria. Praise and recognition often remain one of the simplest, but most effective forms of non-material incentives. A simple but sincere recognition from a leader has a strong motivational force in many employees. In some cases, such recognition has a stronger effect than a bonus or material reward, because it satisfies one of the deepest psychological needs of a person - the need for appreciation. Non-material compensations serve as a strategic tool in modern organizations to motivate employees, retain them in the long term, increase their initiative, and strengthen the spirit of teamwork. It not only increases economic efficiency, but also shapes the culture of the organization, strengthens employee loyalty and encourages them to develop. Any company, regardless of its financial capabilities, can effectively manage its human resources and gain a stable position in market competition by using non-material incentives such as praise, recognition, respect and career opportunities. Therefore, today, for many leading organizations, non-material compensation is considered a primary strategic priority along with material compensation.

Uzbekistan under the circumstances compensation system improvement issue last in years state of the policy the most important priority from directions to one became , because modern labor market under the circumstances not only work right level , maybe encouragement system fair , transparent and stable organization to be also economic of progress important factor as confession is being carried out . The main goal of the reforms carried out by the state is to bring the compensation system closer to international standards, create equal conditions between the public and private sectors, increase employee interest and loyalty to work, ensure transparency in the use of budget funds and, as a result, increase labor productivity. In recent years, a number of phased reforms have been implemented in the country to standardize salaries, determine bonuses and additional payments based on clear criteria, introduce a KPI (key performance indicators) system, form unified tariff coefficients for civil servants, and abolish extra-budgetary payments. Previously, employee salaries in state organizations were formed from several sources, but at the current stage, decisive measures are being taken to centralize this process, form it on the basis of a single system, and transfer it to a transparent mechanism. In particular, the new Labor Code, which entered into force in 2023, has made a sharp turn in this area. The Code introduced a modern approach to expanding the labor rights of employees, regulating working hours, rest, compensation and incentives. Now, decent remuneration for the employee's work, determining additional payments and bonuses based on transparent criteria has become a priority of state policy. This, on the one hand, protects the interests of the employee, and on the other hand, helps to regulate the internal management system of organizations.

The government of Uzbekistan has initiated the introduction of a unified salary system in the public sector starting in 2025. The essence of this system is that the previously existing system of "off-budget" additional payments will be abolished, and payments to all employees will be made only from the central budget. This approach will serve to prevent corruption and injustice, bring the compensation system to a single standard, and create equal opportunities for each employee. Also, in the new system, the amount of salary will be related not only to the title of the position, but also to the employee's qualifications, volume of work, level of responsibility, and results produced. A performance-based assessment system will play a central role in this [15]. For example, it is envisaged to give bonuses to employees who achieve the established KPI indicators, pay a bonus appropriate to the position, or introduce a reward system. This will form a result-oriented management, unlike the previous traditional indicators.

Digitization of payroll calculations has also been identified as one of the priorities for improving the compensation system. Similar to the past, where salaries were mostly calculated within invisible paper systems. That undercut their ability to fully appreciate their rights, to transparency, and to control systems. The state is now digitising all calculations, the employee's salary, allowances, bonuses, and all payments are recorded on a single electronic platform. This process omitting human factor on one hand, and on the other hand showing in black and white the amount of compensation the employee receives for his work. It enhances the financial discipline of the state, transparency in the calculations and increases the confidence of the employee thus justifying the use of the system under the section. The other side of the reforms which is being undertaken in the area of public sector is job rank restructuring. Earlier, the salary of employees in the same positions but in different organizations differed by many factors, now tariff coefficients for positions are calculated on the basis of similar standards. It further enhances an equal treatment principle, establishes a balanced competition of employees, and acts also for the purpose of regulating labor migration. The importance of these reforms signifies specifically to the staff working for education, healthcare, public administration, and law enforcement. In compensation, too, the performance-based bonus system is being broadened. In the past, bonuses were often left to manager discretion in many organizations; in the new system, they are tied to specific indicators. Examples include awards based on parameters such as volume of production, quality of service rendered, innovative proposals, efficiency, etc. This not only encourages the employees to do their jobs, but also to do their jobs better. How this makes incentive system simpler, fair and transparent.

As part of the reforms, measures are being taken to stimulate the private sector. Because improving the compensation system should not be limited to the public sector alone. Tax breaks, subsidy programs, and investment incentive mechanisms have been developed so that private enterprises can also offer competitive salaries, bonuses, and benefits to employees. This will increase competition in the general labor market and create more opportunities for highly qualified employees.

Another important area is the study and adaptation of international experience. In the process of current reforms, the experience of many advanced countries, including the European Union, South Korea, Singapore, and Japan, is being studied and adapted to the conditions of Uzbekistan. In particular, a result-based reward system, incentive bonuses, tariff coefficients corresponding to job levels, electronic accounting systems, and methods for assessing labor productivity are being introduced into local practice. At the same time, a number of steps are being taken to strengthen the social protection of employees. Along with the salary system, mechanisms are being developed to regulate mandatory and voluntary pension funds, medical insurance, social packages, labor leave, and other benefits. This will serve to enrich the compensation package for the employee not only with wages, but also with comprehensive social guarantees. As a result, the employee's loyalty and confidence in labor will increase. Another important area of reform is the formation of a culture of effective human resource management. Previously, the salary system in many organizations operated in a bureaucratic, complex and inefficient manner, but now this process is being gradually simplified, a centralized management system is introduced, and implementation is carried out through automated platforms. This, in turn, gives employees the efficient experience while enabling the state to compile, synthesize and manage information in no time. Summarizing, it is possible to speak about the fact that economically oriented but socially and managerially significant changes are represented by the reforms being implemented on the development of the compensation system in Uzbekistan. Unified salary system, determination of bonuses by KPI, standardization of tariff coefficients, systematic overhaul of the electronic accounting system, adjustment of international experience, strengthening of social protection of employees and stimulating the private sector will get down to fundamentally change the

labor market. These reforms will enhance fairness, transparency, and efficiency in labor relations, increase employee motivation and loyalty, and strengthen the socio-economic stability of the state. Therefore, this area has become central to the country's long-term development strategy.

In the process of improving the compensation system in Uzbekistan, the opportunities for introducing best practices in enterprises are expanding. In the conditions of the modern labor market and global economic competition, it is not effective to rely only on traditional methods to motivate employees and fairly evaluate their work. Therefore, many enterprises are trying to implement advanced management and compensation approaches in their activities. Best practices include a result-oriented bonus system, flexible compensation packages, transparent salary systems, incentive intangible mechanisms, KPI-based assessment, social packages for employees and the introduction of development programs, which are successfully used in international companies. Such an approach increases the motivation of employees to work, encourages them to be loyal to the company, and significantly increases the efficiency of production or service provision.

The possibilities of introducing advanced practices depend primarily on the management culture. Abandoning the traditional bureaucratic approach and developing flexible management methods that are result-oriented and take into account the interests of the employee will bring the incentive system in enterprises to a new level. For example, the "total rewards" approach, widely used in international companies, includes not only salary, but also bonuses, allowances, benefits, career opportunities and the psychological environment in the workplace. This approach is a realistic model that can be practically implemented for Uzbek enterprises. Enterprises will not be limited to paying employees only a salary, but will be able to reduce staff turnover and retain qualified employees in the long term by offering them an individual motivational package.

Another important aspect of best practices is the widespread introduction of the KPI (key performance indicators) system. The results-based assessment system allows you to measure the work of each employee through specific indicators, which helps to fairly distribute bonuses and allowances. This system strengthens the initiative of employees, increases individual responsibility and increases team efficiency. Many private enterprises are gradually introducing this system and are observing a significant increase in efficiency in a short time. Especially in the trade, service and manufacturing sectors, the KPI system is considered one of the most effective incentive tools.

As a best practice, many companies are also expanding the practice of social packages. These include health insurance, transportation and meal benefits, educational grants for children, leisure opportunities, additional vacation days and other types of social protection. Such additional compensations are often highly valued as factors that are not materially expressed, but increase the overall quality of life of the employee. That is why many companies see this system as a competitive advantage. Such an approach is also relevant for Uzbek companies and serves to increase their competitiveness in the international labor market .

Creating a flexible work system and a comfortable environment is also part of the best practices. Many leading companies support the mental and physical health of employees by providing employees with the opportunity to work remotely, flexible work schedules, ergonomic office conditions, recreation areas, and a stress-reducing environment. These experiences can also be practically applied to Uzbek enterprises, especially in the IT, service, and creative industries, where such approaches are already yielding effective results. As a best practice, the formation of a culture of open communication with employees also plays a major role. In enterprises with an open communication system, employees feel valued, freely express their opinions, make suggestions, and actively participate in the decision-making process. This increases their

loyalty to the company. Therefore, many leading companies have established motivational meetings, internal forums, incentive recognition systems, and an open leadership policy. Another area of best practices is aimed at improving the skills of employees. Many companies increase their professional potential by organizing continuous training, training, internal and external advanced training courses for employees. This strengthens the employee's desire for self-development, motivates them to work in the company for a long time. At the same time, qualified personnel have high value for the company, and their production efficiency also increases. By gradually introducing these best practices, Uzbek enterprises can not only improve the internal working environment, but also become competitive entities in the global labor market. To do this, first of all, companies need to reconsider their management philosophy, develop a comprehensive compensation strategy that combines a system of material and non-material incentives. It is also important to conduct a thorough analysis of the needs of employees, identify their motivational factors, and create an adapted system on this basis.

4. Conclusion

Remuneration system is a modern HRM tool that determines outcomes of organizations, employees motivation and consequently their loyalty to the organization in the long term perspective. Given the global war for carefully chosen competencies, a comprehensive attitude is vital salary cannot be the only criterion: material motivation salary, bonuses, allowances and social package, and non-material motivation recognition, career growth, psychological comfort, flexible working conditions. Expectations Realization (ER) and Comparison Level (CL), among other theories, frame the results where, while salary fulfills the financial needs of employees, often, the intangible rewards are more dominant in their role in affecting extrinsic motivation and organizational commitment. However, Uzbekistan's April reforms permitting consistent wage schedules, KPI-linked incentive payments, uniform tariff coefficients and electronic wage systems represent significant moves toward transparency and fairness. By adopting international best practices like flexible compensation structures, healthy workplace and continuous professional development, these changes can further alleviate burnout problems and increase employee engagement, thereby massively reducing attrition. Basically, compensation is a tool to manage, nurture trust, productivity and competitiveness not just a financial device. A compensation policy that brings equity while remaining strategically oriented, and allows to contribute to long-term economic growth will be needed in Uzbekistan to facilitate labor market efficiency.

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