

DETERMINANTS OF FINANCIERS COMPENSATION LEVEL IN
UKRAINE

by

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LIST OF ABBREVIATIONS

CFO Chief Financial Officer

HR Human resources

IT Information technology

KPI Key performance indicator

MBA Master of Business Administration

MSCI Morgan Stanley Capital International

OLS Ordinary least squares model

CHAPTER 1. INTRODUCTION

This paper can help both professionals and businesses to get equilibrium in their expectations on remuneration given competencies.

For any business, human capital is the essential value that generates achievement of the business's main goals, and matter of wage level occurs both in operational and strategic prospects. In order to grant fair salaries for employees, businesses can use market remunerations both for benchmarking and developing their scheme of compensation.

On the other hand, for any professional, it is important to get a fair valuation for their competencies and know what is valued more by employers. This knowledge can help to understand points of professional growth & make complicated decisions on trading-off opportunities such as getting an MBA or one more year of experience. Awareness of market compensation level can become in hand as an objective argument in the salary negotiating process. It is also can help to deal with cognitive biases such as illusory superiority, self-esteem, false consensus effect, or anchoring.

Understanding by employees what is valued by employers is a crucial part of people management. In leading organizations, the requirements, and demands are communicated to employees by key performance indicators or long-term incentive plans. These measurements can specify the business' needs and points of professional improvements which can lead to receiving higher remuneration. But these types of measurements are mostly used for higher-level managers and require additional resources for their creation. And the most important to say that there are rarely used by Ukrainian companies because of management ignorance or underestimating of measurement's impact, and of course

because of already stated costliness. Thus, understanding determinants of wage levels for Ukrainian professionals will be even more useful and can be only one source of understanding what can objectively affect an individual's salary.

There are notable changes in the popularity of education and additional degrees such as MBA. For several years, business schools have reported a decline in MBA applications, which was one of the determinants of a shrank in the number of accredited full-time MBA programs. Last surveys also showed a slight decrease in the average financial return of getting educational degrees.

All of this indicates a shift in the global labor market and could affect salary level determinants.

CHAPTER 2. INDUSTRY OVERVIEW AND RELATED STUDIES

Employees in the financial sector officially have the highest average salary among other sectors (see Figure 1). According to the data provided by the State Statistics Service of Ukraine, the average wage of regular employees in 2021 in the financial and insurance sector is 24,095 hryvnias. The closest salaries have employees in air transport and information and communication sectors. As of September 2021, there are 166 thousand employees workes in the financial and insurance sector which is 2.3% of the whole labor force of Ukraine. More than half of the employees in this sector work in Kyiv city, which is around 93 thousand employees.

Figure 1. Employee's compensation level by sector in 2021, UAH

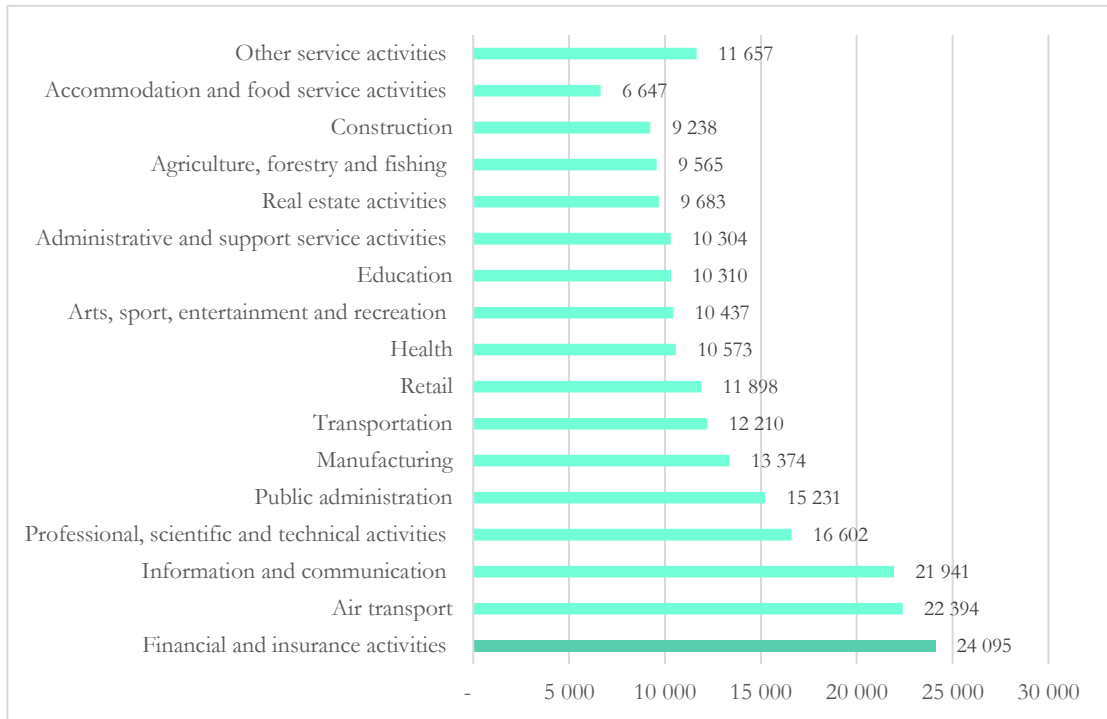
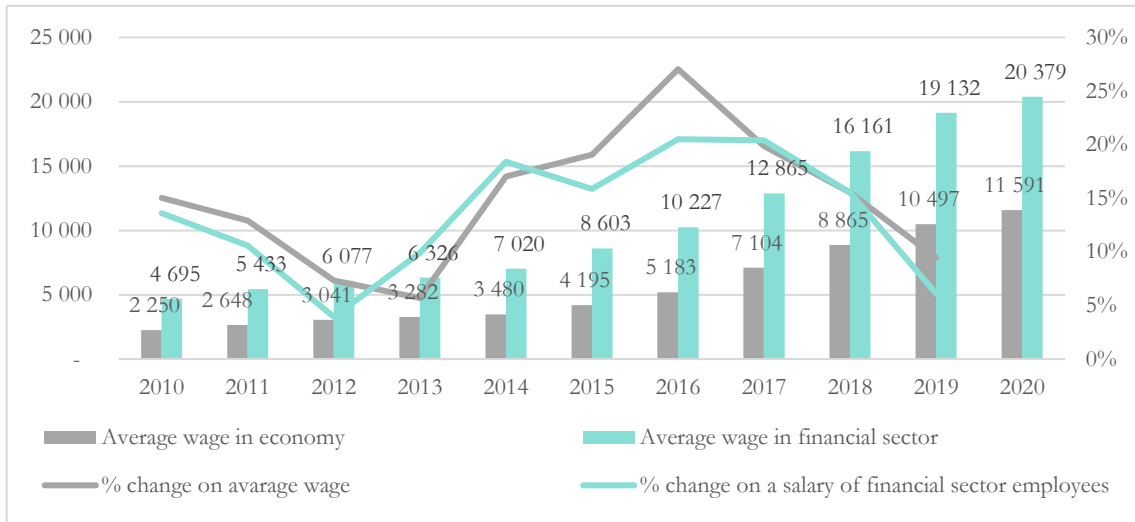


Figure 2. Average salary in economy and financial sector, UAH



Average wages in the financial sector have grown over the past ten years and have always exceeded the average wages in the economy. However, the annual growth in most cases was less than the growth of average salary in the economy (see Figure 3).

State Statistics Service of Ukraine also provided information about companies' size type. So, employees in the financial sector are distributed in the following way: 21.4% work in large enterprises, 58.6% work in medium, 20% work in small, and 9.6% work in microenterprises. Companies are categorized by revenue, total employees number, and other factors stated in the Tax Code of Ukraine.

State Statistics Service of Ukraine also provides labor cost indices, where employees in the financial sector have one of the lowest indexes which, is 452. The lower index has transportation and mining sectors, which are 448 and 419 respectively, and the highest one is the information and communication sector index which, is 753.

Studying determinants of compensation level are a valuable part of labor economics, and it is a lot of researches that describes every possible determinant which can affect the wage level. However, it is very rare researches that describe wage determinants in the financial sector, and it is no one that describes wage level determinants of financiers in Ukraine.

Related studies founded can be categorized into four parts: wage determinants of executive-level managers, various wage payment schemes including based on bonuses, exogenous wage determinants, and studying wage inequality.

A major part of the researches was made mostly on the wage of executive-level managers, and as stated before the level of their remuneration is measured by specific indicators. One of the most important indicators used for executive remuneration is the company's performance. It is an economically reasonable metric which is proven by several studies including the article of Jensen & Murphy (2010).

For fairness, it is worth noting that it is also other indicators and schemes which can affect their wages such as introduced by Aggarwal & Samwick (2003) scheme of the rival rate of performance.

The focus of researchers on high-level managers can be explained by a large area of responsibility, a significantly high level of remuneration, and data availability. But these researches omit the largest part of the labor force: middle- / low-level managers, their wages hard to interconnect with companies or rivals performance or other indicators which significantly affect high-level managers.

One of the most recent studies was made by Kampkötter (2012) on the German and Swiss banking industry. The research was focused on bonus payments and the impact of financial crises. The main research conclusions were: "a positive and convex relationship between

hierarchical level and base salaries as well as bonus payments" and significant negative impact of financial crises on bankers' bonus payments.

Another research studying both bonus payments and compensation of executive-level managers made by Grund and Kräkel (2012). The research focused on the long-term wage policy of firms because of the assumption that such career incentives revealed the abilities of a manager is over time.

Important to mention other wage level determinants and compensation schemes which observed in related studies but can't be observed in this research.

An alternative efficient scheme of compensation introduces by Lazear and Rosen (1981) named "Rank-Order Tournaments " implies determining the wage level by individual's ordinal rank in an organization. This scheme based on developing competitive corporate culture.

Philippon and Reshef (2009) in their research are observed exogenous factors which can affect the compensation level of professionals in the U.S. financial sector. Authors described that the increment of the complexity of legal regulation negatively affects wages in the financial sector, both in the aggregate time series and across subsectors, and regulation affects even more than financial crises. For example, the financial crisis that occurred in 1930 did not significantly affect financiers' wages, but regulation implied as a response to this crisis in 1934 rapidly decreased wage levels of financiers in the U.S. They also noticed connections between wage level and corporate finance activities linked to IPOs and credit risk. Research stresses the limited direct impact of IT: the usage of computers by the financial sector does not connect with using of human capital however, that the indirect impact of IT is remarkable: "the creative destruction that IT induces in the nonfinancial corporate sector is a key driver of the demand for skills in the financial

industry". An interesting observation also was made in comparison of financiers' wages relative to the rest of the private sector. The financiers' salaries have significantly increased in comparison to the rest of the private sector as well as the share of university graduates.

A major part of the researches also focuses on determining wage inequality by any type of individual's characteristics. Juhn & Murphy (1993) stressed increasing inequality between the least and most skilled workers. Increment in this gap was explained by shifting labor demand toward industries where more skilled workers were required. According to conducted research "demand for most skilled workers increased by about 50 percent relative to the demand for the least skilled". The inequality in returns to skills also can be observed in the results of this research.

The topic of inequality is also considered in the connection to gender. Imbalances are observed both in the level of wage and complication of movement along with job ladders. The reason for the difference in compensation between males and females is described in several ways.

One part of the researchers supports the theory of discrimination based on taste factors alone (see Becker 1957). Some researchers stress that the difference in average wage is mostly explained by the fact that females are less likely to be found in higher-paying jobs, and at the same time admit that it can arise because of discriminated attitudes towards women (see Cain 1986). An inequivalent attitude in job promotions found in research by Lazear and Rosen (1990), which stated that a woman must have greater abilities than a man to be promoted.

For fairness, it is worth noting that despite the fact, that females have smaller chances of promotion into high-paying jobs than males with similar characteristics, if a job is "held constant," then males and females earn a roughly similar wage (see Edgeworth 1922). But

we also should take into consideration that the last statement is the valid only for niche industries or position with the high level of ability primordial requirements. Generally, studies noticed some interconnections between wage level and gender characteristic, it is also observed in this research.

The central wage level determinants are skills, but there is no valid measurement for them. So, employers tend to use other magnitudes which can indicate employees' levels of knowledge and skills such as education, professional certifications, years of experience (see Frans Maloa, 2012). The higher skills represent the proxy, the higher impact it has on the compensation level. In other words, the more complex achievements individual has, the higher compensation she will receive, but crucial to have measurable achievements.

One of the complex and measurable achievements can be obtaining a higher education. The college premium is consistent with the large number of literature (see Card 2001; Barrow and Rouse 2005; Goldin and Katz 2008). It is even studies that calculate the financial rate of return of getting a higher education. For instance, the average return on a bachelor's degree was 9% in the 1970s, and then nearly doubled to about 16% by 2001, and remained at around 14% to 15% in the past decade (see Loba and Burke-Smalley, 2017).

It is also a specific education degree that is considered one of the most complex - an MBA. A program that has plentiful evidence of facilitating career earnings as a result of completing this qualification (see Sullivan, 2010). To obtain this degree applicant should have initially high skills, which must be proven by tests on math and logic, most schools also require relevant experience in business and extra social achievements. In other words, only people with the best skills have access to an MBA program, and in addition to this, an MBA program allows these people to further strengthen their skills and acquire new ones, as well as gain the knowledge necessary for running a business. The direct effect of skill set

improvement which arises as a result of obtaining this degree proved by many studies (see Dreher, Dougherty & Whitely, 1985). It is also pointed that an MBA results in enhancing interpersonal skills such as leadership, motivation, communication, decision making, problem-solving, self-sufficiency, etc. (see Baruch and Peiperl, 2000; Pfeffer & Fong, 2002; Carmichael & Sutherland, 2005)

Thus, obtaining an MBA degree is one of the most accurate indicators of an individual's high skills.

Professional certificates (e.g. CFA) are also can be used as a signal that an individual has certain skills and knowledge. On average, individuals with certificates earn 20% more than high school graduates without any postsecondary education. However, the effect varies according to the certificate holder's field of study, whether the certificate holder works in the field. For instance, individuals who have certificates and work in the field earn 37% more than those who work out of the field (see Carnevale, Rose, and Hanson, 2020). Thus, having a certificate also approves that an individual has certain skills and can be used as a proxy for a skill set.

One of the key competencies that require globalization of the labor market is knowing foreign languages. It is enough studies that prove the significance of the wage premium of knowing an additional language and its economic returns (see Toomet, 2011; Di Paolo and Tansel, 2015; Liwinski, 2019).

First, knowing a foreign language allows communicating in a more efficient way in the work, both internal communications with colleagues or supervisors and external communications with counterparties and clients (Ku and Zussmann, 2010).

Second, learning and using an additional language, can turn into enhanced cognitive skills and, more comprehensive efficiency at work. Adesope et al. (2010) pointed that individual

who knows at least one additional language have a cognitive advantage over monolinguals in executive functions such as "mental flexibility, inhibitory control, attention control and task switching as well as creativity, flexibility and originality in problem-solving".

Third, language skills can open opportunities to higher-paid and more prestigious professions (Chiswick and Miller, 2009).

And fourth explanation refers to the signaling theory developed by Spence in 1973. According to signaling theory, "one can argue that the command of a foreign language may be a signal of greater abilities and cognitive skills, thereby suggesting higher potential productivity".

It is also studies that identify the impact of workplace location on a compensation level. For instance, Jeffrey J.Yankow in his research found that employees in urban areas on average receive 19% higher remuneration than employees in non-urban areas, which is called urban wage premium. He suggested that two-thirds of the wage premium can be described by cities attracting workers of higher unmeasured skills and abilities.

So, it is a lot of articles and studies which research various determinants of employees' wage level. Most of them are not industry specified or focus on a particular problem.

CHAPTER 3. METHODOLOGY

The main goal of this investigation is to help meet the expectations on wage level of employees and employers given the applicant's characteristics. The models which describe wage determinants are commonly used in both in practice and academic studies. Most of the researchers who studying wage determinants are use the semilogarithmic OLS model which considered the most relevant one (see Grund and Kräkel 2012, Kampkötter 2012).

3.1. Hypothesis

Hypothesis 1: Getting a master's degree has no effect on the remuneration.

Taking into consideration problems in the Ukrainian education system, we can suggest that an individual's remuneration depends mostly on the institution where any level of degree was taken than getting a degree itself. As we can't control for an institution where a degree was taken it should be insignificant in result

Hypothesis 2: Getting MBA positively affects the remuneration of financiers.

The impact of an MBA in the business sector can be crucial. This degree can give an understanding of the best business practices which will be unique especially taking into account that getting this degree is not common practice in Ukraine compared to Europe or the U.S., and individuals who got this degree will be in scarcity and have advantages over individuals who didn't get this degree.

Getting an MBA also requires some level of initial ability and interpersonal skills so, getting it can be also considered as recognition of the high-level abilities.

Hypothesis 3: Gender has no effect on remuneration.

As it is mentioned in related studies compensations are mostly gender-neutral in complicated and niche fields and the financial sector in Ukraine considered more niche and difficult because it is underdevelopment (according to the MSCI market classification).

Hypothesis 4: Remunerations in Kyiv city significantly higher relative to other ones.

The financial institutions and companies' allocation in Kyiv city are significantly higher than in any other cities in Ukraine, thus it is a more competitive market both in terms of salary and labor. Furthermore, it is studies which proved sufficient impact of workplace location on compensation level.

Hypothesis 5: Individuals who work with employment contracts get lower compensation.

This is the economically relevant hypothesis if a company doesn't pay taxes and dues it can offer higher remuneration for their employees. Furthermore, by working without employment contracts, individuals don't get legally recognized work experience so, will receive a lower amount of social package. Such trade-off should be also remunerated.

3.2. The regression model

The regression equation has the following shape:

$$\text{Log}(\text{wage}) = \alpha + \beta_1 * \text{exp} + \beta_2 * \text{exp}^2 + \beta_3 * \text{educ} + \beta_4 * \text{eng} \\ + \beta_5 * \text{mba} + \beta_6 * \text{crt} + \beta_7 * \text{gender} + \beta_8 * \text{legal} + \beta_9 * \text{city}$$

wage – monthly compensation in UAH. The dependent variable taken in natural logarithmic function to have better interpretations of coefficients.

3.3. The independent variables.

Data consists one quantitative variable, 4 categorical variables with several categories, and 4 dummy variables with only two categories (0 or 1).

1. **exp** – the number of years experienced in this field.
2. **educ** – the higher educational degree level of the respondent with 3 categories: bachelor, master, and no degree. As a base category individual without any degree was taken, because of interest in additional effect of getting any degree.
3. **eng** – the frequency of additional language usage, 1- don't use, 2 – rarely and only writing, 3 – frequently use verbally and in writing, 4 – used every day even for speaking with team. Individuals who not use foreign language in their work was taken as base category because of interest in additional effects of using foreign languages
4. **mba** – 1 if responded got the MBA degree
5. **crt** – 1 if responded got any international level professional certifications
6. **gender** – represents biological identification of respondent
7. **legal** – 1 if respondent have employment contract and works in legally recognized way.
8. **city** – location of respondent's workplace, 1 - Kyiv, 2 - other major cities (Kharkiv, Odessa, Lviv), 3- all other locations (no available data from temporarily annexed Crimea).

As it is only one qualitative variable it is no multicollinearity between independent variables. Test for heteroscedasticity including the Breush-Pagan test and the NCV test showed no evidence of heteroscedasticity in the model variables.

One of the known problems in researching wage level determinants is impossibility of measuring and controlling skills directly. As an option of mitigation researchers use years of experience.

Furthermore, in this study additionally two variables may help to mitigate this problem: First one is the variable that represents did the individual got the MBA degree. Second one is the variable that represents did the individual got the any professional certificate.

Both for getting an MBA or professional certificate, an individual needs to meet some minimum requirement (hard) skills & needs to have more initiative & motivation (soft) skills.

CHAPTER 4. DATA

Happy Monday career platform kindly provided data for this analysis. It consists of 1310 observations and 19 variables. Other than used in a regression model it consists of:

1. **age** - respondent's age in years.
2. **country** - respondent's location of the workplace in terms of country. Observations from abroad were excluded from the model because they are out of the scope of this research.
3. **industry** - represents a specific industry or sector where the respondent works. Excluded from the model because of the high number of categories.
4. **type of company** - represents how the business sells their services: agency, in-house, freelance, etc.
5. **form** - 1 if salary received in UAH, 2 if received in other currency, 3 if received in UAH but converted to the currency
6. **type of working** - 1 if full-time, 2- part-time, 3- remote, 4 - flexible
7. **markets** - In which countries respondent's company sell their services
8. **incrSalary** - the frequency of salary increments in years.

The largest part in terms of job position were taken by accountants with share of 75%, and they also have the smallest average salary 14 900 UAH. The second share in data set received by CFOs with the largest average salary 56 900 UAH (see Table 1).

The most respondents are from Kyiv 36.8%, then Lviv – 5.9 %, Kharkiv - 4.3 %, Odessa – 4.1 % rest are located in other cities.

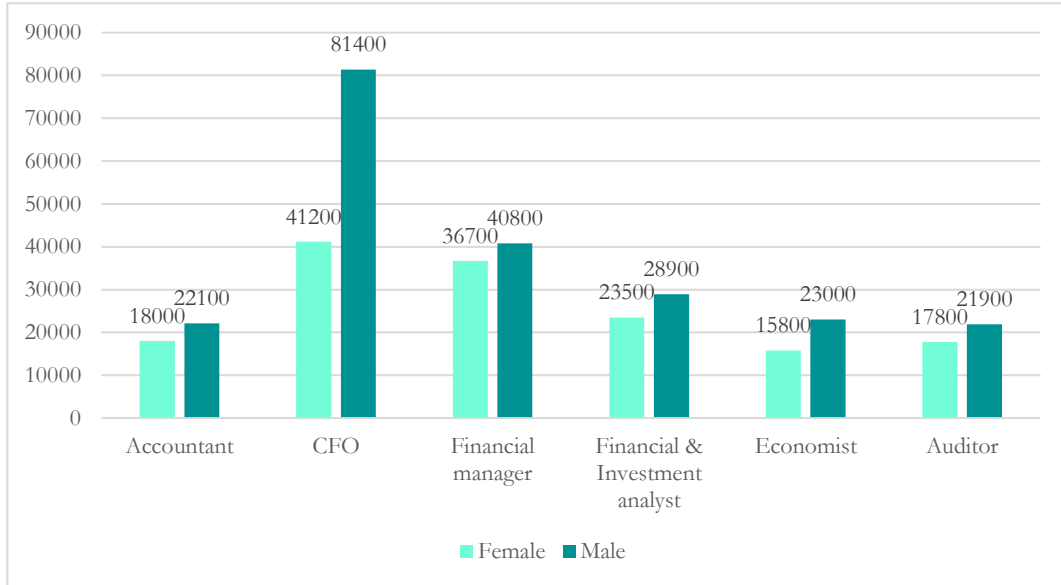
The dataset consists of 85.5 % of females and 14.5% of males and it is inequality in average wages is observed. For instance, on average female receive 17 100 UAH, which is significantly less than average males’ salary – 36 800 UAH. Most inequality by job occupation observed in compensation of CFO, male individual will on average will receive for 40 200 UAH more (see Figure 3).

Table 1. Composition of job positions & salary

Job position	Share in dataset %	Salary in UAH	Average age in years
Accountant	75.4 %	14 900	41
CFO	5.9 %	56 900	40
Financial manager	4.5 %	38 500	32
Financial & Investment analyst	4.5%	27 300	29
Economist	3.6 %	18 900	35
Auditor	1.7 %	20 800	26
Other	4.4 %	-	-

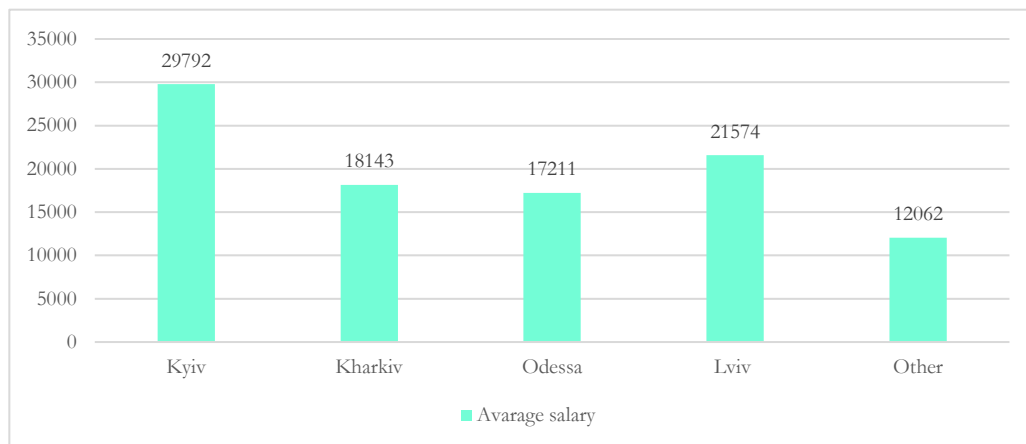
The data contains a unique variable that represents the legal status of employment. By the respondent's answers: 84% have legally accepted employment contracts, 14% of respondents work legally unaccepted way which means they work either don't have any employment contract or as private entrepreneurs who permanently work with only one company as a part of its team. For the other 2% this metric is inapplicable.

Figure 3. Imbalance in salary by gender



Composition by the type of companies is the following: 63.5% works in-house which means they work for only their company's internal tasks, 30% works in agencies or service businesses which means they mostly deal with tasks of clients. The other 6.5% are freelancers which means they work in a project-based way.

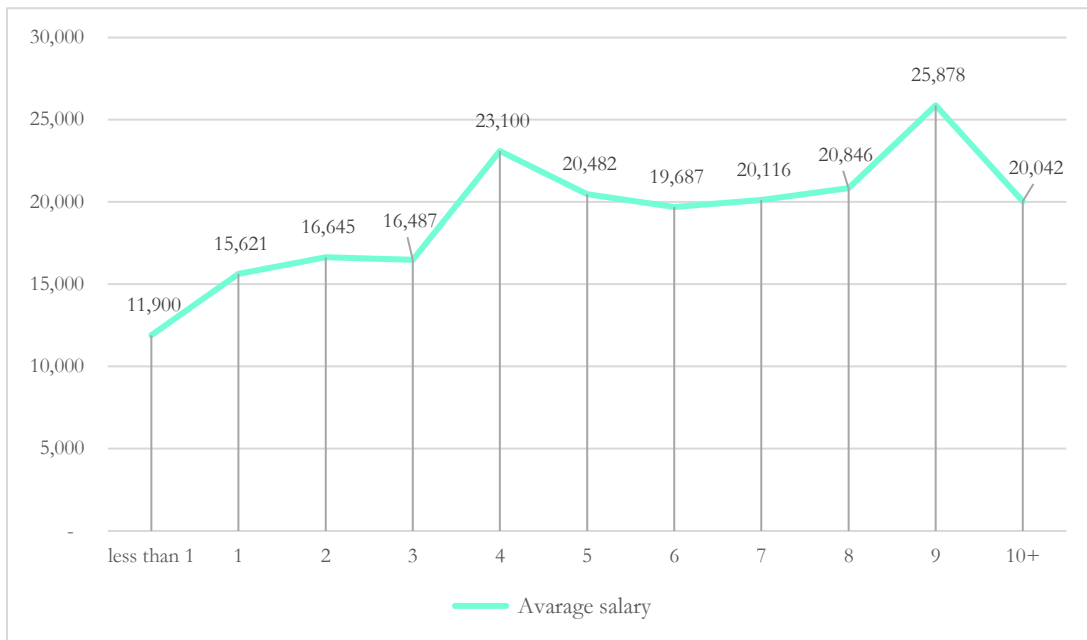
Figure 4. Average salaries by region



Average salaries also differ by respondent's location. Highest wages expectedly in Kyiv city - 29 792 UAH, and lowest in nonmajor cities - 12 062 UAH (see Figure 4).

The essential salary determinant is years of experience. The salary rapidly increases after the third year of experience but after the fourth year goes down. The next increment observed in the ninth year of experience and again rapidly goes down (see Figure 5).

Figure 5. Average salaries by experience



Survey respondents also asked about preferable format of employment: 74.7% answered that they prefer constantly work in the office, 15.9% answered that they prefer to have flexible schedule which means working part of the week in office and remaining part work remotely. And just 9.4% prefer to work fully remote.

Concerning currency in which they receive wages: 94% answered that they receive salaries in Ukrainian hryvna, 3% answered that they receive salary in hryvnas which converted or depends on foreign currency, and 3% answered that they receive salary in foreign currency.

Wage level also varies from an individual's educational degree: individuals with a master's degree have the highest average salary - 21 980 UAH. Average wages of individuals without any degree and individuals with a bachelor's degree are almost not differs - 15 665 UAH and 15600 UAH respectively.

Significantly higher average wages have employees with an MBA or professional certificates. Employees with a professional certificate on average receive 39 920 UAH, and employees with an MBA degree on average have 66 211 UAH on salary.

CHAPTER 5. RESULTS

5.1. Introduction

The main goal of this research is to determine how different individual characteristics affect the wage level. The research is based on the responses of financiers from different sectors and Ukrainian cities.

For achieving research goals OLS regression model is used. We identified how experience, education, gender, frequency of foreign language usage, job position, MBA, or certificates, and workplace location can affect the wage of an individual. We also determined that the legal status of workers has no significant effect on the wage level.

The interpretation of the results is provided for each tested hypothesis and presented in the following way: first, we comment the level of statistical significance and signs of estimated coefficients. Next, we give interpretations on marginal effect, and finally we will describe and give the interpretations of other founded results.

5.2. Getting a master's degree does not affect the remuneration.

Despite the suggestion that we will have no effect from having a master's degree because of an undeveloped Ukrainian educational system and no possibility of controlling for an educational institution, we have significant results. The significant effect of having a masters' degree on wage level rejects our null hypothesis. Having a master's degree has a positive sign. It indicates that individuals with master's degrees have higher wages, which is reasonable in terms of theory. We can give the following interpretation for marginal effect: Individuals with master's degrees on average have 22.5% higher wages than a person with no educational degree.

Furthermore, we see that a bachelor's degree also has an effect on wage with 5% of the significance level, and have the following interpretation for marginal effect: Individuals with bachelor's degrees on average have 13.3% higher wages than individuals with no educational degree.

5.3. Getting MBA positively affects the remuneration of financiers.

Estimated results of having an MBA provided a significant effect on wage level. As we suggested MBA has a positive impact on the wage level so, it is no evidence to reject the null hypothesis. This degree has one of the highest effects in terms of magnitudes and can be interpreted in the following way: Individuals with MBA on average have 72.2% higher wages than individuals who don't get an MBA.

We also can see a significant effect on wage levels from receiving professional certificates. Individuals who have a professional certificate on average have 31.5% higher wages than individuals who don't have it.

5.3. Gender has no effect on remuneration.

Despite the suggestion that salary not affected by gender, it has a significant impact on wage level. The hypothesis was based on the suggestion the financial industry is a more niche sector so, it should have a much lower level of gender discrimination than in other industries. We can suggest that it had happened because most of our respondents are accountants which are not considered a niche job. So, we can just state that it is gender inequality observed and reject our null hypothesis. The magnitudes can be interpreted in the following way: males on average have 29.3% higher wages than females.

5.4. Remunerations in Kyiv city significantly higher relative to other ones.

The estimated result presented a significant effect on wage level from workplace location. We can see that individuals who work in major cities on average will have higher wages than in other places in Ukraine. The highest magnitude expectedly has Kyiv city. Individuals who work in Kyiv on average has 62.5% higher wage level than in other non-major cities in Ukraine. Thus, it is no evidence to reject the null hypothesis that remunerations in Kyiv city significantly higher relative to other ones. We also can see that individuals who work in other major cities (Lviv, Kharkiv, Odessa) on average have 32% higher wages than in other non-major cities with 95% of significance level.

5.5. Individuals with employment contracts get lower compensation.

Despite the suggestion that the company can offer higher remuneration for their employees if it doesn't pay taxes, we got insignificant estimators. It means that it is no significant difference in the wage level either individuals work with an employment contract or by another way which can avoid or decrease the amount of tax payments. It is evidence to reject the null hypothesis that individuals who work with employment contracts get lower compensation.

5.5. Other founded results.

Individual's work experience also an essential determinant of wage level. We can see that it has a significant effect on wages in our data. Interpretation of magnitude is following: one additional year of experience on average is associated with a 2.3% increase in wage level.

We also can see that individuals who works as entrepreneurs or freelancers on average receive higher salary. Interpretation of magnitude is following: individuals who work as a freelancer on average receive 44.6% higher in wage level, than individuals who don't.

Table 2. Consolidated results of the compensation level determinants equation

Variables	1	2	3
(intercept)	9.139605***	8.773259***	8.654644***
exp	0.014933***	0.024602***	0.025418***
edc_bachelor	0.091701	0.122062	0.133392.
edc_master	0.347449***	0.260922***	0.225176***
eng_2			0.194450***
eng_3			0.510360***
eng_4			0.580270***
mba_1			0.722075***
certificate_1			0.315282***
gender_m	0.579555***	0.413733***	0.293302***
legal_yes			0.100244
legal_fop			0.445529***
city_kyiv		0.792569***	0.625283***
city_otherbig		0.387392***	0.321460***
<p>1. $\log(\text{wage}) \sim \text{exp} + \text{exp}^2 + \text{edc} + \text{gender}$</p> <p>2. $\log(\text{wage}) \sim \text{exp} + \text{exp}^2 + \text{edc} + \text{gender} + \text{city}$</p> <p>3. $\log(\text{wage}) \sim \text{exp} + \text{exp}^2 + \text{edc} + \text{eng} + \text{mba} + \text{crt} + \text{gender} + \text{legal} + \text{city}$</p>			

The frequency of foreign language usage has a significant effect on compensation level. The individual who at least sometimes use a foreign language in their work has a 12% higher salary than individuals who don't use it at all. The individuals who use it frequently have a 37% higher wage than the base category and individuals who use a foreign language every day and even use it for speaking with team members receive a 58% higher level of compensation than the base category.

CHAPTER 6. CONCLUSIONS AND RECOMMENDATIONS

The valuable part of corporate governance is human capital management. Compensation level is considered an essential part of an employee's motivation. This research can help companies to determine the level of employee market remuneration depending on individual characteristics. It can be used as a base for forming companies compensation scheme or as a benchmark.

It is recommended to have a transparent salary scheme, it can help to employees fit company's goals and expectations, thus increase the productivity. It can be done by communicating the determinants of remuneration and possibilities of increasing its level. As a base for such communication, these research results can be used. Transparent determinants of salary level also can help with employee's fairness feeling with their compensation and increase motivation and loyalty to the employer.

The market offers higher compensation for individuals with a master's degree. Higher education is necessary for the financial sector because financiers deal with complex operations which require a vision of the system as a whole. Companies should be ready to pay greater salaries for individuals with a higher degree and who have fundamental knowledge. As an alternative employers can develop internal training programs which will compensate lack of higher education. This model as an additional instrument used by major financiers employers such as Goldman Sachs, J.P. Morgan, etc.

The most impact in terms of magnitudes have an MBA program and professional certifications. It means that an MBA program and training for obtaining certifications provide one of the most demanded skills. So, companies are encouraged to take into account these factors to offer comparative market remuneration.

The most upsetting results observed in significant dependence of salary level by employees' gender. On average male employees receive up to 20% higher remuneration than females just because of gender distinctions. Business encouraged to develop policies which will eliminate gender inequality issues. By developing such policies, a company can improve HR brand and engage better candidates for their positions. Furthermore, these policies will give the market advantage. The companies which offer a more objective remuneration scheme will engage the most skilled individuals who will benefit from choosing such companies.

Avoiding taxes is a known problem in Ukraine, and employing individuals without employment contracts is the frequently used method. The conducted survey contains information about the employee's legal status. The highest number of financiers have legally accepted employment contracts but about 14% of employees work in a legally unacceptable way. Research presented an insignificant dependence of salary level on the employment legal status. Individuals without employment contracts have much less social package, so agents encouraged to require companies to employ them in the legally accepted way or choose employers who provide such an opportunity since there is no valid reason to agree to illegal employment.

One of the least impacts on wage level has work experience. One additional year of experience associated with about a 2.5% increase in wage level. For comparison getting an MBA on average have a 72% increase in the wage level. Considering that the average MBA program duration is two years, we can state that it is better to get an MBA degree than have additional two years of experience.

This may also indicate that an employee working in the company receives much less demanded skills and experience than she could get on a master's program, at training for obtaining a certificate, or at an MBA program. The slow development of the team makes

the company less competitive, in order to reduce the influence of this factor, companies can develop internal training systems so that employees develop at a faster pace and choose more experience in the company rather than obtaining an additional degree or certificate.

Globalization also has made adjustments in the labor market. Nowadays companies can have counterparties from whole over the world, and for effective communication, they need staff with knowledge of foreign languages, which increases demand on professionals with language skills.

As a study showed the more employees use the foreign language in their work the higher remuneration they will receive. It can be associated with a company's higher financial performance because of attraction counterparties on the international market, which is considered to be more profitable cooperation. Other than that the education system didn't change substantially in this aspect, and individuals need to take additional courses on foreign language to have the possibility of using it during work. Thus, we can suggest that demand on individuals with language skills were increased but supply didn't change substantially. Despite the reasons, employers should pay higher remuneration to individuals with language skills, especially if it is allowed to have counterparties with higher checks.

Another observation that should grab the attention of employers is that individuals who work as freelancers or entrepreneurs get significantly higher remuneration. If these tendencies remain, the employer will have to compete with the employee's desire to work as a freelancer. It means that in addition to competitive salary employers should offer more comfortable conditions and create more value of being employee.

However, the desire of people to become freelancers, companies can use to their advantage, especially given the difference in salaries in large and small cities. A company can attract freelancers from smaller cities and save on employee salaries. Such a model is

used on a global scale, for example, companies from countries where labor is very expensive, employ freelancers from countries with cheaper labor and earn on premium. We can extrapolate this experience to the scale of one country. In this way, companies can employ individuals in non-major cities and save around 62% on the salary fund. In particular, this has become easier thanks to the development of technology.

Regardless of the determinant of the salary level, employee skills will always be the most important factor. Each determinant used in this study may have different values for different companies and positions and imply a different set of skills. For this reason, companies are advised to clearly define the tasks that the employee should fulfill, and then determine the portrait of a person who will be able to perform these tasks with high quality. Using the presented model and the input data of the employee profile, the company can obtain the average market salary for each employee. This salary can be used both for an objective assessment of the work of employees and for other purposes. For example, if a company plans to expand its staff according to its business plan, it will have more accurate estimates for calculating costs.

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