

# The Salary Planning of the Private Enterprises

## PLANIFICATION DE SALAIRE DES ENTREPRISES PRIVÉES

Luo Bo<sup>1,2</sup>

**Abstract:** With the arrival of the era of knowledge-driven economy, private enterprises are required to accommodate themselves subject to the change of economic environment and to be highly innovative and adaptable. As a result, establishing a complete, competitive and motivating salary system is an important issue for private enterprises to face in order to maintain continuous development. There are a lot of problems of salary system in Chinese enterprises, and a lot of private enterprises do not have complete and scientific private salary systems and the regarding motivating systems. This article analyzed the current situation of planning salary of private enterprises in our country, announced the universal question that exists in private enterprises and the produced reasons, and gave some effective tactic on how to optimize the salary planning of private enterprises.

**Key words:** Private enterprises, Salary, Salary planning

**Résumé:** Avec l'arrivée de l'époque d'économie du savoir, les entreprises privées doivent s'adapter au changement de l'environnement économique et devenir innovatrices et adaptatives. Ainsi, établir un système de salaire complet, compétitif et actif est un moyen important pour les entreprises de maintenir le développement continu. Il existe beaucoup de problèmes en ce domaine dans les entreprises chinoises, et pas mal d'entreprises privées n'ont pas de système de salaire complet et scientifique, ni de système de motivations. L'article présent analyse d'abord la situation actuelle de la planification de salaire des entreprises privées dans notre pays, puis révèle la question universelle existant dans les entreprises privées et les raisons, et enfin, propose des tactiques effectives pour optimiser la planification de salaire des entreprises privées.

**Mots-Clés:** entreprises privées, salaire, planification de salaire

### 1. INSTRUCTION

As an important component of the socialist market economy of our country, private economy demonstrates the irreplaceable function in the course of our country's economic development, being a fresh combatant of socialist market economic development of our country. With the further promotion of the economic system reform of our country, the market competition is also becoming fiercer day by day. Whether the private enterprises could stand firmly in fierce competition, it is up to retaining staff, and retaining staff depends on what a kind of salary management system enterprises can set up. As the manpower cost that enterprises must pay, the salary is also the important means to attract and keep outstanding talents. The management of the salary

is a very important problem for an enterprise, and is the most difficult job and has the most contradictions in enterprise's manpower resources management, as well. This text discusses on the basis of this kind of consideration.

### 2. CHARACTERISTIC AND ADVANTAGE OF SALARY PLANNING OF PRIVATE ENTERPRISES

#### 2.1 The summary of salary planning

The salary is the corresponding repayments paid or thanking which are given by enterprises for the contribution, including efforts, time, knowledge,

<sup>1</sup> School of Management, Wuhan University of Technology, China.

<sup>2</sup> U.K D&G International Holding Limited, China.

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technical ability, experience and creation, that the staff do. According to the different mechanism happening, the salary can be divided into inherent salary and external salary. Inherent salary evolves from staff work itself, which means that the staff regards job as a kind of enjoying or living needs. The external salary evolves from the expenditure of enterprises, such as the staff's currency, material object, etc. External salary is generally composed of currency salary, welfare and not financial affairs salary.

Salary planning is the decision of the system of the salary which is made by enterprise's administrator. It is the process of earning the competition advantage for enterprise, confirming the system direction of the salary, solving the course of the problem of the salary, under the basis of enterprise's strategic development goal and actual needs. With the arrival of times of the global economic integration, the range of enterprise's competition is expanded rapidly, and the competition is aggravated to an unprecedented degree.

## **2.2 Characteristic and advantage of salary planning of private enterprises**

Compared with other enterprises of our country, especially the state-owned enterprise, the characteristics of the salary planning of private enterprises of our country have the following three aspects mainly.

### **2.2.1 Independence of salary planning of private enterprises**

Private enterprises of our country reflect really "independent operation, self-responsibility for its profits or losses, manage itself". The country does not interfere in the production and operating activities inside enterprises. Under the regulation and control of the national macro-scope policy, enterprises determine various kinds of operational and managerial activities independently, such as what it will produce, how much it will produce, recruitment, discharging management and management and so on, which is not as the state-owned enterprises that have so many restrictions, like it should be in the charge of the responsible institution; it will also often take care of the business activities inside enterprises by relevant, irrelevant personnel. All these make salary planning of private enterprises demonstrates obvious independence.

### **2.2.2 Flexibility of salary planning of private enterprise**

In terms of designation, private enterprises can adjust the most suitable salary strategic to the development of enterprise, according to the needs of oneself constantly. The flexibility of salary planning of private enterprise has close ties with its independence; without independence, it will be very difficult to accomplish the flexibility, and the flexibility is the concrete behavior of independence, otherwise it will be "slave girl who

administer the key but not the manager".

### **2.2.3 Profitability of salary planning of private enterprises**

The purpose of salary planning of private enterprise is very clear, that is, bring larger profit through the salary lever. No matter how much the salary that the private enterprise gives to the staff, all is to earn more profits and maintain the long-term existence and development of enterprises. However, the state-owned enterprise is not totally for making profits; it is bearing other social duties that the country gives, such as solving employment, safeguarding social stability, improving national defense and whole national force, etc.

These main characteristics of three aspects have offered the good platform for private corporation planning scientific, rational salary system.

## **3. THE CURRENT SITUATION AND EXISTING PROBLEM OF SALARY MANAGEMENT OF PRIVATE ENTERPRISES**

As an important strength of our national economy, private enterprises have already made enormous achievement, but it is undeniable that private enterprises are non-standard and not scientific in manpower resources management, especially planning of the salary system.

### **3.1 Salary determined mechanism is nonstandard**

Because of influence of management of its own family, a lot of private enterprises do not have perfect and scientific salary standard and salary system, and it is random to confirm its salary, which shows concretely in the following facets: (1) the boss decides the mode of the salary confirmation. The function of this kind of mode is remarkable on initial stage of private enterprises, because it can reduce the salary design cost and make the boss know capital turnover flow situation of enterprise very well, but the salary confirm mode demonstrates its enormous drawback on enterprise's great-leap-forward development stage, especially on the second phase of development stage. Firstly, the boss deciding mode is limited by restraining in boss' personal salary view and experience, so it is not scientific. Secondly, the mode may cause and strengthen the contradiction between enterprise's leader and staff. (2) Salary's fuzziness. A lot of private enterprise staff feel confused about how to determine their salary and what is the standard; what kind of behavior salary stems from; which approach can help get higher salary, etc. This kind of salary's fuzziness may cause the staff

various conjecture even discontented easily.

### **3.2 See the salary as the pure costs of enterprises**

On present stage, most of private enterprises always think in this way: The profit is the gross income minus total cost, and the gross income is directly correlated with scale of enterprises; the larger the scale is, the more the gross incomes are, and they think wrongly that the scale is decided by machine, equipment, factory building, etc, and the total cost includes the cost of labor and the cost of non-labor. The cost of non-labor is usually directly correlated with scale, that is to say, when the scale does not change much, neither does the cost of labor; for instance, there is no need to buy the new equipment, newly-built factory building. However, the cost of labor is different, it can be controlled independently by private enterprises, and it can increase and decrease artificially. So many private enterprises have high enthusiasm on the investment of factory building and equipment, but are unwilling to improve salary levels of staff, even defer or decrease staff's salary at will. They hardly realize, one of the basic ideas of the modern salary management is that benign cycle between the increase of salary levels of staff and the improvement of staff's quality is important sign of enterprise's flourish.

### **3.3 The dearth of fair degree of evaluation of staff's salary**

Private enterprises may have noticed the fair problem in the management of the salary, as horizontal fair of same grade staff and vertical fair of different grade staff, etc.. But they have often only paid attention to the justice of the result of the salary design on, ignored the fairness of the procedure of salary evaluation. In their view, so long as the staff's salary is equal to their relative working value, or equal to the contribution to the enterprise, it is not important whether is fair or not on design and operation of salary's frame. Therefore, at growth stage of enterprises, quite a few of private enterprises chose to operate the salary frame inwardly. The method make the uncertainty of staff about relative fairness of their income, which lead to the system of the salary unable to get up already existing motivation effect.

### **3.4 The lack of the salary encouraged policy**

Inside the exchanges relation of low-grade private enterprises, individuals of staff are totally passive and mechanical, and the work also lacks the enthusiasm and creativity. But with the improvement of staff's quality, the staff individuals, as the independent interests subject, its characteristics appear as well, and staff's personal enthusiasm, exertion of creation need enterprises offer omni-directional encouragement, but many private

enterprises' salary policy lack encouragement. First, the salary is not complete; there aren't even basic retirement and medical insurance. Second, salary of administrative staff hasn't considered their range and radius of management. Third, the encouragement to the key staff and staff with outstanding contributions to the company is insufficient.

## **4. THE OPTIMIZATION TACTICS OF SALARY PLANNING OF PRIVATE ENTERPRISES**

The salary management is the important content of enterprise's manpower resources management, and the salary management's foundation is the salary planning. If private enterprises of China want to attract and keep high-quality talents and establish in an unassailable position in the talent competition of the world, they must do the salary planning of enterprises well, in order to go out of the mistaken idea of salary planning of private enterprises.

### **4.1 Changes the idea of the salary, bring up strategically leading the salary view which pays attention to manpower growth**

The transition of the idea is the prerequisite for enterprise improvement; the private enterprises should fully realize the function of the manpower capital consider the appreciation effect of the manpower capital emphasize the gain sharing between both sides of the labour and capital, use a part of enterprise's profit for the staff's reward, set up to the staff's reward plan in year, let the staff share the achievement of enterprise's development. They can set up stock right, fictitious stock, performance unit, share and reward etc. and encouraging plan to senior administrator, key technical backbone; let they participate in company's management, administration and profit distribution and make their interests linked to interests of enterprises closely. This is the concentrated reflection that the private enterprises use the tie of salary management to operate "manpower capital stock right" in enterprise's manpower capital.

Strategically leading the salary view emphasize the salary design should take the development strategies of enterprises as the direction in strategy of the salary, the system of the salary and management strategy, staff's structure, corporate culture and development of enterprises make a reservation to match, emphasize supporting platform function and Strategically leading function of salary system. Salary is no longer regarded as the unavoidable costs, but a kind of tool and important lever to accomplish the goal of organization. The private enterprises are on the threshold of re-building, so its salary system should put forth effort to reflect the strategic intention of enterprises, pay

attention to mold a kind of corporate culture which is concerning manpower growth of capital, form the key competitiveness which is favorable to enterprise's development.

#### **4.2 Pays attention to the fairness of the contact between work and salary**

The fairness of the contact between work and salary includes the course's fairness and result's fairness. The so-called course's fairness, salary determination-mechanism, avoided the fuzziness of salary confirmation. The result's fairness embodies the course's fairness; when private enterprises design the salary, they should forecast the fairness of salary's system, to make the course's fairness structure the result's fairness, and make the result's fairness reflect the course's fairness. Therefore, they should allow and encourage the staff to participate in the design and management of the system of the salary. The foreign company's practice result in this respect shows: compared with the salary system without the staff's participation, the design and management of the system of the salary which let the staff participate in always make more satisfaction and can be effective for a long time. It is no doubt that the more the staff's participation in the design and management of the salary system, the better the salary system which is suitable for the staff's needs and corresponding to reality. During the process of participating in system design, communicating to the policy of the salary with purpose, promoting the mutual trust between administrator and the staff, which can make the wages system with defect more effective.

#### **4.3 Salary incentive systems should show the cultural idea — " people first "**

Setting up the salary incentive system of people first requires enterprises to hold the inherent demand of different staff, improve staff's interests positively, and excite the high-level demand of the staff constantly in creation. On one hand enterprises should offer the rational and quantitative currency value to staff; on the other hand they should provide the work with challenge, the fulfillment in work and the appropriate social status, attractive corporate culture, good working environment, the elastic working time and the commendation and gratitude to personnel. Enterprises

should explore the suitable and pluralistic salary system for enterprise and set up flexible incentive system and elastic self-service welfare plan; in bonus granting respect, make enterprises be able to adjust the number of the bonus in time according to the change of the staff's performance, let the staff have the fulfillment and crisis awareness at any time, make the bonus really play a role in encouraging excellent staff; in welfare insurance aspect, get achievement in touch with the welfare, stop the drawback of average welfare through system, meanwhile enterprises can offer the self-service welfare insurance forms, which enable staff to choose the necessary welfare insurance plan freely and make the employee welfare utility maximized. In this way, both of the staff's satisfaction and loyalty to enterprises will be promoted.

### **5. CONCLUSIONS**

In a word, due to the restriction of multiple factors, such as traditional salary concept, unperfected theory, the inadequate technology progress, there are a lot of defects in the planning of the system of the salary in the private enterprises. However, the characteristic and advantages of the private enterprises of our country have offered the good platform to make and implement the normal and scientific salary system. It is the inevitable choice to accelerate the improvement of the system of the salary planning for the development of private enterprises of our country will promote the sustainable development of whole national economy of our country as well. Therefore, the salary of private enterprises of our country in new period will be planned in order to change the traditional idea, to bring up the stigma strategically salary view which pays attention to manpower growth of capital, concern on the fairness of the course of the salary planning system and increase the transparency of salary planning, and will pour the cultural idea — people first into in the incentive system of the salary, launch for the core with how to optimum the salary system. It is a significant responsibility for us to perfect the salary planning of the private enterprises constantly in our country, so relevant administrators and entrepreneurs should all cooperate actively and offer the new opportunity to accelerate the development of the private enterprises.

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### THE AUTHOR

**Luo Bo**, U.K D&G International Holding Limited, China.  
Address: Ruiyuan New 37 of Huayou Road 95, Chengdu, Sichuan, 610051, P.R China.  
E-mail: northboy@126.com