

# The Historical Logic and Value Pursuit of the Evolution of the Salary System of State-owned Enterprises

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**Abstract:** The compensation system of state-owned enterprises has undergone four evolution stages. It adjusts the distribution system by developing public-owned enterprises, aiming to achieve distribution justice.

**Keywords:** Evolution logic, Value pursuit.

## 1. The Historical Logic of The Evolution

The state-owned enterprise economy is an important part of the national economy. It is not only a direct embodiment of socialist public ownership, but also bears the general attributes of enterprise management. State-owned enterprises are regulated by the government's economic or political means in their operations, showing a public nature similar to government behavior. On the other hand, because state-owned enterprises have management autonomy and financial goals, they show the enterprise nature of market players' profit goals. The duality of state-owned enterprises makes the boundary between public behavior and profit behavior change correspondingly in different periods and scenarios, showing complex and changeable characteristics.

(1) The period of the new democratic revolution: the embryonic period(1921-1949)

From the beginning of this stage, under the guidance of Marxism, it believes that private ownership of the means of production is the root cause of the exploitation of the proletariat, advocates the fair distribution of the means of production and labor products, and abolishes private ownership. In this period, the salary system of state-owned enterprises was affected by the war, and had the characteristics of urgency and compulsion. The wartime military supply system was implemented in the departmental distribution, and the personnel distribution was uniformly distributed. During the all-out War of Resistance Against Japanese Aggression, he still adhered to the principle of giving priority to supplying military supplies; he also began to pay attention to production efficiency, and proposed a piece-rate wage system and a personal bonus system based on quality grading in cities.

(2) The initial stage of socialist construction: the exploration period (1949-1978)

At the beginning of the founding of the People's Republic of China, a hundred wastes were waiting to be rebuilt. Through self-construction and three major transformations, the scale of the public economy has expanded rapidly. The management model of the public economy has changed from imitating the Soviet model at the beginning to self-reliance and decision-making. A complete set of state-owned enterprise salary system has been explored. At the beginning, a diversified income distribution system was adopted. In order to solve the following problems such as confusion of wage forms and different measurement units, state-owned

enterprises have formulated an eight-level wage system with "wage points" as the measurement unit. Later, in order to further solve the problems of serious egalitarianism and the pressure of "contracted" welfare, the second wage reform was carried out in 1956. State-owned enterprises replaced the "wage points" and price subsidy systems with the monetary wage system, and focused on the three aspects of morality, talent and capital. In each aspect, the position-level salary is clarified, and the piece-rate wage system is actively promoted. Due to the lack of practical experience, he copied the highly centralized planned economy model of the Soviet Union and formulated excessively high salary standards for leading cadres, which widened the wage gap between employees within the enterprise. Later, due to changes in the international environment and lack of experience in socialist construction, the concept of the salary system changed from distribution according to work to egalitarianism.

(3) The new era of reform and opening up: the growth period(1978-2012)

In 1978, with the implementation of reform and opening up, state-owned enterprises were faced with the problem to improve production efficiency through income distribution. In the same year, the State Council issued regulations to restore the piece-rate wage, bonus and enterprise fund system for state-owned enterprises. In order to solve the problem of excessive issuance of employee bonuses and benefits caused by the retained profits of state-owned enterprises and affecting corporate profits, the Ministry of Labor and Personnel issued a report requiring that wages be linked to the economic benefits of the enterprise and the labor results of employees, and that the wage increase should be upgraded from a fixed upgrade to a floating upgrade. Further improve the remuneration system of state-owned enterprises.

In order to avoid a large number of rent-seeking behaviors after the decentralization of power and profits of state-owned enterprises and further release the productivity, starting from 1992, on the one hand, the salary management for state-owned enterprise operators is carried out, and on the other hand, the salary distribution system that prioritizes efficiency is improved. The Third Plenary Session of the Fourteenth Central Committee put forward the goal of establishing a modern enterprise system. In 1994, the Ministry of Labor and the State Economic and Trade Commission jointly issued a notice, which for the first time included the operators of state-owned enterprises in the scope of wage reform, and implemented the annual salary system for executives on a trial basis. Since then, relevant documents have emerged one after

another targeting state-owned enterprise operators and regulating their salary distribution. In 1997, the principle of distribution according to work and matching production factors was put forward, and a salary system with diversified distribution according to different positions and production factors of different positions was established.

In 2003, my country established the State-owned Assets Supervision and Administration Commission to further promote the reform of state-owned enterprises. The focus of the reform of the salary system of state-owned enterprises has also been upgraded from distinguishing production factors to improving the salary system structure. In 2004, the State-owned Assets Supervision and Administration Commission clearly stipulated that the annual salary of operators includes three parts: base salary, performance salary and medium and long-term incentives. In 2006, guided and motivated enterprise managers to continue operating, preventing shortsightedness and egoism. In short, the state-owned enterprise remuneration system is moving towards a modern state-owned enterprise remuneration system under the principle of adhering to the principle of distribution according to work as the main body and participation in distribution according to the contribution of elements.

(4) The period of comprehensively deepening the reform: the period of improving the quality (2012-present)

After more than 30 years of steady progress in reform and opening up, the government has established a comprehensive framework for the compensation system of state-owned enterprises. However, with the passage of time and changes in the environment, prominent phenomena such as excessive on-the-job consumption of executives and employees' guaranteed income during drought and flood have seriously damaged social equity, causing public attention and widespread controversy. In 2012, the report of the 18th National Congress of the Communist Party of China raised equity to a strategic level and put forward the requirement of "taking into account both efficiency and equity". At this stage, the reform of the compensation system of state-owned enterprises mainly aimed at the problems of excessively high executive compensation and iron rice bowls of enterprises within the system.

In 2013, the State Council emphasized the management of compensation for executives of state-owned enterprises. In 2014, state-owned enterprises were divided into public welfare and commercial categories, and state-owned enterprise executives were divided into administrative appointment and market selection, and both stipulated corresponding remuneration standards, that is, graded and classified management. In the same year, the job consumption of the heads of state-owned enterprises was abolished. In 2015, the state-owned enterprise operator's salary differentiation reform was implemented, thereby establishing a hard constraint mechanism in which salary changes dynamically with performance, introducing medium and long-term incentives such as equity incentives, and mobilizing the enthusiasm and creativity of senior managers and core personnel such as management and technical backbones. In 2016, a market-based compensation system was established in which state-owned enterprise employee compensation changes dynamically according to performance. In 2018, it was proposed that employee compensation should be comprehensively considered from the three aspects of the market, enterprises and individuals, that is, it should be related to the labor market, enterprise economic benefits and

labor productivity. The scope of reform covers grass-roots employees, focusing on the indicator of "labor productivity".

## 2. The Value Pursuit of the Centennial Evolution

The century-old evolution of the state-owned enterprise compensation system aims to distribute justice.

State-owned enterprises promote the development of social income distribution justice by exploring their own fair salary distribution system. State-owned enterprises also support the realization of state-owned enterprises' own salary distribution justice from three dimensions: subject justice, principle justice, and process justice. From the embryonic stage to the early stage of exploration, we gradually realized the importance of piece-rate wages, are practicing the ethical concept of "get what they deserve and give everyone what they deserve".

The fairness of the main body is reflected in the joint construction of the state-owned enterprise salary distribution system by the government, the market, the enterprise and the people. Although state-owned enterprises have dual attributes, they still take the government's public behavior as the starting point and core. Before the implementation of the socialist market economy system, state-owned enterprises were purely subordinate institutions of the government, responsible for completing quota tasks under the planned economy. At this time, all salary distribution systems of state-owned enterprises were determined by the government unilaterally. After the reform and opening up, the liberalization of the commodity market and the operating autonomy of the lower enterprises have given more flexibility to the salary distribution system. The compensation of executives and employees is linked to the labor market, corporate economic efficiency and labor productivity, and the market and companies have also become important factors affecting the base and composition of compensation. In particular, with the development of practice and in-depth theoretical research, the government has also established a special SASAC management to assess and appoint and dismiss corporate personnel, including corporate executives. Listed state-owned enterprises have also set up a compensation committee to improve the corporate governance mechanism. The development of the Internet has improved the transparency of the remuneration system, and the people-centered ideology has also improved the effectiveness of citizen supervision, including the weak bargaining party—employees, and has promoted the development of the remuneration system in a more equitable direction.

The principle of fairness is manifested in adherence to the basic principle of public ownership, the fundamental requirement of adhering to the dominant position of the people, and the test standard of adhering to the development of productive forces. In the final analysis, the salary distribution system is the product of a labor relationship, that is, the employment relationship, and is a distribution system for labor and its remuneration. Marx even pointed out that the ownership of the means of production determines the status of people in production, and also determines the distribution method of products. Development is conducive to the complete realization of distribution justice. Among them, the understanding of people's value and the pursuit of ideal state are based on the development of people themselves, rather than resorting to external things. For example, the salary

distribution system of state-owned enterprises increases the principle of human capital allocation, and considers their educational level when setting basic salary. The value of human capital was re-examined when making shares, and human resources were regarded as production factors with the same status as capital and land, and reasonable remuneration was given. It is precisely because the level of economic productivity in the primary stage of socialism is still relatively backward, the problem of unbalanced and insufficient development is prominent, and the level of social civilization needs to be improved. Vigorously developing productive forces is always the key to solving development problems and improving people's well-being at this stage. Improving employee enthusiasm and production efficiency is the specific path to develop productivity. Therefore, in the reform of the salary distribution system of state-owned enterprises, the role of individual performance contribution in the basis of salary distribution has been repeatedly emphasized. Potential value, increased productivity and productivity.

Process justice runs through the whole process of the implementation of the state-owned enterprise salary distribution system, which is manifested as a fair starting point, a fair procedure, and fair result. The salary distribution system of state-owned enterprises first establishes a unified salary sub-system to promote the unification of employee performance appraisal, and then conducts hierarchical and classified supervision of public welfare or commercial enterprises, administrative appointments or market selection of executives. It maintains the flexibility in the application of performance appraisal, improves productivity in a targeted manner, and balances the relationship between fairness and efficiency. State-owned enterprises constantly improve salary distribution system when implementing salary distribution, ensure that the salary decision-making process of each person is relatively stable, and treat all employees equally, with the

characteristics of consistency; especially for executives, the annual salary system, differentiated salary system, and performance-based The dynamically changing market salary system prevents the personal preferences of managers from affecting salary decisions, establishes a restraint mechanism, and has the characteristics of being unbiased; the salary information disclosure system for state-owned enterprise operators discloses all salary information of senior executives, improves transparency, and ensures that all relevant personnel can Reflect opinions and have representative characteristics; these consistent, unbiased, and representative procedures ensure that the salary distribution achieves the expected effect and reflects the fairness of the procedure. During the planned economy period, the salary of state-owned enterprises adopted an equal distributionist distribution mechanism, hoping to directly achieve justice through absolute equal distribution. In the market economy period, the remuneration of state-owned enterprises is mainly based on the principle of distribution according to contribution, supplemented by a small amount of distribution according to ability, implements the piece rate system, bonus system, long-term oriented incentives, and a market-oriented salary system that changes dynamically according to performance, and follows the distribution according to work. The principle of distribution, to achieve a fair distribution of results.

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