

Research on Employee Compensation Incentive Mechanism

Shuxin Zheng and Zhongguo Zhang

Abstract—In this paper, based on the questionnaire survey results of employees in labor-intensive enterprises, it is found that the employee turnover rate and employee productivity are closely related to the hierarchical structure characteristics of employees and the salary distribution system. According to the hierarchy structure characteristics of the staff needs, a kind of differentiated, more suitable for the development of the enterprise and more flexible salary incentive mechanism and a remuneration reward system are designed, which better meet the needs of employees, and more effectively reduce the staff turnover rate, greatly arouse the enthusiasm of the staff work well. The applications of this study in a shipyard show that the salary incentive mechanism and the remuneration reward system mentioned in this paper have achieved good results: both of the working efficiency and enthusiasm of employees have been greatly improved, and the employee attrition rate dramatically declined in 2019 compared with that in 2017. Therefore, this study method and the incentive mechanism can be fully applied to large and medium-sized labor-intensive enterprises, and this research has good application value.

Index Terms—The differentiation of salary system, incentive, employee attrition rate.

I. INTRODUCTION

Renowned management scientist Fazuo Inamori proposed that the best way to increase profits is to reduce costs [1]. However, in such a tough industry as manufacturing industry, with high labor intensity and low attractiveness of the employee compensation system, it is difficult for enterprises to recruit and retain workers, and the phenomenon of employee turnover is very serious. As a result, the labor cost of enterprises increases further, and the problem of low relative labor productivity becomes increasingly prominent, especially in labor-intensive industries, such as manufacturing, IT services and tourism.

Therefore, how to reduce the labor cost and improve the profitability of the enterprise have become a very important issue for every manufacturing companies. Because the relationship of employee and the employer experienced the period of industrial personal attachment, the post-industrial period of the relationship of psychological contract and the period of the relationship of strategic partner relationship in the information age, which the three phases are in the direction of the value convergence and equal interaction [2].

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So it has become a crucial manufacturing company problem demanding prompt solution for the enterprise's human resources department how to improve the labor productivity of enterprises and reduce labor costs by means of the appropriate incentive methods, which manage, motivate and retain employees, and maximize their enthusiasm in terms of the reasonable salary system and the well relationship between employees and employer. Take a manufacturing company an example to try to solve this problem from the perspective of salary.

About the research of the incentive mechanism, He Jin and Xu Chunyan think appropriate targets such as motivation and honor motivation can make enterprises professional managers to obtain greater achievement, and from the aspects of spiritual and material incentive method is put forward, but their own belonging, eager to get higher respect demand and fully embody the requirements of individual value has not been well meet [3], [4]; Zheng Yanqiu and Chang fenglin put forward the welfare incentive mechanism, which is based on employees' demands for economic materials, so as to stimulate their enthusiasm for work. However, no specific measures have been proposed [5], [6]. Zhou Lei and Zhang Yanghong proposed to keep the scientific attitude when establishing compensation system according to the actual circumstance of staff construction compensation mechanism, and different department and post setting different incentive mechanism, and the more fair incentive mechanism can make the actual effect by ensuring that the incentive mechanism of the differentiation and diversity [7], [8]. But for large intensive manufacturing enterprise, whether temporary workers, or the management or technical workers, the main labor workers are 20-40 years old employees, so the key problem is how to solve the core issue of enterprises need based on the main characteristics of 20-40 years labor workers. The following study is taking a large-scale intensive manufacturing enterprises as an example to analyze the incentive mechanism of employees.

II. AN OVERVIEW OF A CERTAIN MANUFACTURING COMPANY

This company is mainly engaged in the production and manufacture of large machinery, and it is a crude manufacturing enterprise with intensive personnel. It has a high safety risk in the production process, which has a great impact on the enterprise's benefits.

Most of its employees at all levels are young employees aged 20 to 40, who are the backbone and important human resources of the company.

Through the interview with the general manager of the manufacturing company and the manager of the department

of human resources department, the company has not been able to get out of the difficulties of recruitment, retention and low labor productivity, and the company is very concerned about these problems. Human resource management incentive system, which is closely connected with the company's development strategy, is the premise and guarantee of the company's continuous development. How to perfect this incentive system is urgent.

The manufacturing company currently employs 1,735 people, including 1,015 skilled workers, 64 managers, and 656 non-regular employees (contract employees). Due to production needs, the company needs to recruit about 20 middle management cadres, 320 skilled workers and 60 contract employees workers in early 2018.

The recruitment situation is not optimistic because of the labor shortage all over the country. And 9 middle-level management cadres, 92 skilled workers and 27 contract employees workers are recruited. The problem but the

phenomenon of staff turnover is more serious. of recruitment difficulty is extremely prominent. Not only is it difficult to recruit. According to statistics, 625 employees were lost in 2017, accounting for about 36% of the total number of employees in the company, among which 335 technicians, 21 managers and 269 labor workers were lost. As shown in table 1. In addition, although the contract employees have only three months to six months 'labor contract, and the problem of staff turnover is not obvious, low labor productivity and strong inertia in the labor process are very obvious. It is difficult for enterprises to recruit and retain workers. Low production efficiency, slow training process, unable to stay, frequent job-hopping and other phenomena for employees have become important problems restricting the development of manufacturing companies.

TABLE I: THE EMPLOYEE ATTRITION OF THE COMPANY

	Total number	Skilled workers	Management personnel
The total number of 2017	1735	1015	64
2017 attrition	625	335	21
2017employee attrition rate	36%	33%	33%
2018 expected recruitment	400	320	20
2018 actual recruitment	128	92	9
2018employee attrition rate	32%	29%	45%

III. ANALYSIS AND COUNTERMEASURES OF THE MANUFACTURING COMPANIES PROBLEMS

According to Maslow's hierarchy of needs theory, only by understanding the real needs of employees can we do a targeted job to motivate them. Of course, we should not simply apply foreign incentive theories, but carry out targeted demand investigation and analysis and adopt corresponding incentive strategies according to the characteristics of our company.

Through the salary satisfaction survey and in-depth interviews with the manufacturing company, the report shows that the employees' satisfaction with their salary is only 45%. Therefore, the difficulties in recruitment and retention and low production efficiency related to salary strongly.

According to the survey report and interview content, fixed salary has no advantage in the industry. The salary of about 3,000 yuan per month cannot meet the needs of employees in this enterprise. Employees face a lot of stress in their lives and their demand for wages is higher than at any time in history. Today, with a booming economic market, the supply of labor is lower than demand everywhere, which also provides good opportunities for employees to change jobs. Due to the large amount of information, innovation and development ability of employees, few people are willing to face low-wage and high-intensity work. If the salary can meet the needs of employees, it is the incentive factor to motivate employees, and vice versa, it is the health care factor. If the health care factor is not handled well, it will have the opposite

effect. The needs of employees at different levels are different, so the unified compensation incentive mode is not conducive to the incentive effect.

For middle level employees, their physiological needs and safety needs are satisfied, so they care more about self-actualization needs. They need work that demonstrate their ability. So the short-term incentives don't work anymore. They need long-term growth. Therefore, for middle-level employees, the compensation incentive mode cannot be the same as other employees, and the long-term incentive mode should be taken into account.

In the interview, it is found that enterprises have three kind of salary: the variable pay, the long-term compensation for five years and company's shares. However, employees will not fix their youth and passion in the same company because of their shares, so the long-term salary of the company cannot improve the working enthusiasm of basic technical employees, nor can make employees stay.

For contract employees, the stock ownership plan and seniority salary in long-term incentive play almost no role. They need to solve the physiological needs and safety needs, so the company should set the salary mode according to their needs, rather than one size fits all.

Enterprises are not open and clear about the way and extent of salary increase, which makes workers unable to set short-term goals for themselves and wonder what level they can get higher salary.

To ensure the physiological needs and safety needs of employees, the most basic salary package should be attractive, slightly higher than the basic salary of other manufacturing companies in province, so as to attract fresh graduates to join.

According to Maslow's hierarchy of needs theory, different employees have different needs. We should formulate relevant incentive policies according to employees' needs. Different employees can adopt differential compensation incentive mode. To introduce the performance appraisal mechanism scientifically, it is necessary to have a set of scientific appraisal standards that can reflect the characteristics of posts and the results of my work [9]. According to the responsibility, internal professional qualification assessment result, post important degree and qualification requirement analysis, it is more essential to determine the corresponding performance evaluation index and the content, scope, and post management responsibility elements and include all technical grade examination, to make clear job description and closely related performance appraisal results, and to establish a fair, just and reasonable compensation system [10]-[13].

For technical staff, short-term compensation incentives can be adopted. Most of the technical staff are fresh graduates from colleges and universities. Due to not understanding the society well, they want to find a job with higher pay after graduation. For the company, the salary in the first year can be significantly more competitive than other peers, which can not only make employees salary more handsome when recruiting, but also make employees feel secure to work in the enterprise for a year. According to the survey, fresh graduates change jobs most frequently in their first year, especially in the internship stage, because they are not skilled in technology and have to face the new working environment, they may easily give up. At this time, the short-term salary advantage is particularly obvious, so enterprises should help employees to go through this adjustment period together. Employees who have worked for a year are gradually mature in thought and deeply in love with the enterprise, which makes it easier for them to stay. Skilled workers are the soul of manufacturing enterprises and the main force of production development. However, in the current situation of serious loss of technical staff, the traditional compensation design seriously hinders the development of enterprises. In another hand, it is essential for the technical staff to adjust the compensation system and apply the broadband compensation to the compensation management of technical staff. The range of compensation provided by the enterprise for employees increases. As long as the employees pay attention to the development of the technology and ability required by the enterprise, and constantly improve their performance, they can get higher compensation. In this way, the focus of skilled workers can be successfully transferred to the improvement of technology, which greatly improved the enthusiasm and stability of skilled workers.

According to the survey, fresh graduates are the most frequent job-hops in their first year of work. Employees who have worked for one year are more mature in thought and more deeply in love with the enterprise. In the second year, the salary shall be adjusted according to the company's operating conditions and employees' working situation and performance, and the welfare shall be appropriately supplemented. Moreover, it should not only reward everyone in the team but also reward the whole team as far as possible to enhance the team cohesion and cooperation ability, in the

end, the production efficiency can be improved.

For middle-level cadres staff, they are mostly alumni, and has become the backbone of the company, they understand the enterprise culture, skilled work of enterprises and production processes, and is know for technical procedures and management procedures, they are the treasures of the company for business, so they should be compensation for a long time.

In terms of salary, the annual salary system should be adopted. The longer the length of service, the more kinds of subsidies, the more kinds of bonuses, and there equity holdings should increase year by year.

The contract employees not only demand in the level of physiological needs and security needs generally, but also pay the most sensitive in salary, so in terms of compensation incentive, they can become formal employees when their technology and work efficiency continuously improve and achieve or exceed the technical workers. In this way, it can not only motivate contract employees, but also realize employee reserve for the company.

IV. REMUNERATION AND REWARD SYSTEM

At present, the effect is very little although the compensation and reward system is widely used in manufacturing enterprises, the reason is that the compensation and reward system does not adapt to the characteristics of the industry.

First, for the manufacturing industry, safety production is the most important, and safety is prevention, not inspection. The prevention of every safety accident is an improvement of enterprise benefit, and the prevention of safety accident is an effective way to improve enterprise potential productivity, ease production relations and reduce production costs.

Zero Defects(ZD), is a revolution in corporate quality management, and manufacturing enterprises' prevention of safety accidents has many similarities with ZD theory. ZD's management thoughts maintains that enterprises should give full play to people's subjective initiative to conduct management, and producers and workers should strive to make their products and businesses free from defects and strive for the goal of high quality standards. ZD is a management philosophy, a scientific management concept and a profound corporate culture. [14] According to the zero defect management thoughts, manufacturing enterprises should set up correct and effective safety management measures and strictly follow the procedure standards. The compensation and reward system is used to guide employees to change the traditional concept of "no man is a sage, who can make no mistakes", to encourage them to pursue perfection and take zero mistakes and zero safety as the important goal of their work.

Second, it is hard to find a company that has lasted for a hundred years but the millennium old temple is often exists throughout the development of global enterprises. In addition. It's worth thinking about the proverb in the buddhist "The boy who is beaten and scolded but still stay at home is a good child of the buddhist family", which is a good interpretation of the loyalty of buddhist monks to the temple, and everyone was doing his duty calmly and meticulously in his duty in the temple.[15] The reason why the monks are loyal to the temple

is that the temple is home in their hearts. So how do companies make their employees feel at home? If the compensation and reward system without affecting the safety production of the enterprise is flexibly adjusted, and companies give employees a free, lively and emotional atmosphere, then they will feel at home both materially and spiritually.

In the operation of the compensation and reward system, the team performance should be flexibly rewarded. Once the performance of the team is outstanding, not only the whole team should be rewarded, but also everyone in the team should be rewarded. In this way, the team cohesion and cooperation ability can be improved as far as possible, and the labor efficiency and production efficiency can be improved.

V. CONCLUSION

The salary system should be tailored to local conditions and vary from person to person. Unified and unchanged salary system will restrict the enthusiasm of employees and impede the pace of enterprise progress. William James, an American psychologist, pointed out that the vast majority of employees only devote 20-30% of their capacity to the work they undertake, but once they are rewarded, they can exert 80-90% of their capacity. Therefore, the flexible and differentiated salary system will adapt to the development of enterprises and improve the work efficiency according to Maslow's principle, then the enterprise will reduce labor costs and improve corporate profits.

The research results of this paper have been well applied to the company. According to the feedback information from a shipyard, the effect is very obvious: the working efficiency and enthusiasm of employees have been greatly improved, and the employee attrition rate in 2019 was 27% lower than that in 2017, which effectively alleviated the employment problems existing in enterprises related to salary. The research results of this paper can be applied to manufacturing, tourism and IT industry.

CONFLICT OF INTEREST

The authors declare no conflict of interest.

AUTHOR CONTRIBUTIONS

Shuxin Zheng conducted the research and analyzed the data, Zhongguo Zhang wrote and translated the paper, and all authors had approved the final version.

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