

# Research on the Problems and Countermeasures of Salary Management in Small and Medium-sized Enterprises

Ke Meng, Guiyao Lu, Mingyang Shen

School of Economics and Management, Ganzhou Communication University, Jiangxi, China

**Abstract:** Small and medium-sized enterprises as the main body of Chinese enterprises should be an important driving force for China's economic development. However, the problems of salary management faced by small and medium-sized enterprises are increasingly hindering their own survival and development. Whether it is standing on the position of the enterprise or the workers, the pay problem is that they are more concerned about the problem, while the remuneration is also an indispensable modern means of competition and incentives. Salary management is not only indispensable content of enterprise human resources, but also the establishment of modern enterprise system, and optimization of the allocation of social resources requirements. Enterprise salary management operation flexibility or not, directly affect the production and operation management, which will affect the long-term development of enterprises. This paper analyzes the problems of salary management in small and medium-sized enterprises (SMEs), such as unreasonable pay system, lack of forward-looking management system, and so on, and analyzes and discusses their own countermeasures.

**Keywords:** Small and Medium-sized Enterprises; Salary Management; Salary System; Problem

## 1. Introduction

S is one of the advanced and general equipment of high-precision cylindrical grinder, thread grinder, CNC machine tool, gas carburizing furnace, ion nitriding furnace, lathe, milling machine and planer in Yantai Fushan District. 700 people of private enterprises. The company has a technology research and development centers and measurement testing center, and equipped with advanced measurement equipment, with a sound physical and chemical analysis and measurement testing means, the annual output value of 150 million yuan, the products are exported to all over the country.

Company S is now under the three production and processing business, respectively, for the machine tool accessories, machine manufacturing, heat treatment electroplating, and in 2003 with a South Korea Electronics Co., Ltd. to set up a joint venture Yantai Electronics Co., And gradually developed into a set of machine tool main parts, machine manufacturing, heat treatment electroplating is one of the integrated enterprise. Although S company has made great progress, but also by the relevant areas of recognition, but there are many problems in the enterprise management, especially in the pay management and restricting the development of the enterprise. The establishment of a scientific salary management system of company S has the most of the urgent problem of small and medium enterprises to solve.

## 2. The salary management problem that Company S will face

(A) Management system lack of forward-looking pay Company S's salary strategy is lack of strategic, lack of forward-looking. The so-called strategic pay management, that is, in making decisions on the pay, must consider the opp-

opportunities, strengths and weaknesses, the threat of doing the performance of the surrounding environment. It is based on the development goals of enterprises, and consider the current internal and external environment, in order to select the enterprise's salary strategy of a management activities. Although Company S in the pay management has done a lot of efforts, but the remuneration system to change to still have a lot of trouble, the staff's satisfaction with the salary is not high, often the old problem is not resolved, new problems followed to. One of the important reasons is that Company S in the pay design did not start from the enterprise development goals, but the pay on the pay, the salary as the cost of the enterprise, not the remuneration management as a means to achieve the company's overall goal. Let the salary management serve the company. As a result, although S has spent on remuneration management, it has been ineffective in terms of pay management due to lack of strategic pay management.

(B) The salary system is not reasonable

Economic compensation is divided into direct and indirect economic remuneration, including direct economic compensation with wages, allowances, all kinds of bonuses, indirect economic remuneration, also known as welfare; non-economic compensation refers to the staff of the work itself or the environment in the psychological satisfaction, belonging to the inherent additional remuneration or invisible remuneration. Although most of the small and medium enterprises have set the basic salary standards, increase bonuses, allowances, welfare efforts, but each of them still having a lot of problems.

S companies and many small and medium enterprises are basically some of the basic salary down long-term change, did not take into account the fluctuations in market levels. Employees want to get paid income gap to live through overtime. Performance bonuses are not clear and cannot be effectively linked to performance. The allowance is not reasonable enough. There is a lack of subsidies for some jobs so that the incentive to reduce staff, lost the meaning of subsidies, so that the role of subsidies did not materialize. Welfare system is imperfect and lack of scientific planning, waste of funds, but the effect is not significant. Another point is that most Chinese small businesses only see the importance of economic remuneration, but did not realize that non-economic compensation in the pay management is also very important. Non-economic compensation refers to people from the work itself to get the satisfaction, generally do not consume the economic resources of enterprises. According to Maslow's theory of demand hierarchy, economic remuneration or material remuneration can only meet the needs of employees' physical, safety and social needs, but cannot meet the needs of respect and self-realization. In a small part of the small and medium enterprises, there are some outstanding talent turnover, the reason is not less money, less material returns, but rather did not get the spirit of satisfaction and effective incentives.

C) The internal staff salary is blurred, opaque and unfair Small and medium enterprises have experienced a smaller stage, and the pay concept also remains in the small-scale stage. As the small and medium enterprises are small, the number of employees is not much, the basic management of the enterprise staff can grasp the information, and in order to develop staff salaries. Of course, the remuneration of employees is also free to determine. And the wages of most employees are kept confidential. Conservative pay secrets, while somewhat able to avoid internal staff to compete with each other, is conducive to the elimination of high salaries, low wages between the two classes of opposition, but this opaque black box operation is also unfairly laid a hidden risk. If employees understand that someone else's wages are higher than their own, they will produce comparisons of psychological, will consciously unconsciously compare their workload, if you feel better than others, pay more, employees will feel unfair, will automatically reduce the amount of work input, reduce the enthusiasm of the work, and the long term will lead to the loss of talent.

(D) Employee rewards and punishments are not fully linked to performance

Salary and performance are the important principles of salary management and performance management in enterprise human resource management. Company S and a considerable number of small and medium enterprises did not do the staff of the pay and performance appraisal combined to achieve effective incentives. At present, there is a big problem in the performance evaluation of small and medium-sized enterprises in China. Performance evaluation of the indi-

cators of unscientific design, arbitrariness, and the assessment are only re-qualitative rather than quantitative, so it will lack of credibility and fairness. This form of performance in the form of performance appraisal must not be linked with the performance of employees, resulting in pay management problems. So the performance of employees and performance is linked to the establishment of a scientific salary system of the urgent requirements.

(E) Management does not attach importance to the communication between employees and pay information

General corporate compensation programs in the design process rarely have different levels of staff representatives to participate in, basically the boss racking his head to make decisions, so that the lack of a fair basis. In fact, the participation of employees in the design of pay, participation in corporate compensation is as important as the level of salaries they receive, and they have the right to know. In fact, effective pay communication for the organization's pay management is of great significance. First of all, information communication for improving the enthusiasm of the staff work is very helpful. Salary communication provides a platform for organizations to communicate directly with employees, allowing employees to ask questions about any questions in the pay system, and managers use this channel to explain the reasons behind the pay program and respond accordingly. Second, to ensure that the pay management design and implementation process fair. The process of designing and executing the pay system is closely linked to the interests of the company's members. In order to ensure the scientific and reasonable salary system, to achieve fair and impartial motivating staff, the process of fairness is very necessary. Finally, pay communication also has an important role in enhancing the awareness of employees.

(F) Staff salary channels are not scientific and unclear

In a small and medium-sized enterprise, after the employee's salary is determined, the employee's salary increase or salary reduction is usually based on the boss's personal decision, and the lack of a scientific and effective salary increase mechanism. Employees for their own promotion or not, whether the salary increase is not clear, it cannot determine a clear career planning. This is a great blow to the enthusiasm of the staff, so that employees cannot throw himself into the work, cannot make the staff's ability to play to the extreme, long term this will have a negative impact on the enterprise.

(G) The total amount of employees' compensation and benefits to employees is too small

Small and medium-sized enterprises because of the lack of funds, or less turnover, so the pay for employees, pay less, which show the basic salary of employees below the market average, less welfare, lack of housing provident fund, social insurance is incomplete. In this case, the enthusiasm of the staff will be reduced, and even choose to quit.

### 3、 the importance of remuneration management

Through the above analysis can be seen: pay management for small and medium enterprises are having great significance, and mainly in the following points.

(A) for small and medium enterprises have the following points 1. Improve the management of small and medium enterprises Staff and the working status of employees is the prerequisite for the success of business management, but also to achieve good performance of the basic conditions. The remuneration paid by the employees to the employees determines the working status of the employees to a certain extent. And the working status of employees and employees work performance has a direct relationship. Salary is not only affects the ability of enterprises to attract employees, but also determines the degree of incentive to employees, thus affecting their efficiency, attendance, the company's identity and commitment, and ultimately affect the production and business. Therefore, the salary management to prove business management has an important role and significance.

#### 2. Control the cost of the enterprise

The level of pay paid by an employee directly affects the ability of the firm to attract, attract and retain talent in the labor market, so it is very helpful for the firm to maintain a higher level of pay for attracting and attracting employees

The higher the level of pay at the same time will increase the production costs and operating costs, increase the cost of enterprises, so leads the enterprises in a disadvantageous situation. Therefore, on the one hand, enterprises must pay for the talent to pay the cost. On the other hand, enterprises face the market competition and pressure and had to save the company cost. Therefore, the pay management for the control of the cost of enterprises play an important role.

(2) Remuneration is also very important for employees

1. Economic security function

Remuneration has the function of economic security for laborers, and is the basis for other activities of laborers.

2. Spiritual encouragement

From the perspective of human resources management, to play an incentive function is one of the important objectives of salary management. For example, the use of a performance wage system or an increase in the proportion of performance pay in the total wage, which means that the company's support, affirmation and encouragement of the work or contribution made to the employee. It also means they use the annual wage system means that the firm wants to retain talent, reduce employee mobility. Therefore, the effective pay system can reflect the actual work of the staff, improve the enthusiasm of the staff, and ultimately improve the efficiency of enterprises. Of course, unreasonable pay system will also kill the enthusiasm of the staff, the long-term development of enterprises have a very negative impact.

Fourth, the reasons for the problems of salary management in small and medium enterprises

(A) System defects

Yantai S Company is a private enterprise. In the S company, because the company is not large, the management only has few people, so normally it is managed by the relatives of the founder at the start. This part of those in power is both owner operators, so that you do not have a mechanism to constrain the owner, would not achieve the role of supervision. Not conducive to scientific decision-making. This system has a role in the early days of business. But with the gradual expansion of enterprises, this system is increasingly suited to the development trend of enterprises.

(B) The compensation design is unreasonable

Yantai S Company's salary design lack of fairness, did not reflect the fair design principles. Different job design and wages do not reflect the gap between the different, the pay system cannot reflect the individual contribution of employees, that is, the performance of employees and staff salaries cannot be completely linear correlation. In addition, the salary management design concept cannot keep up with the trend of the times, more lagging behind. Many SMEs financial management and capital operation of enterprises, production and operation of enterprises more concerned, while the pay levels of employees has been less concern. A considerable part of the managers of small and medium enterprises that pay is the pure cost of the enterprise expenditure, did not realize the leverage of the role of pay.

(C) Management methods are not scientific, technical input is insufficient

In the initial stage of S company, due to the small number, small scale, the structure is not complicated, managers can develop and manage the wages can be personally, but with the growth of business scale, managers have to manage staff, including a series of management activities, their own quality, including the manager's experience and knowledge, has clearly no longer adapt to the company's development needs, and energy and physical strength gradually. Therefore, professional salary management design staff is become very urgent needed.

4. Countermeasures to improve the compensation management of small and medium-sized enterprises

(1) Making the pay become a powerful means of achieving the company's strategy

Salary management is an incentive method to have a strategic orientation. The planning of the enterprise is to achieve its objectives is forward-looking and instructive. Companies are in different stages of development, and strategies are often different. This requires S company in the development of employee compensation system to be combined

with the company's different periods of development strategy objectives. Enterprises in different strategic level, the pay standard will certainly not the same. For example, when S focuses on a strategy, it is necessary to adopt a pay strategy that is consistent with the concentration strategy. When S takes a centralized strategy, it is usually in a relatively stable environment where the company's growth rate is reduced, and the company should concentrate on maintaining the existing market and share. Reflected in the human resources, the main is to open up the market and master the work of the relevant workforce. S company in the process of making compensation, if you take a stable strategy, then it should not require companies and employees to share the risk, but to provide employees with stable basic wages and benefits. Appropriate, S company should develop in line with market levels or higher than the market level of remuneration, but generally will not have substantial growth.

#### (B) The scientific design of the pay system

##### 1. Broadband pay, flexible benefits, increase the total amount of compensation investment

S companies can try to use broadband pay design methods, improve the welfare system and increase welfare investment, so that employees feel safe.

##### 2. Introduce job evaluation and job analysis

Company S should introduce job evaluation index system. By using the job evaluation, all positions according to certain standards for value quantification, and also will process the establishment of scientific and rational job evaluation system. By comparing the relative value of the positions within the company, to score, and to sort. In order to develop a reasonable salary level to provide a reference. Work analysis is an important function and content of human resources. Through the S company's various types of work of the nature, authority and responsibilities, as well as employees to do the work required for the ability and quality of the system of statistical analysis, in order to post, Job analysis plays an important role in the recruitment of employees, employee evaluation, promotion and improvement, and it is also the basis of pay management. Job evaluation should be based on job analysis, job evaluation and is an important basis for the establishment and improvement of the remuneration system, the two complement each other. Therefore, it can be said that job analysis for enterprises to establish and improve the incentive system for employees has laid the institutional basis.

##### 3. Conduct a market pay survey to understand the market level and determine the appropriate level of compensation for employees

Yantai Company S should be go through the field market salary survey to understand the current labor market pay status and level and scope of change. According to the survey results, they are according to the company's actual choice of appropriate pay strategy to determine the level of staff salaries. The development of staff compensation to follow the appropriate principles, cannot pay too high wages to employees, increase the cost of the enterprise, cannot pay too low wages to employees, so that enterprises cannot retain and attract the necessary business development talent. To do this, companies must conduct pay surveys to develop appropriate pay levels.(3) Improve the transparency and fairness of remuneration management and to enhance the incentive of remuneration management

'According to Adams' theory of fairness, when a person has made an effort, he is not only concerned with the absolute amount of the reward but he also focuses on the relative amount of the reward.' In other words, each employee will automatically get his own  $(O/I) A \leftarrow (O/I) B$ , where O represents the employee's ratio, and the ratio of the ratio of the reward and the input is compared with the ratio of others. Such as the amount of work, quality, effort, etc. A on behalf of their own, B on behalf of other people. Staff compared with others called horizontal comparison, there are usually three cases: If the ratio of his own reward and the rate of input is equal to the ratio of others, then he thinks it is fair, and in this case he may maintain the enthusiasm and effort of the work. If his reward and input ratio is less than others the ratio, then the parties feel is unfair, this time he may ask for a raise or automatically reduce in volume. If the ratio of their remuneration and investment In others the ratio, indicating that the party has been too high reward, this

time he is generally not required to reduce the remuneration, but automatically increase in volume.

Openness and transparency are important features of a fair and reasonable pay system. Only in this way, the internal members of the enterprise can be based on fair and reasonable pay system to develop their own clear career planning. Effective pay system should not only reflect the performance of internal members of the enterprise, to stimulate the effectiveness of employees, but also should be able to specify the company's internal development of the road. If the internal staff can have their own career development plan, and toward their own planning efforts, then the pay system to play a role in the incentive. Fair and transparent pay system can also ensure that employees in accordance with their own circumstances free choice. The more fair and transparent pay system, the more able to attract, encourage and retain the business needs of the staff, to achieve the objectives of the organization.

(4) To make pay and performance more closely linked to improve the performance management and assessment

Company S in the development of staff compensation should be fully carried out on-site research. Some managers believe that as long as the staff salaries can play a stimulating role, so as to achieve the objectives of the organization. In fact, this view is unscientific, and only the performance and pay close to the system is an effective compensation system, in order to fully stimulate the enthusiasm of the staff. In order to enhance the incentive to pay, the commonly used methods are: increase the proportion of bonuses and benefits; increase the proportion of floating wages. Fair pay system should be the actual performance of employees and assessment results are closely linked. 'Flum's theory of expectation suggests that when employees think that their efforts will bring good expectations, they will be motivated by incentives to make greater efforts; therefore, in order to achieve the most effective salary for employees. Employees should take the initiative to understand and understand the procedures and standards of performance evaluation, and understand the level of pay corresponding to different performance levels.

5) To establish a normal wage promotion channel

Enterprise performance appraisal is divided into ideological and moral quality and performance of two aspects, the staff of the assessment is divided into 100 points, of which 25% of moral performance, work performance accounted for 75%. Ideological and moral quality and staff work attitude, interpersonal relationships, understanding of the degree of corporate culture and so on. Work performance assessment should be based on the contributions of employees on the basis of the work, the daily assessment of staff work to the actual number of work done, product quality, resource efficiency, production safety and other aspects as an indicator. According to the results of the assessment, according to the ranking of each employee in descending order, the results are divided into excellent, good, good, medium and poor five levels, and in order to develop pay levels. In the implementation process but also to maintain the flow of information channels, consider the views of employees.

(6) To strengthen the communication between employees and pay

The salary system designed by the enterprise can be recognized and adhered to by the staff, and it is related to the communication between the enterprise and the employee. The salary system designed by the enterprise not only needs the knowledge and clarity of the employees of the enterprise, but also should be understood and accepted by the employees. If the staff accepted, the implementation of will become more effective. Only to allow employees to understand the job is how to determine the wages, why so much wages, through greater pay, you can get how much, and ultimately to what level, in order to play the role of pay management should be. It is therefore important to avoid the problems we mentioned earlier and to ensure that the final success of the pay communication is to establish a system of pay communication processes. The following is a summary of the experience of successful pay communication.

1. Clear salary communication objectives

Salary communication is the basis of effective remuneration management, which plays an irreplaceable role in salary management. The goal of salary communication is to communicate with the staff in order to develop a reasonable and effective compensation system for employees to accept. For the pay system, S companies need to seek the views of

employees, employees cannot let the place where the company to be resolved by consultation. If the staffs have questions, the company related personnel to maximize the solution to questions.

## 2. Collect relevant information

After determining the communication goals, then it is from the staff to collect their compensation system for the relevant recommendations and views, including the evaluation of the existing system. Only by combining this information with the pay goals can we ensure that the needs of the staff are concerned and met. First of all, from the contents of the information collected mainly include: S employees of the existing pay system how much understanding; employees and managers are aware of and understand the information related to the pay system; staff pay attention to the degree of communication in the organization, whether the business management activities of the enterprise are consistent with the information that is planned to be conveyed; the attitude of disclosure and confidentiality. Second, the method of information collection can be used questionnaire, target group method, individual interview method.

## 3. Develop communication strategies

After clarifying the goal of salary communication and collecting the attitude and opinion of the employee about the salary plan, the manager can formulate the corresponding communication strategy according to the current goal of the enterprise

## 4. Choose the communication medium

Once the organization has identified the salary communication goals, the necessary information, and the development of the overall communication strategy, it is necessary to proceed to determine the communication medium, that is, to decide what communication medium is most useful. For example, the most effective way is usually those that require face-to-face interpersonal communication. But this approach also has drawbacks, that is, need to spend a lot of time, manpower, material and financial resources, but also to delay the work at hand, in the choice of time to weigh the pros and cons. The use of electronic media to pay the cost of communication is relatively low, but this lack of communication is the lack of human information, reduce the effectiveness of pay communication.

## 5. Evaluate the communication results

The last part of the pay communication is to evaluate the effect of the above communication process. In particular, the dimensions of the organization's assessment include: whether the objectives of the pay communication are achieved; whether the views and recommendations of the staff concerned can be provided for the preparation of the pay; whether the chosen mode of communication is valid; whether the employees have understood what they have accepted Of the information on the remuneration. The best time to evaluate is 4-6 months after communication. In general, the main issues involved in the evaluation process are: how much is the employee's understanding of the pay and benefits program; whether the communication between the manager and the employee is satisfactory, and how he can be improved; Whether the information is consistent with the activity it is practicing, and soon.

(Seven) the main implementation of material incentives, taking into account the spirit of incentives

According to the above chart, the first layer needs for the physiological needs, refers to a person to maintain the survival of the clothing, food, shelter, the basic material living conditions. Physiological needs are the most basic needs. The second layer of the need for security needs, only when a person living in a safe environment, there will be a higher level of demand. The third layer needs for social needs. This need is that people are eager to get friendship, affection and love, eager to get the concern of others, into the community to go, and occupy a position. The fourth layer needs to respect the needs of hope to maintain self-esteem and self-love, and hope to get someone else's respect, get higher evaluation of others. The top level needs, that is, the need for self-realization. In general, Maslow's demand level is divided into two parts, material and spiritual needs. This requires companies to develop pay in accordance with the needs of employees to develop material incentives based on the staff because of the needs of the focus is different, but the material incentive is the most basic part of the pay system.

Taking into account the spirit of encouragement. 'Spiritual incentives mainly refers to non-economic remuneration, refers to the individual's own work or work in the psychological or physical environment to meet the degree of the intrinsic additional remuneration or invisible remuneration.' Specifically for the staff to provide a comfortable and comfortable working environment, harmonious interpersonal relationships, self-development, honor and accomplishment. With the development of economy and the diversification of employees, the role of economic factors in the pay system is growing. At present, many Western developed countries pay more and more attention to spiritual incentives, and included in the pay system.

Different workers on the work environment, the development of space, promotion, and so have different levels of demand. Managers need to re-examine the company's current remuneration system and system, increase the non-economic incentives to employees of the incentive.

Salary is the employee's desire, but managers should be aware that a simple salary is not enough to motivate employees, but also must be inspired by the spirit of incentives.

### 3. Conclusions

Private enterprises in the development of various stages will face a variety of problems, especially the salary management issues. There is no the best management, only the right management. Human resource managers only understand the staff, understand the needs of employees in order to find suitable for the enterprise's salary management system, in order to effectively stimulate their work enthusiasm, inspire them. Faced with so many problems, at present, most enterprises in China, regardless of small and medium enterprises or large enterprises, have begun to strengthen the emphasis on pay management. They can only establish a scientific salary system as soon as possible in order to serve the company's strategic objectives in order to win a place in the fierce market competition. This paper analyzes the importance of salary management, the main problems and put forward their views accordingly. It is hope to help some small and medium enterprises.

### References

1. Dai Shufen. Management course. [M]. Beijing: Peking University Press, 2008.
2. Wang Shaodong, Wu Nengquan, Yu Xin. Salary management. [M]. Beijing: Tsinghua University Press, 2009.
3. Liu Hong. Salary management. [M]. Beijing: Beijing Normal University Press, 2008.
4. Liu Xin. Salary management. [M]. Beijing: Renmin University of China Press, 2002.
5. Shi Wei. Salary Management. [M]. Beijing: University of International Business and Economics Press, 2009.
6. More than a week. Management - Principles and Methods. [M]. Shanghai: Fudan University Press, 2003.
7. Stephen P. Robbins. Management. [M]. Beijing: Renmin University of China Press, 1997.
8. Han Zhongyu. Salary management and countermeasure of small and medium-sized enterprises. [J]. Modern Economic Information, 2011.
9. Liu Junsheng. Salary management practice. [M]. Machinery Industry Press, 2005.
10. Ruan Zhihua. Small and medium enterprises pay management analysis.[J]. Economist, 2011.
11. Luo Yin. SME salary management analysis and recommendations. [J]. Enterprise Herald, 2011.
12. Deng Yujun. On the remuneration of small and medium enterprises related issues. [J]. Shopping modernization, 2010.
13. Journal of Changzhi University, 2008 (in Chinese with English abstract).[J]. Journal of Changzhi University, 2008.
14. Ke Changhua. SME salary management of the perfect countermeasures.[J]. Enterprise reform and management, 2008.
15. Zong Peng. China's small business pay management. [J]. Anhui literature, 2008.
16. Lu Tianxi. Research on Salary Management of Small and Medium-sized Enterprises in China [J]. Human Resource Management, 2009.
17. Zhang Xia. China's small and medium enterprises salary management problems and countermeasures. [J]. Guangxi Light Industry, 2007.