

# Preface

Remuneration is not only a central concern in people's lives, but also a key consideration in a firm and for the stabilization of a society. Remuneration management is vital for the management of the human resources of the modern firm. Compared with recruitment, training, performance, remuneration and labor relations, remuneration management maintains its place as the most troublesome to be dealt with. Therefore, this book starts with universally existing remuneration problems and seeks an efficiency remuneration model for setting up the efficiency remuneration system of the modern firm, all to the individual, enterprise, and society.

This book has been divided into ten chapters. The first chapter, the introduction of the book, expounds the background and the importance of the topic. [Chapter 2](#) summarizes the remuneration theories and its relative ones, and [Chap. 3](#) puts forward the main ideas, research methods, and the innovation. [Chapter 4](#) makes a comparative study of the existent main remuneration systems, while [Chap. 5](#) analyzes the background of the institutions and the theoretical foundations of the consensus salary system. [Chapter 6](#) explores the features of the consensus pay model, [Chap. 7](#) goes on to describe the decision mechanism, and [Chap. 8](#) considers the framework. [Chapter 9](#) designs the consensus remuneration system by using the consensus pay model for Firm M, and the model is also tested. Based on the above theoretical study and case test, a conclusion is drawn: the consensus salary system for modern enterprises should be one that is all efficient to the individual, to the firm, and to the society, on the premise of not impairing any other's benefits.

The book elaborates and analyzes the remuneration theories and its relative ones such as the marginal productivity, equilibrium, collective bargaining, production elements, and the combination between the distribution on labor and on the production elements; of the management of the human resources, especially of the strategic human resources; of the labor cost, the transaction cost, and the Pareto Optimum, on the basis of which the book summarizes that the theoretical research emphases about the income distribution that varies as the economical development level changes in different historical eras. Besides, remuneration influences not only the cost of a firm, but also the contributions of the employee to it. Consequently, the study of the remuneration system should base itself on the social economical conditions and on the factors of the firm and the individual.

Further, the book sums up the existent remuneration systems and the corresponding institutions. At present, most remuneration institutions are based on the following remuneration systems: on the post, on the skills, and on the abilities. Broadly, the system on the abilities contains the one on the skill. The system on the post is composed of structure wage institutions, post wage institutions, post and skill wage institutions, and stratum wage institutions. The system on the abilities consists of function wage institutions; strategy wage institutions and expectations wage institutions. The institutions on these two systems emphasize the role of the post factors, or of the content related to the work, or of the contribution to the post, or of the professional abilities in the post, but they haven't jumped out of the post. And these abilities still belong to the professional ones. Therefore, the book argues that the remuneration system of the modern enterprise ought to include not only the post factors, its performance, and the professional skills connected with the post, but also the comprehensive abilities such as analyzing and solving the problems, acquiring knowledge. This view breaks through the restraints that only lay emphasis on the professional skills.

By analyzing the above remuneration systems, too much rigidity, too less flexibility, and want of encouragement are spotted. So this book puts forward to establish a flexible and comprehensive remuneration system, namely, the consensus salary system.

The consensus salary system for the modern enterprise means the wage institutions adaptable to the market economy based on the existent remuneration theories and on the consensus pay model and the relative policies and stipulations. It is created on the improvement of the existent remuneration systems, of which the core is the consensus pay model developed in this book. In order to demonstrate the reliability of this model, the book introduces and interprets such theory foundations as the human capital and its property, the career development, and costs and benefits. Through these theories, the book points out the following perspectives:

1. The contribution of the staff to the firm depends on the encouragement of the salary system.
2. The encouragement of the system must be established on the equity and it is also restrained by the marriage between the remuneration and the individual development, besides the wage level.
3. The remuneration belongs to the cost of the enterprise. The enterprise runs to the aim of harvesting more with less input. In the meanwhile, the relations between the firm and the staff are contracted, which is sure to lead to the expenses of signing and executing the contract and supervising its execution. Therefore, the remuneration, as a tie connecting the enterprise and the staff, must be of supervision so as to further reduce these costs.

Meanwhile, in light of the above theories, the book has designed a complete set of micro and macro mechanisms. The micro mechanism comprises human capital investment, encouragement, dynamics, adaptation, post evaluation, cost control, and inner distribution, while the macro includes the supply and demand of the labor market, government regulations, and the commercialization wage bargain,

through which all the main factors influencing wage are dissected and their interactions made clear.

According to the theory of foundation and decision mechanism, the book sets up a consensus pay model. The model is composed of three parts: post pay points and post standard wage, post total wage, and enterprise total wage.

The post pay points are obtained as follows = schooling repay coefficient  $\times$  schooling years + training contribution rate  $\times$  training time + learn-by-doing revenue equilibrium increase rate  $\times$  standing + performance wage + market wage difference.

The post standard wage = post pay points  $\times$  points' value.

The post total wage = post standard wage + assurance and welfare + management efficiency pay.

The enterprise total wage = sum up all the post total wages of the firm.

The model tries to set up a remuneration framework with Pareto improvement on the basis of the above-said mechanism. It concerns individuals, enterprises, and society and has the characteristics of equity, encouragement, competition, supervision, and adaptation.

On the foundation of the studied model, this book designs a consensus salary system for the Firm M, so as to solve its problem and to test the model. The test results say that the "consensus" of the consensus salary system is embodied as follows:

The "consensus" to the individual means that the value of the human capital can be realized dynamically by the system; also, the wage itself adapts to the career development of the staff, which is able to stimulate the individual to contribute more to the firm.

The "consensus" to the enterprise says that the pay itself is enough to encourage the employee to work and create more for the firm, that the competition of the wage should be laid on the core staff of the enterprise, and that the remuneration system should be one of supervision and strategy.

The "consensus" to the society lies on the individual and on the firm. At first, it can lessen the financial burden to the government by way of input of human capital and increase the social welfare, wherein the consensus salary system encourages the individual automatically to invest the human capital by realizing the personal value. The improvement in the individual's quality is due to absorbing the advanced technology and by raising the labor productivity and thus promoting social progress. Secondly, the consensus salary system encourages the staff to contribute more to the firm. This is helpful to increase its profits, which will also favor the tax system of the government. Social wealth is raised due to the circulation by the individual having high productivity. Thirdly, personal abilities and social labor productivity can improve the investment environment, which will attract more capital investment and enlarge the employment.

Innovation: The consensus pay model is the main initiative point of this book. It is embodied as follows: multi-factors of the design of remuneration; the gearshift without steps of the realization of the value of the staff; the design of a full set of decision mechanisms to cater for the function of the said model.

Problems to be further studied: how to dissolve the transaction cost from the purchase or from the selling expenses? In using the management efficiency as variable, the book adopts the “economical person” and the positive transaction cost as hypotheses and supposes that people seek for wealth maximization. However, if the transaction cost is zero or negative, will this model be applicable? If people seek for non-wealth maximization, how will the model be modified? All these questions are to be further studied.

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I am ever so grateful that Springer has given me the opportunity to publish the book and its editor Chai Ning has done much work to bring this book to publication. The Internet, relative documentary, and concerning enterprises have also provided me with much information, knowledge, and innovative sources.

Again, I want to express my heartfelt gratefulness to the proofreader Joel Baker, who has done much work earnestly in proofreading the book and to all the leaders, professors, classmates, and colleagues who have put forward various constructive suggestions in my writing of this book.

Finally, this outcome is only an initial attempt to integrate economy and management for guiding the practice and step into the international academic field. Since my ability in academic research is to be further strengthened, some flaws may exist in the book. Critiques from the reader, expert, or scholar will be much appreciated and the writer will be pleased to correct them.

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