



Unfair System: Allocate According to Employees' Status

Liangqun Qian

Economic & Management School, Chongqing Normal University

Shapingba District, Chongqing 400047, China

Tel: 86-23-6501-2151 E-mail: qlq1971@vip.sina.com

Abstract

In marketplace, some enterprises allocate their employees according to their status. This unreasonable allocating system has created human-made inequality among employees and influenced badly on enterprises' development. This thesis will describe the unreasonable phenomena of allocating according to status and analyze deeply on how it existed. Then some practical reforming measures will be brought forward, so as to improve enterprise' allocating system and promote its healthy development.

Keywords: Allocating system, Employee's status, Got-benefit employees, Lost-benefit employees

1. Background Introduction

In the environment of market economics, allocating according to contribution has been an essential basic for enterprises to allocate revenue. But due to history reasons, the phenomena of allocating by different standards according to employee's status exists within some enterprises, especially in those that have processed institute-reform period. Why this phenomena has been existed, what is the history background, how it will influence on enterprise's management and development in a long term, and how to fulfill this problem have been one important topic facing top management in enterprises. This thesis will describe allocating cases according to employee's status in some typical enterprises. Then deep-level reasons for the phenomena will be analyzed. At last the practical resolve program will be brought forward to promote healthy development of enterprises.

2. Phenomena Description

In Company A, one power industry company, whose employees are divided into two categories: One category is formally-employed people, who have been employed for over-life period before transformation; The other category is employed from outside according to requirement of business development for limited-time period. Because of different status, the revenue and benefit of these two categories are different from each other. Take monthly salary of management and technology for example. Even if the employees in same composition are taking same tasks, their salaries are significantly different. The salary of formally-employed employees is about \$ 800 per month, whereas the salary of informally-employed employees is paid half of them, which is about \$ 400 per month. As with house benefit, formally-employed employees have gotten houses provided by company on very low price, whereas informally-employed employees had to buy houses by themselves. As with other benefit, such as shuttles, uniforms, and holiday's gifts, there are no significant differences.

Company B is a medicine enterprise conducting sale business of medicine products, whose employees can be divided two categories: one category is formerly country-owned employees named contracted employees, most of them occupy more important positions such as management, technology, and marketing. The other category is employed for short-time period, named jobbers. Most of them are in not-so-much-important positions such as retails, storage, and transportation. As with salary, these two categories' revenue can't be compared according to the difference of works' nature. But as with some company's benefit, big differences exist among them. When experiencing reforming, all of the contracted employees had got free stocks given by company, whereas none jobbers, including those working for many years, hadn't enjoyed this benefit. Secondly, as with daily incentives, the incentive of contracted employees is about \$ 120 per month, which is twice of that of jobbers about \$ 60 per month. Thirdly, as with employment contract, there exist obvious differences. Company can't fire a contracted employee unless he offences the law and discipline seriously. But the company can decide whether to continue employing a jobber according to the company's financial status at any moment. At last, the contracted employees can buy houses on half market price because the company has paid the other half price, and jobbers can't enjoy this preferential price.

Company C is an Internet media company, managed by higher-up department, whose employees are also divided into two categories: One category is allocated from university, whose status is formal employee. The other category is recruited from outside because of the requirement of business development, whose status is informal employee. The

latter employees are excellent persons in Internet business field, so their monetary revenues are same as that of formal employees when they conduct the same work. As with employment relationship and house allocation, differences exist. The formal employees are employed for life-long period with various insurances, such as endowment and medicare insurances. Whereas informal employees are hired for two-year period per times, company will decide whether to continue to hire them. And they can't get so many insurances as formal employees. As with house welfare, informal employees can't enjoy freely houses allocated by company as formal employees.

3. The causes for allocating according to status

To allocate fairly according to one's work, in other words, to allocate according to the quality, quantity or skills mastered by employees, is a basic allocating principle abided by managers in competition marketplace. Our country's enterprises have joined into market economics for more than twenty years, why the unfair allocating model are existing now, that is, allocating according to employees' status?

The reasons of allocating according to employees' status can be divided into two categories: One is objective because of country's temporization, the other is subjective because of management viewpoints. All of the enterprises that allocate according to employees' status are born out of state-owned enterprises or strapped-down primary administration departments. So, their allocating system inevitably uses the former system for reference, that is, allocating according to employees' status and their administration levels. But to newly-employ staff, the market-principle allocating system is adopted. As with the latter reason, even after strapped-down some of top-managements have not rejiggered their allocating concept and they are not accustomed to evaluate employees on the basic of their competence and actual contribution. They just think "auld employees" have contributed to enterprises for a long time, so they should be treated as formally-employed staff and should get better welfare. Whereas the newly-employed employees are unfairly treated, they should not bargain with enterprises on compensation just because they are "new employees". On the basic of investigation and consult from the three former enterprises, Company A uses before- and after-transformation as a borderline for determining employees' status and allocates according to different criterions. Otherwise Company B and Company C are also bringing out new unfair allocating system. As far as this year, if two employees joined Company B and C from different channels, even though they conducted the same work and got the same performance, they would get different rewards. If the first reason can be said the country' temporization, then the latter is completely formed because of outdated management concept.

4. The influence of allocating according to status

Then, if allocating according to different criterion in the same enterprise, how does it influence the feeling of employees and what is the impact on enterprise' management performance? This question is investigated from two categories. One of which is the degree of employees' attention about this phenomena, the other is the negative impact of this allocation system on enterprises.

As with the different allocating criterion, employees within two categories are consulted respectively. The formally-employed members who enjoy more benefit feel luckier and will think it is in the nature of things. They have more superiority in work situation because of their formal status. They have more satisfaction and more loyalty, so most of them will not leave enterprises. Members of this category can be named Got-benefit employees. Oppositely, all of members who are employed from outside labor-market enjoy fewer benefit, and they feel unacceptable not only in physical welfare but also in their personality. Consequently, in working process, they have lower satisfaction and lower loyalty. They stay in the enterprise just because of strict management rules or their own responsibility. If finding out other choices, they will leave here without any hesitate. Members of this category can be named Lost-benefit employees.

It is obvious that the unfair allocation system impacts negatively on enterprises management, within which the most negative influence is reflected in the loss of outstanding employees. Due to unfair welfare, many excellent staff employed outside think their personality value can't be respected in these enterprises and they even feel discrimination in personality, so most of them will leave there after a short time. By statistic, the loss of excellent employees is more serious in Company A and C. For example, 17 talents, which is about 92% of employed outside, leaved Company C in 2003, within which all of them are Lost-benefit employees. In addition, allocating according to status creates more communication obstacles. Staffs among different status lack friendly communication atmosphere, hence they often don't support each other in work.

However, along the investigating process, there is a bewildering question, that is, no employees have protested and appealed about the unfair allocating system to management, even if the Lost-benefit staff. The farther investigation answers this question, that is, employees' silence exists because of serious employment competition. They have to get an occupation and then look for other choices. If protesting about the unfair allocating system, not only they can't alter it, but also they will offend Got-benefit employees and management, which will make against themselves. In any case they will leave here sooner or later. They just opt for facial obey instead of direct protest.

5. How to settle this question of unfair allocation

The unfair system of allocating according to employees' status has brought out many negative influences on enterprises, and has hindered enterprise develop fast and healthy. How to break this ice has been urgency for enterprises' management. It is not so easy to settle this question left behind country, because it involves a lot of deep-level factors. But there are also some feasible measures for settling it.

Firstly, it should be begun with institutional framework, to clear up the question of ownership of enterprise. If the institutional framework being scientific and enterprise ownership being cleared up, the specific owners will be responsible for the long-term development of enterprise. They would like to manage human resources -the core factors for enterprise' development- more scientifically and rationally. They also would allocate according to employees' capacities and contributions. The unfair allocation system will die out in the future.

Secondly, the management ideas must be changed. Although most of enterprises allocating according to employees' status have transformed, they have enjoined advantages of country policies for a period. Otherwise they will participate in domestic and global market competition sooner or later. If without scientific allocation system, excellent employees can't be motivated, then the development of enterprises is empty talk. As soon as realizing the hindering of allocating according to employees' status, it will be easier for management to reform it with an active will.

Thirdly, along the process of reforming allocation system, the benefit of Got-benefit employees will be touched, which will bring forward austere challenge to management who want to carry out reformation. Hence, whether the top-management has strategic foresight, enough courage and contribution spirit, has been the key to success or failure of the reformation of allocating system. The top-management of involved enterprises has confronted with very high requirement: To be failing also-ran or to be an outstanding and successful entrepreneur, will be a watershed.

At last, as with reality operating ideas, "shock therapeutics" may be introduced. It says that when enterprises begin to reform their allocating system, the formally-employed staffs can get one-time solatium according to their work years and other factors, by which to comfort their psychology feeling. As the new allocating system being brought out, each and all will be allocated according to new and fair criterion. Whereas such a project is not so perfect and will pay a lot of cost, it will resolve the unfair allocating system thoroughly forever. Thus, successfully transformed enterprises involved can discharge of country burden to develop fast and healthy in the long run.

References

- JiaKang, Reforming Actuality and Rational Thinking about State-Owned Enterprises, *Economical Research References*, Jan 12, 2007
- ChunGuang Wang, Benefit Gap and Social Conflict In the Fast-Reforming Period, *Jiangsu Social Science*, Feb 8, 2007
- JinZhong Lin, Political and Economical Analysis on Revenue Differences In Reforming Background, *Jiangsu Social Science*, Feb 8, 2007