

A Brief Study of Construction of Welfare System of Small and Medium Enterprises——A Case Study of an Electrical Limited Company in Chengdu

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Abstract—The welfare system of enterprises has become an important factor to attract and encourage staff members. However, the small and medium enterprises, because of their scale, benefit etc., do not always attach so much importance to the staff welfare and the incentive functions that the welfare imposes on the staff. This article, based on the case of an electrical company in Chengdu, explores construction of welfare system and some suggestions in small and medium-sized enterprises.

Keywords—small and medium enterprises;welfare; staff incentive

1. Introduction

In management practice, a growing number of enterprises have started to focus on the welfare of their staff members, for the reason that the single means of rising salary-- the short (or even the instant) effect can not make the staff feel the long-term plan and care of the enterprises any more. The welfare consists of a critical part of the remuneration system as well as an indirect payment to the staff. With the development of the economy and escalation of the competition among the organizations, a satisfying welfare treatment can spur the staff more than the high salary. The welfare reflects the long term promise which the enterprises honored to the staff. It is the unique function of the welfare that makes the staff who is in a pursuit of a long-range development in various kinds of organizations acknowledge the welfare rather than the high salary. However a problem has become increasingly acute, that is, the ratio of welfare in the remuneration system has grown sharply, thus becoming a huge outlay of the organizations. It is calculated that, so far, the ratio between welfare and salary is in vicinity of 1:1 and at the same time the welfare tends to surpass the salary in some western developed countries. As a result, how to apply the functions of such a huge outlay to make it accord with the objectives and the long-term development benefits of the enterprises consists of a question that merits our discussion.

2. Case Study of the Company

2.1. Brief introduction of the company

Taking an electrical company in Chengdu as an example, this company is a hi-tech enterprise which integrates functions include R&D, manufacturing, and distribution, registered in high-tech and new-tech industries development area (western area) in Chengdu. It is acknowledged as a “hi-tech and new-tech enterprise” by the Science and Technology Department of Sichuan province in 2006, acknowledged as a “software company” by Information Department of Sichuan province in 2007. Based on the notion of “honesty, cooperation, innovation, high efficiency”, upholding the principle of “quality first, customers paramount”, the company provides the market electrically-automated products with high quality, offers users

streamlined high quality services. It commits itself to the electrically-automated field, offering its own contributions to the development of the automation in electrical system.

The company, regarding the scientific and technological innovation as its core competitiveness, applying strictly ISO9001 quality guarantee system, researches and manufactures products with high technology contentment such as the PC protective, testing, controlling devices as well as electrical comprehensively-automated system, intelligent digital display meter, high frequency intelligent direct current power cupboard etc. Some of their products have endured the type test conducted by the national center for the quality supervision and test for the relay and the appraisal of machine and electronics plant products conducted by Sichuan province, guaranteeing the safety, reliability, convenience pragmatic aspect of their products. Their products like RC3000 series PC protective, testing, controlling devices as well as electrical comprehensively-automated system, RC2000 series low pressure electrical automation device, RST series intelligent electricity digital display instrument, RSD2000 intelligent high frequency direct current power supply suits have been widely applied in areas like power stations,

2.2. The existing welfare system of the company

The welfare system of the company, according to "The management approach of company welfare"—the file issued by the human resources department, can be summarized and listed in the following chart (TABLE 1).

TABLE I: THE EXISTING WELFARE SYSTEM OF THE COMPANY

Welfare Categories	Welfare
Legal welfare	endowment insurance, medical insurance, unemployment insurance, industrial injury insurance, maternity insurance, housing fund
Vacation System	legal holidays, marriage leave, maternity leave, annual holiday with salary
Facilities welfare	staff dormitory
Complementary welfare	workplace eating meals
Entertaining welfare	dining together and go hiking organized by separate departments
Birthday welfare	birthday cake
Holiday welfare	presents granted on holidays and new years

respectively of the whole staff. The procurement department, manufacturing department and quality department all belong to the manufacturing section, organized by the manufacturing general supervisor uniformly. The management section consists of the administration department and financial department managed by the executive manager uniformly. The technological section includes the technological development dept, managed by the technological general supervisor. Marketing section comprises the market department and engineering service department, managed by the marketing general supervisor.

TABLE II: SUMMARY TABLE OF THE STAFF SITUATION

		Sample Number	Percentage rate
Gender	male	59	72.8%
	female	22	27.2%
Age	<=25	23	28.4%
	26—30	46	56.8%
	31—35	7	8.6%
	36—40	5	6.2%
Educational	below high school	5	6.2%

Background	special secondary school	8	9.9%
	junior college	24	29.6%
	undergraduates	38	46.9%
	above undergraduates	6	7.4%
Nature of Work	manufacturing staff	20	24.7%
	management staff	5	6.2%
	technological staff	22	27.2%
	marketing staff	34	42.0%

2.3. Personnel composition of the company

This company is a typical small-sized enterprise in the formation of staff members consisting of only 81 people. The formation of the staff members is listed in TABLE 2. The whole company can be divided into 8 departments in total according to the working characters based on the departments that the workers involved in, namely, administration department, procurement department, manufacturing department, financial department, market department, quality department, engineering service department, technological development department, accounting for 3.75%, 6.25%, 15%, 2.5%, 32.5%, 3.75%, 8.75%, 27.5%

PS: The data comes from the human resources file--the detailed information chart of the incumbency staff members of a company in Chengdu.

3. The Satisfying Degree of the Staff Members Towards the Welfare System of the Company

The welfare's incentive function imposed on the staff members reflects the satisfying degree that the staff members hold towards the welfare system. After sampling and interviewing some of the workers of the company, their satisfying degree can be divided into 4 levels, that is, satisfied, relatively satisfied, generally satisfied and unsatisfied. Viewing the incentive function of the welfare from the perspective of double-factors theory, the creativeness of the staff members mainly be influenced by 2 kinds of factors, the first kind is that the satisfaction that the staff members hold towards the working environment and working relations. This kind of factor, though it can't encourage the staff directly, can prevent the dissatisfaction from happening among the workers and maintain the current working situations. So we call it "health care factor". The other kind of it is that the inherent factor which can influence people's job, featuring on focusing on the work itself, promoting people's progressiveness, encouraging people's working enthusiasm to improve the working efficiency. So we call it "encouraging factor". The traditional welfare was usually designed to be generally-benevolent. As a result, most of the staff members in the company can access to it, moreover, the welfare items they enjoy are roughly same. This made the welfare become a health care factor in the remuneration system, making it not only boast a low encouragement, but also arise dissatisfaction among the staff members if there is any inappropriateness in the design. Thus it has become extremely important how to design the welfare items and programs which do not only meet the needs of the company and the staff members but also improve the satisfying degree among the staff members and promote the incentive effects.

3.1. The satisfying degree that the staff members hold towards the current welfare policies

- Legal welfare. The satisfying degree among the staff members towards the legal welfare amounts to 60.01%. Although the legal welfare has been implemented according to the relative national policies, the company subscribes that it will be bought for the workers only when the workers work in the company for more than half a year after they are registered as a formal member. Based on this stipulation, the staff members have reduced their satisfying degree towards the legal welfare.

- Vacation system. The percentage rate is 30.56%. The main reason why the staff members dissatisfy with the taking holidays welfare lies in the stipulations on the annual holidays with salary. The company subscribed that the attendance bonus would be deducted when the members take the holidays of that month. As a result, the workers will not take the holiday unless they have to. In addition, the maternity leave for the female workers only has 60 days, making up 2/3 of the national-subscribed maternity leave.

- Workplace eating meals and facilities welfare system. The percentage rate is 57.89%. Because the staff dormitory conditions are too bad, the dishes for the staff to choose is too narrow. All these above factors have reduced these welfare policies to a health care factor absolutely that can not encourage any more.

- Holiday welfare system. The percentage rate is 69.79%. When it comes to the holiday welfare, it is hard to please all. Moreover, the company has a little budget in this, it makes the holiday welfare a health care factor.

3.2. The welfare that the staff members expect

Staff members in different genders, levels and different ages have different expectations in the welfare system. The differences are huge.

- From the perspective of genders, the female workers prefer welfare in tangible forms, however the male workers prefer to choose welfare in economic forms.

- From the perspective of ages, workers aged between 20-30 years prefer that the company provides welfare like ability training and learning. The workers aged above 30 years attach more importance to the welfare in economic forms.

- From the educational background, workers who have junior college or undergraduate diploma prefer that the company provides on the job training opportunity and suggestions for them to plan their career.

- From nature of work, the workers in the manufacturing department, especially the welding technicians, prefer that the company provides special allowance treatment for them because they are exposed to the poisonous gas when weld.

4. Problems Existing in the Welfare System of the Company

4.1. The extreme deficiency in career development welfare[1]

First of all, the company is a developing high-tech and new-tech enterprises. 80% of the staff members have a junior college and above diploma. It is a knowledge-based staff enterprise. However, much of the welfare is released to the staff members in tangible forms. The company believes that the tangible benefit can raise the corporate image and reputation, ignoring the development welfare like on the job training. They may ignore the fact that what the welfare that partial members expect is the on the job training and opportunities to continue their studies as well as the suggestions the company can offer for their future career planning.

4.2. The unified welfare items of the whole staff

On every holiday and the New Year, the company will release gifts to the staff members uniformly, identical and standardized, "the eating from the same big pot". Although the company spends much money, it seems that the workers do not feel obliged to the company, because the workers believe they deserve the welfare and they never show their genuine gratitude from their hearts.

4.3. Insufficient information exchange about the welfare policies

The members in the human resources department know the existing welfare policies best, not the workers in other departments. The most typical case is that a worker who have been working 3 years in the market department even does not know whether the company bought endowment insurance, medical insurance, unemployment insurance, industrial injury insurance, maternity insurance, housing fund for them or not. The company subscribes that the workers themselves should submit a written application after the workers become formal workers for more than half a year, and then the company will buy social insurance for the staff members. However, the worker has never applied, so the company does not buy the social insurance for him. During this process, the members in HR department never remind these workers.

4.4. Attaching no importance to the welfare quality

It may be a common fault of the small and medium-sized enterprises, they hold the view "it is better little welfare than none". Actually, they attach importance to the welfare of the staff members and want to provide various kinds of welfare. But they always reduce the quality of the welfare by taking excuses that they are little companies and they earn little profit. Taking the dormitory the company provides to the workers, the conditions are so bad that no workers want to live in and workers rent apartments outside instead. Welfare

like this can't not only encourage and attract the workers, but also reduce the corporate image inside the hearts of the workers.

5. How the Small and Medium-Sized Enterprise Play the Incentive Role of the Welfare

Welfare expenditure constitutes an important part of the whole expenditure of the company. However, most of the traditional welfare, reduced to a health care factor, suffering a lack of flexibility and pertinence, have not given full play the encouragement it should boast. When carrying out the welfare policies, the company should take the strategic objectives and the needs of the staff members into consideration comprehensively, so that the welfare can give full play its encouragement it should boast.

Through the reform of the enterprises, the small and medium-sized enterprises are almost private-owned enterprises, the management model they take are generally patriarchal modes. The owners are the dictators in the management of the enterprises; they lack understanding of the needs of the staff members, pretend not to hear the rational suggestions raised by the workers. They are blind, subjective and arbitrary in the management of the enterprises. All this will frustrate the workers' desires and requirements to be involved in the enterprise management and realize ego value. Moreover, the exclusivity of this mode makes the people who are not the clan members difficult to be promoted by their abilities even though they boast advanced management expertise and professional skills. The talented people are always excluded from the management level. They can not find a sense of belonging and future development; naturally, they will not be active and energetic in their jobs. Although some small and medium-sized enterprises have established a relatively standardized organizational system, the key positions in the companies are familization, decision-making and management authority are highly concentrated and nepotism phenomenon is ubiquitous within the enterprises. It is bad for the formation of the career management and will set barriers to the management to give display its expertise, meanwhile, it will obstacles to recruit, train and test the staff members, making the operation of the incentive mechanisms lack exterior support. The traditional welfare policies of the enterprises, proceeding not from the perspective of the characterized and diversified needs of the staff members, provide virtually same welfare treatments to all workers. This will not only bring a heavy burden to the enterprises, but also will not encourage and mobilize the working activeness of the staff members.[2] For this, in order to fully give full play to the incentive functions of the welfare, the small and medium-sized enterprises should consider the following aspects when carrying out welfare policies:

5.1. To make the objectives of the welfare clear

Companies should hold a specific objective when implementing welfare policies. Though there are various reasons for the enterprises to implement welfare policies, obviously, most enterprises have not made clear what objective on earth they want to achieve with their welfare policies when they carry out their welfare policies, meanwhile, they have not evaluated the situations after the welfare policies are implemented. Most enterprises have not written the objectives of their welfare policies with words. Apparently, without a clear objective to measure what the welfare policies will get, it will be difficult to measure the welfare policies or even impossible to measure the welfare policies. The objectives of a company's welfare policies should be written down clearly, making it convenient to be implemented and tracked at a later time. A sound and prudent welfare policy should take the following points as its content:

- Conforming to the national laws, regulations and policies. The welfare policies, tax preferences should be conducted within the framework that the national laws permit.
- Making the welfare policies affordable to the enterprises and minimizing the welfare management cost.
- Realizing fairness and high efficiency. Fairness includes interior and exterior fairness.
- Complying with the strategic objectives of the enterprises. The welfare measurements must be in conformity with the long-term strategic objectives of the enterprises and at the same time it should help the enterprises to achieve its goals.
- Taking staff members' long-term and short-term interest into consideration, making the members feel the tangible benefits of the welfare and support the welfare policies of the company.[3]

5.2. To link the welfare with performance

Welfare policies, in most cases, are accessible to every member of the company, as well as one part of the remuneration system in broad sense. From the perspective of just theory, one aspect of the workers' sense of fairness derives from the comparison between his devotion and gains and the devotion and gains of other people. If the welfare separates itself from workers' performance completely, meanwhile it enjoys a high level; it will inevitably narrow the income disparity among the workers. This may lead to a sense of unfairness bred among the workers with high performance and reduce their job enthusiasm; meanwhile, the low performance workers will be satisfied with their current states and not be progressive any more. As a result, the companies should not only control the welfare in an appropriate level, but also link the welfare out of legal welfares with workers' performance. From another perspective, this will help to increase sense of achievement among workers because their different treatment from other people will make the workers feel that they are appreciated and acknowledged, gain a sense of achievement, thus encouraged. Therefore, when implementing welfare policies according to their business strategy, the enterprises must make sure that the welfare policies can spur the workers to get a better result, or, the welfare will evolve into equalitarianism --the eating from the same big pot , not stimulating, but helps the workers foster the bad working habits like being standstill in work and waiting for sharing the success. [4]

5.3. To implement a flexible welfare system

To avoid "uniform" welfare, the enterprises should carry out flexible welfare system to satisfy the characteristic and diversified needs of the workers. Due to the complexity and diversification of the needs of the staff members, the welfare policies must take the need differentiation among different workers into consideration, must strengthen the pertinence and flexibility of the welfare policies, only by this can give full play the active functions better. Therefore, the enterprises can implement a flexible welfare system. The flexible welfare system, also called buffet-like welfare, refers to that the organization provides a menu. Every member of the company can take part in and have a chance to choose from the menu. They can choose and combine according to their own needs and preferences, within a limited mount of money. [5] The flexible welfare system offers various welfare items for the staff members, allowing the workers make their own choices relating to their own needs, reflecting the company's putting people first principle genuinely, satisfying the different needs of the workers. It will be beneficial to rally the workers and strengthen their sense of belonging, arouse workers' motive force and vigor. In the process of practice, when choosing the welfare items, the enterprises must conduct thorough investigations. The chosen items should be in conformity with the real needs of the workers. The magnificent but unreal items should be strictly forbidden. As the needs of the workers are constantly changing, the enterprises should implement a workers-involved mechanism, communicate with the workers timely, learn about their needs to make pointed adjustment of the original items and set new ones. This constitutes a critical part of the implementation of a flexible welfare system, so that it can maintain a long-term incentive effect.

5.4. To make the welfare system transparent

The enterprises should transfer the information about welfare policies to the staff members and strengthen communication with them, making the welfare system transparent. The human resources department lists the welfare system as one of the career training items of the staff members and informs the workers the content relating to welfare policies. The content should encompass the following aspects: First, the items and range of the welfare that workers can enjoy. If the workers are informed about this, they can properly make use of the welfare the company offers according to their own situations. Secondly, the cost of the welfare. It will make the workers understand the cost of the welfare so as to make them arouse a sense of recognition towards the enterprises and promote their working activeness. Thirdly, the dynamism of the welfare. Namely, the welfare system can be altered according to the exterior environment, corporate situation and so on, so as to create a better working and living conditions to the workers. Fourthly, the participation of the welfare system. The workers have right to pose suggestions to the corporate welfare system. It can increase the involving degree of the workers to the welfare system establishment, and at the same time, it can avoid the unnecessary losses to enterprises caused by a lack of communication so as to embody the "master"

position of the workers in the enterprises, improve their activeness and creativity to their jobs and the cohesion of the enterprises.

5.5. To combine the tangible and intangible welfare forms

It is not enough only to provide welfare in tangible aspects, such as oil, salt, cereal, meat etc., the enterprises should also take intangible welfare into consideration, like vacation system, funerals and weddings system, holiday system and model system etc. This combination of tangible and intangible aspects of the welfare system embodies a combination of the material and spiritual needs. To a certain extent, the power of spirit is so huge that it can cover the areas that the material can not reach. Human beings need spirit kingpin. If some welfare can provide such a spirit kingpin to the workers, it can encourage them so much.

5.6. To attach importance to the developmental welfare needs

To achieve sustainable development, the enterprises should attach importance to workers' developmental welfare needs and take on-the-job training and opportunities to study as a crucial form of welfare system. For the enterprises, the training can not only enhance workers' working skills so as to increase working performance, but also transfer the operational ethnic to the workers, letting them learn about, support the enterprises to a maximum degree, finally enhancing the cohesion of the enterprises. For the workers, on-the-job training and opportunity to study become genuine incentives. As workers, through training, they can constantly upgrade their knowledge and skills, appreciating their own labor capital value continuously. Providing more opportunities to the workers constitutes an important measure in modern enterprises to encourage the staff members. The enterprises can take the training into the whole welfare framework, form a relatively prudent training system to the workers, provide different trainings with different contents to different workers and embody the staff training features of the whole staff, the overall process and pertinence. Some foreign well-known enterprises energetically encourage their workers to receive continuing education. Confronted with the developing tendency of the soft management which puts people first and foremost in modern enterprise management, the reform in welfare system of the small and medium-sized enterprises will have an ample space to develop.

6. References

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