



The Status and Strategies of Income Distribution Regarding Frontline Employees: Liaoning Province, China Serves as an Example

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Abstract

The incomes of frontline employees are critical low and huge gaps of Income Distribution were found among companies and enterprises in Liaoning province. The main factors of this phenomenal are the absence of legal grounds, time lag of regulatory mechanism and incompetent state superintendence. In addition, the absence of collective consultation on salaries systems deprives employees' right of discourse. Thus, more supervision and administration on income distribution, regular income increase mechanism, administrative guidelines of income and the establishment of collective consultation on salaries systems are expected from government to ensure the steady and equitable increase of frontline employees' incomes.

Key words: Frontline employees; Income distribution; Government intervention

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INTRODUCTION

Frontline employees constitute the majority of companies' and enterprises' staffs. The increases on theirs salaries are

of importance to domestic consumption and the growth of economic. However, China is facing severer income inequality than in Euramerican developed countries. At last count, the World Bank put China's Gini coefficient at 0.47. In 2006, Liaoning province, Gini coefficient exceed the critical level—0.4. That is to say, excessive wealth was concentrated in minority and severe inequality of Income appeared, both of which sabotaged the harmony and stability of society and sustainable development of economic. Taking practical and effective measures to improve the income distribution conditions inside and between companies and enterprises are the critical ways to both reducing income gap, optimizing the distribution of income as well as the sustaining harmony and stability of the society, and are the of importance elements to the expansion of consumer demands, the upgrading of industrial structure and the transformation of economic developing mode. Therefore, the Chinese authority shall strengthen the regulation of the internal income distribution of companies and enterprises, and take the necessary administrative force to ensure the collective consultation on salaries systems are functioning.

1. THE CONDITIONS OF INCOME DISTRIBUTION REGARDING FRONTLINE EMPLOYEES

1.1 The Proportion of Frontline Employees' Income in GDP is Considerably Small

According to our survey, the shares of GDP regarding total amount of laborers' salaries in Liaoning province dropped from 12% in 2001 to 9.6% in 2010, which was 2.2% below the national average. Moreover the developed countries' percentages can be as high as 25% to 35%. The index shows the Frontline Employees' Incomes were not synchronized with the economic development in Liaoning province.

Frontline Employees who are the direct creator of wealth to the society were severely lower paid comparing to the government agencies and public institutions Employees, which indicates the inequality of primary distribution of national income in China.

1.2 The Incomes of Frontline Employees Are Below Average Standard

The raise of income in Liaoning province pulled up the average income standard, whitewashed the fact that the majority frontline employees are being under-paid, however, is undeniable. High paid management layer attributes the most to the raising of average income, instead of the raising salaries for the frontline employees and the supporting production employees both of who are paid below the average standard in certain companies and enterprises. In the survey we made shows that about 71.5% of employees are paid below average standard, and among those about 26.9% are paid less than half of the average standard. Frontline employees constitute the main low-income groups, esp. to those labor-dispatching employee rural-in-cities-workers who are underpaid and employed in private business. National minimum wage standard states that the overtime wage and certain types of allowances like middle shift, night shift, extreme hot and cold working conditions, underground working, toxic and harmful working conditions shall be paid separately from general salary as well as working benefits that are required by laws and regulations. However, most employees are not well compensated with those allowance and benefits. Therefore, their virtual incomes are lower if subtract those from general salaries.

1.3 The Raise of Salary Is on the Basis of Extra Work

In most companies and enterprises the raise of salary for frontline employees are on the condition of extra hour work instead of the raise of paying standard. There are a lot unreasonable production quota made by companies and enterprises that are too high for employees to finish within normal working hours. For them the only way to get basic salaries is working overtime and the bonuses are paid at the expense of their spare time, healthy and excessive working.

The way in rising salary is improper in most companies and enterprises. On the condition of reckon by the piece, their salary depends on the unit price of the products they produced, however, whose unit price have not been improved for a long period. That is to say, only through demanding and overtime working can they get fair paid and the limited raise of salary.

1.4 Huge Gaps of Incomes Between Senior Administrative Layer and Frontline Employees

Senior administrative staffs are prone to get more paid. Gaps of incomes between senior administrative layer and frontline employees are wider, esp. in those enterprises that salaries are paid annually. Senior administrative staffs can be paid up to 10 times as frontline employees are paid. In financial service industry administrative staffs' monthly

average incomes are 5 times than general employees. In the well-operated and more profitable enterprises the gaps of incomes between senior layer and frontline employees are wider than other enterprises. Most of the profits are earned by senior layer. The incomes of senior administrative layer were 2.8 times more than frontline employees' in 2003, however, in 2006 expand to 3.4 times. The raise of incomes for senior administrative layer was 80% more than frontline employees' from 2003 to 2006.

World Bank in 2010 revealed that in China 1% of households possess 41.4% of national wide wealthy. The ratio of centralized wealthy in minors was considerably high than in the U.S making the China is one of country that suffers the most severe polarization in inequality incomes among the world. At last count, the gap between top 10% of high income group and least 10% of low income group ascend from 7.3 times of difference in 1988 to 7.3 times of difference in 2007.

1.5 The Average Salaries Paid by Private Business Is as Low as About 55% of State-Owned Enterprises

The interviewed private business shows their average salaries are only 71% of private business industrial standard and are as low as about 55% of state-owned enterprises. And the ratio was in the state of downtrend in these 4 years from 2004 to 2006. The growth rate of salary in Private business and joint-equity cooperative enterprises was 10.1% and 8.9% and was 3.0% and 4.2% lower than state-owned enterprises as in 13.1%. Private business employees' average salary was ¥1315 as in 2008, Panjin city, which distinctly was under the average standard of salary.

1.6 Social Insurances for Employees Are Covered Insufficiently

The majority of enterprises only cover certain types of insurances that are required by labor law for instance, endowment insurance, medical insurance are the two of most well-arranged among enterprises. However, the coverage for work-related injury insurance and maternity insurance are in low rate.

Coverage of insurance types varies from different enterprises and covered in the rate of descending: endowment insurance, medical insurance, work-related injury insurance, and maternity insurance. The Coverage rate of endowment insurance, medical insurance surpasses 80% of employees in enterprises. There are the phenomena that some employees, rural-in-cities-workers are the majority, are not insured and various reasons are given from the enterprises.

2. THE CAUSE OF THE CONDITION THAT THE FRONTLINE EMPLOYEES ARE UNDERPAID

2.1 Laggardness of Legislation

The legislations about the wages are relatively laggard in Liaoning province. Regulations of collective consultation

on salaries systems have been promulgated in many provinces. Not until 2011, did the Liaoning province have that kind of law, however, with insufficient enforcement.

2.2 The Low Standard of Minimum Wage

The standard of minimum wage was based on the consumption level of each city in Liaoning. The minimum wage in A-level and B-level developed area of Liaoning province could not reach the 40%-60% of international standard, except in the initial years. In C-level area the standard is lower. In 2010, the minimum wage in top 5 cities of Liaoning did not reach 30% of average wage. Dalian, the most developed city in Liaoning, was the worst one, was as low as 24% and 22% of that.

2.3 The Absence of Income Distribution on State-Owned Enterprise

There are phenomena that the government agencies intentionally ignore the existing inequality of income distribution inside enterprises. The agencies fail to do the investigation and survey and have insufficient information about income distribution inside enterprises. All of which results in the absence of legal grounds, the existence of vague stated laws and regulations, the incomplete supervisions and law enforcements even with impeccable legal basis. For example, the exact multiplier between administrative layer and general employees was not explicitly stipulated and the absence of regulations and penalties on the violation of substandard overtime wages.

2.4 Overtime Wages Are not Paid Legally

Overtime working exists in many enterprises, not only in private business but also in state-owned enterprises and central-government-managing enterprises. In the field of architectural construction, commerce and catering the employees in some companies work 6 days per week (as law stated, working days shall not exceed 5 days per week) and work on weekends and work more than 8 hours every day, however, many of them are not paid for overtime wage.

The first survey shows that about 54.40% of employees were not paid for overtime wages. And some are paid in a lower standard.

According to China Human Resources Development Network, a survey based on 689 enterprises, indicates that there are about 80% of interviewed enterprises were found that their staffs are frequently working overtime and 10.77% of interviewed enterprises never compensate the overworking employees for overtime payment though they have such conventions and 33.46% of interviewed enterprises do not have overtime wages policy and their staffs were never paid for that.

2.5 Collective Consultations on Salaries System Is in Initial State of Functioning

Collective consultations on salaries system is the most important method in achieving the consensus of the reasonable salaries between the labor union and employer. In Liaoning, the system is still in initial state of

functioning with limited effects. The low-efficient of the functioning of the system contributes to 2 determinants – 1. Labor union doesn't exist in numerous private enterprises 2. The managements are in dominant position while the labors are the disadvantage groups. That Enable many companies and enterprises make the rules dictatorially without the consultation of employees and union, or doing with the feigned procedures. As of the end of 2008, in Liaoning, there are only 10.6% of enterprises apply Collective consultations on salaries system and 19.69% of employees are in the benefits of that system.

2.6 The Absence of Right of Discourse for Frontline Employees

When comes to the salaries, many companies and enterprises make the rules dictatorially without the consultation of employees and union, or doing with the feigned procedures. In many enterprises, the rights of discourse for employees are deprived. And the failure of publicize the laws or regulations of salaries to staff made them have little awareness about the structure of their salaries and legal grounds for their fair payment.

3. THE INCOME DISTRIBUTION POLICY FROM FOREIGN COUNTRIES

3.1 Boards of Directors and Managements Are the Co-Guidance on Income Distribution

The average income standards for general employees are in the leading position among the world. However, the administrative layers' incomes are relatively low comparing with other countries. The multiplier of income between the board members and general employees dropped from 8.8 in 1960 to 5.8 in 2006.

The incomes of the board members are under the guidance of regularly published information and their incomes are restricted by the proclaimed regulations which stipulate the floating rate and quota of all kind incomes like salary, bonus, and allowance. Their incomes are limited to stay in minor difference with other employees.

3.2 The Reliable Guidance System of Income

In French, the salaries are divided into salaries for public servant and private business employees. The salaries for public servant are on the basis of income levels of private business employees, and vary from different levels. In the private sector, the establishment of minimum wage systems and the collective consultation on salaries systems, the wage priority and advanced wage priority, compulsory insurance policy ensure the workers can get their salaries equitable.

3.3 The Standard of Minimum Wage Is Made by an Independent Committee

In UK, the standard of minimum wage is made by an independent committee, who proposes suggestions on salaries to the government. The Commission was constituted with nine members that are made up by 1 chairman, 3 representatives

and 3 other independent members. The government agency - HMRC (HM Revenue & Customs) is responsible for the implementation of the minimum wage standards, and entitled to conduct investigations, inspections and enforce penalty, as well as file lawsuit on behalf of the workers.

4. SUGGESTION FOR IMPROVING THE CONDITIONS OF INCOME DISTRIBUTION FOR FRONTLINE EMPLOYEES

4.1 The Government Should Be Role Model in Promoting the Growth of Salaries

The principals of governments at all levels should be hold responsible for the gradual and regular growth of incomes in primary distribution. And their performance shall be evaluated in connection with their assessment, award, and promotion.

4.2 Establish the Collective Consultation on Salaries Systems With Distinguished Chinese Characteristics

To build Collective consultation on salaries systems with market economy characteristic and in line with current China's national conditions is the goal of the practice of achieving a better condition in equal distribution of incomes for frontline employees. The Chinese government should play a leading role in ensuring that all parties in negotiation are in the equal position, which is the basic rule in market economy and on the basis on distinguished China's national conditions. Therefore, the government may consider taking the following advices: 1. The procedures of consultation on salaries and the establishment of contract shall be in the witness of party organization in enterprises. 2. The procedures of consultation on salaries and the establishment of contract shall be in the witness of labor union. 3. The enterprises shall register the labor contracts to related local government agencies and labor union.

4.3 Ensure the Implement Wage Guidelines

The government shall ensure the filing and examination and verification of wage guidelines in enterprises. The enterprises shall register the policies that are being executed with local Human Resources and Social Security (HRSS) Agencies within the 30 days afire the issuance of guidelines. And the related local governmental agencies of HRSS, finance, SASAC (State-owned Assets Supervision and Administration Commission), social security shall ensure the facts are in accordance with the filing. If so, the enterprises can get tax deductions from local SATs (State Administration of Taxation) according to tax preference on salaries policies.

4.4 Regulate the State-Owned Enterprise Managers' Salary

State-owned enterprises shall enable the Managers-employees synchronized growth of salaries mechanism. The growth of the income for management layer shall on the basis of the raise of salaries for general employees.

4.5 Establish the Mechanisms of Regular Increases on Salaries for Front-Line Workers

Annual wage growth for front-line workers shall not be less than the average wage growth enterprises profits. The profitable enterprises shall increase the standard of salaries for front line employees with the ratio no less than local guidance.

Meager profit and unprofitable enterprises shall increase the standard of salaries for front line employees with the ratio no less than the bottom line local guidance or on the basis of consumer price. And the social relief shall help the low income employees.

4.6 Establish the Labor Quota Committee

The Labor quota Committee shall be made up by professionals in the field of the labor quota management. The local labor quota Committee's main functions are: to guide and develop the province's labor quota management; to be the brain trust for local HRSS about recommendations labor quota policy; to ensure the labor quota Committee was established and operated properly in every field; to ensure standards of labor quota are made feasible in the industry and for the record; to regulate and proclaim of the work quota standards for various industries.

4.7 Unified the Standard of Labor Outsourcing and Dispatching

The related law or regulations on labor outsourcing and dispatching should be made, to regularize the labor market, to limit the qualification of entering the market, to clarify the difference between the temporary, assistant or substitute posts, to specify the details of the establishment, the performance and the termination labor contract and the procedures of the social insurance for immigration from other cities and provinces. And enforce the supervising on the equal paying for equal work, the fair payment to labor dispatching employees.

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