

Exploring the Design of Compensation Management System in ICBC

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Introduction

Compensation management is one of the core modules within six modules of human resource management, at the same time it is the highlight of human resources management practical work. The compensation system is a very important part of the corporate governance structure, whether the pay system is scientific and reasonable will have a great impact on the development of the bank. The reasonable salary system can not only motivate the enthusiasm and initiative of the staff effectively, encourage employees to spare no effort to struggle for the goal, improve bank efficiency, but also can attract and retain a high quality, competitive staff team in this fierce knowledge economy.

1. Overview of the Basic Situation of ICBC

1.1 Description of ICBC

Industrial and Commercial Bank of China (Industrial and Commercial Bank of China) referred to as ICBC, was founded in January 1, 1984. It is the largest commercial bank in China, ranking first among the five big banks in China, one of the world's top five hundred enterprises, having largest customer group in China. As the largest assets commercial bank, after 29 years' development of opening and reform, the industrial and Commercial Bank of China has stepped into the track which quality benefits and scale develop in a coordinated way.

1.2 Development of ICBC

Through continuous efforts and steady development, industrial and Commercial Bank of China has entered the ranks of the world's leading big banks, becoming the world's largest market capitalization, client deposit first and most profitable listed bank with high-quality customer base, diversified business structure, a strong innovation capacity and market competitiveness. Banking business spans six continents, overseas network extending to 39 countries and regions. Through 17225 domestic institutions, nearly 400 overseas offices, 1661 agents and distribution channel such as online banking, telephone banking and self-service banking, it provides a wide range of financial products and services to 46 million corporate clients and 4.11 hundred millions individual customers, basically forming the integration and internationalization management pattern which put commercial banks as the main body, maintaining the domestic market leading position in the areas of commercial banking business. Always adhere to the "customer-centric, service to create value" business purpose, continue to enhance the level of financial services, and constantly enrich the connotation of brand, "Your bank beside you, trustful bank" brand image go deeper in the hearts of people, becoming China's consumer banking brand preferred and the most valuable global financial brand.

The vision of ICBC is to establish the most profitable, the most outstanding, the most respected values of the international first-class modern financial enterprise construction. Integrity, humanism, robust and innovation are the excellent development process.

1.3 Management of ICBC

ICBC establishes the governance structure of general meeting of shareholders, the industrial and Commercial Bank of Chinese board of directors, board of supervisors and the senior management layer in accordance with the "PRC Company Law", "Securities Law of the people's Republic of China" and other relevant requirements of the laws and regulations, forming the power mechanism, decision mechanism, supervision mechanism and the senior management responsibilities, mutual coordination, effective checks and balances work mechanism. The board of directors includes five special committees board such as audit committee strategic committee nomination and remuneration committee risk management committee connected transaction control committee and other of the board of supervisors under the supervision of the Commission. The supervision committee is under the board of supervisors.

In order to further improve the corporate governance structure, the shareholders of the General Assembly will authorize scheme formulated and board of directors for the governor to the board of directors authorized scheme, adjust the board under the special committee duties and the structure of members, implement the chief risk officer election system, employee supervisors, formulate the stock appreciation rights to establish and improve the company's incentive mechanism, and actively explore ways and territory foreign investors to strengthen communication and strategic cooperation, and constantly improve the level of corporate governance.

Industrial and Commercial Bank of China always puts the corporate governance as a basic project of strengthening core competitiveness, centers on sustainable growth of the company about the target of value and superior shareholder returns, actively learn from international leading practices and principles of corporate governance, perfect the construction by the general meeting of shareholders, board of directors, board of supervisors and the senior management layer composed of Modern Corporation governance framework, revising and improving the "management regulations the company articles of association of the Industrial Commercial Bank of China Ltd", and constantly improve the independence of the board of directors and operation efficiency, forming the power mechanism, decision mechanism, supervision mechanism and executing mechanism account ability and responsibilities, mutual coordination and effective check and balance of the organization structure and operation mechanism. Up to the end of the reporting period, the board of Directors consists of 15 directors, including 3 executive directors, 6 non-executive directors, 6 independent directors. The board of supervisors has a total of 6 supervisors, among them there are 2 shareholder representative supervisors, 2 external supervisors, 2 employee supervisors .

The bank establishes a set of social responsibility management planning and implements supervision system which has multi-dimensional and multi-level. Under the direct leadership of the board directors, the head office of strategic management and investor relations department promote coordinates social responsibility report work compiling unified, relevant head office departments and branches organization implemented separately, to promote jointly the fulfill and implement of social responsibility.

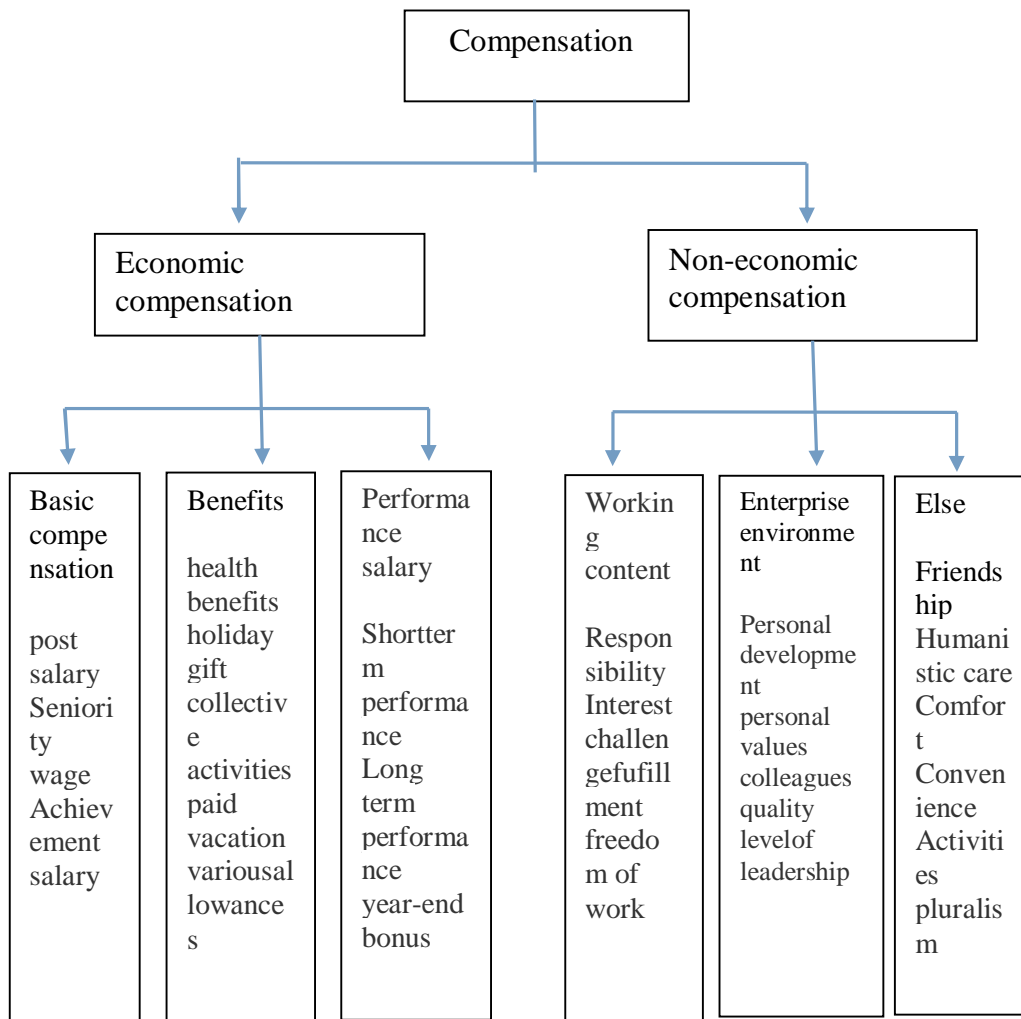
2.The Compensation and Compensation Management Theory

2.1concepts of Compensation

Compensation refers to the various forms of economic incomes, welfare, treatment and service as doing the required labor in the organization. From the narrow perspective, it refers to the direct access to financial rewards, such as salary, performance bonus, allowance. From the broad sense, compensation includes two parts: economic salary and non-economic compensation.

Economic salary has two components including various monetary income forms from the organization and can indirectly into the salary income .Non economic salary refers to incomes that cannot be measured by monetary means, because of job characteristics, organization culture and working environment bring happy psychological effect to employees. Reasons for the non-economic salary called salary mainly lies in the important factors of these non-economic psychological effectiveness also must be considered in job and occupation selection, and has become an important mean of organization to attract and retain talent with economic compensation together. At the same time, every parts of non-economic compensation also stem from the organization planned investment and long-term continuous investment accumulation.

Fig. 1: The Salary Structure Diagram



2.2 The Basic Connotation of Salary Management

Enterprise salary management, refers to the process that organization in order to achieve the goal of human resource management of compensation decision, pay communication and pay adjustment. In this whole process, organizations must make concrete analysis on the important problem of compensation strategy, compensation structure, compensation system and the compensation level and to make corresponding countermeasures, and can provide daily service on employee compensation. As a continual management process, the organization should be based on their different stages, the situation and place of the development, constantly revise their own business salary plan, and face-to-face exchanges on compensation and employee, and strive to achieve as far as possible so that each employee achieves satisfactory state, so that the company's salary scheme itself constantly optimized and improved.

We can inspect the salary management content from two aspects: business functions of compensation management and level nature of compensation management.

2.2.1 View of Business Functions of Compensation Management

The salary management includes two parts: salary management and benefits administration.

The wages management mainly includes: the establishment and management of wage system; staff salary adjustment management; evaluation of employee performance; salary etc.

Welfare management mainly includes: welfare needs survey; design and management of the welfare budget; develop and design welfare project implementation and management.

2.2.2 View of the Nature of Compensation Management

The salary management content is composed of three aspects of planning decision, administrative management and planning design.

The plan decision-making work includes the followings: to understand and achieve business objectives and expectations of employees organization; draw up the salary management direction; establish the compensation policy; the major pay transaction decision; the active participation in the organization's business and operational activities, and the management of business exchanges and cooperation in order to find a solution to the problem of compensation.

Administrative work includes: processing on compensation and other daily affairs; calculation and payment of wages, bonuses and attendance; formulate the policy system and implementation of the program; the understanding of various national organizations, personnel management system; various taxes and fees by the calculation of personal income tax and shall pay.

Planning and design work includes: the policy plan development and implementation flow fields of specialization; development and maintenance work of the system; through the application of market information, professional technology and method, professional resources and industry experience, in the introduction of position evaluation and position within the organization description system.

3. Analysis of the Reform of Salary System

3.1 The Influence of the Historical Evolution of the Salary System of the ICBC Existing Salary System

Industrial and Commercial Bank of China is one of the four major state-owned commercial banks, its compensation system changing with the reform of economic system, can be roughly divided into three stages.

The first stage: before 1993, industrial and Commercial Bank of China implemented the national administrative institutions wage system, wage and issuing of execution in accordance with national policies and regulations. At that time, the ICBC is regarded as the National Bank Government agencies and departments to manage, so it did not have rights of making its own wage system, in quite long time employee wages remains unchanged, but the wage gap is relatively small, the egalitarianism prevailed, not to mention go up the hook line of operating performance.

The second stage: from 1993 to 2003, ICBC implemented national unified staff grade wage system. Clerk grade wage system ruled that staff wages consisting of two parts: the clerk grade salary and target allowance, the clerk grade salary determined according to length of service, education and job factors. At the same time, the policy also provides ICBC can grant objectives allowance according to their own business, but shall not exceed the total wages 40%.

Although compared to the first stage, the second stage of ICBC salary system has ascertain degree autonomy, overall is still the state administrative institutions wage system. Employee wages are not too closely related the responsibility and contribution, having no incentive and constraint for the core staff.

The third stage: after 2003, with the increasing commercialization and competition in the financial industry, ICBC implemented real salary point system for autonomous, designed their own compensation system according to its own management situation, employee compensation are composed of three parts: basic salary, performance salary and welfare.

As you can see, the ICBC gradually increases the hook between wages and operating efficiency efforts, gradually tends to structure construction of performance appraisal system. But after years of administrative management mode for flipping the salary system of the more profound administrative traces, in the process of salary system design, the ability of employers, job responsibility, job contribution is not outstanding, "official standard" idea is still strong.

3.2 Separation and Analysis of Existing Salary System of ICBC

According to the salary present situation of ICBC, combined with the salary incentive model and the utility of the body, pay compensation system is divided into three parts: direct compensation indirect compensation and incentive compensation (Fig. 2) analyzing each part to explore the existing problems.

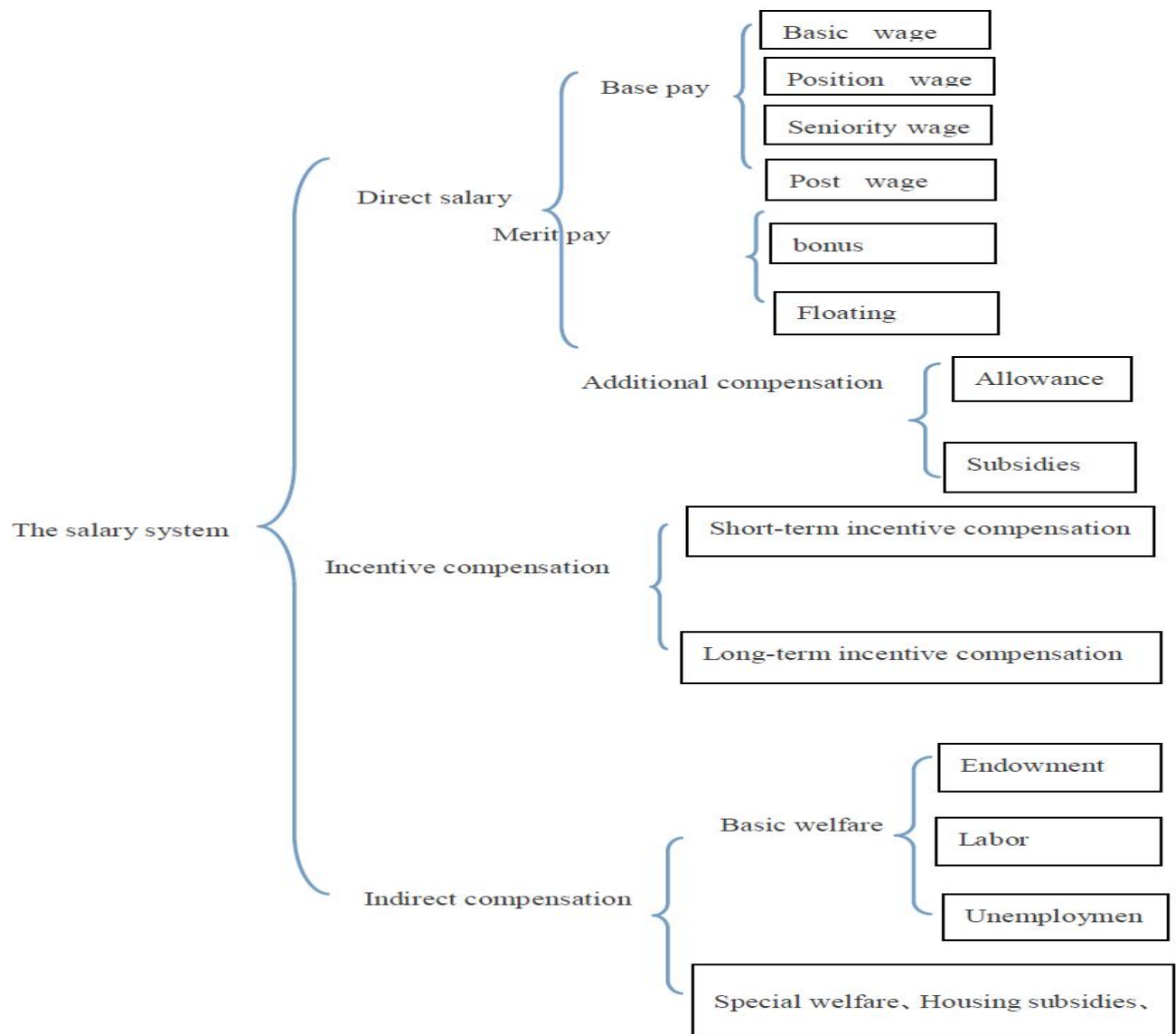


Fig. 2: Salary System Frame

3.2.1 Direct Salary Analysis

ICBC direct salary is composed of three parts: basic salary, performance pay and additional compensation.

ICBC basic salaries get paid according to the staff in the statutory working time to complete the workload with the standard of complexity, work responsibility, work proficiency and work strength. At the same time, in order to reflect the value of human capital is different, the ICBC both factors into consideration seniority, qualifications, in determining the basic wage. Among them, post factor and ability factor is the main factor, length of service, education and qualifications as auxiliary factors. Basic wages clerk is the main part of the proportion of direct compensation, basic wages in compensation system depends on the clerk in the bank position, two negative correlations. Will the duties is higher, the proportion of basic salary is low.

ICBC performance salary is based on the performance of bank issued incentive wages, on the basis of staff performance appraisal, the pay remuneration of excellent work performance. Therefore the performance salary has strong stimulation, but also has strong flexibility, is on the staff performance recognition and reward, has a positive incentive effect, can enhance the employee's positive behavior which is conducive to enhance the performance of the bank.

ICBC additional compensation is the extra payments to staff who engaged in special labor, in special working environment or special circumstances.

Form of additional compensation ICBC for more subsidies, such as to give employees at the guard base, escort and counting frontline positions is hard and dangerous work subsidies and staff to work overtime subsidies

3.2.2 Incentive Compensation Analysis

The incentive compensation can be divided into short-term incentive compensation and long-term incentive compensation by incentive effect. Short-term incentive compensation is also called the dividend, rewards as to complete the short-term goals. The dividend is sharing of bank clerk interest.

Long term incentive is the bank and staff of community of interests, a form through stock ownership incentives for staff. The general is the implementation of equity incentive to the managers, employee stock ownership plan to staff. The industrial and commercial bank has not granted any stock appreciation rights so far, no internal staff shares Although in July 2006 has approved the stock appreciation rights to eligible directors, supervisors, executives and other is determined by the board of directors of the core backbone of granting stock value added right, and since the date of the grant, valid for a period of 10 years but at present, ICBC has not granted any stock appreciation rights. Therefore, the industrial and Commercial Bank of compensation lack of long-term incentive, in the improvement of salary should increase long-term incentive part, avoid short-term behavior.

After the analysis of the performance salary and incentive compensation, we should see the two are different. Performance pay is recognition of past performance on the staff, and incentive pay is that inform the staff the revenue sharing scheme explicitly in advance, thereby affecting the staff's behavior.

3.2.3 Indirect Compensation Analysis

Indirect compensation is also called welfare, is care and subsidies on the staff life. Reasonable welfare system can increase staff's sense of belongings and strong sense of security. Therefore, in the increasingly fierce competition for talent today, welfare has become effective means to attract talents. With the improvement of the salary system, welfare space becomes more and more big, also means more and more flexible. At present, many foreign enterprises set up a "cafeteria", let the staff choose benefits according to their own needs. The system is very good to meet the individual needs of employees, also increasing the staff's sense of ownership of enterprise at the same time.

At present the ICBC still takes legal benefits, while gradually increasing the pension and housing subsidies and other welfare items, but the project is still single, flexibility is insufficient, so the incentives for the staff is not strong, this is we should be concerned on the improvement of ICBC in the compensation system of link.

4. Current Situation Analysis of the Salary System in ICBC

Although ICBC salary system has been improved gradually, the clerk grade wage system traces remained. In the interior, use administrative level, salary promotion evaluation system has not been completely established, the core personnel incentive and maintain enough, brain drain is serious.

4.1 Relatively Weak Pay Competitiveness of ICBC

On the compensation level, the Chinese funded banks is generally lower than the foreign capital bank, the four state-owned commercial banks is lower than that of non-state holding commercial banks (Fig. 3). This paper chose financial indicators of the four state-owned commercial banks and financial index of Shanghai Pu dong Development Bank compared, Shanghai Pu dong development is the representative of non-state owned banks.

Fig.3: The Four Major State-Owned Commercial Banks and Pu Dong Development Bank Financial Indicators In 2012

	Total assets (million)	Net profit (million)	Staff salary (million)	Total employees	Average salary
Chinese Bank	5995553	62017	36261	237379	153000
Construction Bank	7555452	92642	46657	298581	310000
ICBC	9757650	110770	19942	385609	52000
Agricultural Bank	7014351	51453	57776	441883	13100
Pu fa Bank	1309425	12516	6924	17695	39100

Through the comparison of financial indexes, the ICBC total asset is the highest, but the average salary of employees is the lowest. While the average profitability is relative high to Chinese Bank, Construction Bank and Agricultural Bank of China, but I'm afraid this dues to monopoly status of ICBC. With the development of financial globalization and financial industry competition is becoming increasingly fierce, financial monopoly will show a gradual weakening trend, industrial and Commercial Bank of potential necessary to staff average wages and employee profitability associated.

Although low wages are helpful to improve the bank short-term financial index, are not conducive to maintain the quality of human resources. In the industrial and Commercial Bank of China Dalian branch as an example, in 2002 the unified recruit 108 graduates, as of 2008, less than 30 people. The loss of high-quality human resources, not only makes the ICBC's human capital reduced, and as a result of the loss of a large number of high-quality customers, which inevitably weakens the core competitiveness of the industrial and Commercial Bank of china.

4.2 The Lack of Long-Term Incentive Mechanism

At present, the industrial and commercial bank has not granted any stock appreciation rights, no internal staff shares. On the general staff, excitation mode is only a single performance wage. Under the performance salary system, when the actual profit exceeds previous agreed standards, employees can get pay for performance. If not up to standard, certain economic punishment attains. Therefore, the income of employees is in the form of:

$$\begin{cases} I = I_0 + \beta_1(y_t - y_0) & (y_t \geq y_0) \\ I = I_0 - \beta_2(y_0 - y_t) & (y_0 > y_t) \end{cases}$$

Among them, I_0 presents for fixed income, β_1 presents for the proposed proportion of bonus, β_2 presents for the proposed proportion of punishment.

Therefore, employees will certainly take a short-term behavior in order to get the maximum profit under the performance pay system, avoiding long-term investment. Although this in favor of improving performance in a short period of time, not conducive to long-term development of ICBC. Industrial and Commercial Bank of executive compensation is the annual salary system, with the annual appraisal cycle. If the annual salary system can determine the annual income according to the real performance, the difficulty and risk reasonably, it can also play a certain degree of incentive and constraint as the salary composed of basic income, benefit salary and risk rewards three parts. The risk benefit salary and rewards can avoid short-term behavior to a certain extent, but cannot ensure that executives must take a long-term behavior conducive to the long-term interests of the ICBC. And the line of annual salary system presents in the very great degree and did not play the role of benefit and risk year salary.

4.3 The Imperfect Performance Appraisal System

Salary system should connect with employee performance appraisal, the economic efficiency of enterprises that can motivate employees to work hard. The salary system of industrial and Commercial Bank lacks effective performance salary, and performance evaluation of the implementation process of the formal performance appraisal system is not perfect. ICBC should establish modern salary management system of scientific, reasonable, encourage middle managers, retain talents for the enterprise and enhance the market competitiveness of the enterprise.

Industrial and commercial bank performance appraisal system of the balanced scorecard system, from the financial, customer, internal operation and staff continuously improve four angles comprehensive evaluation of staff performance. Make the financial account manager index design person as an example (Fig.4).

Fig. 4: Assessment Indicators of Financial Customer Manager in ICBC

Index	Weight	Assessment project	Specific indicators
Financial index	39%	Marketing performance	Investment products
			Bank products
			Customer loyalty
			Financial account customer
			Customer satisfaction
Customer index	31%	Professional degree	Rate of financial account loss
			Purchase rate of product
			The standard rate to the test
			Standard rate of labor skill test
			Customer development ability
Internal operation	17%	Service quality	Directional marketing activities
			Customer maintenance
			High quality customer maintenance
Index		Internal management	Customer complaints
			Privacy of customer information
Continuous Improvement	13%	Learn and growth	Attend training, prize
			Overall performance
			Reflect customer needs

As can be seen from Fig. 4, although the performance evaluation index of ICBC abandoned the traditional financial accounting indicators, we still can see no indicators to develop a comprehensive assessment of the contribution of the pilot, and no long-term goal will be integrated into the bank's assessment indicators. Such as personal financial account manager in order to complete the insurance business, introduce the product to the customer at the time said to be deposit insurance, misleading customers, although the completion of the task, but to the customer causing injury, affecting the credibility of the bank, the bank is not conducive to long-term development. Therefore, banks in the development of performance appraisal goals, we must pay attention to the long-term interests of the bank, not instant success.

4.4 Compensation Depends on Promotion Too Much

ICBC staff salaries distribute according to rank which is bound to caused serious officer based thinking .Employees pay more attention to how to promote quickly, rather than trying to work hard in the position under the insufficient condition, speculation phenomenon more serious. The staff with abilities that cannot get the corresponding wages will cause the bad incentive effect phenomenon, just for the few positive incentives, most people are hurt.

4.5 Single Salary Item, Limited Incentive Effect

Maslow's hierarchy of needs theory tells us that human behavior is caused by motive, and motive is determined by the needs of people.The construction of incentive compensation model is shown as follows(Fig.5).Incentive model tells us we must push the demand into the target first , starting from the demand to stimulate people's motivation, and guide their behavior. When one needs to meetanother kinds of demands.This is a dynamic change and cycle process. Employee environment, different life stages, different needs, so in addition to the monetary demand, and other non-monetary needs, such as social identity, self -realization and so on.

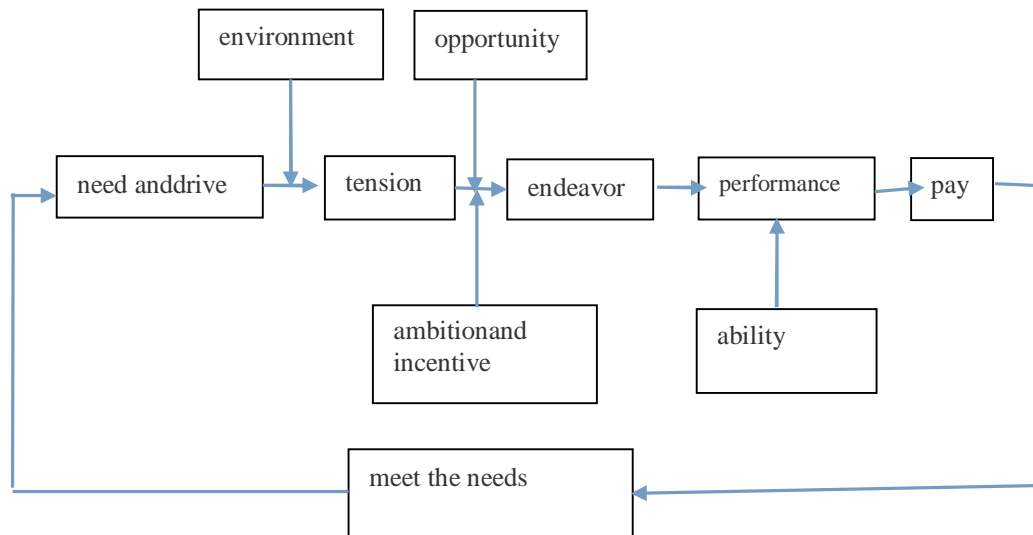


Fig.5: Salary Incentive Model

Yet ICBC current compensation project is mainly salary and bonus, namely monetary compensation. Thus the role of staff motivation is very limited, especially the executives and the core staff, because they are not only in pursuit of money demand, more is a no- monetary demand, is the cause of the pursuit and social identity. Therefore, formulation of incentive measures should be made on the basis of different objects.

4.6 Prominent Internal Equity Issues

The main manifestation of the equity problem in ICBC is unequal pay for equal work. Because the line of a branch, there are three kinds of employment system -- regular workers, contract workers and labor dispatching work teller. The three kinds of employment system, while engaged in the same job, but there is a large gap in wage income. At the same time, the line of a branch using the same form, but the different positions, job responsibility and job difficulty, the corresponding wage skill requirements are also different, and there is little difference on wage. Thus appears little difference do more or do less, strong capability and poor capacity of staff without distinction leads directly to staff enthusiasm not high.

At present, three kinds of the employment system of the industrial and commercial bank make internal equity issues outstanding, staff change their working attitude correspondingly, even choose to resign, low loyalty to the ICBC. At the same time, the current wage system cannot reflect the post responsibility and post contribution, lack of fairness. Direct consequence is that the industrial and Commercial Bank talents loss, relatively poor skill, that is the phenomenon of "bad money drives out good money", is not conducive to the sustainable development and to enhance the core competitiveness of the ICBC finally.

5. Design of Compensation Management System of ICBC

5.1 Salary Management System Design Principles

5.1.1 Pay Attention to Employee Participation

The experience of foreign commercial banks shows that: let the employees design salary system is the most satisfactory, and long-term effective. Staff involved in the improvement of the salary system will undoubtedly contribute to the formation of a more suitable talents demand levels and more reasonable salary degree. Staff involved in the improvement of the salary system will undoubtedly contribute to the formation of a more suitable talents demand levels and more reasonable salary degree.

In the process of salary system improvement, more employees want to wages maximum, and managers hope to reduce the cost of human capital. Therefore, there is a game relationship between the two, let employees participate, strength communication between employees and managers, promote mutual understanding and trust between the two sides, which can make the salary system more effective.

5.1.2 Urgent Need to Construct Internal Equity System

Equity theory believes that good salary system need to give the staff to create equality of opportunity, the results is different" environment in order to play the incentive effect really. To solve this problem, it needs in the employment system of objective, fair and transparent. Therefore, we should deepen reform, the implementation of full employment by appointment, at the same time increase the posts of the strength, let the market decide whether or not there is a corresponding quality and ability.

Different posts create different values and benefits, requirements on staff skills, quality are also different. To achieve internal equity should establish job description, clear job responsibilities, job skills and post contribution, change the previous assessment index "morality, ability, diligent, accomplishment". These indexes are not only vague but also difficult to quantify, the most important thing is to ignore matching the value of job with staff skills and pay. Therefore, on the basis of standardized job description, set up the post key performance indicators (KPI), let the post value and personal value unity, break the "relative equalitarianism", establish internal equity, motivate employees to work hard.

5.1.3 Attach Importance on the Core Staff Incentive Mechanism

80/20 Law tells us: effective salary structure should be effective incentive to who create the 80% wealth and 20% key personnel. For bank, 20% key talents include top management, technology backbone and the backbone of the business, the key talent incentive system is one of the important measures to enhance the core competitiveness of banks.

In the bank, a senior staff salary is a very sensitive topic, because the various decisions of banks are made by executives. In order to reflect the relatively fair, executives have a duty to let employees believe they have no suspicion of abusing power. In addition, although the number of executives is only a small proportion of the total number, the payment on executive compensation has accounted for a considerable part of the bank total compensation.

5.1.4 The Implementation of Differentiated Management

The differentiated management has two meanings; one is to reflect the "responsibility, right, power" matching for staff assessment. That is, different jobs require employees with different skills and quality, employee pays different labor and responsibilities, the corresponding employee benefits should be different. Only in this way can inspire the potential of employees on the one hand, on the other hand make the employee benefits and job match, motivate employees to pursue their own ability to ascend, and realize through position. Another is employees in different levels have different needs, staff with common skills need more paid largely, so according to the workload pay to these employees, higher level, relatively prosperous economy employees, largely need its value to be realized, then according to these employees can give them some decision right.

Find the difference of employees, understand the differences of employees, and use differences in employee to set up incentive mechanism, so that each employee play their proper role. This incentive mechanism will play its biggest utility.

5.1.5 A Sound Incentive Mechanism and Constraint Mechanism

Two levels of employee incentive is the intrinsic and extrinsic motivations, respectively to meet the needs of health care needs and motivation such as providing the ability to play space and personal development opportunities, rich content, increase the work challenging work for employees. Further promote the employees' sense of honor, achievement and the sense of responsibility, achieve a comprehensive motivate and retain talent, improve the comprehensive competitiveness of banks.

In the short term incentive mechanism such as correction of wages, personal income and the level of effort and bank performance hook, although able to stimulate the enthusiasm of the staff work in the short term, unfortunately helpless for the shortsighted operators. As the bank shareholders are concerned with the cash flow in a long time future, executive attention is the term of cash flow and operating performance, thus conducive deviation problems to long-term development vision produced.

Therefore, the compensation incentive measures should reflect its constraint. In addition, if too much emphasis on performance salary, although motivate staff to improve the ability to work in a certain extent, performance salary opening the gap of income. The income gap is so large that not conducive to the cultivation of environmental equity, and ultimately not conducive to the sustainable development of ICBC. At the same time, ICBC executives take the annual salary system. Due to the lack of restraint mechanism, there is likely to occur the phenomena which in the present of bank's executives, cash flow and business performance is good, when the executives leave, lack of cultivation of bank's long-term development of products and customers which makes the bank performance declines gradually. Therefore, the salary incentive mechanism should not only reflect the incentive, but also embody its binding.

5.1.6 Reference Elasticity Welfare Model

Welfare is a necessary complement to the pay system, can alleviate the employees who are dissatisfied with the current salary, reduce the rate of employee turnover. Many foreign banks achieve the purpose of reducing employee turnover rate by providing preferential welfare policy. Everyone has different needs and interests,. For example, the demand for cash and housing graduate employees more strongly, and for workers who are going to retire need the medical aspects strongly. Then the bank adopting certainly unified form of welfare is hard to satisfy the requirements of most people, also cannot achieve utility maximization. Therefore, employees have been very concerned about the problem of the welfare system in foreign countries. ICBC only take statutory welfare, single item, unable to meet the diversified needs of employees. As a consequence, the line compensation incentive mechanism should cope with the existing welfare system reform, can learn from the mature "cafeteria" system of foreign countries to meet the diverse needs of employees, enhance the loyalty of employees.

5.2 Preparations of Designing the Salary System

Mainly include the analysis of external and internal investigation research and analysis, the external investigation analysis include: national policies and legal provisions, the legal minimum wage and salary survey, equal pay for equal work market cost of living, the supply and demand situation of the local talent market, the average income level, the local chamber of Commerce and the power of trade unions.

Internal investigation and analysis system includes: salary, salary survey analysis of the analysis of the existing system of compensation structure, compensation analysis including enterprise culture values, enterprise strategy and the comprehensive situation of employees, human resource policy, the current salary survey of the existing total compensation, including salary problem pay satisfaction status, the salary structure analysis includes the existing various forms of compensation effectiveness, the existing various forms of compensation ratio, different staff salary structure comparison.

5.3 Factors of the Compensation System Design

There are many factors to consider the design of compensation system, such as the characteristics of enterprises, enterprises in different stages of development, the characteristics of the industry salary strategy is different. As well as the company's operating policies and objectives, to get the market leader for the company must necessarily be first-class level of salary. Thirdly, financial and cost considerations, the company profit and cash flow are taken into account factors of corporate ability to pay. Fourth is the administrative consideration, the company administrative support services capability determines the implementation of the compensation system. Fifth is the management consideration, the company on pay management ability can improve satisfaction of employees.

Sixth is the consideration of other factors, such as the company's culture and values, the region, the talent market growth degree.

5.4 The Process of Salary Management System

As we all know, demand, target, strengthen and cognition are the key motivation. At the same time, from what has been discussed above, the salary system is a dynamic process, therefore, the compensation should be gradually adjusted, not a put things right once and for all things. Therefore, the author proposed a branch of industrial and Commercial Bank of the basic process of compensation system design (see Figure 6)

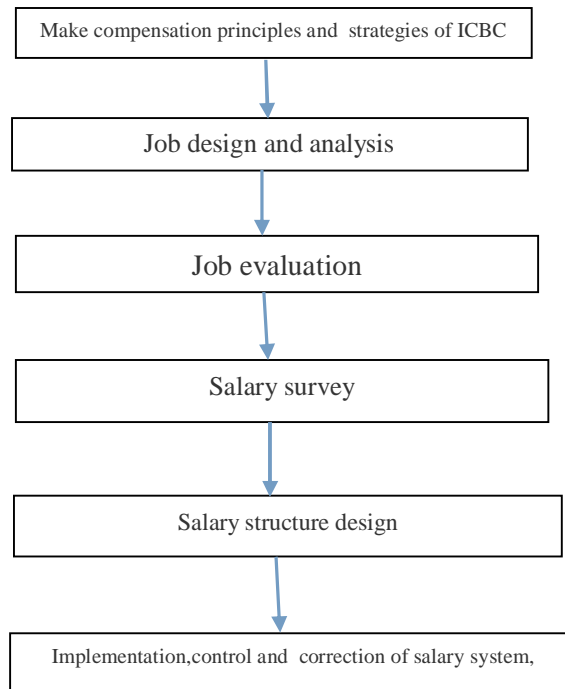


Fig.6: The Flow Chart of Salary Frame

5.4.1 Make Compensation Principles and Strategies of ICBC

Making compensation principles and strategies of industrial and Commercial Bank of China is a basic work for designing the salary system, including the evaluation of salary value, point coefficient, coefficient of post, salary and welfare. This is the most critical step. It determines the future direction of work.

5.4.2 Job Design and Analysis

Job analysis analyses the work nature, the task and responsibility of the required and the staff knowledge and skill. Then get the description of the system and the standardization of the records, and write "job description".

First of all, the work to be carried out is the work analysis, clarify each post duty and service grid. Industrial and Commercial Bank of China is divided into marketing management, risk management department, comprehensive management department, support department, profit center and affiliated institutions. Each department has many institutions, tasks and functions of each institution are different. Through the collection of relevant responsibilities, tasks, qualifications, work flow and work environment information, collect and analyze them scientifically by providing support for the industrial and Commercial Bank of China to establish efficient and reasonable salary system.

5.4.3 Job Evaluation

Job evaluation is based on the job analysis according to the contribution to the bank. Job evaluation is a complex work, fairness, impartiality and objectivity of the evaluation directly affects the quality of the whole compensation system. ICBC post ranks blur, internal fairness salary problem exists, then have the need for scientific evaluation of the post. According to the actual situation of industrial and Commercial Bank of China, selection of evaluation factors on the evaluation factors of science, division level, through the post evaluation committee assessed post, according to the evaluation elements of the rating results to different staff into different job grades

5.4.4 Salary Survey

Salary survey solves the compensation of external competitiveness problem, is a very important part of bank management compensation in the face of the background of financial globalization. Object of salary survey is mainly the industry and area, especially the main competitor's pay status, understand the average salary level of financial market through investigation. Compare the bank's compensation level, compensation policy adjustment according to the bank pay levels.

To determine the industrial and Commercial Bank of the salary level, analysis mainly on the basis of job evaluation and job value of industry level and market level, salary survey data, industry competition is intense degree. Pay attention to the kind of work reward cannot be exactly the same, different experience and ability of the middle salary can not be the same, for outstanding achievements of individual middle should reward by bonus. Industrial and Commercial Bank of China should treat differently for different departments、 posts and personnel, using hybrid compensation strategy using different compensation strategy.

5.4.5 Salary Structure Design

The salary structure is the relative value of all positions within banks paid salary and relationship between competitive balance, is the result of internal consistency and external. Full compensation should include salary ranks, the internal compensation change range.

To determine the salary structure is mainly decided by what kind of specific forms of compensation and stable parts and variable parts of proportion, short-term compensation and long-term compensation combination, direct financial compensation and indirect economic salary replacement etc.

5.4.6 Implementation, Control and Correction of Salary System

To design a good salary system into bank management system and standardized operation management, salary system will appear in the process of implementation problems, according to the change of environment and enterprise strategy and external environment to adjust compensation scheme. Implementation of compensation scheme is a process of move in circles, to constantly revise and improve. Before implementation, to discuss salary plan; salary scheme is determined, to conduct propaganda and explanation, enable them to update concepts, a unified understanding; bank leadership and the person in charge of relevant departments according to salary scheme is detailed and in-depth intensive training and learning; trial operation of the most important step is the compensation scheme, the time should be in the three months to six months, will continue to find problems, to determine its improvement and development direction.

Management and control of the implementation process is very crucial, first of all to control the compensation scheme, the test run results if it is good, it should be in the context of the entire line formally implemented the "second is to improve the performance appraisal system, through the Balanced Scorecard and the target management method to adjust and perfect the performance evaluation index system, pay attention to the efficiency of the assessment accuracy and the results of the. Third, adjust the salary system regularly, pay attention to industry and market changes, consider the labor supply and demand and the price level, regular adjustment of the salary structure and level. Fourth, to continue to revise and improve the compensation plan, to establish complaint mechanism, listen to the views of staff, and constantly introduce new ideas, advance with the times, fully mobilize the enthusiasm of the staff.

Conclusion

The emphasis of the thesis carries on the thorough analysis to the industrial and Commercial Bank of salary system, to examine a series of problems existing in ICBC, and then use the compensation system related compensation incentive theory to a branch of industrial and commercial banks and puts forward the improvement measures, in order to achieve the effect of salary design.

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