The Analysis of Colleges and Universities’ Compensation System Reform Based on the Total Compensation Theory

Bin DENG
Ren Min University, Beijing, China
xuehai80@163.com

Keywords: Colleges and universities; Compensation strategy; Total compensation.

Abstract. Nowadays, colleges and universities’ compensation system reform is the key point in the comprehensive reform of colleges and universities in China. However, in practice, as a system that includes all situations, the main ideology, the choice of path and the design of compensation system are still under the influence of traditional compensation system. And the compensation reform usually appears in the comprehensive reform in the form of talent engagement reform measures. This paper will analyze the compensation management’ present situation and use the total compensation theory in the aspect of compensation strategy in order to put forward the key point of compensation system and the system framework.

Introduction

With colleges and universities’ reformation in China going into a dilemma situation, the institutional obstacles appear more and more, especially the late of incentives reform aggravate the disorder of talent flowing. Therefore, a perfect and systematic compensation system means a lot to the development of colleges and universities. But how to reform in the next step depends on the social environment and development goals. This paper will analyze the challenges faced by colleges and universities, summarize the compensation management’ present situation, and use the total compensation theory in the aspect of compensation strategy in order to put forward the key point of compensation system and the system framework.

Challenges of Colleges and Universities

Firstly, colleges and universities are in a changing era. On one hand, with the globalization and information networking, colleges and universities’ communication and cooperation becomes more and more frequent and broad. However, comparing with the developed countries, our country’s economy and development don’t have advantage. So, how to cultivate talents or keep foreign talents staying in our country is a serious task. On the other hand, with the development of economy and society, the government, enterprise and the public have different demands. Government expects that developing creative and qualified talents by accomplishing Science and Education Strategy to promote social progress. Enterprise expects that colleges and universities invent more technologies to achieve economic transformation and industrial upgrading. The public expects that colleges and universities provide more and better education to foster responsible citizens.

Secondly, there are many internal differences in colleges and universities. In China, the number of our country’ colleges and universities is more than 28,000, being the second in the world. However, there is a huge difference existed among colleges and universities. Some colleges and universities are international in teaching and research. However, other colleges and universities are only provincial or municipal level. Although the old stereotype of concept has been abandoned, how to build unique and perfect colleges and universities is also a problem.

Thirdly, the complexity exists in long-term construction of colleges and universities. The rapid expansion of university enrollment scale of higher education lowers the quality of teaching. In addition, in the field of scientific research, the number of papers is the largest in the world, but the number of papers that published in top journals still lags far behind developed countries. However,
the quality of education and the level of scientific research is relatively lower than developed countries. To support this, a sound institution system is necessary.

**Problems of Domestic Colleges and Universities Compensation System**

Faced with challenges, it is clear that the existing pay system doesn’t meet the needs of rapid development of higher education. We need to change the current situation as soon as possible.

1 Weak sense of compensation strategy

Currently, few colleges and universities administrators attach importance to the compensation management from the strategy perspective. Compensation reform involves guiding ideology, path selection, system design, and other aspects don’t get rid of the traditional pay management. Compensation reform is lack of analysis and thinking in strategic level, which leads to vagueness of compensation system orientation and the emergence of unfair income distribution.

2 Lacking of compensation system market competitiveness

In 2013, “Colleges Teachers’ Salary Survey” group by the Ministry of Education, survey showed that lecturers’ average annual income is RMB83,000 who graduated with the doctor degree this year. At the same time, doctor degree graduates’ annual income in the labor market is about RMB 110,000 (21st Century Education Research Institute, Academy of Social Sciences’ Education Blue Book (2014)). Therefore, working in colleges and universities means a low income. In addition, from the National Bureau of Statistics released in five years the average wage level analysis of the salary, the education field’ salary has remained in tenth place, about 53 percent of the income of employees in the financial sector.

3 Insufficient of compensation incentive

At present, many colleges and universities have implemented a post allowance system, which breaks the egalitarian distribution of income at colleges and universities. However, the allowance system in colleges and universities let different staff positions make a distinction, widened the gap, but the vast majority of colleges and universities still use titles and grade as a standard of allowance system, which is difficult to objectively reflect differences in faculty performance. In addition, allowance system cannot distinguish the difference between the performance of different staff in the same job, which is actually formed a new egalitarianism.

4 Low level of employee benefits

Welfare is still followed the traditional universities welfare programs, lacking of uniform institutional arrangements and marginalization, like lagging management concept, low funding criteria, running inefficient and lack of planning and lack of institutional development. For example, project-based arrangements is to help the poor, rather than based on the long-term physical and mental development of the staffs; existing welfare programs standard remained even twenty years; welfare spending only operate through the welfare Committee, which only once or twice meetings in a year.

With the rise of strategic compensation management theory in the 1990s, more and more managers realize that organizations must be viewed from a strategic level. Compensation and compensation management must be able to support organizational strategy and human resources strategy. Total compensation strategy is one of the strategic compensation management theories.

**Concepts and Literature Review of Total Compensation Theory**

**Concept of Total Compensation Theory**

Total Compensation theory, according to Compensation [1], a book that described total compensation includes not only about cash (such as basic wage, performance pay, short and long term incentives, cost of living adjustments), welfare (such as various allowances, pension, medical insurance, work-life balance programs, etc.), these are economic reward, and also include career development, working conditions and other non-economic reward. Compared with the traditional pay management, total compensation strategy has obvious advantages:
The total compensation strategy is based on organizational strategy and human resources strategy, which fully considered the possible impact of all aspects about organizational performance pay.

The total compensation strategy has strong flexibility. It allows different organizations designed different needs of different staff remuneration package, according to their own development goals.

The total compensation strategy puts emphasis more on employees’ participation. It emphasizes that fully absorb the ideas of employees involved in compensation decisions when making the organization in the development of strategies. Clearly and accurately convey the employees' compensation concerns lead to the development goals of the organization's understanding.

Overall Literature Review of Compensation Theory

An effective total compensation design should be based on the comprehensive analysis of the internal organizational strategy, organizational structure, organization function, organizational culture, and the external social environment [2]. As for market-oriented organization, the level of compensation should be determined according to the market; the focus on staff feelings, in the design of the remuneration scheme, the proportion of each part of the compensation structure should be considered, such as tax breaks, subsidies policy and other favorable factors. Thus, employees can get additional revenue; the organizations concentrate on saving costs should minimize the cost of compensation expenses [3]. However, designing a compensation structure is an intricate task. Finding a balance between direct monetary compensation and indirect benefits and deciding on what benefits, if any, should be included in the package is a challenge. The rules change the way we think about indirect benefits. Benefits should not be treated as something the company pays for. It may well be something leading to savings that are shared between the company and employee [4].

Domestic scholars also believe that we should hold a strategic perspective to determine corporate compensation strategy, through job analysis, market compensation surveys, compensation structure design, pay system assessment, management and compensation system and other control sectors to advance the total compensation plan landing [5], they emphasized that the organization should offer competitive salaries, pay attention to intrinsic rewards, link the income and skill linked, focusing on employee communication and employee involvement compensation system design [6].

Meanwhile, the total compensation for the research universities has made progress. Some scholars have focused on the analysis of “deferred distribution”. He believes that a comprehensive compensation system in higher distribution system should contain an extension, the extension of the current period allocation and distribution combine to make maximize current income and future risk minimization to achieve balance. Namely the current period allocation of wages, bonuses and dividends paid during the year, bonuses and dividends, aimed at compensating the paid labor; deferred distribution through social insurance schemes, employee benefit plans and pay equity plan, aimed at compensating the risk of loss [7].

Based on the analysis of the components of remuneration, some other scholars presents a comprehensive compensation system of component elements of research universities and the relationship between model elements and incentive effects to research university teachers, using structural equation questionnaire empirical research [8].

Colleges and Universities’ Compensation Strategy Based on the Total Compensation Theory

Total Compensation Strategy Framework in Colleges and Universities

According to the strategic compensation management and competitive model, compensation strategy is a key point in colleges and universities, which based on the order of the human resources strategy and the development of university development strategy (often called Talent Strategy). Specifically, based on the analysis of competitive environment, colleges and universities should set up the proper goals. On the process of achieving its strategic objectives, colleges and universities will win the beneficial competitive advantages.

Compensation strategic support to development strategy ultimately settled on the impact on staff attitudes and behavior. Achieving development goals ultimately rely on the joint efforts of staff.
Compensation will not only affect colleges and universities for talent attraction and stability, and is also a powerful tool to promote the interests of the current staff in consistent with the interests of colleges and universities. Compensation strategy contributed to the formation of characteristic university education, which is conducive to win and maintain competitive advantage.

![Diagram](attachment:diagram.png)

**Figure 1. Strategic Compensation Management and Competitiveness of Colleges and Universities.**

**Key Steps in Colleges and Universities Total Compensation Design**

According to the above requirements of the strategic framework, the compensation strategy should be realized through the compensation system. Therefore, colleges and universities will design the total compensation system as the following process:

1. **Colleges and universities need a comprehensive assessment of themselves facing the internal and external environment.**

   Compensation strategy rooted in the development goals of colleges and universities, but the compensation decisions and pay system design still affected by many factors. These factors can be divided into inner and outer factors. Internal factors include: the development strategy of the personnel structure, the requirements of conduct and performance; the concept of colleges and universities, material resources mobilization. External factors include: government law regulations, talent market, industry status, location and so on.

2. **Develop total compensation decisions matching with colleges and universities' strategic objectives and environmental background.**

   Compensation decisions include compensation structure, compensation levels, compensation management, and many other aspects of decision-making, but the core is to make the pay system to help colleges and universities achieve the development goals. Compensation should hold external competitiveness and internal consistency. Colleges and universities should scientifically evaluate the contribution of their employees and continuously improve the employee’ participation and transparency of compensation management.

3. **Build compensation system that contributes to the total compensation strategy.**

   After making compensation decisions, the next step is to implement compensation decisions by a certain system or compensation package, from concept to operation, from strategy to action. That includes selection of compensation technology, design and implementation of the remuneration system. To judge the success of a pay system should from three aspects, namely, the effectiveness (the ability to attract, motivate talents), inimitability (pay system design must be combined with colleges and universities’ own unique characteristics), the effective implementation (have practical implementation and get staff’ approval, etc.).
Attach importance to compensation system’s evaluation and feedback.
University administrators must re-evaluate their own situation based on the compensation system and adjust to the varying of the development environment. To ensure this, reevaluate the compensation system periodically and adaptability is very necessary.

Colleges and Universities’ Total Compensation Project Ideas

Total compensation should not only consider colleges and universities' development strategy, we also should take full account of the various needs of the staffs. Therefore, we try to establish a general framework that includes cash compensation, benefits and non-economic compensation.

Figure 2. Total Compensation Framework.

**Basic Wage.** Colleges and universities staffs basic wage is based on the job, position and other factors, which have clear criteria, stable characteristics, including post wages, pay scale salary, living allowance, post allowance and so on. And the difference with enterprise is that the basic wage is not determined by colleges or universities themselves, it is standardized by the government, reflecting the will of the nation. Colleges and universities do not have much autonomy in this field.

**Changeable Pay.** For colleges and universities, the best incentive way is changeable pay, including post remuneration, performance awards, and deferred payments and so on. Post remuneration and performance pay is often linked with the assessment of the staffs, reflecting how hard the staff worked and the performance that achieved. However, the deferred payments need a combination with colleges and universities to design according to their own characteristics, which cannot copy enterprise’ stock right incentives or other measures. Currently, some colleges and universities are exploring the implementation of high-level personnel allowance in a positive way. It draws on the concept of enterprise’ stock right incentives idea, which is according to colleges and universities’ personnel compensation to extract a certain percentage of wages each year, and after working some years (usually more than 5 years), they can draw at ratio, and with the work experience increase, and the ratio will also increase, which helps to attract high-level talents.

**Staff Benefits.** Staff benefits in foreign compensation system attach a great importance, which is considered an important way to improve the living standards of staffs and enhance their loyalty, inspire the enthusiasm of working. Besides statutory benefits (social security) and the welfare that state provisions, colleges and universities can set up programs that benefit all staffs, including: material incentives, such as group life insurance, family financial plans etc.; health insurance, such as supplementary medical insurance, employee’ mental health counseling etc.; career development, such as employee training programs, career development guidance etc. Colleges and universities can take full account of their situation, make independent choice, and set up their own system to benefit more staffs.

**Non-Economic Reward.** Known as non-monetary rewards, which also have a huge impact on staffs. About learning opportunities, colleges and universities considering for staffs who participate in high-level international academic communication, colleges and universities will provide funding...
assistance. Building research platforms and providing flexible sabbatical opportunities. For work environment, comfortable office, research conditions, cooperation with the high-level colleagues, will undoubtedly increase the attraction to talents.

With the diversification of the teacher's demand and the openness of education, the colleges and universities should change the way they think about compensation and establish the strategic position of the compensation. In practice, colleges and universities should draw on the total compensation theory, design and improve the compensation system to attract and retain talents.

References