The Research on the State-owned Enterprise Reform

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Abstract. With the constant improvement of our country’s social status and the rapid development of social economy, our state-owned enterprises are required to conform to the history development trend and make some corresponding reforms. The Eighteenth National Congress of the CPC also points out that our nation should deepen the reform of state-owned enterprises. The reform has been carried out for more than 30 years. During this time, our state-owned enterprises have gone through three stages; they are the initial exploration, the system innovation and the further advance. Through the reform, Chinese state-owned enterprises have made tremendous achievements in recent years. Based on the studying of the SOE reform’s course and its current situation, this essay analyzes the problems in the reform of state-owned enterprises and puts forward the countermeasures.

The Process of the State-owned Enterprises Reform

The state-owned enterprises play a significant role in promoting the modernization of our country and safeguarding the common interests of the people. They are important material base and political foundation for the development of our Party and national business. The state-owned enterprises reform has gone through three stages; they are the initial exploration, the system innovation and the further advance.

The Initial Exploration Phase of the State-owned Enterprises Reform (1978-1992)

From 1978 to 1981, it was the empowerment to yield profit stage. In 1978, our nation took Sichuan Province as an experimental site to start pilot reform—expanding enterprise autonomy. Then it turned out that the achievements of Sichuan were remarkable. So our nation increase the number of the test site gradually and promulgated “Some Provisions of Expanding the State-owned Industrial Enterprise Management Autonomy” which regulates the content of the pilot. Since 1980, our nation clearly adjusted the profit flow of the state-owned enterprises to ensure that the state-owned industrial enterprises can develop healthily by order.

From 1982 to 1983, it was the stage of economic responsibility system. At the beginning of 1981, some pilot areas began to deepen the “power expansion of enterprise”; then they began to carry out economic responsibility system. In early 1981, the nation issued the proposal in which the relevant regulations to ensure the state and enterprise’s relationship between responsibilities and rights and so on were formulated.

From 1983 to 1987, it was a stage to adjust the distribution relationship between state and the enterprise. In the year 1983 and 1984, the policy, “replacement of profit by tax”, was reformed. The reformation included two aspects: to carry out the system of the coexistence of profits and taxes and to the adjust tax rates, profits and loans.

From 1987 to 1992, it was a stage of contract managerial responsibility system. In 1987, various forms of contractual operation appeared gradually, which played an active role in promoting the development of China to some degree; however, it was proved at last that it was only transitional institution at last for its own limits and our country’s inconsistent market economy.

The goal of our country’s economic system was set in 1992-1993. The nation promulgated “Pilot Measures for Joint Stock Enterprises” and “Regulations of Enterprise Transforming Management System for Ownership by the Whole People”. In addition, the 14th National Congress of CPC pointed that the reform of our country’s economic system clearly targeted building the system of socialist market economy. From then on, our country’s original enterprise system gradually became the modern corporate system.

The modern pilot enterprises appeared and developed in 1993-1998. From 1993, some of China’s state-owned enterprises gradually became pilots of the modern corporate system. There were 100 modern pilot enterprises till 1995 according to statistics of the State Council. Later, “Opinions on Further Deepening and Expanding Pilot Enterprise Groups” was enacted in 1997, in which the modern corporate system was discussed in detail.

The modern corporate system was fully promoted from 1998 to 2002. In 1998, the establishment of modern enterprise was put forward by Premier. Then the nation helped the unprofitable large and medium-sized enterprises out of the plight within about three years. In 1999, the 4th plenary session of the 15th CPC National Congress adopted the “The Decision of A Number of Major Issues on the Reform and Development of State-owned Enterprise”, which pointed out that the state-owned enterprises should be reformed.

The shareholding system was perfected and modern property rights institution was established in 2002-2003. These efforts still were mainly made in key industries and large key enterprises.

The Stage of Deepening the State-owned Enterprises Reform (2004-now)

It is a stage of reforming and fully promoting the management system of state assets from 2004 till now. In 2003, how to manage the state-owned assets and financial affairs of enterprises was explained clearly in the “Interim Regulations on the Supervision and Administration of State-owned Assets of Enterprises” which was enacted by the State Council. The 3rd plenary session of the 16th CPC National Congress made it clear that the reform of state-owned enterprises should focus on large enterprises, and make the property right diversification and governance structure as the center. The pilot of non-tradable shares reform was implemented in 2005; the reform lasted more than one year. At the end of 2006, it completed on the whole. During this time, the capital market went mature gradually. Therefore, a good platform for resource allocation was given to the development of the reform of state-owned enterprises. In 2012, deepening the reform of state-owned enterprises and guiding non-public economic development were put forward in the Eighteenth National Congress of the CPC. In 2016, our nation will pay more effort to make sure that the state-owned enterprises can complete the “nine key tasks” well.

Problems existing in the Reform of State-owned Enterprises

The reform of state-owned enterprises in our country has been more than 30 years. During this long time, China has made remarkable achievements. With the growing dynamism of the reform, the state-owned enterprises' total strength has been strengthened steadily. In addition, the status of the state-owned enterprises has been improved and they play a more important role in our country nowadays. The reform also has promoted the development of the socialist market economy of our country vigorously. However, there are still some problems of the state-owned enterprises reform in our country.

The first problem is that the state-owned enterprise reform is lack of internal impetus. Our nation emphasizes that it is necessary to strengthen enterprise’s internal vitality on the basis of modern enterprises system. But the internal system of our enterprises is short of dynamic. It is mainly reflected in these four aspects: the first is that the human resources mechanism in companies is not perfect; the second is that the average age of the state employees is a little high and the specialty structure of them is unreasonable; the third problem lies in unreasonably and unscientifically
designed compensation, such as: it is not diversified in forms. The last is that efficiency and justice can’t be given dual attention in the process of reform, which leads to the social dissatisfaction.

The second problem is that the state-owned enterprise reform is lack of external governance mechanism which has a very important position in the process of enterprises’ development undoubtedly. Therefore, the state-owned enterprises should perfect the external governance mechanism, because it is necessary for the state-owned enterprises to introduce qualified people to guide their development, only the executive appointments of some internal talents is not enough. When a company is acquired, merged and reconstituted, its resources can’t be used effectively and reasonably. Besides, the executives can’t manage the companies well by their ability.

The third problem is the reform tasks of the state-owned monopolized industries are heavy. For example, the state-owned enterprises are lack of independent and scientific supervision mechanism, which leads to corruption easily. Besides, a new company is less competitive than the monopolized industries because of lacking of human resources, capital and technology; though the restriction on the admittance of the market economy is loosed in relevant policies and regulations during the recent years, the position of the monopolized industries is still unshakable.

The fourth problem is that the encouragement tied mechanism of the state-owned enterprises reform is imperfect. At present, our state-owned enterprises’ encouragement tied mechanism is not very rational and effective. The administrators play a more and more important role in the tide of state-owned enterprises reform. However, the encouragement tied mechanism of enterprises’ administrators is not perfect nowadays. For example, the corporate governance structure in some enterprises is not standard and perfect, while the restrictive mechanism is unsound.

The Countermeasures

The reform of state-owned enterprises conforms to the objective demands of the socialist market economy. For more than 30 years, because of the reform of state-owned enterprises, our country has developed and formed a number of large, competitive companies and groups, as well as relaxed control over and invigorated some small and medium state-owned enterprises. In addition, the overall quality and competitiveness of the state-owned economy have further improved. At the same time, national assets have maintained and added value, as well as their economic benefits have increased significantly. All in all, the reform of state-owned enterprises has made an important contribution to the continual, fast and healthy development of national economy.

The first solution is to classify the reform of state-owned enterprises. In the state-owned enterprises, the separation of government and enterprises, of government and funds, and of the government and public affairs should be the main thrust of the reform. The state-owned enterprises should be divided and classified properly according to the different economic status and functions so that they can merge with the market economy and promote each other.

The second solution is that the modern enterprises system should be improved constantly. Our nation should make effort to promote the reform of state-owned enterprises, advance the reform to turn state-owned enterprises into shareholding corporations actively, improve the company management structure, as well as drive the diversity of state-owned company equity. That is: to the state-owned enterprises, for the internal aspect, our nation should improve their corporate governance structure ceaselessly and strengthen their internal supervision; while for the external aspect, our nation should perfect the external governance mechanism constantly and improve the external competitive environment. As for the irrational compensation system, the state-owned enterprises should make the payment form diverse and change the present phenomenon of the unreasonably designed compensation system.

The third solution is to change the status of the state-owned monopoly industries. Because of the different reform situations of monopoly industries, our nation should make sure that the state-owned monopoly industries reform and the state economy progress together and refine the reform of monopoly industries. The diversified development of the monopoly industries should be promoted with development trend of the socialization, market-orientation of our economy.

The fourth solution is to optimize the state-owned asset management system. In the process of the
state-owned enterprises reform, the function transformation of the state-owned assets supervision and administration institution should be paid more attention and the scientific nature and effectiveness of supervision should be lifted up. Based on that, our nation should promote the optimal allocation of the rational flow of state-owned capital, optimize the layout and structure of the national capital and strengthen the whole function and efficiency of the state-owned economy.

The fifth solution is to provide a good environment for the reform of state-owned enterprises. Our nation should issue some laws, regulations and policies that match the need of the reform. With the constant development of economic society, our nation should inspire the enterprises to be innovative and creative while deepen the reform, because innovation is the everlasting issue of enterprises and the cultural core of excellent ones. In all, the good environment should be created for the reform so that the reform can develop steadily and rapidly.

Conclusion

The reform of the state-owned enterprises in our country is a protracted historical process. In the course of reform, the state-owned enterprises firmly rely on the leadership of the Party. The reform meets the development trends of socialist market economy and makes remarkable achievements. In the face of the rapid development of the global economic environment, we must strengthen and improve the reform of state-owned enterprises so that our country’s economy can develop more rapidly.

References


