

# ***Analysis of the Compensation and Benefit Management System of Chinese Enterprises Before and After COVID-19***

## ***—Taking Huawei as an Example***

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**Abstract:** The purpose of this paper is to analyse Huawei's approaches to compensation and benefit management before and after COVID-19 through an analysis of past literature, combined with Huawei's actual compensation and benefit adjustment measures, focusing on how Huawei responded to the epidemic and dealt with the positive impact conveyed by its compensation and benefit management system. The main contents include the motivations for Huawei's payroll payments, the restructuring of its performance appraisal system and incentives before and after the epidemic. This study found that Huawei continued to improve its compensation and benefit management system before and after the epidemic, not only to maintain the level of employee benefits, but also so that the compensation program remained effective and did not pose a risk to employee benefits. In addition, Huawei's strategies for managing compensation and benefits have important implications for other internet communication companies.

**Keywords:** Huawei, COVID-19, compensation management, incentives

## **1. Introduction**

In 2020, the global economy was hit hard by COVID-19, and China, the world's second-largest economy, was not spared. Many companies were greatly affected. As the world's largest telecommunications equipment manufacturer, Huawei's corporate revenue efficiency was also hit, and the company's payroll programme was adjusted to the situation before and after the outbreak of COVID-19. The purpose of this paper is to use data analysis to analyse the changes in Huawei's compensation management programme before and after COVID-19 and the positive impact it conveyed, with the aim of providing a reference for other companies as they develop their payroll management programmes.

## **2. Principles and Challenges of Modern Payroll Management Models in Enterprises**

In simple terms, the types of enterprises can be mainly classified as state-owned enterprises, collectively owned enterprises, private enterprises (family-owned & others), and joint-stock enterprises. The starting point for the development of remuneration policies varies considerably among the different institutional types of enterprises. Research on equity theory and efficiency wages

suggests that higher pay and benefits packages mean higher performance, which is also evidently the positive feedback that follows from the compensation and benefit management system[1]. In comparison, the average salary in Chinese central enterprises is lower than the average salary in joint-stock and private enterprises, and accordingly, the corporate efficiency of Chinese state-owned enterprises is much lower than that of private enterprises. This section focuses on the design and challenges of payroll management systems for this type of company, including Huawei.

## 2.1. Modern Management Models

The design of compensation management systems in modern enterprises always adheres to three major principles: the incentive principle, the fairness principle, and the adaptability principle, aiming to mobilize employees' work motivation and thus improve work efficiency and increase enterprise productivity [2]. However, in the current wave of economic globalisation, a large number of outstanding enterprises have been incubated in various countries around the world, and with the expansion of these enterprises, payroll management models vary under the influence of different regional cultures.

## 2.2. Challenges for Contemporary Payroll Management Models

Huawei is a multinational company established in China with a distribution network in more than 60 countries and markets around the world. Different countries have certain differences in corporate culture and their compensation management systems are also different. In multinational companies, their management models and strategic directions in the international market are so different from those of their home countries that the relevant research theories of international human resource management cannot continue to be perfectly applied, and the relevant systems need to be adapted to local conditions by the top leaders of the companies. As presented in the findings, multinational companies face multiple challenges in their compensation management models: staffing, performance appraisal, rewards and compensation, promotion and career development, organisational culture, and corporate working language [3]. Promotions within Huawei are allocated strictly on the basis of performance in the United Kingdom and Brazil, presenting a level corporate environment. However, in China, talent promotion is not only related to individual performance, but also to the employee's relationship with the leader, a phenomenon that is relatively unlikely to occur in other countries. In addition to this, the working language of the company plays a crucial role in internationalisation projects, and candidates who are fluent in English as a working language have a significant advantage over other Internet technology companies in China, and accordingly, they receive a higher starting salary.

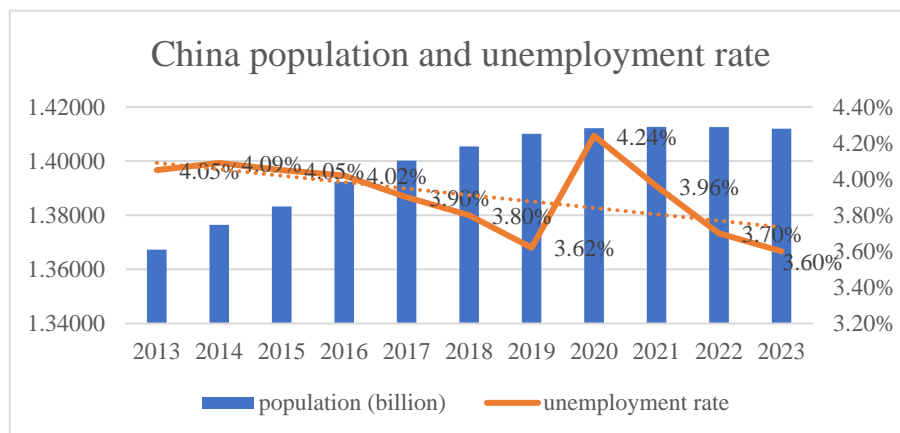


Figure 1: Population and unemployment rate of China [4].

### 3. Job Market Profile Before and After the COVID-19

As Shown in Figure 1, China's economy has grown, the overall unemployment rate has been steadily declining [4]. However, during the outbreak, China's unemployment rate spiked, peaking at around 4.24% in 2020.

#### 3.1. Overview of China's Relevant Outbreak Prevention and Control Policies

Compared to most other countries in the world, China has adopted an epidemic prevention policy that is based on the safety of the Chinese people and therefore has a much stricter epidemic control policy than the US. However, as of January 8, 2023, China has changed the classification of COVID-19 infections from 'Category B, Control A' to 'Category B, Control B' [5]. Despite the spike in outbreaks in many parts of China following the adjustment, overseas experts and scholars generally believe that the Chinese government is taking active steps to bring the outbreak under control and express confidence that China's balance between epidemic prevention and economic development will be an important boost to the world's economic recovery. This also means that China's talent market is on the upswing.

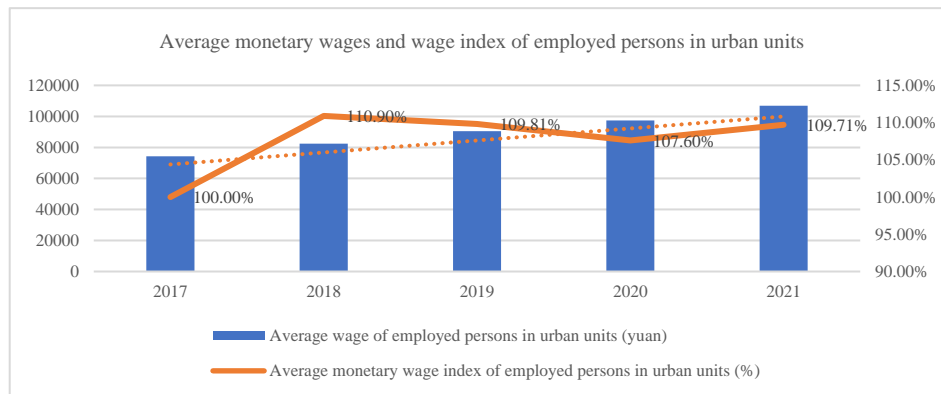


Figure 2: Average monetary wages and wage index of employed persons in urban units [7].

#### 3.2. Overview of the Talent Market Pay Situation

On a macro level, China's per capita salaries are growing, with growth slowing down in 2020. According to a salary research report by Career International under the influence of COVID-19, new scenarios have given rise to new industries, and the demand for talent related to digital transformation and online scenarios has risen rapidly[6]. As a result, while average Chinese salaries are expected to fall in 2020, as shown in Figure 2, the increasing salary scale for the talent required in Huawei's industry poses a significant challenge to Huawei's compensation and benefits management system, and how to retain talent without reducing profitability is a major issue for the relevant departments to consider [7].

### 4. Huawei's Payroll Management Before and After the COVID-19

Unlike family-owned companies, Huawei's compensation management is a system that is professionally facilitated, adjusted in a timely manner, and highly regarded by the industry. Affected by the epidemic, Huawei also adjusted its salary and benefits management system in a timely manner.

#### **4.1. Principles of Huawei's Compensation Management**

The principles of Huawei's payroll management have always been "fair pay, timely payment, scientific management, and overall continuous improvement." Before and after the COVID-19, Huawei adhered to the principle of comprehensive and continuous improvement, and continuously improved its remuneration management scheme in order to improve the efficiency of corporate operations and raise the income level of employees, so that they could have a fair share of incentives.

Huawei's salary allocation system is based on job responsibilities and valued contributions and establishes a salary system based on "grading by job, salary by grade, job matching, easy job and easy salary". Huawei's remuneration consists of four main components: salary, bonus, TUP allocation, and virtual share dividends. According to Hong [8], it was found that consideration of directors' remuneration is a crucial part of the remuneration setting component, and therefore the recruitment and development of good talent is also worth the allocation of remuneration. Therefore, Huawei has set up scholarships (teaching) at prestigious Chinese universities in order to attract outstanding domestic and foreign talent and to stimulate the influx of talent. As a result, about more than half of the employees are PhDs, masters and senior engineers, and about four-fifths of the staff have university degrees.

#### **4.2. Motivations for Improvement**

There are two main reasons for Huawei's changes: the most direct reason is the impact of COVID-19 and the indirect reason is the receipt of sanctions from the Trump administration.

In response to the outbreak of COVID-19, Huawei launched the "Epidemic Prevention and Safety Subsidy" programme in late April 2020 to provide special payment subsidies to all working employees to support them in coping with the financial stress caused by the epidemic. In addition, Huawei launched a "1+3" payroll reform in late July 2020 to support the changes in employees' income and expenses during the pre- and post-epidemic period, as well as a new payroll programme to provide employees with new salary management options and additional incentives.

The increasing global demand for electronics due to COVID-19 has led to a shortage of chips, and companies similar to Huawei have begun to invest in the mass production of all types of chips. However, the Trump administration's sanctions against Huawei have led Huawei to invest a large amount of money in its own research and development, which has indirectly led to a decline in Huawei's economic performance and a need to update its compensation management system.

#### **4.3. Improvements to the Compensation and Benefits Management System**

To support employees before and after COVID-19, Huawei also reconstructed its remuneration management system and appraisal system to encourage employees to actively participate in the company's development under a flexible working model. The new performance appraisal system will integrate employees' responsibility, flexibility, innovation, and cooperation, while also encouraging employees to expand their teamwork and motivating them to actively participate in the company's development.

Huawei has adapted its approach to compensation management to effectively respond to the new realities. Following an extensive internal assessment, the company developed a package of measures focusing on employee benefits, technical support for remote working, and the adoption of fixed and variable pay models. Central to Huawei's adapted approach was a commitment to support employee wellbeing during COVID-19. To this end, the company implemented a number of initiatives such as online training programmes, mental health counselling, and flexible working hours. In addition, it provided timely assistance to employees affected by the outbreak, such as medical assistance, interest-free loans, and housing subsidies.

In addition, Huawei uses technology solutions to facilitate the effective delivery of compensation services. For example, it employs digital platforms such as cloud computing, big data analytics, and artificial intelligence systems to track employee productivity and manage payroll in a more streamlined manner. As a result, employees are able to access their pay and benefits quickly and with minimal disruption.

Finally, Huawei uses a combination of fixed and variable pay models to ensure a robust and flexible compensation system. To this end, Huawei added performance-based bonuses for employees engaged in key activities and provided job security for those whose roles were directly affected by the pandemic. This strikes a balance between rewarding good employees and protecting their interests during turbulent times.

In addition to improving its compensation management programme, Huawei has introduced a number of incentives to support the growth and development of its employees. In addition to regular rewards, Huawei has also launched a series of incentives to support employees to continue learning and developing skills, and continuously improve their own value. At the same time, Huawei has also set up more social benefits, such as Spring Festival gifts, health insurance and regular physical examinations to provide employees with better living security.

Through the above series of initiatives, Huawei has successfully addressed the challenges brought about by COVID-19, and Huawei has also successfully seized the opportunities brought about by COVID-19 to promote the development of Huawei's cloud business and achieve product innovation and talent pool at various levels. Overall, the rapid adjustment of Huawei's compensation and benefits management system has not only ensured Huawei's revenue growth, but also demonstrated Huawei's sense of corporate social responsibility.

## 5. Conclusion

This paper analyses the measures taken by Huawei to adjust its compensation and benefits system before and after COVID-19 and their effectiveness.

Through the analysis of the entire Chinese talent market, the outbreak of COVID-19 caused a major depression in the Chinese talent market, which had an irreversible impact on small and micro enterprises. However, Huawei has adopted a variable pay model in its compensation management to achieve stable operation in key businesses and basic livelihood protection for employees in other business groups. In terms of welfare management, Huawei provides free medical services and interest-free loan services to protect the interests of employees in addition to the most conventional welfare incentives.

However, this paper is an example of Huawei's compensation management measures, and its measures in COVID-19 may not be applicable to all enterprises. In future research, we will discuss in more depth the optimisation of the compensation management system of enterprises.

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