

# Jiangxi Copper Group Remuneration Policy Study

Yujie Song \*

School of Economics and Management, Nanjing University of Science and Technology, Nanjing, China

\* Corresponding author: singyujie0324@163.com.

**Abstract.** China's copper industry is an important industry in the national economy, with 91% of 124 industries related to copper. Jiangxi Copper Group has the highest self-sufficiency rate of copper concentrate in China, and is the largest and most modern copper production and processing base in China, and an important production base for gold, silver, selenium, tellurium, rhenium and other rare precious metals, and sulfur chemical industry. 1997, Jiangxi Copper Corporation was listed on the Hong Kong stock market, and in 2008, the management bodies of Jiangxi Copper Group Company and Jiangxi Copper Corporation were merged into a single one, and the company was listed as a whole. In 2008, Jiangxi Copper Group Corporation and Jiangxi Copper Corporation realized the merger of their management bodies into one, realized the overall listing, and established a modern management system and operation mechanism with the division system as the basic framework. This paper analyzes the remuneration policy of Jiangxi Copper Group by studying the remuneration status of its executives and employees, and compares it with other companies in the same industry to put forward development suggestions.

**Keywords:** Jiangtong Group, Remuneration Policy, Employee Compensation.

## 1. Jiangxi Copper Group Overview

### 1.1. Group Profile

Jiangxi Copper Group Co., Ltd. was founded in 1979, shouldering the state entrusted "to get rid of the backwardness of China's copper industry, revitalize China's copper industry," the glorious mission, more than 40 years, has become China's large-scale copper cathode producers and a full range of copper processing products supplier. The Group's main business covers the extraction, smelting and processing of copper and gold, extraction and processing of rare metals, sulfur chemical industry, finance and trade, etc. The Group has established a complete industrial chain in the field of copper and related non-ferrous metals, and is an important production base for copper, gold, silver and sulfur chemical industry in China. The growth and development of Jiangtong has gone through four changes of affiliation:

It was successively affiliated to the State Administration of Nonferrous Metals Industry, China National Nonferrous Metals Corporation (CNMC), China Copper, Lead and Zinc Group (CCPZG), and Jiangxi Province. In 1997, Jiangdong established Jiangxi Copper Company Limited (JCCL), which was listed on the Hong Kong Stock Exchange.

In order to standardize the management of the company and achieve scientific development, in 2008, Jiangdong completed the overall listing, Jiangxi Copper Group Corporation and Jiangxi Copper Corporation management institutions to achieve the merger of the two into one, and set up the organization and management institutions with the business unit system as the basic framework. The units under Jiangxi Copper Corporation include eight mines such as Dexing Copper Mine, three smelters such as Guixi Smelter, four copper processing enterprises such as Jiangtong Yezhi Copper Foil, and rare metal production units, as well as support service systems such as finance companies and logistics companies. Jiangxi Copper Group Company is mainly responsible for new business development as well as logistics and community.

After decades of efforts, the production capacity of Jiangtong has risen from 200,000 to 1.2 million tons in 2000; the total assets have risen from 11 billion yuan to 95.3 billion yuan; the operating income has risen from 4.72 billion yuan to 202.3 billion yuan; the profit and tax has risen from 430 million

yuan to 7.5 billion yuan; and the profit has risen from 60 million yuan to 3.157 billion yuan. Jiangtong has established its own position in the industry: Jiangtong copper cathode production capacity has entered the top three in the world copper industry; total assets, sales revenue, net profit and other aspects are located in the first place in the domestic copper industry, the position of China's copper industry leader has been established; in the top 500 Chinese enterprises, Jiangtong's ranking has moved forward to the 76th place.

## 1.2. Remuneration Policy

Jiangtong Group has a well-established remuneration system: employee remuneration and remuneration of directors, supervisors and senior management of the Company. The Company, in accordance with the implementation of the job performance remuneration system, allocates remuneration according to the principle of distribution according to work and in accordance with the value of the position, work skills and performance. Employee remuneration mainly consists of job salary, performance salary and other benefits, which are issued in conjunction with the assessment of the Company's business performance, management responsibilities and other contents.

Employee remuneration: refers to various forms of remuneration or compensation other than share-based payment given by the Group to obtain services provided by employees or to terminate the labor relationship, and consists of the following items:

Employee remuneration = short-term remuneration + post-employment benefits + termination benefits + other long-term employee benefits

+ benefits for employees' spouses, children, dependents, survivors of deceased employees and other beneficiaries, etc.

Short-term remuneration refers to the short-term remuneration actually incurred during the accounting period in which the employee provides the service, which is recognized as a liability and recognized in profit or loss or the cost of the relevant asset. Post-employment benefits refer to the Group's employees' participation in pension insurance, unemployment insurance and enterprise annuity administered by local governments. Termination benefits represent termination benefits provided by the Group to its employees.

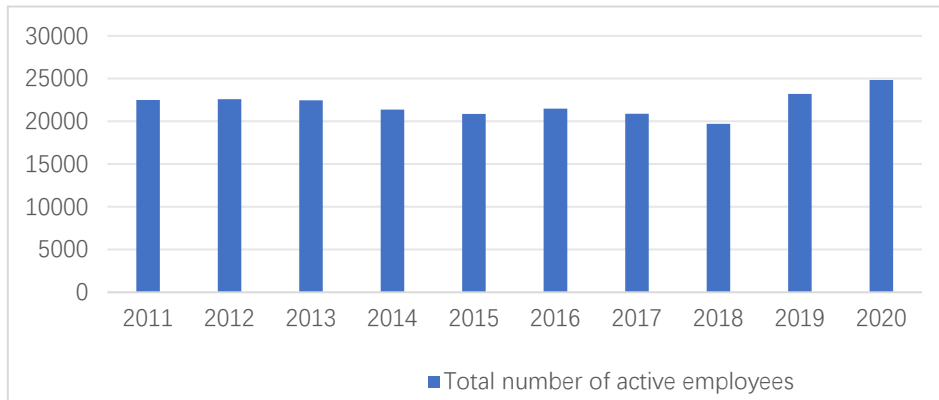
Remuneration for Directors, Supervisors and Senior Management:

Remuneration for directors, supervisors and senior management of the Company = base salary + performance pay

Performance pay is based on the base salary and is calculated and extracted on the basis of the results of the annual business performance appraisal of the directors, supervisors and senior management; the independent directors adopt the method of annual allowance to determine their remuneration.

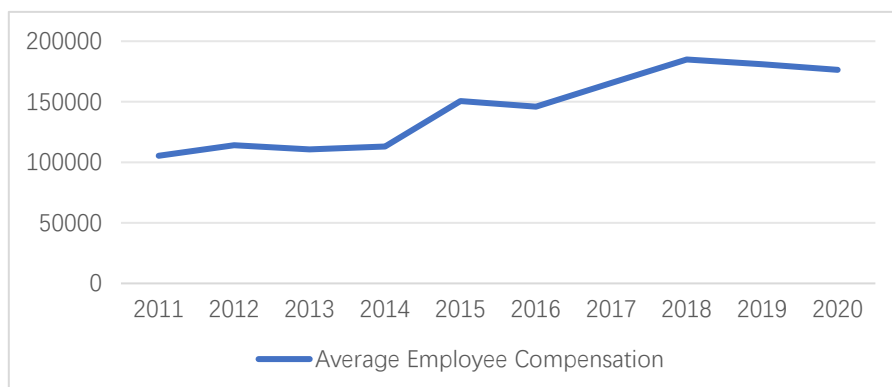
## 2. Analysis of Jiangxi Copper Group's Employee and Executive Compensation Situation

### 2.1. Analysis of remuneration of Jiangxi Copper Group employees

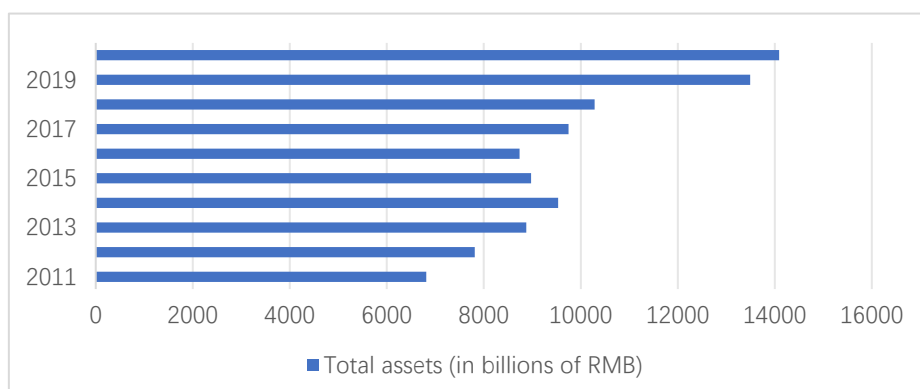


**Figure 1.** Total number of active employees

This paper selected the data of Jiangxi Copper Group in the past ten years for analysis. As can be seen from Figure 1, the total number of active employees of the group has remained stable in the past ten years, indicating that the group has developed stably and entered a steady state period.



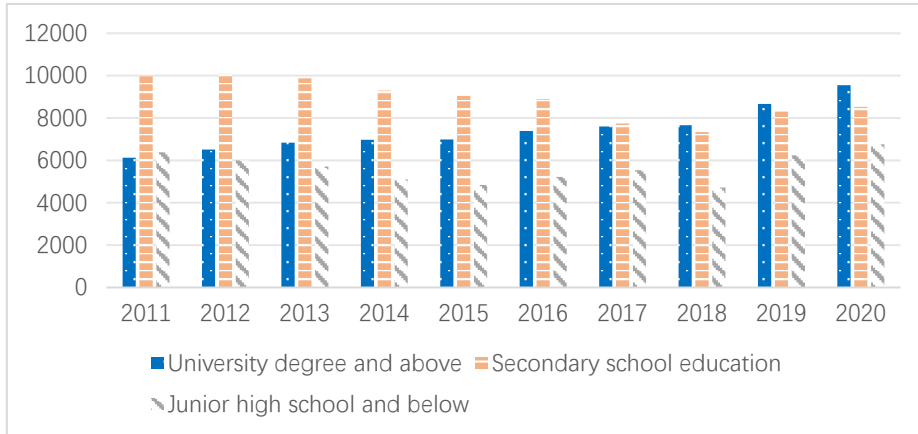
**Figure 2.** Average Employee Compensation



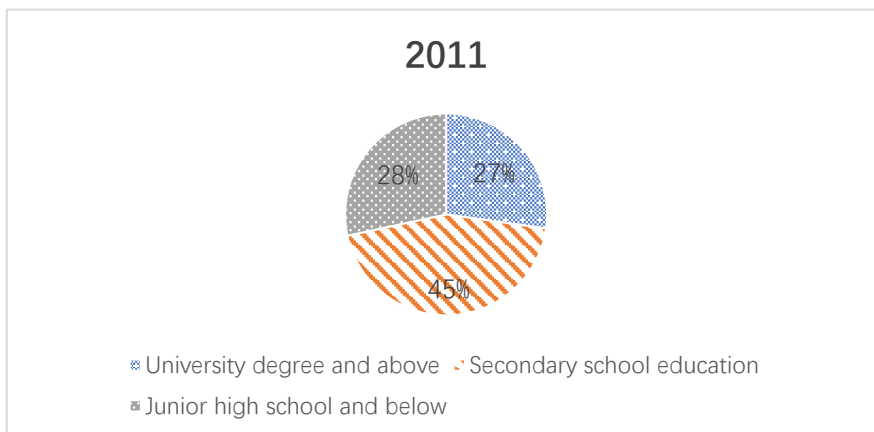
**Figure 3.** Total group assets

As can be seen in Figure 2, the average remuneration of the group's employees shows an upward trend. The main reasons are:

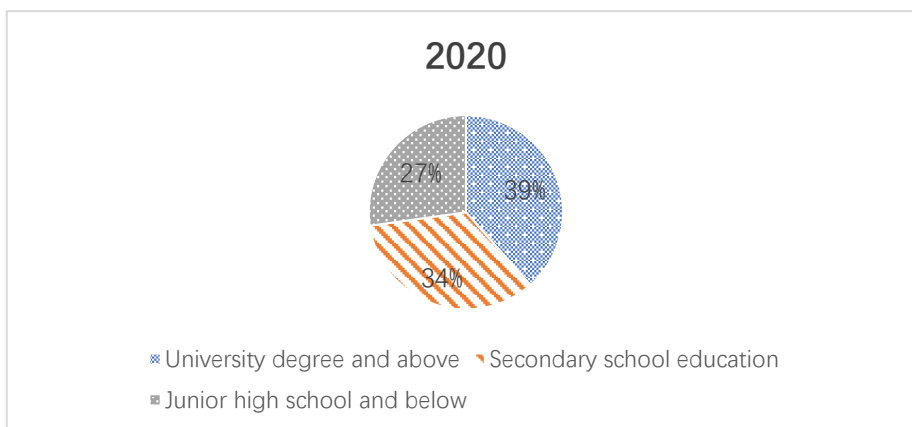
Combined with Figure 3, as the total assets of the company increase year by year, the company's scale is expanding, and the average compensation of employees shows a positive correlation with the company's scale.



**Figure 4.** Number of persons with different levels of education



**Figure 5.** Proportion of people with different levels of education, 2011



**Figure 6.** Proportion of people with different levels of education, 2020

Combined with Figures 4, 5 and 6, the educational attainment of the Group's employees has risen considerably over the past decade, with employees with tertiary education and above accounting for 27% of the total number of employees in 2011, and the proportion reaching 39% in 2020. Academic qualifications often reflect the depth and breadth of knowledge, and generally speaking, highly educated people are also highly remunerated. Hiring more highly educated, high-level employees will result in a corresponding increase in compensation.

## 2.2. Analysis of executive compensation in Jiangxi Copper Group

In this paper, the executives are divided into chairman of the board of directors, executive directors, independent non-executive directors, supervisors, deputy general manager, chief engineer, due to the general manager and the chairman of the supervisory board of the data is not sufficient and the existence of the phenomenon of concurrent positions, this paper eliminates the two data.

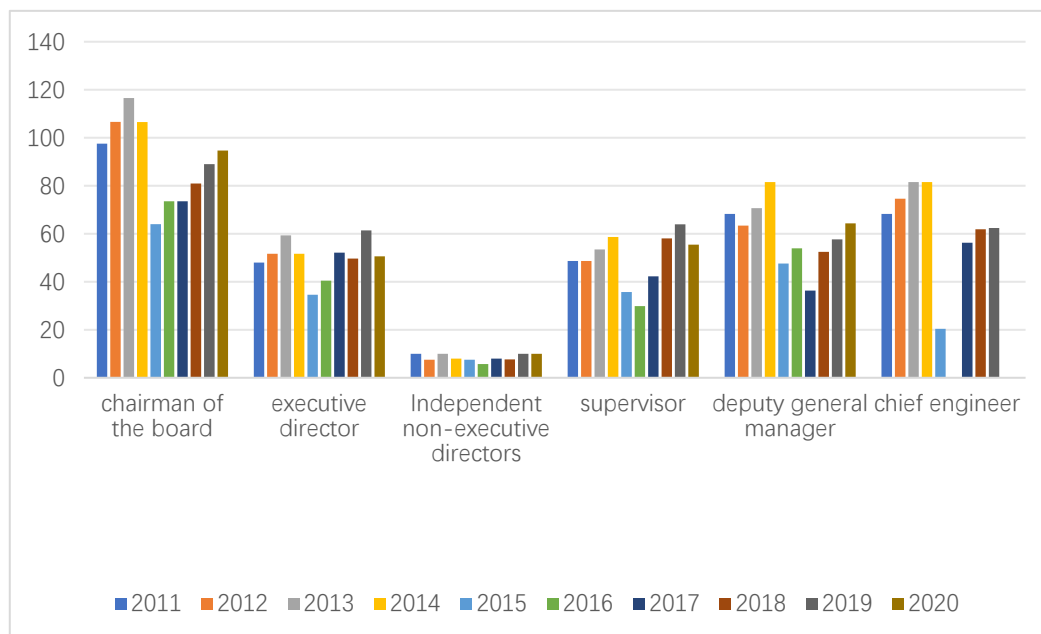


Figure 7. Executive remuneration

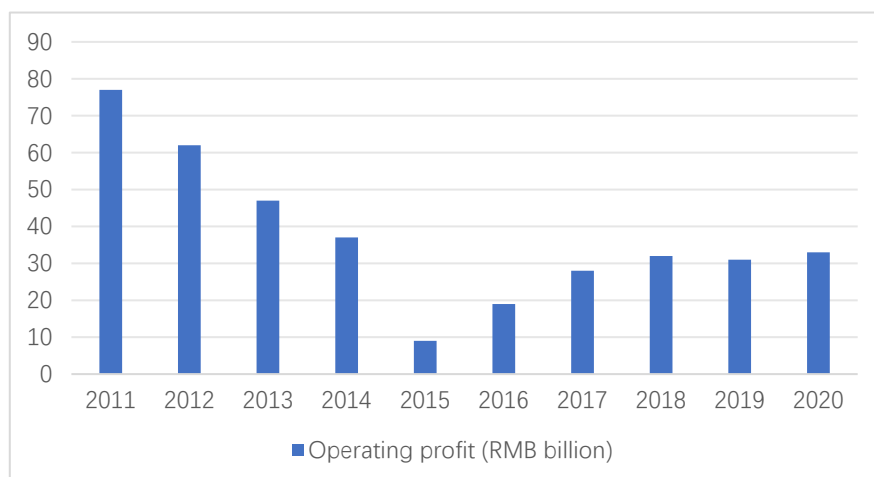


Figure 8. Group operating profit

It can be clearly seen from Figure 7 that the remuneration of the Group's executives shows a trend of decreasing and then increasing. The remuneration of the Company's directors, supervisors and senior management = base salary + performance remuneration, performance remuneration is based on base salary, calculated and extracted according to the results of the annual business performance appraisal of the directors, supervisors and senior management, and it is greatly affected by the operating profit. As can be seen in Figure 8, the Group's operating profit also showed a trend of decreasing and then increasing. The main reason is: before and after 2015, by the macroeconomic situation, the strong U.S. dollar, consumption slowdown and other factors superimposed on the impact of the global commodity prices fell across the board, non-ferrous metals market across the board downturn in the price of copper shocked lower, the first half of 2015, the average price of copper fell by 14.12% year-on-year, as a result of this impact, the domestic copper enterprise

performance declined sharply, the Jiangtong Group revenues and profits both fell. The remuneration level of independent non-executive directors in the chart is relatively stable, as independent non-executive directors generally only receive fixed allowances, which are very little affected by operating profits.

### 3. Jiangxi Copper Group innovation force analysis

This paper provides a preliminary analysis of the group's innovative power based on the group's professional composition of employees and R & D investment.

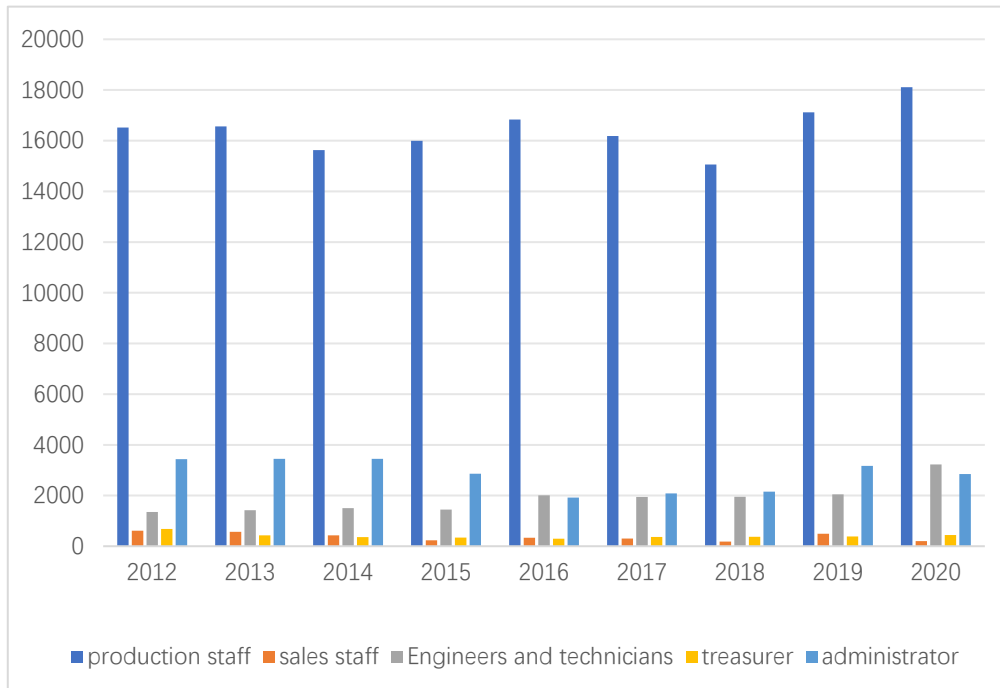


Figure 9. Employee Classification

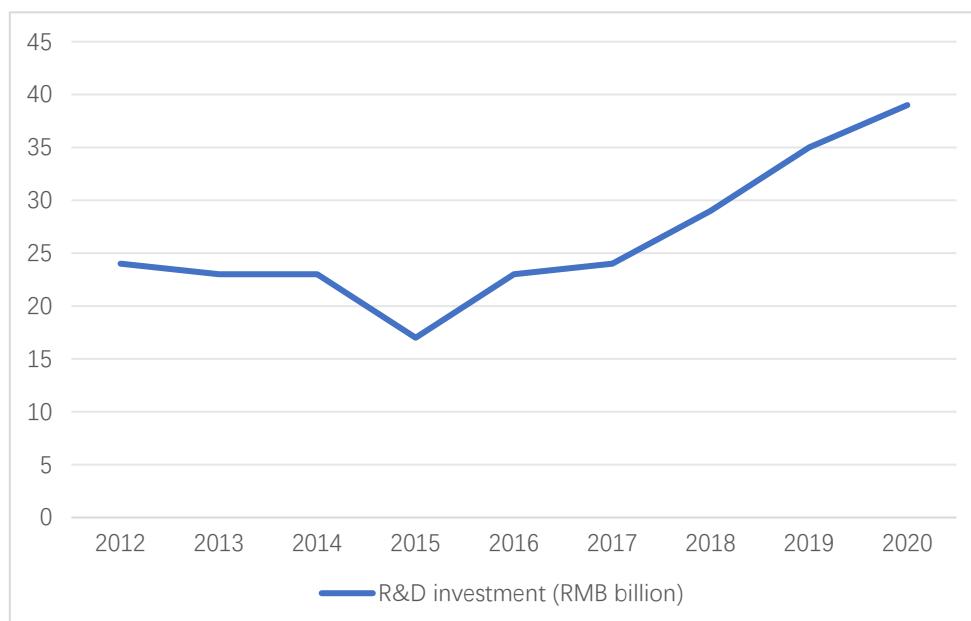


Figure 10. Research and development investment

As can be seen from the statistical information, the total number of employees of the Group has remained stable over the past ten years, but the proportion has changed considerably: engineering and

technical personnel have increased from 5.9% to 13%, and research and development personnel have increased from 3.10% to 19.86%, the total amount of investment in research and development has risen in general, and its share of operating revenue has remained stable, with fluctuations before and after 2015 due to the impact of operating profit, and since then the Group has paid more attention to the R&D field, and R&D investment continued to increase. At the same time, sales and administrative staff continued to be streamlined, with the number of sales staffs falling from 2.7% to 0.8% and the number of administrative staff dropping from 15.2% to 10%, the Group's staff organization restructuring was highly effective. The number of production staff was stable, accounting for about 73% of the total number of employees, indicating that the Group's production scale was relatively stable.

**Table 1.** Comparison of R&D investment

year	2012	2016	2020
R&D investment (RMB thousand)	2493521	2327990	3959194
R&D investment as a percentage of operating income (%)	1.57	1.15	1.24

**Table 2.** Ratio of number of R&D personnel

year	2015	2016	2017	2018	2019	2020
R&D staff as a percentage of total headcount (%)	3.10	11.51	13.41	27.91	19.86	19.86

#### 4. Suggestions for improvement

In the field of compensation management based on enterprise development strategy, more people pay more attention to management compensation management, but neglect the management of front-line employees. As a large-scale joint venture, the compensation management of front-line employees should not be underestimated. A reasonable salary system can not only promote the development of the enterprise and reduce costs for the enterprise, but also provide good life protection for the employees, so that the employees can maximize their sense of labor responsibility and enthusiasm in the relatively fair salary treatment, thus creating more profits for the enterprise. From the perspective of the average salary level of the group in recent years, there is a big gap between the salary of ordinary employees and executives, and the big data of recruitment in recent years also feedback that there is a phenomenon of "workers are not easy to recruit" in the industry. In this paper, we will give some suggestions on the salary management system to alleviate the above situation.

The development of salary and compensation management system should follow the following four points: First, the job element.

First, the job element. Position is the basic unit of salary management; managers should determine the corresponding salary level according to the value of the position. First of all, we should analyze the positions and corresponding duties of the enterprise, determine the scope of duties of each job, workload, working conditions and the ability of the incumbent, determine the value of the position through the evaluation of the position, and at the same time determine the qualifications of the position. Position design is usually based on the development strategy of the enterprise, so the position remuneration system has a very clear strategic orientation. If the way of determining the remuneration level by the level of position is adopted, it will make the employees focus their attention on improving their administrative level, affecting the work efficiency and weakening the competitiveness of the enterprise. The remuneration of the group's executives is much higher than that of ordinary employees. The group can appropriately reduce the grade difference, grade ordinary employees, set up different base salaries, and improve the motivation of employees.

Second, performance elements. In the design of the compensation system, the essence of paying attention to performance is to pay attention to the incumbent's contribution, only the incumbent has reached the performance requirements of the position in order to obtain the corresponding salary and remuneration, the natural elements of the individual enterprise employees, such as learning, length of

service and other factors belong to the non-motivatable, so the enterprise has to incentivize the employees through the formulation of the performance requirements of the position and the corresponding salary, and the completion of the performance is also a reflection of the employees' personal ability and the level of the natural elements. The application of performance pay management system realizes the important transformation of salary distribution system, and the ability to determine the salary level can make the employees feel fair and motivate them to work hard. Therefore, performance assessment should be added to the salary of ordinary employees to promote the work motivation of ordinary employees.

Third, the value element. When managers design the wage and salary system, they should pay full attention to the quality and value of employees, which is the basis for long-term incentives for excellent employees. In order to establish stable and harmonious labor relations, enterprises should formulate long-term incentive plans for talents who agree with the company's core values and corporate culture and have excellent comprehensive qualities, so as to encourage them to contribute to the development of the enterprise in the long term, and to avoid talent loss. In terms of long-term employee benefits, the Group can increase the corresponding long-term benefits according to its own development characteristics.

Fourth, market elements. Enterprise managers also need to pay attention to market elements in the design of the compensation system, examining the competitiveness of specific positions in the market and the salary level of the position in similar enterprises. If there is a shortage of talent for certain positions or the incumbent requires special specialized skills, companies often develop special compensation strategies accordingly to obtain and retain employees in key positions. Market factors are therefore a very important adjustment element in the design of the remuneration system. The performance of technicians and R&D staff in the Group is not good for direct examination, and the remuneration package can be focused.

In addition, to enrich the compensation and welfare mechanism, the enterprise's incentives for employees, the fundamental content is to meet the needs of employees in all aspects of life, pay raises is to improve the material life of the employees to ensure that the employee's needs include the need for self-worth realization, the need for respect, the need for social needs, family needs, etc., the enterprise can be formulated from a variety of aspects of the diversified compensation and welfare mechanism, to meet the needs of employees in a practical way, pay attention to the employee's Physical and mental health, enhance the humanistic care of employees and sense of belonging, so as to motivate employees. Indirect compensation can better reflect the enterprise's care for employees' life and make them feel warm. Therefore, to improve the effect of pay incentives, enterprises need to develop a multi-level, diversified salary and benefit mechanism according to the development status quo and staff needs, such as the enterprise can provide employees with training, further education opportunities, Jiangtong Group in the staff training has been a relatively perfect mechanism, formed a set of independent system, in practice, has also achieved some results, and can effectively improve the staff's professional skills. In addition, we can also provide transportation and housing subsidies, and organize regular health checkups for our employees. For the willingness to learn, willing to stay in the long-term development of the enterprise's outstanding employees, enterprises should try to give generous welfare benefits, provide good prospects for development, and effectively protect the rights and interests of employees, to solve their worries, so that employees from the bottom of their hearts to get a sense of belonging, improve the mental state of the staff, reduce the staff's ideological wavering sex.

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