



# Employee Satisfaction of State-Owned and Private Enterprises in China

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**Abstract.** This essay discusses the important role played by state-owned enterprises in China's economic growth during the 40 years of economic reform. Despite experiencing hardships and adversity, state-owned enterprises have continued to contribute greatly to the country's economy. The total amount of state-owned assets has continued to grow, effectively promoting rapid economic growth. State-owned enterprises have also played a major role since the impact of the international financial crisis. Although the number of state-owned and state-controlled enterprises decreased, operating income and total profit increased significantly. In 2017, the total assets of state-owned enterprises nationwide were 183.5 trillion yuan, the total liabilities were 118.5 trillion yuan, and the total state capital and equity reached 50.3 trillion yuan. The essay also discusses how state-owned enterprises can enhance their international competitiveness and drive the development of small and medium-sized enterprises. The essay provides a brief introduction to the definitions of state-owned and private enterprises in China. It also talks about the development of China's private economy and the important role it has played in the country's transition from a planned economy to a market economy. Since the government relaxed restrictions on private enterprises' import and export operation rights, private companies have become the main player in foreign trade and the main driving force of China's economic development. The private economy has two distinct advantages: a market-oriented business model with a strong sense of competition and flexible mechanisms and the ability to allow employees to become shareholders. China has improved its economic environment through economic liberalization and market-oriented reforms, allowing the private sector to flourish. Recently, large-scale privatization of state-owned enterprises has also contributed to the rapid growth of the private economy. Privatization limits the redistribution of income by transferring residual income and control to private investors, increasing the incentive to work hard. It emphasizes the importance of China's economic transformation in achieving such great achievements in economic development. This essay discusses the success of China's economic reform in maintaining high growth and low inflation, while other countries that have undertaken mass privatization have experienced severe growth and stability problems. It outlines the three stages of China's economic reform towards a market economy system, which are economic liberalization, marketization, and privatization. The essay further explains the role of the private economy in promoting China's economic development, including private investment, venture capital, and labor-intensive industries. The essay also highlights the importance of job satisfaction and burnout syndrome in reducing employees' intentions to quit, providing

clues for health-sector managers to keep their physician resources motivated and stable. It also discusses various studies on job satisfaction, including one that suggests that a weak social safety net can lead to higher job satisfaction and another that identifies factors such as culture, work, management, and benefits as important in measuring employee satisfaction in Chinese resource-based state-owned enterprises. The essay also highlights the importance of compensation reform in achieving equity and improving job satisfaction, and emphasizes the need for managers to adhere to principles of integrity, equity, and justice when conducting job evaluations and other pay-related tasks. However, the essay notes that previous studies failed to address the core differences between state-owned and private enterprises.

**Keywords:** enterprises · employee · satisfaction · economy · corporate culture · training

## 1 Introduction

During the 40 years of China's economic reform, state-owned enterprises have played an irreplaceable and important role. The total amount of state-owned assets continues to grow, which effectively promotes rapid economic growth. Since the reform and opening up, my country's economic growth has averaged more than 9% per year. State-owned enterprises have contributed greatly, especially since the impact of the international financial crisis, they have played a major role. State-owned enterprises have experienced many hardships and adversity to develop. Although the number of state-owned and state-controlled enterprises decreased from 64,737 in 1998 to 19,022 in 2016, operating income increased from 7,491.6 billion yuan to 4,177.04 billion yuan, and total profit increased from 52.5 billion yuan to 1,232.4 billion yuan.<sup>1</sup> Excluding financial enterprises, administrative state-owned assets and state-owned natural resources assets, in 2017, the total assets of state-owned enterprises nationwide were 183.5 trillion yuan, the total liabilities were 118.5 trillion yuan, and the total state capital and equity reached 50.3 trillion yuan.<sup>2</sup> State-owned enterprises can enhance their international competitiveness and drive the development of small and medium-sized enterprises. In the "Fortune 500" published by the US "Fortune" magazine, there was only one in China in 1990, and by 2018, there were 120 in China, 126 in the United States, and only 52 in Japan. Among the 111 enterprises from mainland China and Hong Kong, China, there are 84 state-owned and state-controlled enterprises.<sup>3</sup> The great development of state-owned enterprises in core science and technology and strategic industries has benefited private enterprises in various aspects.

First of all, let's define what is a state-owned enterprise and a private enterprise in China. A state-owned enterprise refers to a non-corporate enterprise legal person or economic organization whose entire assets are owned by the state and is registered in accordance with the procedures prescribed in the Regulations on the Operational

<sup>1</sup> See Ref. [1].

<sup>2</sup> See Ref. [2].

<sup>3</sup> See Ref. [3].

Responsibility System of Ownership by the Whole People and the Regulations of the People's Republic of China on the Administration of the Registration of Enterprise Legal Persons, excluding wholly state-owned companies in limited liability companies.<sup>4</sup> All non-public enterprises are collectively referred to as private enterprises. In the "Company Law," the types of enterprises are divided according to the form of capital organization of enterprises, mainly including wholly state-owned, state-controlled, limited liability companies, joint-stock companies (also divided into listed companies and non-listed companies), partnerships and Sole proprietorship, etc. According to the above definition of private enterprises, except for wholly state-owned and state-owned holdings, other types of enterprises are private enterprises as long as they have no state-owned capital. When the proportion of state-owned investment is greater than 50%, the enterprise is a state-owned enterprise; when the proportion of non-state-owned investment is more significant than 50%, the enterprise is a private enterprise.

The private economy has experienced a tenacious development process from the initial accumulation of self-employed capital to the current private economy. It has played an irreplaceable role in my country's transition from a planned economy to a market economy. In 2002, two-thirds of China's economic growth came from the non-state sector. Since the government relaxed the restrictions on the import and export operation rights of private enterprises in 1999, private enterprises with export materials exceeding one million US dollars have become the main player in foreign trade. Private companies have indeed become the main driving force of China's economic development.<sup>5</sup> Compared with other economic forms, the private economy has two distinct advantages: first, a purely market-oriented business model with a strong sense of competition, flexible mechanisms, and instant market responses. Secondly, they allow employees to become shareholders. China has mainly improved its economic environment through economic liberalization and market-oriented reforms, allowing the private sector to flourish, and until recently did large-scale privatization of state-owned enterprises. Such great achievements in China's economic development and such rapid growth of its private economy are inseparable from the transformation of China's economic system. Since privatization limits the redistribution of income by transferring residual income and control to private investors, it increases the incentive to work hard.

## 2 Literature Review

Many have studied the issue of job satisfaction. A research paper in 2017 argues that, under a weak social safety net in a competitive labor market, the perceived severity may cause the employees to appreciate their present jobs and then maintain a high level of satisfaction.<sup>6</sup>

Another study on China resource-based state-owned enterprises found that factors such as culture, work, management and benefits were deemed important in measuring employee satisfaction.<sup>7</sup> There are also findings that engaging employees in compensation

<sup>4</sup> See Ref. [2].

<sup>5</sup> See Ref. [2].

<sup>6</sup> See Ref. [6].

<sup>7</sup> See Ref. [4].

reforms help to achieve equity and improve satisfaction.<sup>8</sup> This means, when conducting job evaluations, compensation designs, or other pay-related tasks, managers stick to a principle of integrity, equity and justice. The results should also be disclosed to the employees. This way, employees would be more motivated to work harder, and in turn, receive more compensation from the organizations so that their well-being will be further improved.<sup>9</sup>

While the above papers failed to mention the core concept of the essential difference and development direction of state-owned enterprises and private enterprises. In my thesis, I will make judgments based on specific examples and my understanding of the market.

### 3 Methodology and Findings

To find out about the status of the employees in state-owned enterprises compared to other institutions, I designed a questionnaire for employees of state-owned and non-state-owned enterprises.

This report collected data online through Questionnaire Star (<https://www.wjx.cn>). The collection time was from November 2021 to December 2021. A total of 420 questionnaires were completed and submitted. After excluding invalid samples (retired employees and students), a total of 415 valid samples were obtained, and the sample efficiency rate reached 99%. The gender, age group, educational background and type of employment of the 415 respondents are as follows:

- Gender: Male to female ratio 48:52
- Age group: <29 years old accounted for 16%, 30–39 years old accounted for 40%, 40–49 years old accounted for 31%, 49 years old and above accounted for 12%
- Educational education distribution: 38% of college and below, 52% with a bachelor's degree, 10% with a bachelor's degree and above
- Types of employers employed: 19% in state-owned enterprises, 27% in public institutions, 30% in private enterprises, and 24% in freelance and other types.

According to the survey, the percentage of those with bachelor's degrees and above is highest among state-owned enterprises. Among those graduating after 2000, 90% of new employees of state-owned companies have at least a bachelor's degree. Among the 415 respondents, 195 are employees of state-owned enterprises. Among them, 72 percent chose state-owned enterprises because of their job stability, and 21 percent believed that state-owned enterprises had a better future. The remaining six percent of employees are more appreciative of the state-owned enterprise's salary package. Only two percent of employees had other special reasons like "no better options," "referrals from friends," "closeness to home," or "need to take care of children." According to the survey, 69% of the 195 employees of state-owned enterprises will again choose state-owned institutions if given another chance.<sup>10</sup>

<sup>8</sup> See Ref. [4].

<sup>9</sup> See Ref. [4].

<sup>10</sup> Zhihuan Cui, (2018) Architectural engineering technology and design, Theoretical practice: Simple analysis of the main problems and measures in the training management of staffs in enterprises and institutions, 3647;

Next comes the private sector. Due to the diversity of private companies, we interviewed many private companies employees in different functionalities and positions. Through analysis, the average salary of private enterprise employees is higher than that of state-owned enterprises. The salary range is also bigger, with some respondents' income doubling as their position rose. Among the private enterprise employees in the 40–50 age group, the bachelor's degree rate is only 5%. But among the 20–35 age group, the rate is 92 percent. Because of the disparity in wages and education in the private sector, it's not hard to see how the reasons for selecting the employer differ. Of the 220 private company employees, only 26 percent said they chose their current job because of job security. While 45% think private companies are more promising, 20% said that private companies pay better. The remaining 8% join the private sector for a variety of reasons, with some arguing that a private company's job made it easier for them to take care of children, take care of the family, or choose based on personal preferences and career advantages.

To break down the findings, we will examine the results of the survey and go through all the factors regarding on-the-job experience and loyalty. Then we will focus on the metrics of employee satisfaction and conduct a correlation analysis of job satisfaction and its most relevant aspects. Finally, we will compare the results among different types of employers.

## 4 Survey Analysis

See Table 1.

### 4.1 Survey Findings

#### (1) Factors to consider when choosing employers

The analysis of 415 employees of different enterprises shows that the main reasons employees choose their employers are stability and career development opportunities. There are obvious differences among different types of enterprises. While the employees

**Table 1.** The proportion of employees in state-owned enterprises and private enterprises with educational background

	State-owend companies	Non-state owned companies	Total
<b>Less than a bachelor's degree</b>	<b>56</b>	<b>100</b>	<b>156</b>
	39.5%	46.3%	100.0%
<b>Bachelor's or above</b>	<b>139</b>	<b>120</b>	<b>295</b>
	53.7%	46.3%	100.0%
<b>Total</b>	<b>195</b>	<b>220</b>	<b>415</b>

of state-owned institutions pursue stability, and employees of non-state-owned institutions pay more attention to their career prospects in the future. Non-state-owned employees pay more attention to salary and welfare than state-owned employees.<sup>11</sup>

### **(2) Stability and Loyalty**

Employees of state-owned institutions show higher stability (79% of employees have worked for their current employer for more than five years) than others. But when it comes to a hypothetical question, a chance to re-select one's employer, they show much less loyalty. Only 32% of employees in state-owned institutions said they are willing to choose their current employer if given another opportunity. The percentage of non-state-owned institutions reselecting their current employer is 38%. When asked about ever resigning, 34% of state-owned employees answered yes, while only 26% of non-state-owned institutions said so.

### **(3) Salary**

Overall, employee satisfaction with income is low among both groups, with only 40% of employees expressing satisfaction. Employees also expressed low recognition of equality, with only 42% of employees saying their salary is fair. The joy of state-owned employees is lower than those of other institutions.

Employees believe that the most important factor affecting their salary level is their personal ability and the job position to which they belong. Among the highly educated groups (bachelor and above), the proportion of high-income groups is higher, but this does not mean that education is the main factor in determining income.

### **(4) Corporate culture and sense of belonging**

Employees have a high degree of recognition of the corporate culture and a strong sense of belonging. Overall, 57% of employees agree that the corporate culture is strong, and 58% of employees say they do not regret choosing their current employer. The employees of state-owned institutions reported a lower score in corporate culture recognition and a sense of belonging.

### **(5) Training and learning**

Overall, employees are highly satisfied with available training, and 53% are satisfied with learning opportunities. Employees of state-owned institutions are less satisfied with training than those of non-state-owned institutions.

### **(6) Promotion and personal development**

Overall, employees are not very satisfied with the promotion and talent selection system, with only 47% of employees satisfied with the current promotional criteria. Employees also do not have high confidence in their career development prospects in the company, with only 27% of employees believing that they have a good future in the company and have a lot of room for development. Yet state-owned employees perform

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<sup>11</sup> Zhihuan Cui, (2018) Architectural engineering technology and design, Theoretical practice: Simple analysis of the main problems and measures in the training management of staffs in enterprises and institutions, 3647;

even lower than non-state-owned employees in terms of promotion satisfaction and confidence in career prospects.

#### (7) Overtime and stress

State-owned employees reported more overtime work but claimed that they have less stress compared with non-state-owned companies. Higher-ranking employees expressed greater stress.

#### (8) Work experience

Overall, the workplace experience of employees is average. From a competitiveness point of view, only 33% of employees have a better and better experience in the unit. Thirty-five percent of employees feel that their talents are being used fully, and 40 percent say they are often appreciated when they do a good job.

The workplace experience of employees of state-owned institutions is significantly worse than that of non-state-owned institutions.

#### (9) Satisfaction correlation analysis

To explore which factors contribute to the improvement of employee satisfaction, Pearson's correlation analysis was conducted on indicators related to satisfaction using SPSS. The analysis is based on the overall sample and analyzes state-owned institutions and non-state-owned institutions separately.

## 5 Conclusion

According to the survey, jobs at state-owned enterprises have stability, but those at private enterprises enjoy higher salaries and better promotion opportunities. This explains why today's young people prefer to work at private companies while the older generation prefers otherwise.

The correlation between job satisfaction and each variable is shown in Table 2. The correlation coefficient between satisfaction and indicators "X6 - Stress" and "X7 - Overtime" is negative, indicating that satisfaction is negatively correlated with these two factors. The greater the stress and the more overtime, the lower the satisfaction rate for employees. According to Table 2, the factors that highly correlate with satisfaction mainly include: X12 - Workplace Feels Like Home, X13 - Products and Services are Competitive, X11 - Potential Acknowledged by Leadership, X10 - Leadership Care About Employees, and X1 - Fair Pay. In addition, employees' satisfaction in state-owned institutions is also highly related to "X9 - Clear Goals and Roles & Responsibilities." These findings prove that job satisfaction is affected by many factors, including the performance and competitive edge of the business, how the leadership team interacts and gives feedback to the employees, and the compensation system. State-owned enterprises should also improve their management system so that every employee is clear with the plan and the roles and responsibilities.

Since this sample is limited, future research could compare state-owned companies and private companies in other parts of China and even in countries other than China. This will help explain whether the difference between state-owned companies and others

**Table 2.** Overall satisfaction and correlation coefficient table of each indicator

Overall satisfaction and correlation coefficient table of each indicator	All samples (N = 415)	State-owned public institutions (N = 195)	Non-state-owned public institutions
X1 - Pay Equity	.498**	.545**	.449**
X2 - Training Satisfaction	.398**	.447**	.352**
X3 - Satisfaction with the Promotional System	.399**	.426**	.369**
X4 - Leadership Appreciation	.379**	.525**	.245**
X5 - Ability to Perform	.311**	.253**	.357**
X6 - Pressure	-.139**	-.204**	-0.085
X7 - Overtime	-0.082	-.177*	0.022
X8 - Challenging and Fulfilling Work	.216**	.226**	.200**
X9 - Clear Goals and Roles & Responsibilities	.464**	.565**	.369**
X10 - Leadership Care about Employees	.508**	.541**	.478**
X11 - Potential Acknowledged by Leadership	.510**	.611**	.417**
X12 - Workplace Feels Like Home	.618**	.674**	.563**
X13 - Products and Services are Competitiver	.592**	.634**	.547**

is a unique Northern China phenomenon or a universal fact. With qualitative surveys, researchers could explore measures that could help improve employees' job satisfaction at state-owned organizations.

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