

# Effective Strategies for Retaining Talents: Optimization of Salary, Welfare and Incentive Mechanism

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**Abstract:** In China's socialist market economy, talent as a factor of production, its status and role is increasingly prominent in the development of enterprises play an increasingly significant role. Especially in the era of knowledge economy, it is self-evident that talents are the core element for the survival and development of enterprises. However, under the condition of market economy, brain drain has become a big problem our enterprises are facing. Based on the compensation, welfare and incentive mechanism, this paper analyzes the impact of brain drain on the development of enterprises, and puts forward some effective strategies.

**Keywords:** Brain Drain; Salary; Welfare; Incentive Mechanism; Market Economy; Knowledge Economy; Optimization Strategy

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## 1. Influence of brain drain on enterprise development

Brain drain, refers to the talented person leaves the enterprise which serves, goes to other enterprises to work. For enterprises, brain drain usually refers to the brain drain leads to the interruption of production and operation activities, which has a serious impact on the development of enterprises. First of all, brain drain will have a negative impact on enterprise human resources management, talent is the core resource of enterprise development, but also the main component of human capital. When employees leave, it will lead to their own skills and capabilities can not be fully developed, and may even lead to hinder the production and operation activities. Secondly, brain drain will make the enterprise staff unstable, staff mobility, thus affecting the efficiency and quality of work. Finally, the brain drain will cause the staff morale to be low, the team cohesion drops and so on bad influence. At the same time, brain drain will also have a serious impact on corporate reputation, leading to the decline in the competitiveness of enterprises in the industry.

From the micro level, brain drain has a direct impact on business costs. Employees may take away a lot of important information and work products after leaving the company. For example, it is difficult for a company to find a suitable person to take over the job in a short time when an employee leaves the company for some reasons; if no measures are taken in time to retain the talent, the technology and equipment of the company may be left idle; and the cost of human resources may be increased.

From the macro level, brain drain will have a certain impact on social and economic. Under the condition of modern market economy, talents have become important resources and core elements in the development of enterprises, and have strong economic value and social value. The enterprise regards the talented person as the competitive advantage and the core competitiveness, not only can create the profit for the enterprise, but also can impel enterprise's development. However, if the brain drain is serious, it will reduce the dependence on talents and affect the future development of enterprises. At the same time, brain drain will cause waste of social resources.

In the long run, talent is the most valuable asset of an enterprise. Because the talented person has the strong fluidity, once it drains to other enterprises to work, will bring resources and so on human resources loss to the enterprise. Therefore, brain drain will have a serious impact on enterprise development.

## 2. Current Situation of Enterprise Salary System and Incentive Mechanism

At present, the following problems generally exist in our enterprises:

First, the salary level is too low to attract talent. Most enterprises in China lack of flexibility in salary design, especially for some large enterprises, their salary design does not fully consider the actual needs of employees and work content. At the same time, the lack of flexibility in the wage structure has led to a strong sense of belonging.

Second, the salary and welfare system lacks the incentive mechanism, cannot effectively mobilize staff's work enthusiasm. Although some enterprises have formulated the corresponding compensation and welfare system, but the lack of effective use of incentive mechanism, can not effectively stimulate staff enthusiasm and creativity.

Third, the lack of long-term incentive mechanism for employees, can not effectively stimulate the potential of employees. Some enterprises have unreasonable pay structure, which can not effectively stimulate the enthusiasm of employees. Although some long-term incentive measures have been taken in our enterprises, they have not been treated as a long-term behavior and have not been brought into full play.

Fourth, the lack of effective assessment incentive mechanism. There are still some problems and deficiencies in the performance appraisal, which makes the performance appraisal can not play its due role.

Fifth, the lack of good communication mechanism, staff did not receive due respect and recognition. Because our country enterprise has certain question in the salary welfare, the incentive mechanism and so on, causes the staff not to obtain the proper respect and the approval. In addition, due to the lack of communication mechanism in salary, welfare and incentive mechanism, the employees can not participate in the management of the enterprise effectively.

Therefore, in order to solve the above problems, enterprises must optimize and improve the existing compensation, welfare and incentive mechanisms.

### **3. Salary System and Incentive Mechanism Optimization Strategy for Retaining Talents**

Enterprises are economic organizations aiming at making profits. Driven by economic interests, many enterprises regard salary management as an important means to attract and retain talents. However, under the condition of market economy, enterprises must attach importance to salary management, attract and retain talents through reasonable salary system and incentive mechanism. However, there are still some problems in salary management and incentive mechanism in many enterprises. For example, firstly, there is a big difference between the level of salary and the level of market, which leads to the lack of competitiveness; secondly, the incentive mechanism is not perfect, and the enthusiasm of employees is not high; thirdly, there is a lack of personalized welfare system, which leads to the low satisfaction of employees. These problems will not only affect the stability and development of enterprise staff, but also directly affect the market competitiveness of enterprises. Therefore, in the market economy, in order to retain talent pay attention to pay management and incentive mechanism.

First of all, enterprises should formulate a scientific compensation management system. Enterprise salary management system, including post salary system, performance bonus distribution system, it is the basis of enterprise salary management. Only by formulating a scientific and reasonable salary management system, can we ensure that the salary system of enterprises is in line with the market, and then play an incentive role. Secondly, enterprises should establish scientific incentive mechanism. Incentive mechanism is a two-way incentive mechanism, which combines rewards and punishments in respect of the value of talent, attention to talent needs and meeting talent needs. When establishing incentive mechanism, enterprises should accurately analyze and grasp the needs of employees, so as to provide personalized benefits and personalized career development channel.

In order to optimize the salary system and incentive mechanism to retain talent, we should improve the salary system. At present, most enterprises in our country still adopt the traditional fixed salary system. There is no scientific and reasonable performance appraisal system and promotion channel in the traditional salary model, which leads to the lack of enthusiasm and initiative of employees. Therefore, in order to retain talents, we must optimize the salary system, design scientific and reasonable performance appraisal system, salary distribution system and promotion channel. Secondly, we should improve the incentive mechanism. For example, there are many problems such as excessive material and spiritual incentives, lack of scientific rationality and fairness in performance appraisal, lack of scientific and reasonable promotion channels and low level of staff participation in incentive mechanism.

## **4. Measures to optimize salary system and incentive mechanism**

### **4.1 Combine remuneration management with corporate culture.**

Enterprise culture is a special kind of organizational culture, which is the common consciousness, value concept and code of conduct formed by enterprise employees for a long time. If a company, employees and common recognition and recognition of the values and codes of conduct to a large extent affect employees, then this is a good way of motivation. Therefore, for an enterprise with excellent cultural connotation, the combination of salary and incentive is an effective method. Only by combining the two, can employees feel the sense of belonging, identity and value, so as to stimulate their work enthusiasm and creativity.

### **4.2 Establish a fair and reasonable performance appraisal system.**

Salary management is closely related to performance appraisal. In reality, many enterprises have established performance appraisal system, but the lack of scientific and reasonable appraisal standards and evaluation index system leads to the unfair and accurate results of employee performance appraisal. Therefore, the establishment of scientific and reasonable performance appraisal system is the foundation of effective operation of salary management and incentive mechanism. Only through scientific and reasonable performance evaluation standards and evaluation index system can the evaluation results be scientific and reasonable. The principles of "fairness, impartiality and openness" shall be followed in the determination of performance assessment standards; the principle of combining the quality with the quantity shall be adhered to in the construction of the evaluation index system; and the principle of combining the process with the result shall be adhered to in the application of performance assessment results. Only by establishing a scientific and reasonable performance appraisal system can we provide employees with fair and reasonable salary and incentive mechanism, so that their work enthusiasm can be effectively stimulated.

## **Conclusion**

In short, talent is the fundamental development of enterprises, enterprises are constantly advancing power source. In order to obtain long-term stable development, enterprises must pay attention to the cultivation and introduction of talents and take effective measures to attract, retain and make good use of talents. Through salary, welfare and incentive mechanism, it is necessary to continuously stimulate talent's work enthusiasm, mobilize their enthusiasm, initiative and creativity, and maximize their intelligence, thus promoting enterprise development. Therefore, under the condition of market economy, only by attaching importance to the training and introduction of talents and optimizing the salary, welfare and incentive mechanism, can enterprises fully mobilize the enthusiasm and initiative of talents and make them contribute to the development of enterprises.

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