ISSN 1608-7143
OECD Journal on Budgeting
Volume 7 – No. 1
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Civil Service Reform in China

by

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The Chinese government has undertaken extensive reforms to its civil service system over the past ten years. The capacity of the civil service has improved, but perhaps due to reasons other than civil service reform. This article reviews the government reforms in the context of the particular nature of the Chinese civil service system, and makes recommendations for further reforms.

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1. Introduction

Since 1980, China's leaders have sought to increase the capacity and legitimacy of the state in part through civil service reform. Attempts to improve governance in China by increasing accountability, predictability, transparency, participation, and efficiency and effectiveness (see Asian Development Bank, 1995) have been accompanied by civil service reforms to make the bureaucracy more meritocratic. Given the central role played by the civil service in China's political system, attempts to improve governance have appropriately focused on reform of the bureaucracy. "Good" governance requires a strong civil service that is accountable to the political executive, operates within the law, is open and transparent, and encourages the participation of the community. An efficient and effective civil service is also critical for high capacity and legitimate government, which "good governance" also seeks to achieve.

High capacity government is usually associated with bureaucracies that are competent, committed and coherent, and where bureaucrats have relatively high prestige and integrity (Weiss, 1998). Human resource management policies and practices for building capacity emphasise performance, flexibility, selection based on "fit" and the appropriate utilisation of talent (Hilderbrand and Grindle, 1997). Accordingly, an effective public personnel system in a developing country[1] may be said to be characterised by: *i)* a legal and regulatory regime that ensures not only the rule of law but in which the rules and regulations give appropriate flexibilities to managers; *ii)* a relatively high degree of institutionalisation to ensure predictability; *iii)* a selection system that is able to attract "the best and brightest" in the country and to utilise talent appropriately; *iv)* a performance management system that is able to motivate, reward and retain talented people and that effectively manages under-performers; and *v)* a discipline system that is both just and effective at maintaining a coherent and corruption-free service.

Since 1993 the Chinese government has taken significant steps to reform the country's civil service system, which is still evolving. Bureaucracies with the most potential to contribute to high capacity government are not surprisingly found at the centre and in more developed parts of the country. Service in the public sector carries with it considerable prestige in China. Central ministries are staffed by many highly competent and committed employees and conform in many respects to the performance paradigm articulated above. Outside the centre the quality of the public service varies considerably, however. More developed parts of the country are able to support a more efficient and effective

public service. In less developed parts of the country, where the civil service is viewed as an employer of last resort, the quality and capacity of the civil service is considerably lower.

The sections that follow examine the size and scope of the civil service and discuss the political, economic, and social context of civil service reform in China as well as the reforms themselves. The discussion then turns to critical issues in the management of the civil service including selection, performance management, motivation, and discipline and corruption.

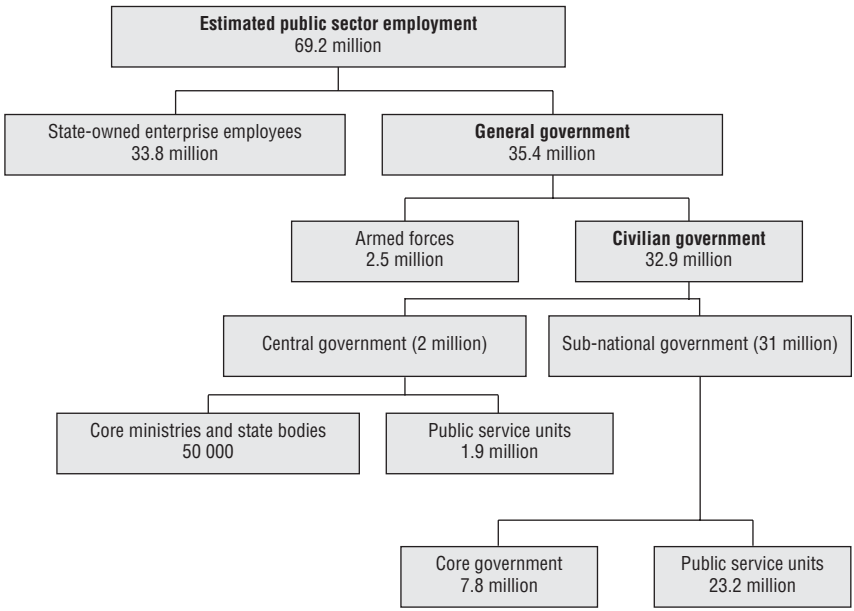
2. Background

In 2002 the public sector employed an estimated 70 million people, about half of whom worked in government in one capacity or another (see Figure 1). Another 33 million worked in state-owned enterprises. The total number of public employees has declined in recent years mostly as a result of the contraction of the state-owned enterprise sector (see Figure 2). Employment in government and public service units (PSUs, in sectors such as education, public health, research, etc.) has been relatively steady over the past decade. The press reported in March 2004 that PSUs employed between 28 and 29 million people at the end of 2003 in contrast to the 25 million reported by the National Bureau of Statistics for the end of 2002.[2]

Of those employed in government departments and bodies in 2004, only 4.98 million[3] were formally classified as "civil servants" according to China's civil service regulations (Ministry of Personnel, 1993; see Figure 3). This article focuses primarily on the management of this group. The regulations identify civil servants as the managers, administrators and professionals who work for government bodies (*i.e.* white collar employees who since 1993 have required a university degree to enter the service). This definition is both more inclusive and less inclusive than definitions of the civil service commonly used overseas. Unlike the practice in many western countries, the civil service in China includes the most senior politicians such as the Premier, Vice Premier, state councillors, ministers and provincial governors, vice ministers and vice governors, etc. – the leadership positions (Ministry of Personnel, 1996, Article 9). White collar government employees at both central and local levels, including towns and townships, are also civil servants (Organisation Department, Ministry of Personnel, 1998).

The scope of the Chinese civil service, however, is less inclusive than the scope of civil services in many western countries. The Chinese civil service definition excludes: *i*) all manual workers employed by the government; and *ii*) the employees of all public service units (officially translated as "institutions" or *shiye danwei*). Public service units (schools, universities, hospitals, research institutes, radio and TV stations, cultural organisations, publishers, etc.) have their own personnel management arrangements and are funded through a

Figure 1. **Estimated number of public sector employees**



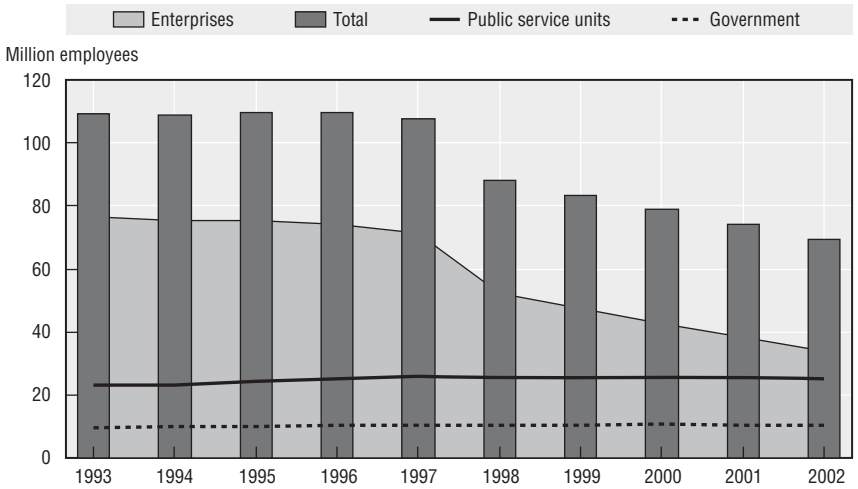
Note: These figures represent a conservative estimate based on published data from the National Bureau of Statistics of China. Only "staff and workers" employed in state-owned units (not collectively owned or "other" owned) are included. By the end of 2002, the total number of "staff and workers" employed by all state-owned units was 69.2 million. A further 10.7 million were employed in "urban collectively owned" units and an additional 25.6 million were employed in "units of other types of ownership" which included co-operatives, joint ownership, limited companies, shareholding companies, etc. "Staff and workers" exclude employees of township enterprises, private enterprises, and teachers employed in *minban* schools (locally publicly supported schools). Many of these units could also probably be counted as "public". The central-local distribution of public employment based on the distribution in 2000 was estimated.

Source: National Bureau of Statistics (2003), *China Statistical Yearbook 2003*, p. 132.

variety of mechanisms. Some are mostly dependent on the state for funding (such as most schools, universities and hospitals) while others have been turned into economic enterprises and are expected to pay their own way. In 2004, most public service units were publicly funded. In 2002, public service unit employees numbered about 25 million (see Figure 1) and worked in some 1.3 million units.

From 1993 to 1997 the Communist Party of China (CPC) extended the "civil service system" of personnel management (that is, competitive hiring, civil service-type performance evaluation, salaries and benefits pegged to civil service pay and benefits, etc.) to many other public organisations including the CPC itself and organisations on the Central Committee controlled *nomenklatura*, such as mass organisations, the legislature, the Chinese People's Political Consultative Conference and the democratic parties.[4] Interviews with mainland judges indicate that the judiciary and the procuratorate are also managed according to

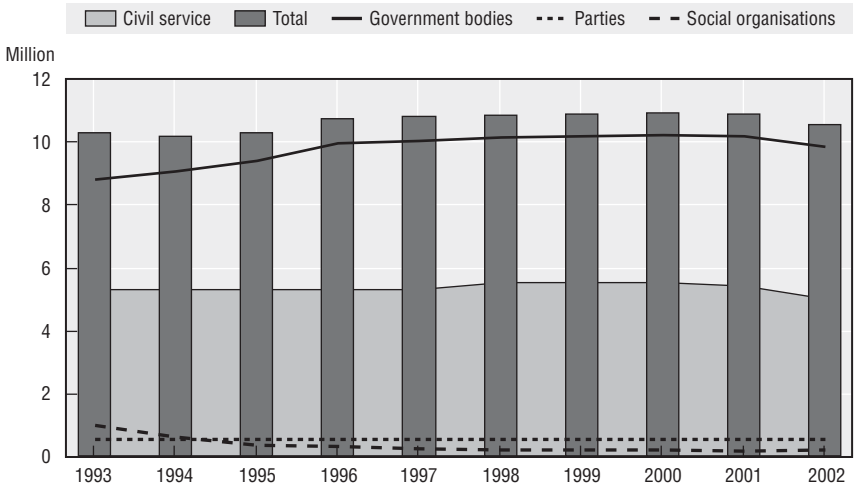
Figure 2. **Total staff and workers in state-owned units, 1993-2002**



Note: Government includes core government and political parties. Public service units (PSUs) include hospitals, schools, research institutes.

Source: National Bureau of Statistics, *China Statistical Yearbook* (various years).

Figure 3. **Total staff and workers employed by government bodies, parties and social organisations, 1993-2002**



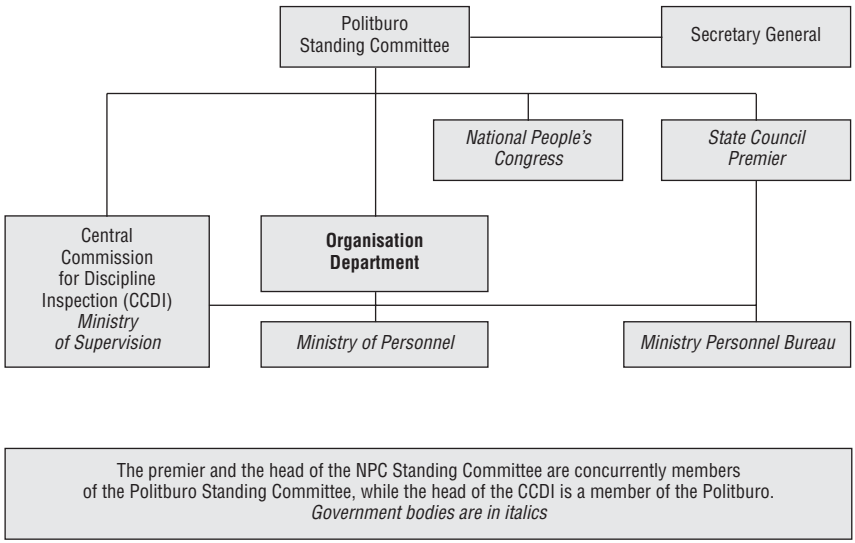
Source: National Bureau of Statistics, *China Statistical Yearbook* (various years).

the civil service system.[5] If this larger group is included, then in 2002 about 10.56 million people were managed according to civil service personnel arrangements (see Figure 3) (National Bureau of Statistics, 2003).

These data indicate the stability of the non state-owned enterprise portion of public employees. In spite of numerous downsizing campaigns (supervised in the 1990s by the State Commission Office for Public Sector Reform [SCOPSR, *Zhongyang jigou bianzhi weiyuanhui*]), the number of government employees, including civil servants, has apparently changed little over the past decade (see Burns, 2003a).

The Communist Party plays an extensive role in the management of personnel, including the civil service, in all public organisations. Indeed, the first principle of personnel management in China is that "the Party manages cadres (*ganbu*)" of whom civil servants are a part.[6] One member of the seven-member Standing Committee of the Politburo (see Figure 4), the highest organ of political power in China, has responsibility for overseeing "organisation and personnel work" including management of the civil service. The CPC Central Committee has entrusted policy making for the civil service to its Organisation Department. The State Council's Ministry of Personnel implements the policy under the Organisation Department's supervision. The two bodies – one Party and the other one government – are tightly linked. A Vice Minister of the Ministry of Personnel is concurrently a Deputy Head of the Organisation Department, and personnel of the two bodies may be seconded to the other body for special projects as needed. By all accounts, the Party and government bodies in charge of the civil service work seamlessly together. With one authority structure, they form a single system. Anti-corruption work is handled by the Party's Central Commission for Discipline Inspection, the government's Ministry of Supervision and the People's Procuratorate (see Figure 4).

Figure 4. **China's central civil service management system**



All civil servants recruited into positions in the Ministry of Personnel are Party members, and civil servants recruited into personnel departments of all government bodies, even the most specialised and technical, must be Party members. The Party exercises control over public personnel appointments and dismissals of civil servants in leading positions (including the lowest level leadership positions such as deputy section chief) through the *nomenklatura* system that gives the CPC final authority to approve these personnel movements (see Burns, 1989 and 1994). These arrangements make "civil service neutrality" in relationship to political parties an alien concept – arguably, this kind of civil service neutrality is irrelevant in one-party monopoly political systems.

The civil service is organised into 12 positions ranging from Premier at the top to clerical staff at the bottom and 15 grades that are determined by "level of responsibility and degree of difficulty of the task and the civil servant's capability, political integrity, practical success, work performance and work record"[7] (see Table 1). "Political" positions that in developed capitalist democracies are usually not part of the civil service are considered to be civil service jobs in China. These include the Premier, Vice Premiers and state councillors at the centre, and governors and vice governors of provinces as well as mayors and vice mayors of provincial level municipalities such as Beijing, Shanghai, Tianjin and Chongqing. In China, civil service grades are divided into leadership and non-leadership positions. All positions in Table 1 are leadership positions except for those of section member and clerical staff (Ministry of Personnel, 1993, Article 9).

Most civil servants work in local government in one of China's roughly 2 800 counties. Based on information made available in 1998 (see Table 2), only about 10% of civil servants work at the central level.[8] Another 11% work at provincial level, 21% at prefectural level, 41% at county level, and 17% at town or township level. Less than 1 000 civil servants are ranked at the level of minister/provincial governor, while most civil servants who work in China's counties hold the rank of section chief or deputy chief (35.7%) or section member (46.8%). Bureau-level officials, employed in the central government and at provincial level, make up less than half a per cent of the total, while about 5.5% of civil servants are division chiefs (employed in central ministries and in provincial government) or county heads (Xi, 2002).

Civil service reform in China dates from 1993 and grew out of post-Cultural Revolution elite-level dissatisfaction with the management of the leadership system. As early as 1980, paramount leader Deng Xiaoping put reform of the leadership system on the Party's agenda. Deng and his allies perceived that the "cadre system" (see Barnett, 1967), which was borrowed from the Soviet Union in the 1950s and under which the Party managed all cadres according to uniform rules and regulations, had outlived its usefulness. As the economy developed and liberalised, the positions of managers, administrators and professionals became more specialised. Accordingly, the CPC designed a management system for

Table 1. **Chinese civil service position and grade structure**

	Grades														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Premier	✓														
Vice Premier, State Councillor		✓	✓												
Minister, Governor			✓	✓											
Vice Minister, Vice Governor				✓	✓										
Bureau chief					✓	✓	✓								
Deputy bureau chief						✓	✓	✓							
Division chief							✓	✓	✓	✓					
Deputy division chief								✓	✓	✓	✓				
Section chief, responsible section member									✓	✓	✓	✓			
Deputy section chief, deputy responsible section member									✓	✓	✓	✓	✓		
Section member									✓	✓	✓	✓	✓	✓	
Clerical staff										✓	✓	✓	✓	✓	✓

Source: Ministry of Personnel (1993), *Provisional Regulations on Civil Servants*, Article 10.

Table 2. **Number and distribution of civil servants by administrative level, 1998**

	Number of civil servants	Percentage
Central level	495 022	9.28
Provincial level	592 589	11.11
Prefectural level	1 133 977	21.26
County level	2 186 263	40.98
Township level	926 471	17.37
Total	**5 334 322**	**100.00**

Source: Xi (2002), *China's Civil Service System*, p. 29.

cadres working in government (civil servants) that took into account the non-market nature of much of government work, on the one hand, and the existence of newly emerging labour and wage markets, on the other. The CPC has also sought to reform personnel management of public service units to make them more market friendly. The reforms sought to improve the efficiency and effectiveness of the civil service, to boost its quality and integrity, and to improve its performance.

The 1993 reforms included policies designed to improve the capacity of the civil service and make it more competitive. In essence, first all newly recruited civil servants were to be selected on the basis of open competition, usually through an examination process and limited to the most part to university graduates. Second, civil servants were to be provided with a career structure and stable employment. Third, personnel management systems were to be performance-oriented. Fourth, civil service compensation was expected to be competitive with rates paid in the market. Fifth, civil servants were expected to be of high integrity.

3. Issues

High capacity civil service systems are characterised by open and competitive selection processes and mechanisms that appropriately utilise talent, ensuring that all employees are appropriately trained, setting and communicating performance standards, evaluating performance and feeding back the results of the evaluation to employees, and linking performance to rewards. The extent to which the Chinese civil service approaches this model will be reviewed in the following sections devoted to staffing, performance management, motivation and institutionalisation.

3.1. Recruiting and selecting the "best and brightest"

High capacity civil service systems are staffed by appropriately qualified people selected through open and competitive means. A mix of generalists

and specialists is usually the norm, and talent is effectively utilised. The Chinese government has been largely successful in attracting "the best and the brightest" to the civil service system, especially at the centre. The quality of the civil service at local levels varies tremendously, however.

Although its prestige has declined since the heyday in the 1970s, serving in the civil service in China is still highly prestigious and jobs in the civil service are highly sought after. Entry into the civil service especially at the centre is keen and increasingly competitive. From 1994 to 2004, the ratio of the number of applicants for each post has grown from about 10 to nearly 18 (see Table 3). Scattered data for the mid-1990s indicate that civil service jobs were more attractive in poorer provinces such as Liaoning and Jilin and in the western region and less attractive in richer areas such as Shanghai (Zhu, 1997). A popular career strategy for university graduates is to join government for a time upon graduation to "learn the bureaucratic ropes" before leaving to go into more lucrative careers, including the private sector.

Table 3. **Number of vacancies and applicants for centrally managed civil service positions, 1994-2004**

	Number of applicants (A)	Number of vacancies (B)	Ratio of A to B
1994	4 306	440	9.8
1995	6 726	490	13.7
1996	7 160	737	9.7
1997	8 850	n.a.	n.a.
2001	32 904	4 500	7.2
2002	62 268	4 800	13.0
2003	87 772	5 400	16.3
2004	140 184	8 000	17.5

Note: The number of vacancies and applicants grew as more and more posts were covered by the civil service system. Centrally managed posts include posts in the central government and posts managed by central institutions (*e.g.* Customs, People's Bank of China, etc.).
Source: Interviews, Ministry of Personnel, 22 July 1996, 12 August 1999 and 19 March 2004.

To boost recruitment, the government has taken several measures including: *i)* raising civil service salaries (see below); *ii)* waiving the requirement that applicants for the civil service must have two years of work experience before they are selected; *iii)* increasing publicity especially in universities; and *iv)* relying more on the Internet and information technology in recruitment. The civil service in China, especially the richer coastal areas, attracts – like more traditional civil services overseas – those who can accept lower base salaries than they could earn in the private sector and who are interested in relatively competitive benefits and a stable career.

Civil service selection methods especially at the centre are often very rigorous and may include problem-based exercises to assess potential that are often found in assessment centres[9] (see Box 1).

Box 1. **Selection of bureau chiefs in the Ministry of Personnel, 2004**

Since 1999 the Ministry of Personnel has selected candidates for bureau chief and deputy chief positions using something like assessment centres. In 2004, for example, to fill four vacancies, the Ministry first advertised the vacancies internally. About 100 people applied, of whom 60 were found to be qualified. The 60 were required to take examinations including an English language examination. Based on the results of the examination and reviewing their performance appraisal results, 31 were identified for further consideration.

The 31 candidates were bussed to a township within Beijing Municipality and taken through an exhibit that detailed the development of the township by a local leader. They were then taken to an examination hall in the township and given an examination paper that required them to write answers to two questions analysing the development of the township. The paper was designed to test their analytical power and writing skills.

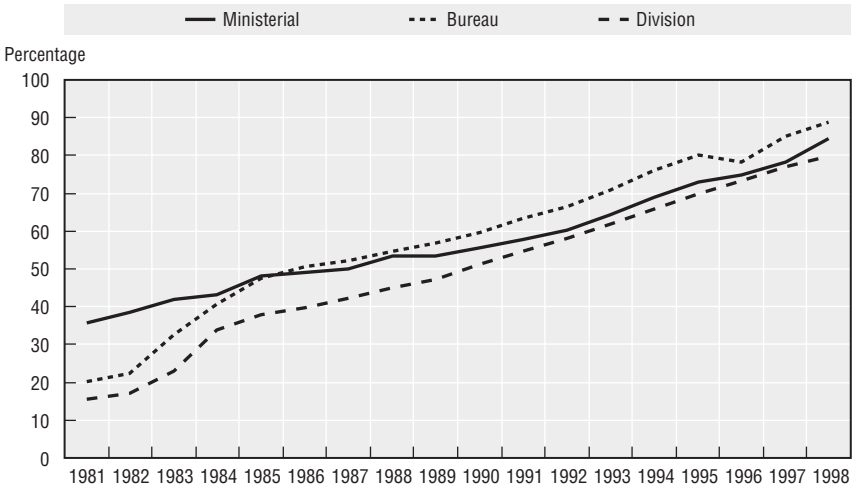
The 12 candidates who passed this stage were then invited to an interview board that included the Minister and several Vice Ministers. They were given a set of documents related to a particular problem (resembling an "in basket" exercise) and given 30 minutes to prepare to answer questions on how they would handle the problems raised in the documents. Eight candidates passed this stage of the exercise. Based on their overall performance and the Ministry's evaluation of their potential, the Minister and Vice Ministers chose four to fill the vacancies.

Source: Personal communication with a participant, Beijing, March 2004.

Civil service reforms and reform of higher education have increased civil service capacities especially at the centre and at provincial level. Thus, by 2003, nearly 70% of civil servants had university or community college degrees (Interview, Ministry of Personnel, 19 March 2004). Because a university degree has been a requirement for entry since 1993, the educational profile of the civil service is rising. By 1998, from 80% to 90% of the top civil servants at ministry, bureau, and division level were university or community college graduates (see Figure 5). This represents a substantial improvement in the capacity of the Chinese civil service.

Personnel reforms dating from the early 1980s have also lowered the age of China's civil servants. From 1982, when the CPC officially adopted a mandatory retirement policy (men retire at age 60 and women at age 55), China has

Figure 5. **Leading cadres in China with university education, 1981-98**



Source: Organisation Department (1999), *Collection of Statistical Information on Party and Government Leading Cadres 1954-1998*, pp. 5, 8, and 10.

increasingly selected younger people for leadership positions (Manion, 1993; Lee, 1991). From 1981 to 1989, the average age of officials of ministerial or bureau rank fell from 63.6 years to 56.9 years. In 1980, more than 80% of provincial or ministerial level officials were 60 years of age or older, whereas by 1998, the proportion over the age of 60 had dropped to about 54%. At the same time, at bureau level the number of officials over the age of 60 fell from 37% to 11%, while at county level those over the age of 60 were only about 1% of the total (Organisation Department, 1999). By the mid-1990s, more than half of the civil service as a whole was under the age of 40 (China Organisation, 1998).

The legitimacy of the political system depends in part on the extent to which the civil service is representative of the people. This is especially true in China's ethnic minority areas. China's civil service is both more and less representative of the population as a whole. Recognising the multi-ethnic character of the country, civil service regulations require that authorities in ethnic minority regions give preference to ethnic minorities in hiring (Ministry of Personnel, 1993, Article 13). As a result, ethnic minorities hold about 8% of civil service posts compared to their approximately 6% of the total population (China Personnel Yearbook Editorial Office, 1989). In other respects, however, the civil service is unrepresentative of the general population. First, as would be expected, it is much better educated than the population as a whole. Second, women hold only about 20% of civil service posts overall (Interview, Ministry of Personnel, 19 March 2004) and less than 10% of leading positions at provincial or county level (7% at provincial level and 9% at county level)

(Organisation Department, 1999). If public service units such as for health and education are included, the number of women increases, however. At the end of 2002, 58% and 45.5% of employees in public health and education respectively were women (National Bureau of Statistics, 2003).

Finally, Party members, who make up less than 5% of the total population, are over-represented in the civil service, where they hold about 80% of civil service posts (China Organisation, 1998). Although the regulations do not require civil servants to be Party members, in practice the Party requires that many posts be held by Party members.[10] These posts tend to be in politically sensitive departments (*e.g.* the State Council General Office, the Commissions and Ministries of Education, Science and Technology, National Defence, Ethnic Affairs, Public Security, Population and Family Planning, the China Securities Regulatory Commission, and the State-owned Assets Supervision and Administration Commission) or in sensitive bureaus of ministries (the general office, policy and regulation, planning, personnel, education, social security, and public security). Although the practice of reserving posts for Party membership is not new, publishing the list of such posts is new and indicates an increasing transparency. Generally the CPC Organisation Department determines which categories of posts should be held by Party members for recruiting departments and bodies to implement. With a few exceptions (*e.g.* the Cultural Revolution, the 4 June 1989 period, etc.), the policy has been successfully carried out.

Significant gaps characterise the implementation of civil service staffing reforms. For a variety of reasons, civil service positions, particularly at the local level, continue to be filled through non-competitive rather opaque processes. First, government policy and practice has been to move relatively large numbers of demobilised soldiers into the civil service after they have served their tour of duty. In Beijing's Haidian District, for example, in 2001 and 2002 each government body was expected to take several demobilised soldiers. Although some bodies refused (and apparently could refuse), the district government as a whole was assigned a quota of demobilised soldiers and expected to fill it. Neither examinations nor other competitive selection systems were used to place demobilised soldiers in civil service positions. Second, at the most local levels, particularly at township level, civil service posts continue to be filled by moving cadres from local economic enterprises, again without going through the competitive processes laid down centrally (Interview, Ministry of Personnel, 19 March 2004).

Finally, relatively large numbers of official positions – again mostly at local levels (township and/or county) – seem to have been filled through corruption. The sale and purchase of official positions has become a serious problem. In the late 1990s, for example, officials sold scores of government jobs in Wenzhou City (Zhejiang), Pizhou County (Jiangsu), Beihai City (Guangxi), Huaibei City (Anhui),

Tieling City (Liaoning), Guanfeng County (Jiangxi) and Heilongjiang Province.[11] Even very senior officials, such as former National People's Congress Vice Chairman Cheng Kaijie, executed for corruption in 2000, have been convicted of selling government posts (*Wenhui bao*, Hong Kong, 1 August 2000). These cases undoubtedly represent only the tip of the iceberg. The practice has apparently become so serious at the local level that it threatens to undermine the legitimacy of the civil service.[12] As a result of these and other loopholes, in 2002 alone some 38% of new civil service hires entered through non-competitive means (Interview, Ministry of Personnel, 19 March 2004).

In addition to the loopholes discussed above, the government's restructuring policy, which from 1998 to 2002 sought to downsize government bodies, clashed with the goal of improving the quality of the civil service through new hires (Burns, 2003a). In 1998, 1999, and 2000, to meet their downsizing targets many bodies could hire no new staff at all, thus undermining one of the objectives of the reform.

It can be concluded, then, that open, competitive hiring characterises the civil service at the centre and probably in the richer coastal areas. Even in these areas, however, local government must provide employment for non-competitively selected demobilised soldiers. In less developed parts of the country, where government serves as an employer of last resort, the problems are much more severe.

3.2. Building a culture of performance

Building a culture of performance involves setting and communicating performance standards, ensuring that civil servants have appropriate knowledge, skills and abilities, evaluating performance and feeding back to employees the results of the evaluation, and linking performance to rewards (Hilderbrand and Grindle, 1997). Although formal systems have been established in China to achieve these objectives, the gap between objectives and what is happening on the ground remains relatively large, especially at local levels. The gap may be explained by a lack of resources in poorer communities and the widespread expectation in these communities that the bureaucracy will act as an employer of last resort.

Large numbers of civil servants have been trained every year (about 2.3 million people per year or 17 million from 1993 to 2003) and the number of civil servants trained per year has increased from about 26% in 1996 to 62.3% in 2002. But training opportunities are unevenly distributed. Budgets for training, even including opportunities for training overseas, are relatively generous at the central level and in richer coastal cities. In poorer counties and townships where government cannot even pay the salaries of local officials, training may appear to be a non-essential luxury.

An integral part of the cadre training programme is a system to rotate cadres that has sought to enhance their capacity and improve the capacity of local government, on the one hand, and to reduce opportunities for corruption, on the other. In particular, rotation has applied to leading officials and those who have worked in personnel, finance, materials management, licensing, and approval of funding and investment projects who were supposed to be moved every five years (Ministry of Personnel, 1996, Article 2). Large numbers of officials have apparently participated in the scheme. Thus, from 1996 to 1999, more than 400 000 officials nationwide were rotated to new positions (Chou, 2003). This policy put officials from rich coastal provinces in positions in poorer inland areas, in an effort to improve the capacity of local government there. The audits that precede an official rotation have sometimes also uncovered cases of corruption (Chou, 2003).

Officials have developed elaborate criteria for the evaluation of civil service performance that, especially at local levels, focused heavily on economic performance. According to national guidelines issued in 1991, local government leaders were to be evaluated according to 18 criteria, only three of which were not economic-related (population growth, forested area and nine-year compulsory education completion rate). The rest of the criteria included GNP, gross value of industrial output, gross value of agricultural output, national income per capita, taxes and profits remitted, retail sales, etc. (Whiting, 2001). Although officials actually broadened the criteria adopted in the early 1990s to include more non-economic measures (*e.g.* public order and Party building), in practice performance criteria were tightly linked to the economy. Dissatisfaction with the over-emphasis on economic measures and a focus on meeting the needs of higher authorities has prompted calls for reform. Experiments in Qingdao city, for example, have incorporated new measures which focus on public service, environmental impacts and market supervision – criteria that were not used previously (*South China Morning Post*, 4 August 2004). Officials anticipate that more service-oriented criteria will be incorporated into civil service performance evaluations in the future.

Within government departments and bodies, performance appraisals focus mostly on merit-related criteria which seek to evaluate behaviour on the job. However, these criteria also evaluate "moral integrity" which includes the extent to which the civil servant implemented CPC policy during the reporting period (Ministry of Personnel, 1993, Article 20).

China's performance management policy seeks to link performance with rewards and stipulates the payment of bonuses to those who have performed well (Ministry of Personnel, 1993, Article 26). According to official policy, a bonus of one month's salary should be paid to those civil servants who are rated outstanding in annual appraisals. Outstanding awards are limited to 15% of the total, sometimes rising to 16% or 18% (Interview, Ministry of Personnel,

19 March 2004). Salary increments are also supposed to be paid based on performance. In poorer counties where personnel costs can amount to 70% or more of total expenditure (World Bank 2002), paying bonuses and increments is undoubtedly a real hardship.

Because of a political preoccupation with stability, the government has forgone the use of management tools such as fixed-term contracts. After they serve a short period of probation civil, servants are employed on what amounts to permanent terms of service. As a result, removing poor or under-performers becomes relatively difficult. Because the consequences are so severe, few civil servants receive unfavourable performance ratings (only 0.1% of all civil servants are rated "unsatisfactory"). Officially two consecutive "unsatisfactory" ratings should lead to dismissal.

Civil service regulations also stress that government officials should "be fair and honest and work selflessly in the public interest" (Ministry of Personnel, 1993, Article 6) which implies impartiality. An effective market economy requires that regulators implement rules and regulations even-handedly. In practice, however, the protection of local interests is a serious problem, especially in law enforcement. Authorities have accused the judiciary and procuratorate of colluding with local officials to undermine attempts to institutionalise the rule of law.

More serious than "localism" is corruption within the civil service which continues to be a significant problem as reflected in China's relatively poor showing in Transparency International's "Corruption Perception Index". Corruption has undermined civil service discipline (see Manion, 2004). Given the low probability of being prosecuted – from 1993-98, fewer than half of the corruption cases being investigated led to criminal charges being filed and, most strikingly, only 6.6% of these led to sentences (Hu, 2001; Hu in *South China Morning Post*, 24 March 2001) – engaging in corrupt practices appears to have been a relatively low-risk activity.

Corruption characterises economies in development because they tend to have weak legal and regulatory systems and may not be able to pay adequate civil service salaries. Additional factors are at work in China, however. The design of China's anti-corruption institutional framework puts authority for anti-corruption work in the hands of the Party (the Central Commission for Discipline Inspection and its network of local commissions) and not in the hands of an independent body that would have authority over the CPC and that could call the CPC to account. This lack of an independent anti-corruption body makes the fight against corruption more difficult. Cases have shown that situations in which Party officials protect their corrupt subordinates with relative ease do occur.

The Party plays a direct role in the management of civil service performance. First, as has been seen, personnel officials in government departments and bodies are all Party members. Second, officials of CPC organisation departments participate directly in and approve personnel movements of all those holding leadership positions, no matter how lowly (for example, section chief and deputy chief). The CPC's *nomenklatura* system legitimises this participation (see Burns, 1989 and 1994). In the 1990s, the Party was a force for change and reform, especially within the central government. The care with which civil servants are selected for leading positions in the Ministry of Personnel (*cf.* Box 1) is evidence of this. In poorer parts of the country, however, where local Party committees may be captured by particularistic interests (triads, clans, chambers of commerce, or other interests), the CPC's stranglehold on civil service personnel administration may have undermined progress toward meritocratic outcomes.

3.3. Motivating public employees

Public employees like other workers are motivated by the expectation that if they perform well they will receive commensurate rewards that they value. High capacity organisations link performance to rewards. Like civil servants in other systems, public employees in China are motivated by the expectation of receiving both intrinsic and extrinsic rewards.

China's civil servants are paid according to a single uniform pay scale (see Table 4). A civil servant's total wage has four different components: basic wage, post wage, grade wage and seniority wage – which are then added together. The "post wage" refers to the current post that a person holds. It is subdivided into 14 increments which are most often the result of how many years a person has been in the post. The "grade wage" reflects the individual capacity. Although obviously closely linked, it is separate from the post: one could theoretically have a lower grade than one's post would indicate. The combination of these two wages produces the greatest part of a civil servant's salary. The "basic wage" is the same for all government employees, from posts of "general office personnel" to the president: CNY 230 per month. The "seniority wage" represents very small amounts, as it is equal to the number of years of service in CNY: CNY 7 per month for a civil servant who has been working seven years. It is a means to count the years of service, which influences the attribution of other benefits to the civil servants.

Because average wages in the richest parts of the country are at least double the average wages in the poorest areas (National Bureau of Statistics, 2003), civil servants receive cash allowances to help defray cost-of-living differentials. The government has also laid down separate salary scales for major occupation groups employed by public service units which are also topped up to reflect local conditions.

Table 4. **Main components of civil service pay: pay scale for post wage and grade wage, 2004**

Unit: CNY/month

	Post wage														Grade wage	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Grade	Wage standard
President, Vice President, Premier	1 150	1 270	1 390	1 510	1 530	1 750									1	1 165
															2	1 030
Vice Premier, State Councillor	940	1 045	1 150	1 255	1 360	1 465	1 570								3	903
Minister, Governor	780	870	950	1 050	1 140	1 230	1 320	1 410							4	790
Vice Minister, Vice Governor	645	725	805	885	965	1 045	1 125	1 205	1 285						5	686
															6	586
Bureau chief	520	590	660	730	800	870	940	1 010	1 080	1 150					7	490
Deputy bureau chief	425	485	545	605	565	725	785	845	905	965					8	408
Division chief, county magistrate	345	395	445	495	545	595	645	695	745	795	845				9	340
Deputy division chief, deputy county magistrate	280	320	360	400	440	480	520	560	600	640	680				10	281
Section chief	225	255	285	315	345	375	405	435	465	525	555				11	231
Deputy section chief	188	210	232	254	276	298	320	342	364	386	408	430			12	190
															13	158
Section member	157	173	189	205	221	237	253	269	285	301	317	333	349	365	14	133
Clerical staff	130	143	156	169	182	195	208	221	234	247	260	273	286	299	15	115

Note: Came into force in July 2004.

Source: *Wenhui bao*, Hong Kong, 3 December 2003.

In addition to a basic salary, the government has provided public employees with goods (such as housing), services, cash subsidies and allowances (Burns, 2003b). Until 2003 virtually all civil servants were provided with housing at greatly subsidised prices. From the mid-1990s, the stock of civil service housing has been sold off gradually to civil servants at much below market prices. Since 2003, as part of the reforms, government departments have replaced the provision of departmental quarters with cash payments. Newly hired civil servants in Beijing complain, however, that the payments have not kept up with rising property prices.

Basic salaries are relatively low in China. However, this statement has to be put into perspective in two respects. First, basic salaries have not always been low in China compared to average national wages (see Burns, 2003b). In the 1950s, for example, officials in China pitched their own basic salaries at about 23 times the national average urban wage. Although the gap between the highest and lowest civil service salaries (vertical compression) has narrowed, officials have made up the difference to a large extent with generous benefits in kind (*e.g.* housing, official cars, travel, etc.), the provision of which has been mostly invisible. Official policy now calls for monetising these benefits for junior and middle-level civil servants.

Second, the fact that the relatively high rate of corruption serves to compensate for relatively low base salaries has contributed, in some instances, to the tolerance of this phenomenon. Real incomes for most civil servants are probably much higher than the published low base salaries. Families may also benefit by having a family member in the civil service. Although the state has established rules of "avoidance" to reduce potential conflicts of interest, the evidence is clear that family members have benefited from access to the bureaucracy (Li, 2001).

Although in comparative terms China's base public salaries appear to be rather low, they pose a considerable burden for poorer parts of the country where personnel costs can be from 70% to 80% of total expenditure. The burden on local governments has been exasperated by salary increases for all civil servants, which the central government has mandated each year from 1998 to 2004. Transfers from the Ministry of Finance to cover the increases have apparently not been used to cover these costs. Poorer local governments have reacted by levying additional fees and charges on the local population and by deferring salary payments. The levying of such "illegal" fees and charges has been a contentious issue in rural China that has threatened the stability of many local communities.

This discussion has focused mostly on the material rewards of public office which, after leading other sectors such as public service units and enterprises in the 1950s, 1960s, and 1970s, fell behind salaries paid by state-owned enterprises

in the 1980s and 1990s, and behind the private sector. The gap is the greatest in the rich coastal parts of the country. Since 1998, the central government has raised civil service salaries each year. Entry-level civil service positions remain competitive, indicating that the policies to raise pay levels may have had an impact.

3.4. Level of institutionalisation

An effective public personnel system is based on the rule of law that defines the rights and obligations of both employers and employees. Such a system provides predictability which is necessary for managing expectations. Systems that value the rule of law facilitate reforms becoming institutionalised.

Since 1980, the Chinese political system as a whole has become increasingly institutionalised. The 1980s, for example, saw a proliferation of Party and state institutions, regularisation of institutional processes, and emphasis on institutional discipline that has continued into the 1990s (Miller, 1999). Institutional restraints on China's leaders have increased during the past few years (Li, 2001). The CPC's management of the leadership succession in 2002-03 is evidence of a new higher level of institutionalisation especially at the top. Such an environment is conducive for further institutionalisation of China's civil service reforms.

To be successfully implemented, China's civil service reforms must become a norm and a matter of routine. Some of the reforms, such as the fixed tenure system which imposed retirement ages, have become institutionalised. Public employees around the country now accept that they will retire at age 55 or 60 as laid down in personnel regulations (Manion, 1993). Other reforms have failed to live up to their promise. The existence of numerous loopholes in the competitive selection process has undermined the reforms. Widespread corruption and indiscipline have also reduced the capacity of local governments in many parts of the country. These practices have allowed sectional interests to capture local governments in some parts of the country, empowering kinship groups, chambers of commerce, or even criminal gangs.

The government recognises that building norms and routines is a long-term process. Institutionalisation of civil service reform goes hand in hand with the development of a system of rule of law.

4. Conclusion and recommendations

Ultimately, have China's civil service reforms had an impact on either improving the capacity of the civil service or on the performance of government bodies? One would expect that because the reforms were so extensive, touching recruitment and selection, training, appraisal, rewards and punishments, compensation, discipline, and other areas, they should have improved civil

service capacity. Although capacity has improved during the past ten years, these capacity improvements may be explained by reasons other than civil service reform, such as by improvements in China's system of education (Walder, 2003). The rapid expansion of higher education since 1980 has produced a large population that is eligible for civil service employment.

The factors that influence the performance of government bodies are many and complex and may include resources, institutions and management mechanisms as well as political environments. According to research carried out in China, factors other than civil service reform are the most important for explaining performance. In a study of municipal environmental protection and education bureaus in Beijing, Ningbo and Changchun, researchers found that leaders in government bodies and their clients identified political leadership and financial support as more important than civil service reform for explaining improved performance. The research confirmed that civil service reform was perceived to play some role, however (Burns and Wang, 2003).

China's civil service system is far from homogeneous. To simplify, it may perhaps be viewed as two systems – one that is relatively performance-oriented, selects "the best and brightest" through competitive mechanisms, links rewards to performance, and does not tolerate indiscipline and corruption – and a second one that *de facto* operates as an employer of last resort, selects on the basis of many different criteria some of which may be irrelevant to the job, ties rewards to positions, and is characterised by relatively high levels of indiscipline and corruption. (There are undoubtedly many gradations in between.) In China, considerable evidence indicates that the performance-oriented systems operate primarily at the centre and in the richer coastal areas, while the traditional systems operate in the poorer, less developed hinterland. Improving the systems in these poorer areas depends in no small part on improving levels of economic development. Development is most likely with a highly competent and committed bureaucracy. Intervening to break out of the symbiotic relationship between poverty and inept bureaucratic leadership is an important task for the foreseeable future.

The following policy recommendations follow from this review:

- To enhance legitimacy and accountability and to attract the best possible candidates to work for the government civil service, personnel policies and practices should be as transparent as possible. In addition to the material now provided on the Internet, for example, the Ministry of Personnel should maintain a publicly available database on the civil service, publishing regular information on the size, distribution, gender composition, age distribution and educational background of the civil service. Publishing this information will improve confidence in the civil service, especially that the service is being fairly and impartially managed.

- The practice of permitting entry to the civil service outside the established mechanisms should be reduced and eliminated. To strengthen the civil service's meritocracy, all candidates for entry-level positions, including demobilised soldiers, should be required to take and pass the civil service entry examination.
- To reduce corruption, authorities should ensure that the rotation system for officials is implemented as widely as possible and that leading officials, their offices, and their families are audited on a regular basis.
- Transfers to poor areas should focus on improving human resources in those areas through training and transfers of experienced officials from more developed areas.
- Salaries for civil servants should be maintained at a competitive level, determined locally. To ensure this, surveys of pay levels should be carried out regularly and their results published. Pay awards should be based in part on the surveys.

Notes

1. Relatively developed countries with highly institutionalised public personnel systems may improve performance of the public sector through decentralisation, deregulation, and increased management flexibility to hire and fire. These "new public management" type policies are less appropriate for developing countries that have weakly developed regulatory states – that is, in order to deregulate, you first have to regulate.
2. See *People's Daily*, 24 March 2004, at *www.english.peopledaily.com.cn/200403/24/print20040324_138315.html* (retrieved on 8 April 2004) and *China Daily*, 24 March 2004, at *www.chinadaily.com.cn/english/doc/2004-03/24/content_317402.htm* (retrieved on 8 April 2004).
3. Figure for year end 2002 (Interview, Ministry of Personnel, 19 March 2004).
4. The system was extended to the CPC in 1993; the Youth League, the Women's Federation, the Song Qingling Foundation, the National People's Congress Standing Committee bureaucracy, the Chinese People's Political Consultative Conference (CPPCC) National Committee bureaucracy, the All-China Federation of Trade Unions, the Science and Technology Association, and the Returned-Overseas Chinese Federation in 1994; the Association of Taiwan Compatriots, the Huangpu Military Academy Alumni Association, the eight democratic parties and the All-China Federation of Industry and Commerce in 1995; the All-China Federation of Literature and Art Circles, the All-China Writers' Association, the All-China Journalists' Association, the All-China Staff and Workers Political Thought Work Research Association, the public service units of all local Party committees, the All-China Legal Studies Association, the All-China Association for Friendship with Peoples Overseas, the All-China Foreign Affairs Studies Association, the All-China International Trade Promotion Association, and the All-China Red Cross in 1996; and the All-China Disabled People's Federation in 1997. See Ministry of Personnel (ed.), *Renshi gongzuo wenjian xuanbian (Selection of Personnel Work Documents)*, various years.

5. Interviews with Supreme People's Court judges, Hong Kong, May 2001.
6. Cadres are the managers, administrators and professionals found in all sectors of the economy including enterprises, in administrative bodies including government, and in public service units.
7. Ministry of Personnel (1993), *Provisional Regulations on Civil Servants*, Article 11.
8. More recent information is not available. An official of the Ministry of Personnel stated in an interview on 19 March 2004 that the relative distribution of civil servants had not changed since 1998.
9. Assessment centres are not places but a method or process designed to assess skills or potential in a comprehensive and rigorous way. Typically, they involve the assessment of groups of participants by a team of trained observers. Candidates take part in a series of specially designed exercises or activities, including situational exercises that resemble the job being assessed for. See Dale and Iles, 1996.
10. In 2004 the Ministry of Personnel published a list of civil service vacancies on the Internet and indicated which ones required Party membership.
11. *People's Daily* (*Renmin ribao*), 24 March 1998, in FBIS-CHI-98-097, 7 April 1998; *China Daily* in *South China Morning Post*, 22 September 1998; *New China News Agency* (*Xinhua*), 29 October 1998, in FBIS-CHI-98-310, 6 November 1998; *Sing Tao Daily* (*Sing Tao Jih Pao*) (Hong Kong), 13 May 1998, in FBIS-CHI-98-133, 13 May 1998; *Ming Pao* (Hong Kong), 28 October 1998, in FBIS-CHI-98-301, 28 October 1998; and *Outlook* (*Liaowang*), 10 March 1997, in FBIS-CHI-97-071, 10 March 1997.
12. On 7 May 1998, the central Organisation Department set up a 24-hour hotline to receive information on corrupt personnel practices. From then until November 1998 nearly 1 000 informants called. See *New China News Agency* (*Xinhua*), 29 October 1998, in FBIS-CHI-98-310, 6 November 1998.

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