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CIVIL SERVICE REFORM IN CHINA

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**TABLE OF CONTENTS**

INTRODUCTION ..... 3

    Background ..... 4

    Issues ..... 9

        Recruiting and selecting the “best and brightest” ..... 10

        Building a culture of performance ..... 14

        Motivating public employees ..... 16

        Level of institutionalization ..... 19

    Conclusion and Recommendations ..... 19

    Appendix 1 ..... 21

## CIVIL SERVICE REFORM IN CHINA

### Introduction

1. 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.

2. 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, 49-50). Human resource management policies and practices for building capacity emphasize performance, flexibility, selection based on 'fit', and the appropriate utilization of talent (Hilderbrand and Grindle, 1997, 52-55). Accordingly, an effective public personnel system in a developing country<sup>1</sup> may be said to be characterized by 1) a legal and regulatory regime that ensures not only the rule of law but that rules and regulations give appropriate flexibilities to managers; 2) a relatively high degree of institutionalization to ensure predictability; 3) a selection system that is able to attract 'the best and brightest' in the country and to utilize talent appropriately; 4) a performance management system that is able to motivate, reward and retain talented people and that effectively manages under performers; and 5) a discipline system that is both just and effective at maintaining a coherent and corruption-free service.

3. Since 1993 the Chinese government has taken significant steps to reform the country's civil service system, which is still evolving. I conclude that bureaucracies with the most potential to contribute to high capacity government are not surprisingly found at the center 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 center the quality of the public service varies considerably. 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.

4. In the sections that follow I examine the size and scope of the civil service and discuss the political, economic, and social context of civil service reform in China, and the reforms themselves. I then discuss critical issues in the management of the civil service including selection, performance management, motivation, and discipline and corruption.

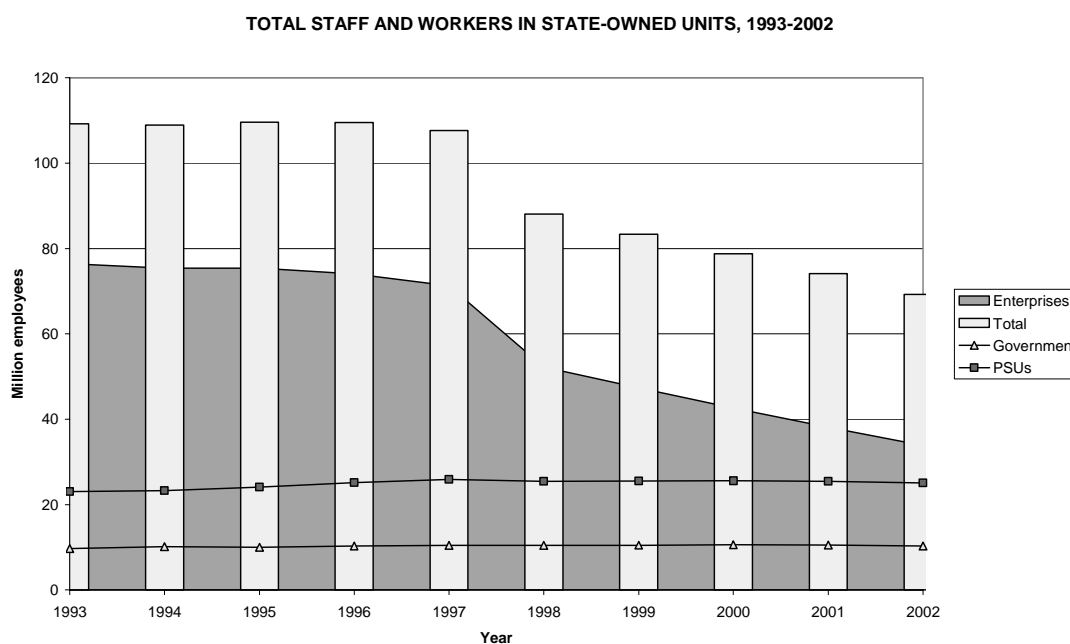
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1. Relatively developed countries with highly institutionalized public personnel systems may improve performance of the public sector through decentralization, de-regulation, and increased management more flexibility to hire and fire. These 'new public management'-type policies are less appropriate for developing countries that have weakly developed regulatory states. That is, to de-regulate, first regulate.

## Background

5. In 2002 the public sector employed an estimated 70 million people, about half of whom worked in government in one capacity or another (See Annex 1). Another 33 million worked in state-owned enterprises. The number of public employees has declined in recent years mostly as a result of the contraction of the state-owned enterprise sector (See Figure 1). Employment in government and public service units (education, public health, research and so forth) has been relatively steady over the past decade.

**Figure 1**



Note: Government includes core government and political parties. PSUs includes hospitals, schools, research institutes (*shiyi danwei*).

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

6. Of those employed in government departments and agencies in 2004 only 4.98 million<sup>2</sup> were formally classified as ‘civil servants’ according to China’s civil service regulations (Ministry of Personnel, 1993) (See Figure 2). In this paper, I focus primarily on the management of this group. The regulations identify as civil servants the managers, administrators, and professionals who work for government agencies (that is, 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 (the Premier, Vice Premier, State Councillors, Ministers and provincial Governors, Vice Ministers and Vice Governors and so forth – the leadership positions [See Article 9]). White collar government employees at both central and local levels, including towns and townships are also civil servants (Organization Department, Ministry of Personnel, 1998, pp. 135-8).

2. Figure for year end 2002. Interview, Ministry of Personnel, March 19, 2004.

7. The scope of the civil service in China is less inclusive than those found in many Western countries, however, because it excludes 1) all manual workers employed by the government; and 2) 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 organizations, publishers, and so forth) have their own personnel management arrangements and are funded through a 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 Annex 1) and worked in some 1.3 million units.

8. From 1993 to 1997 the Chinese Communist Party 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, and so forth) to many other public organizations including the Chinese Communist Party (CCP) itself and organizations on the Central Committee-controlled *nomenklatura*, such as mass organizations, the legislature, the Chinese People’s Political Consultative Conference and the democratic parties.<sup>3</sup> Interviews with mainland judges indicate that the judiciary and the procuratorate are also managed according to the civil service system.<sup>4</sup> If this larger group is included then in 2002 about 10.56 million people were managed according to civil service personnel arrangements (See Figure 2).<sup>5</sup>

9. These data indicate the stability of the non-state owned enterprise portion of public employees. In spite of numerous downsizing campaigns (supervised in 1993 and 1998 in the 1990s by the State Commission on Public Sector Reform [*zhongyang jigou bianzhi weiyuanhui*]), the number of government employees, including civil servants has apparently changed little over the past decade (See Burns, 2003).

10. China is a unitary state composed of 31 provinces or provincial-level administrative units (such as the municipalities of Beijing, Tianjin, Shanghai, and Chongqing). The Chinese Communist Party has a monopoly of all formal political power and maintains control of the system through its extensive role in the management of personnel, including the civil service, in all public organizations. Indeed, the first principle of personnel management in China is that ‘the party manages cadres (*ganbu*),’ of whom civil servants are a part.<sup>6</sup> One member of the seven-member Standing Committee of the Politburo (See Figure 3), the highest organ of political power in China has responsibility for overseeing ‘organization and personnel work’, including management of the civil service. The party Central Committee has entrusted policy making for

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3. The system was extended to the CCP in 1993, the Youth League, the Women’s Federation, the Song Qingling Foundation, the NPC Standing Committee bureaucracy, the 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 service units (*shiye danwei*) of all local party committees, the All-China Legal Studies Association, the All-China Association for Friendship with People’s 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 volumes) (Beijing: Renshi chubanshe, various years).

4. Interviews with Supreme People’s Court Judges, Hong Kong, May, 2001.

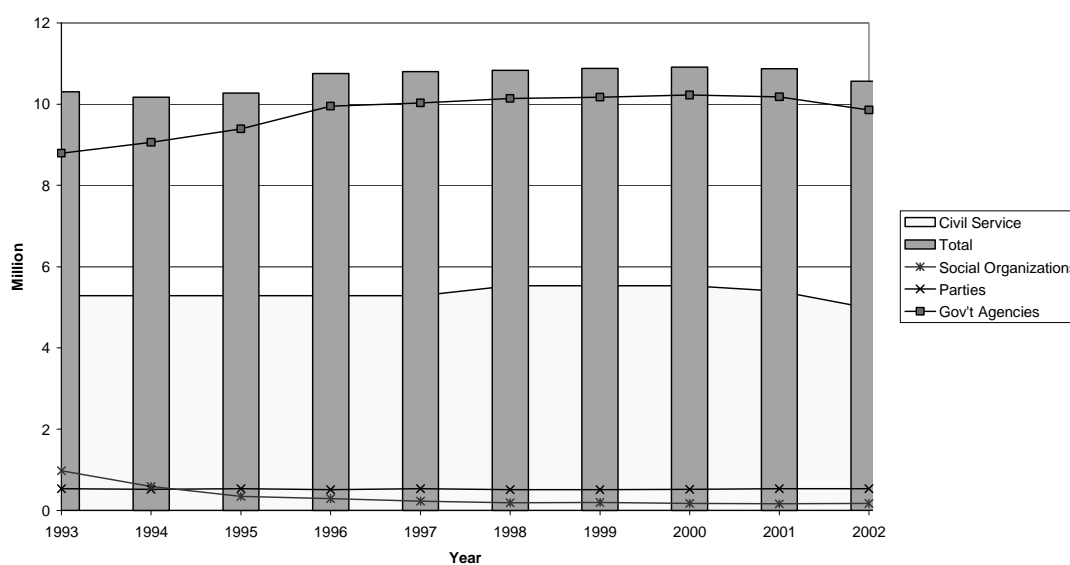
5. State Statistical Bureau, *Statistical Yearbook of China 2003* Beijing: China Statistics Press, 2003, p. 133.

6. Cadres are the managers, administrators and professionals found in all sectors of the economy, including enterprises, administrative agencies including government, and public service units.

the civil service to its Organization Department. The State Council's Ministry of Personnel implements the policy under the Organization Department's supervision. The two agencies, one party and the other government, are tightly linked. A Vice Minister of the Ministry of Personnel is concurrently a Deputy Head of the Organization Department and personnel of the two agencies may be seconded to the other agency for special projects as needed. By all accounts the party and government agencies 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 Inspection Discipline Commission and the government's Ministry of Supervision (See below).

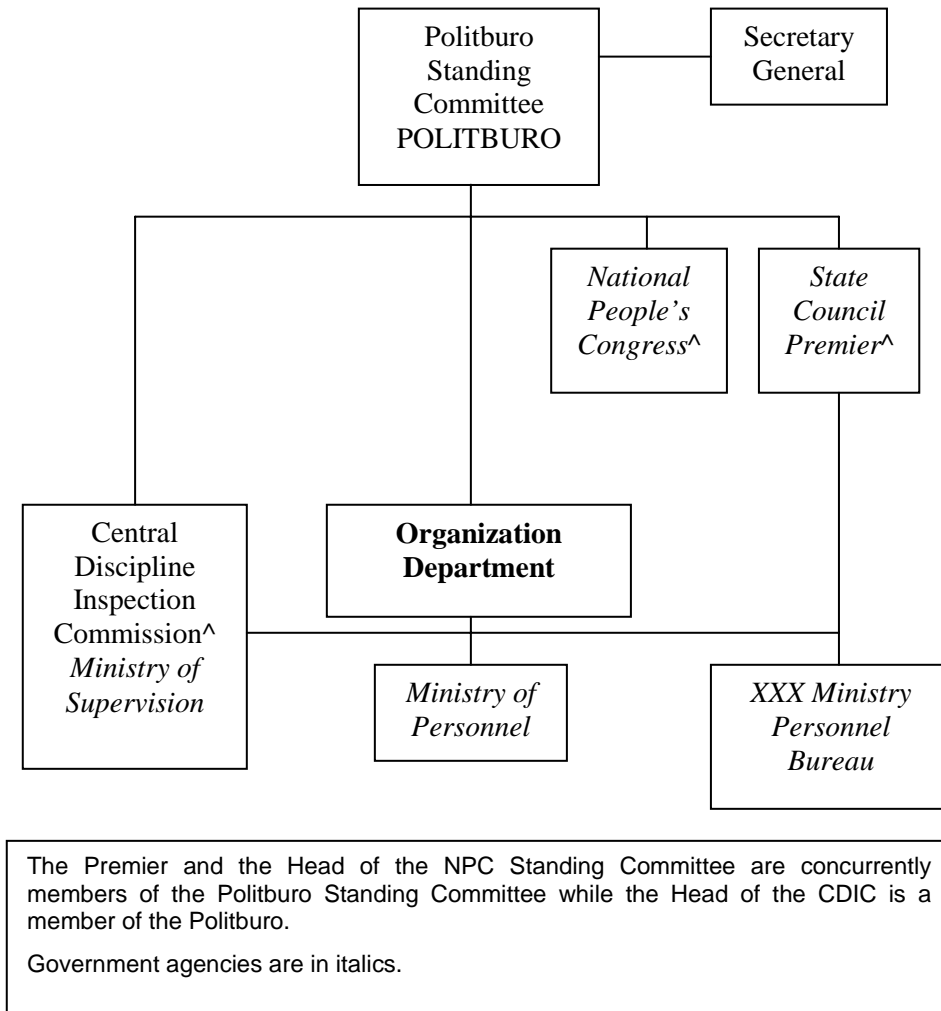
**Figure 2**

**TOTAL STAFF AND WORKERS EMPLOYED BY GOVERNMENT AGENCIES, PARTIES, AND SOCIAL ORGANIZATIONS 1993-2002**



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

**Figure 3**  
**CHINA'S CENTRAL CIVIL SERVICE MANAGEMENT SYSTEM**



11. All civil servants recruited into positions in the Ministry of Personnel are party members and civil servants recruited into personnel departments of all government agencies, even the most specialized and technical, must be party members. The party exercises control over public personnel appointments and dismissals of civil servants to leading positions (including the lowest level leadership positions such as deputy section head) through the *nomenklatura* system that gives the CCP 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.

12. The civil service is organized into twelve 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<sup>7</sup> (See Figure 4). “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, State Councillors at the center and Governors and Vice Governors of provinces and Mayors and Vice Mayors of provincial level municipalities, such as Beijing, Tianjian, Shanghai, and Chongqing. In China civil service grades are divided into leadership and non-leadership positions (All positions in Figure 4 are leadership positions except for those of Section Member and Clerical Staff) (Ministry of Personnel, 1993, Art. 9).

Figure 4

## CHINESE CIVIL SERVICE POSITION AND GRADE STRUCTURE

Positions	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 Bureau Chief								√	√	√	√				
Section Chief, Responsible Section Member									√	√	√	√			
Deputy Section Chief, Deputy Responsible Section Member									√	√	√	√	√		
Section Member										√	√	√	√	√	√
Clerical Staff											√	√	√	√	√

Source: Ministry of Personnel, *Provisional Regulations on Civil Servants* (in English) Beijing: Ministry of Personnel, mimeo, 1993, Art. 10.

13. Most civil servants work in local government in one of China’s 2,800 or so counties. Based on information published in 1998 (See Table 1) I conclude that only about 10 percent of civil servants work at the central level.<sup>8</sup> Another 11 percent work at provincial-level, 21 percent at prefectural level, 41 percent at county level, and 17 percent at town or township level. Less than a thousand civil servants are ranked at minister/provincial governor-level, while most civil servants who work in China’s counties hold the rank of section chief or deputy chief (35.7 percent) or section member (46.8 percent). Bureau-level officials, employed in the central government and at provincial level, make up less than half a percent of the total,

7. Ministry of Personnel, *Provisional Regulations on Civil Servants*, Article 11.

8. More recent information is not available. In an interview with an official of the Ministry of Personnel on March 19, 2004 I was told that the relative distribution of civil servants had not changed since 1998.

while about 5.5 percent of civil servants are division chiefs (employed in central ministries and in provincial government) or county heads (Xi, 2002, 29-30).

**Table 1**  
**NUMBER AND DISTRIBUTION OF**  
**CIVIL SERVANTS BY ADMINISTRATIVE LEVEL, 1998**

<b>Administrative level</b>	<b>Number of Civil Servants</b>	<b>Percentage</b>
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
<b>TOTAL</b>	<b>5,334,322</b>	<b>100.00</b>

Source: Xi Liu, *Chinese Civil Service System [Zhongguo gongyuyuan zhidu]* Beijing: Qinghua daxue chubanshe, 2002, p. 29.

14. 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 liberalized the positions of managers, administrators and professionals became more specialized. Accordingly, the CCP designed a management system for 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 labor and wage markets, on the other. The CCP 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.

15. The 1993 reforms included policies designed to improve the capacity of the civil service and make it more competitive. First, all newly recruited civil servants were to be selected based on 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. Although the reforms have contained many policies, these were the essence of the reforms.

### **Issues**

16. High capacity civil service systems are characterized by open and competitive selection processes, mechanisms that appropriately utilize 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. I will review the extent to which the Chinese civil service approaches this model in the following sections devoted to staffing, performance management, motivation, and institutionalization.

***Recruiting and selecting the “best and brightest”***

17. 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 utilized. The Chinese government has been largely successful at attracting ‘the best and the brightest’ to the civil service system especially at the center. The quality of the civil service at local levels varies tremendously.

18. 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 center is keen and increasingly competitive. From 1994 to 2004 the number of applicants for each post has grown from about 10 to nearly 18 (See Table 2). 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, 137, 143, 150). 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 2**  
**NUMBER OF VACANCIES AND APPLICANTS FOR**  
**CENTRALLY MANAGED CIVIL SERVICE POSITIONS, 1994-2004**

<b>Year</b>	<b>No. of Applicants (A)</b>	<b>No. of Vacancies (B)</b>	<b>Ratio of A to B</b>
1994	4,306	440	9.8
1995	6,726	490	13.7
1996	7,160	737	9.7
1997	8,850	NA	NA
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 July 22, 1996, August 12, 1999, and March 19, 2004.

19. To boost recruitment the government has taken several measures including 1) raising civil service salaries (see below); 2) waiving the requirement that applicants for the civil service must have two years of work experience before they are selected; 3) increasing publicity especially in universities; and 4) relying more on the internet and IT in recruitment. The civil service in China, especially the richer coastal areas, like more traditional civil services overseas, attracts 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.

20. Civil service selection methods especially at the center are often very rigorous and may include problem-based exercises to assess potential that are often found in assessment centers<sup>9</sup> (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 centers. 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 analyzing 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 thirty 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 choose four to fill the vacancies.

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

21. Civil service reforms and reform of higher education have increased civil service capacities especially at the center and at provincial level. Thus, by 2003 nearly 70 percent of civil servants had university or community college degrees (Interview, Ministry of Personnel, March 19, 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 percent 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.

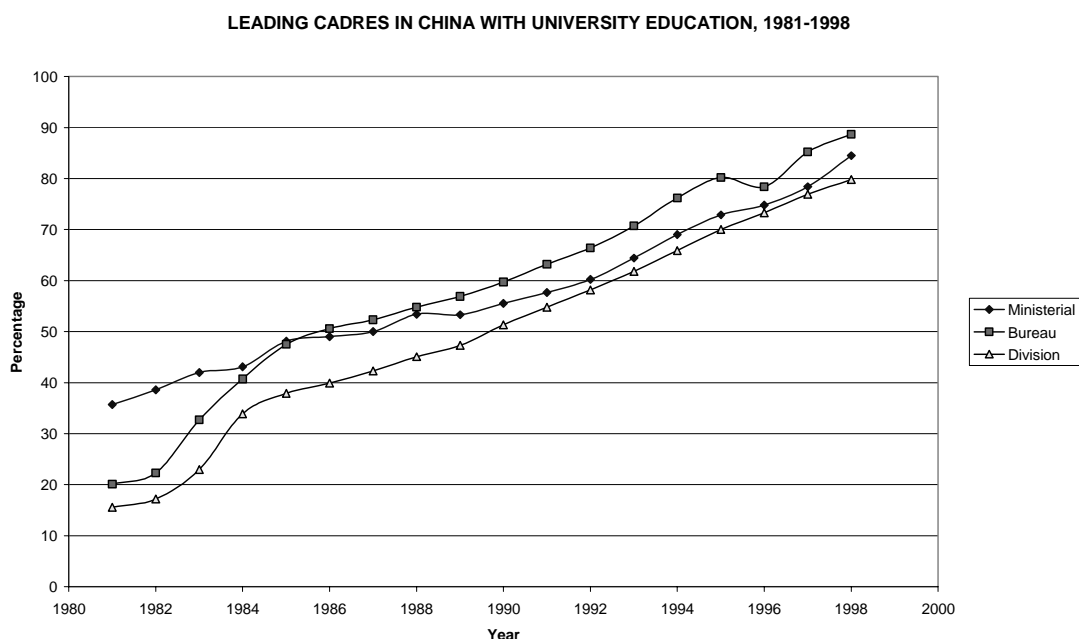
22. Personnel reforms dating from the early 1980s have also lowered the age of China's civil servants. From 1982, when the CCP officially adopted a mandatory retirement policy (men retire at age 60 and women at age 55), China has increasingly selected younger people for leadership positions (Manion, 1993 and Lee, 1991). From 1981 to 1989, the average age of officials of ministerial or bureau rank fell

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9. Assessment centers are not a place 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 Margaret Dale and Paul Iles (1996), *Assessing Management Skills: a Guide to Competencies and Evaluation Techniques* London: Kogan Page.

from 63.6 years to 56.9 years. In 1980, more than 80 percent of provincial or ministerial level officials were 60 years of age or older. By 1998 the percentage over the age of 60 had dropped to about 54 percent. At the same time at bureau level the number of officials over the age of 60 fell from 37 percent to 11 percent, while at county level those over the age of 60 are only about one percent of the total (Organization Department, 1999, pp. 6 and 12). By the mid-1990s, more than half of the civil service as a whole was under the age of 40 (*China Organization*, July 1998, p. 4).

**Figure 5**



Source: Organization Department [Zhonggong zhongyang zuzhi bu] Collection of Statistical Information on Party and Government Leading Cadres 1954-1998 [Dangzheng lingdao ganbu tongji ziliao huibian 1954-1998] Beijing: Dangjian duwu chubanshe, 1999, pp. 5, 8, and 10.

23. 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. Recognizing 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, Art 13). As a result ethnic minorities hold about eight percent of civil service posts compared to their approximately six percent of the total population (China Personnel Yearbook Editorial Office, 1989, 737). In other respects, however, the civil service is unrepresentative of the general population. First, as we would expect it is much better educated than the population as a whole. Second, women hold only about 20 percent of civil service posts overall (Interview, Ministry of Personnel, March 19, 2004), and less than ten percent of leading positions at provincial or county level (7 percent at a provincial level and 9 percent at county level [Organization Department 1999, 30]). If we include public service units such as health and education, the number of women increases, however. At the end of 2002, 58 percent and 45.5 percent of employees in public health and education respectively were women (National Bureau of Statistics, 2003, 143).

24. Finally, party members, who make up less than five percent of the total population, are over represented in the civil service, where they hold about 80 percent of civil service posts (*China*

*Organization*, July 1998, 4). Although the regulations do not require that civil servants be party members, in practice the party requires that many posts be held by party members.<sup>10</sup> These posts tend to be in politically sensitive departments (e.g., the State Council General Office, Ministry of Education, Ministry of Science and Technology, National Defense, National Minorities, Public Security, Family Planning, Securities Regulatory Commission, and the State Assets Regulatory 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 CCP Organization Department determines which categories of posts should be held by party members for recruiting departments and agencies to implement. These arrangements are designed to ensure that the government is responsive to the political executive. With a few exceptions (e.g., the Cultural Revolution, the June 4, 1989 period, and so forth), the policy has been successfully carried out.

25. Significant gaps characterize 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 demobilized 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 agency was expected to take several demobilized soldiers. Although some agencies refused (and apparently could refuse), the district government as a whole was assigned a quota of demobilized soldiers and expected to fill it. Neither examinations nor other competitive selection systems were used to place demobilized 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 centrally-laid down competitive processes (Ministry of Personnel, March 19, 2004).

26. Finally, relatively large numbers of official positions again mostly at local levels (township and/or county) 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 in Heilongjiang Province.<sup>11</sup> 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] August 1, 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.<sup>12</sup> As a result of these and other loopholes in 2002 alone some 38 percent of new civil service hires entered through non-competitive means (Interview, Ministry of Personnel, March 19, 2004).

27. In addition to the loopholes discussed above, the government's restructuring policy which from 1998 to 2002 sought to downsize government agencies 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

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10. In 2004 the Ministry of Personnel published on the internet a list of civil service vacancies, and indicated which required party membership.

11. *People's Daily* [*Renmin ribao*] March 24, 1998 in FBIS-CHI-98-097 April 7, 1998; *China Daily* in *South China Morning Post* September 22, 1998; *New China News Agency* [*Xinhua*] October 29, 1998 in FBIS-CHI-98-310 November 6, 1998; *Sing Tao Daily* [*Sing Tao Jih Pao*] (Hong Kong) May 13, 1998 in FBIS-CHI-98-133 May 13, 1998; *Ming Pao* (Hong Kong) October 28 1998 in FBIS-CHI-98-301 October 28, 1998; and *Outlook* [*Liaowang*] March 10, 1997 in FBIS-CHI-97-071 March 10, 1997.

12. On May 7, 1998 the central Organization Department set up a 24-hour hotline to receive information on corrupt personnel practices. From then until November 1998 nearly 1,000 informants called them. See *New China News Agency* [*Xinhua*] October 29, 1998 in FBIS-CHI-98-310 November 6, 1998

targets many agencies could make no new hires at all, thus undermining one of the objectives of the reform.

28. I conclude, then, that open, competitive hiring characterizes the civil service at the center and probably in the richer coastal areas. Even in these areas, however, local government must provide employment for non-competitively selected demobilized soldiers. In less developed parts of the country where government serves as an employer of last resort the problems are much more severe.

### ***Building a culture of performance***

29. 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.

30. Although 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 percent in 1996 to 62.3 percent in 2002, 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 nonessential luxury.

31. 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, Art. 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, 191). The 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 also sometimes also uncovered cases of corruption (Chou, 2003, 196).

32. 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 included GNP, gross value of industrial output, gross value of agricultural output, national income per capita, taxes and profits remitted, retail sales, and so forth (Whiting, 2001, 103). Although officials broadened the criteria actually 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 (*SCMP* August 4, 2004). Officials anticipate that more service-oriented criteria will be incorporated into civil service performance evaluations in the future.

33. Within government departments and agencies, performance appraisals focus mostly on merit-related criteria which seek to evaluate behavior on the job. These criteria also evaluate 'moral integrity' however, which includes the extent to which the civil servant implemented CCP policy during the reporting period (Ministry of Personnel, 1993, Art 20).

34. China's performance management policy seeks to link performance with rewards and stipulates that bonuses be paid 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 percent of the total, sometimes rising to from 16 to 18 percent (Interview, Ministry of Personnel, March 19, 2004). Salary increments are also supposed to be paid based on performance. In poorer counties where personnel costs can amount to 70 percent or more of total expenditure (World Bank 2002, v) paying bonuses and increments is undoubtedly a real hardship.

35. Because of a political preoccupation with stability, the government has foregone 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 unfavorable performance ratings (only 0.1 percent of all civil servants are rated 'unsatisfactory'). Officially two consecutive 'unsatisfactory' ratings should lead to dismissal.

36. Civil service regulations also stress that government officials should 'be fair and honest and work selflessly in the public interest' (Ministry of Personnel, 1993, Art 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 institutionalize the rule of law.

37. More serious than 'localism' is corruption within the civil service which continues to be a significant problem. We have already seen that the sale and purchase of offices has undermined civil service reforms in many local governments. But corruption more generally has undermined civil service discipline (See Manion, forthcoming, 122). Given the low probability of being prosecuted (from 1993-98 fewer than half of the corruption cases being investigated let to criminal charges being filed and only 6.6 percent of these led to corrupt officials being sentenced [Hu Angang 2001 and Hu in *SCMP* March 24, 2001]), engaging in corrupt practices appears to have been a relatively low risk activity. These problems are reflected in China's relatively poor showing in Transparency International's Corruption Perception Index.

38. Corruption characterizes economies in transition 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 agencies puts authority for anti-corruption work in the hands of the party (the Central Discipline Inspection Commission and its network of local commissions) and not in the hands of an independent agency that has authority over the CCP and that can call the CCP to account. As a result, officials within the party have been able to protect their corrupt subordinates with relative ease.

39. The party plays a direct role in the management of civil service performance. First, as we have seen personnel officials in government departments and agencies are all party members. Second, officials of CCP organization 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 CCP's *nomenklatura* system legitimizes this participation (See Burns 1989 and 1994). In the 1990s the

party has been 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 (Box 1 above) 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 CCP's strangle hold on civil service personnel administration may have undermined progress toward meritocratic outcomes.

### *Motivating public employees*

40. 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 organizations 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.

41. China's civil servants are paid according to a single uniform pay scale (See Table 3). Because average wages in the richest parts of the country are at least double average wages in the poorest areas (National Bureau of Statistics, 2003, 158-163), 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.

42. 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 subsidized 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.

43. Unconstrained by democratic institutions, officials in China have been able to determine their own compensation levels with little outside interference (Hood and Peters, 2003). In developed capitalist democracies political competition has tended to keep civil service salaries low.<sup>13</sup> Basic salaries are relatively low in China, however, an outcome that needs to be explained. 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 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, and so forth), the provision of which has been mostly invisible. Official policy now calls for monetizing these benefits for junior and middle-level civil servants.

44. Second, as we have seen officials have permitted relatively high rates of corruption which serves to compensate for relatively low base salaries. 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).

45. 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 percent of total expenditure. The burden on local governments has been exasperated by salary increases for all civil

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13. This outcome has changed in recent years, however, as heads of executive agencies have been hired at salaries higher than either politicians or senior civil servants.

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 'illegal' fees and charges has been a contentious issue in rural China that has threatened the stability of many local communities.

Table 3: CHINESE CIVIL SERVICE PAY SCALE, 2004

Rank	Post Wage															Grade Wage		Basic Wage	Seniority Wage <sup>a</sup>	
	Unit: Yuan/Month															Grade	Wage Standard			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15					
Position	1150	1270	1390	1510	1530	1750											1	1165	230	
President, Vice President, Premier	940	1045	1150	1255	1360	1465	1570										2	1030	230	
Vice Premier, State Councillor	780	870	950	1050	1140	1230	1320	1410									3	903	230	
Minister, Provincial Governor	645	725	805	885	965	1045	1125	1205	1285								4	790	230	
Vice Minister, Provincial Deputy Governor	520	590	660	730	800	870	940	1010	1080	1150							5	686	230	
Bureau Chief	425	485	545	605	665	725	785	845	905	965							6	586	230	
Deputy Bureau Chief	345	395	445	495	545	595	645	695	745	795	845						7	490	230	
Division Chief, County Magistrate	280	320	360	400	440	480	520	560	600	640	680						8	408	230	
Deputy Division Chief, Deputy County Magistrate	225	255	285	315	345	375	405	435	465	525	555						9	340	230	
Section Head	188	210	232	254	276	298	320	342	364	386	408	430					10	281	230	
Deputy Section Head	157	173	189	205	221	237	253	269	285	301	317	333	349	365			11	231	230	
Section Member	130	143	156	169	182	195	208	221	234	247	260	273	286	299			12	190	230	
General Office Personnel																	13	158	230	
																	14	133	230	
																	15	115	230	

Note: <sup>a</sup>One yuan for each year of service. Source: *Wenhui bao* (Hong Kong) Dec 3, 2003. To come into force in July 2004.

46. 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. As we have seen entry-level civil service positions remain competitive indicating that the policies to raise pay levels may have had an impact.

### ***Level of institutionalization***

47. 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 institutionalized.

48. Since 1980 the Chinese political system as a whole has become increasingly institutionalized. The 1980s, for example, saw a proliferation of party and state institutions, regularization of institutional process, and emphasis on institutional discipline that has continued into the 1990s (Miller, 1999, 24-28). Institutional restraints on China's leaders have increased during the past few years (Li 2001, 129). The CCP's management of the leadership succession in 2002-03 is evidence of a new higher level of institutionalization especially at the top. Such an environment is conducive for further institutionalization of China's civil service reforms.

49. 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 institutionalized. Public employees around the country now expect that they will retire at 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.

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

### **Conclusion and Recommendations**

51. China's civil service reforms are now ten years old and deserving of serious scrutiny. Have they had an impact on either improving the capacity of the civil service or on the performance of government agencies? 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. I have argued that capacity has improved during the past ten years. But the 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.

52. The factors that influence the performance of government agencies are many and complex and may include resources, institutions and management mechanisms, and political environments. According to research carried out in China, factors other than civil service reform are the most important for explaining agency performance. In a study of municipal environmental protection and education bureaus in Beijing, Ningbo, and Changchun, researchers found that agency leaders and their clients identified political leadership and financial support as more important than civil service reform for explaining improved

agency performance. The research confirmed that civil service reform was perceived to play some role, however (Burns and Wang, 2003).

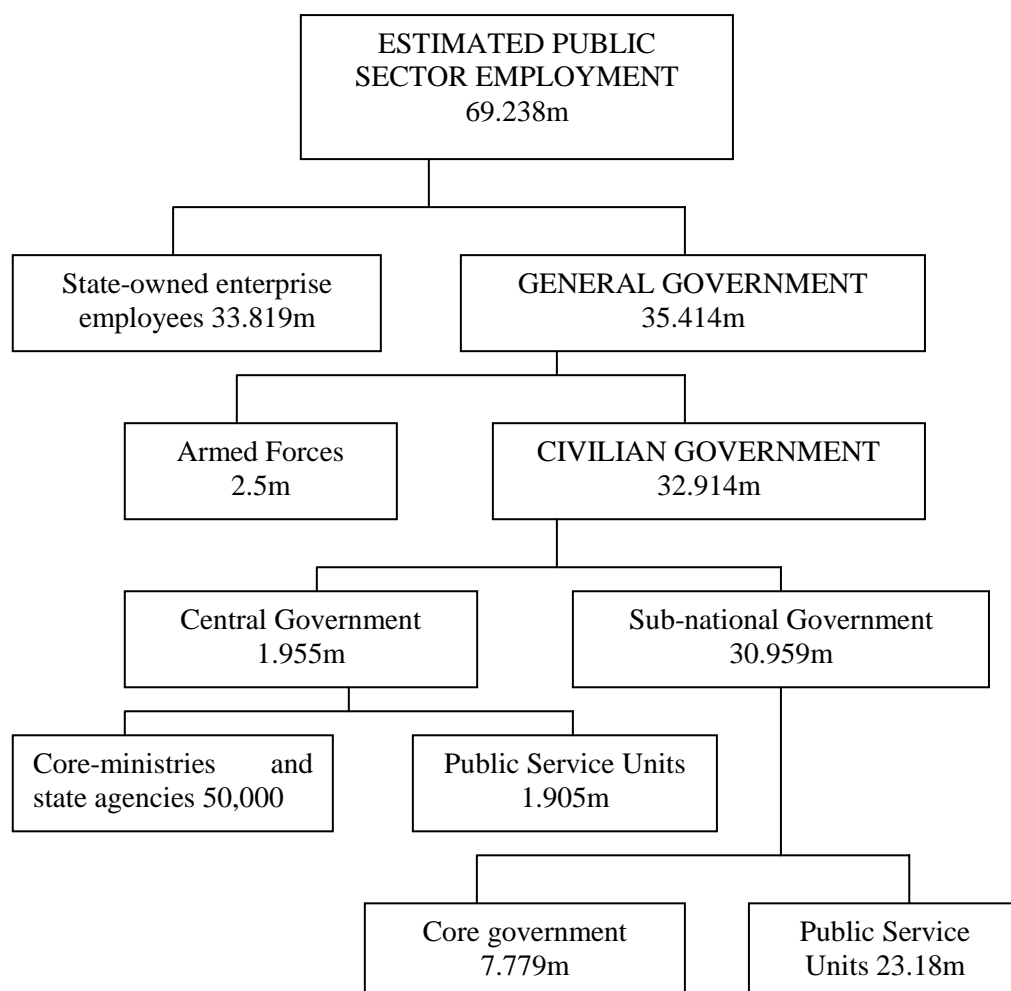
53. China's civil service system may perhaps be viewed as two systems – one that is relatively performance-oriented, selects 'the best and brightest' through competitive mechanisms, links rewards to performance, and does not tolerate indiscipline and corruption – and another that is more traditional, operates as an employer of last resort, selects based on many different criteria some of which may be irrelevant to the job, ties rewards to positions, and tolerates 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 center 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.

54. 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 data base on the civil service, publishing regularly 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 de-mobilized 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 in of experienced officials from more developed areas.
- Salaries for civil servants should be maintained at a competitive level, determined locally. To ensure this, pay level surveys should be carried out regularly and their results published. Pay awards should be based in part on the surveys.

## Appendix 1

## ESTIMATED NUMBER PUBLIC SECTOR EMPLOYEES



Note: These figures represent a conservative estimate based on published data from the National Bureau of Statistics of China. I have included only 'staff and workers' employed in state-owned (not collectively-owned or 'other'-owned) units. By the end of 2002 the total number of 'staff and workers' employed by all state-owned units was 69.238 million. A further 10.709 million were employed in 'urban collectively-owned' units and an additional 25.629 million were employed in 'units of other types of ownership' which included cooperatives, joint ownership, limited companies, shareholding companies, and so forth). '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'. I have estimated the central-local distribution of public employment based on the distribution in 2000. The press reported on March 24, 2004 that 'public service units' employed between 28 and 29 million people at the end of 2003 in contrast to the 25 million reported by the National Statistics Bureau for the end of 2002 (See *People's Daily* March 24, 2004 and *China Daily* March 24, 2004 at [http://www.english.peopledaily.com.cn/200403/24/print20040324\\_138315.html](http://www.english.peopledaily.com.cn/200403/24/print20040324_138315.html) [retrieved on April 8, 2004] and [http://www.chinadaily.com.cn/english/doc/2004-03/24/content\\_317402.htm](http://www.chinadaily.com.cn/english/doc/2004-03/24/content_317402.htm) [retrieved on April 8, 2004]).

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

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