Staff Research Insights

The APS and the Chinese Civil Service

Effective leadership  Diverse workforce  Capable organisations and workforce  Employee conditions  APS Values

Dr Derek Drinkwater
November 2012
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Introduction

Australia’s relations with China are at the forefront of security and trade policy debates in Australia at present—a trend likely to continue for decades. As China-Australia relationships become more complex, Australian Public Service (APS) employees will be required to command high levels of expertise and demonstrate a comprehensive understanding of China as a nation and its civil service.

The paper suggests that, in order to do this successfully, knowledge of two key elements of the Chinese polity is necessary: 1) the administrative tradition which shapes Chinese public administration; and 2) the structure of China’s civil service and the categories and responsibilities of its civil servants. As Hon S. Chan and Jun Ma argue, anyone wishing to understand China’s government must understand the workings of its civil service.1 This will be an ongoing requirement since China’s leaders have acknowledged their commitment to continued public sector reform.2 For some time, they have sanctioned the establishment of public administration learning and development initiatives designed to enhance civil servants’ understanding of global political, economic, legal and administrative systems.3 They have also adopted many Western civil service ideas and practices—albeit modified to reflect ‘Chinese characteristics’.4 As Martin Painter and B. Guy Peters have pointed out, some ‘new and somewhat unexpected hybrids’ have emerged from this process.5

A number of Western nations have in place both public- and private sector-based training programs designed to strengthen the capability of their senior public servants and business leaders to engage more productively and effectively with other countries’ civil services. Examples include the ‘Leadership for a Global Society’ seminars run by the US Office of Personnel Management’s Federal Executive Institute (FEI). The seminars, which are part of the FEI’s Centre for Global Leadership Series of training modules, aim to enhance public servants’ understanding of America’s place in the world, the values and priorities that shape

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3 Kjeld Erik Brodsgaard & Gang Chen, ‘China’s Attempt to Professionalize its Civil Service’, National University of Singapore, East Asian Institute (EAI), EAI Background Brief No. 494, 16 December 2009, p. ii.


international interaction, and the negotiation and teamwork skills essential to effective global inter-governmental relations.\(^6\)

An example of a similar program, one which focuses on relations between the civil services of two countries, is Australia’s Global Leadership Practices (GLP) Program (GLP China). It is designed for SES and EL employees in the Australian and state and territory public services. GLP China is the product of collaboration between the leadership development firm Yellow Edge and the Shanghai-based China Executive Leadership Academy Pudong (CELAP). It is supported by the Australian Public Service Commission, Austrade, the Australian National University’s China Institute, and the China Research Centre at the University of Technology, Sydney.\(^7\)

Cost considerations restrict APS employee participation in these programs. Clearly, other ways—short APS training courses delivered by in-house and external providers, for example—must be devised to better equip those public servants who deal regularly with China to secure the best outcomes for Australians across the whole spectrum of public policy. Such courses—supplemented by more ambitious and intensive residential learning and development initiatives—would constitute a solid basis for improving the APS-China civil service relationship. Central to this process will be a focus on understanding the Chinese administrative tradition and the structure and operations of its civil service.

**The Chinese Administrative Tradition**

China’s administrative system is the world’s oldest and there has been ‘a remarkable continuity’ in the way the Chinese have perceived the role of public officials. In comparison with other modernising nations, China’s adherence to its historical and cultural origins has made it difficult to reform its civil service. To this day, the paternalist nature of the Chinese bureaucracy and its often discretionary relations with the public are obstacles to change.\(^8\)

These features of bureaucratic life are long-standing in origin. They lie in the belief system and practices of Confucianism, which continues to provide the basis for the norms of Chinese inter-personal conduct and administrative behaviour. As Anthony B. L. Cheung has argued, although a paucity of research into the subject has limited our understanding of how the Chinese administrative legacy has passed to the present, Confucianism continues to be a

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potent factor in Chinese life. Cheung points to the widespread scholarly assumption that the Republican revolution in China in 1911 ending almost 4,000 years of Imperial rule, and the establishment in 1949 of the People’s Republic of China along Marxist-Leninist revolutionary principles largely consigned to history observance of Confucian precepts in public administration. However, he rejects this ‘argument of disconnection’ and concludes that the Chinese administrative tradition continues to have a marked effect on the ‘design, practice and culture’ of Chinese public administration.¹⁰

Writing in 1995, Steven E. Aufrecht and Li Siu Bun¹¹ employed a three-part model of competing Chinese values devised by Suzanne Ogden¹² as a framework for understanding Chinese civil service reform. This approach remains a useful one. The first value relates to traditional Chinese culture as manifested in Confucianism, a value system as integral to understanding Chinese life as a knowledge of Judeo-Christian belief is to the history of Western civilisation. Confucianism is enunciated in a collection of dialogues Confucius held in the fifth century B.C., known as the Analects. Over time, scholars distilled from these nine works (the Five Classics and the Four Books), precepts which came to be considered the basis for leading a moral life. Mastery of these also emerged across the centuries as the requirement for entry into the higher echelons of China’s civil service.

The second of Ogden’s values is ‘socialism’, or the belief system and apparatus of the Chinese Communist Party, more particularly, how it affects civil service functions (including the role of civil servants). As with the enduring administrative tradition, significant continuities characterise the machinery of Chinese government. The cadre system—whereby a select group of officials occupy management and professional positions in the bureaucracy—was introduced by the Communist Party after it came to power in 1949, though it has many similarities with the administrative elite which had served China’s Imperial rulers for centuries. The third value relates to ‘development’—the need for a solid understanding of China’s size, economic situation, the living standards and educational levels of its people, and the implications of these factors for public sector operations.

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Anthony B. L. Cheung, writing in 2010, marshalled convincing evidence for seeing the Confucian legacy as an enduring influence on Chinese public administration. He argues that the administrative legacy of China’s Imperial courts was established under the Han Dynasty (206 B.C.–220 A.D.). It rested on three pillars: 1) a bureaucratic centralised state of scholar-officials; 2) the rule of virtue according to Confucian teachings; and 3) the notion of mandate of heaven, or, one Imperial ruler. But the latter’s power did not go unchecked; the mandarins advising the emperor—who also served as a bridge between him and the people—often influenced his conduct by suasion and other more direct means.

As Cheung has pointed out, ‘The collective responsibility in decision-making at the highest level of the state and a differentiated power structure were important features of Imperial China ... behind the facade of a despotic or absolutist monarchy lay an imperial public administration system grounded in conformity to Confucian ethics and ethos as an overarching and permanent ideology of governance.’ Imperial Chinese government was sustained by centralised bureaucratic (mandarin) politics, Confucianism and a land economy characterised by recurrent landlord-peasant class conflict. Between 1911 and 1949, successive Republican administrations sought to incorporate aspects of Western political and civil service practice. These included the adoption of a so-called ‘Five-Power’ constitution incorporating both Chinese and Western separation of powers principles and the introduction of competitive examination for civil service entrance (senior staff in 1931 and junior employees in 1934).

Most of these reforms were abolished or truncated when the People’s Republic of China came into being in 1949, and there was no direct inheritance of Imperial and Republican political and administrative practice. The Communist Chinese rulers looked largely to the Soviet model of governance with China remaining a land-based economy that subdued the peasantry to the state system through collectivisation. However, some key elements of Imperial and Republican Chinese administration remained in place. An elite bureaucratic system was established to implement state policy, though it was now the cadre rather than the scholar-official who performed this role.

In addition, a clearly-defined set of beliefs about right and acceptable conduct under Communism reduced the reliance on Confucianism. Finally, a small group of national leaders exercising total power ruled the nation—though, as in the case of the emperors, subtle


political and administrative checks on their power were in place. Chief among these was the need to maintain a contented group of middle-ranking and senior civil servants who could be relied on to implement government directives without question. Until the late 1970s, when the market economy began to transform Chinese society, China’s civil service functioned within the restrictive framework determined by Marxist-Leninist-Maoist ideology.\textsuperscript{15}

Post-revolution, China continued to be organised and ruled hierarchically within the framework of a centre, provinces, prefectures and counties. The public sector retained its importance as a key instrument for implementing government policy and, despite some assaults on its status during the ‘Cultural Revolution’ of the late 1960s and early 1970s when many civil servants were accused of being enemies of the revolution, the civil service’s acknowledged role as the flywheel of the state has continued. The introduction of ‘market socialism’ in the 1970s and 1980s heralded a new approach to economic management, one that continues and in which civil servants play a major role. These reforms were aimed primarily at encouraging state economic managers to meet specified performance targets within a less rigid governance and economic environment.\textsuperscript{16}

Before further exploring why Confucianism remains a significant influence on Chinese life, it may be useful to understand how other factors with centuries-old dynastic origins continue to shape political and bureaucratic behaviour. Influential among these is the state’s covert capacity to observe the private and public lives of its citizens. A vast network of administrative supervision and surveillance performed under the authority of the Grand Censor was set in place during the time of the Han Dynasty. By the time of the Tang Dynasty (618–907), it had developed into a completely autonomous system, the Censorate having full jurisdiction over all central and local government officials and reporting directly to the emperor.\textsuperscript{17} This apparatus, adapted by the Communist Party as a formidable tool of statecraft, is still in existence under a different name—its power far greater than that enjoyed by any Imperial or Republican ruler of China.

Another long-established and deep-rooted feature of Chinese society continues to shape the operations of Chinese society and its civil service. It is a distinctive Chinese form of personalism called \textit{guanxi}—described by Aufrecht and Bun as a network of outstanding


personal favours and obligations arising from town or regional, school, or family ties. It presents a substantial barrier to the application of the merit principle in key aspects of civil service management, chiefly, recruitment and promotion and remains one of the main challenges to enduring civil service reform in China. The effects of *guanxi* on public policy need to be considered carefully by APS employees in their negotiations with China’s civil servants.

For Anthony B. L. Cheung, the teachings of Confucius are manifested in present-day China through ‘the Confucian tradition of paternalistic authoritarianism founded on the [sic] rites, ethics, roles and obligations; the rule by benevolent/enlightened men instead of the rule of law; and the organic nature of state-society relations, to produce sociopolitical harmony’. Similarly, writing about the role of Confucian approaches in preserving age-old administrative practices and thinking, O. P. Dwivedi concludes that, although management of Chinese public companies is increasingly being influenced by Western ideas and market reform approaches because many of them are now joint enterprises or wholly owned by foreigners, the system of public administration in China remains ‘relatively intact’. He goes on to identify several important elements germane to understanding how the civil service operates in China. Chinese managers are highly risk averse and they will only experiment or innovate with their superiors’ imprimatur; they are reluctant to collaborate across departments, preferring vertical, hierarchical ways of working instead; and they are loath to take personal responsibility for their actions, fearing loss of face if things go wrong and choosing rather to transfer accountability for errors to the group.

Dwivedi sets out the far-reaching implications of adhering to these practices—for the civil service and for China as a nation:

> The culture that prevails in public organisations in China today does little to encourage innovation ... China provides a favourable context for the social acceptance of a paternalistic public bureaucracy. Both the culture and the political system emphasise unified leadership and authority, mutual dependence, moral incentives and conformity of thought. These characteristics sharply contrast with the

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In recognition of this, China’s leaders have in recent years sought not only to secure better outcomes from market reforms but also to improve the efficiency of the civil service by reintroducing central Confucian notions to politics and public administration—ideas it had long dismissed as feudal and outdated. In both political and administrative reforms, the notion of the ‘rule of virtue’ that dominated the Imperial tradition has been reemphasised. Increasing attention has also been paid to the importance of cadres possessing both ‘virtues’ and ‘expertise’—leaders making it clear that the former is of primary importance. As part of an ambitious program designed to reinforce national identity, in no small part through recourse to traditional values and thinking, the Chinese leadership has revived the study of Confucian thought by establishing Confucian Institutes around the world for the purpose of disseminating Chinese language and culture. Since 2004, in prescriptions reminiscent of Confucian ideals of harmony, the leadership has emphasised the importance of building a harmonious socialist society.\footnote{23}{Anthony B. L. Cheung insists that the Confucian ‘articulations of statecraft and governance’ so influential in Chinese public administration are just as significant in other civil services across Asia, notably, the Taiwanese and Singaporean, both of which possess strong elements of an executive-led and paternalistic government, whether under a modern authoritarian or a democratic constitution.\footnote{24}{Anthony B. L. Cheung, ‘Checks and Balance in China’s Administrative Traditions: A Preliminary Assessment’, in Martin Painter & B. Guy Peters (eds), \textit{Tradition and Public Administration}, Palgrave Macmillan, Houndmills, Basingstoke, UK, 2010, pp. 31, 42.} This is a strong reason for APS employees dealing with the governments and civil services of China and other Asian nations to study closely and remain abreast of the defining features of public administration in these countries. More specifically, in the present context, mastering the art of relationships and the cultural differences separating Australia and China and the APS and China’s civil service will be an essential prerequisite to successful future interaction between the two nations.\footnote{25}{Australian Business Foundation, \textit{Engaging China: The Realities for Australian Businesses}, Australian Business Foundation Limited, North Sydney, NSW, 2009, p. 53.}}
China’s Civil Service—Structure and Staffing

As argued earlier in this paper, knowledge of the structure of China’s civil service and the responsibilities of its employees is essential to effective interchange between Chinese civil servants and their APS equivalents. Two sets of public sector reforms, introduced in 1993 and 2006 respectively, and three key aspects of these changes—all of which were transformational in nature—are central to understanding the operations of China’s civil service. These are: 1) recruitment and selection; 2) civil service salary and benefits; and 3) ethics and values regimes.

Prior to the 1993 reforms, as King K. Tsao and John Abbott Worthley have pointed out, China’s civil servants were recruited through political channels rather than via open, competitive examination. Few distinctions were made between personnel across the many civil service areas—officials were simply called ‘cadre’ and the Communist Party managed them all centrally. With vague procedures for recruitment, promotion and performance appraisal in place and nepotism and favouritism rampant, administrative proficiency was poor. However, as the economic reform program of the 1970s and 1980s was implemented and modernisation took hold, this dysfunctional bureaucracy proved ill-equipped to manage the pace of change.26

In order to address this situation, the government introduced a ‘Civil Service Reform Act’ in October 1993, or, to be more specific a set of provisional regulations which were designed ‘to facilitate the scientific management of state functionaries, ensure honesty and enhance administrative efficiency’. These were revised in 2005 and promulgated as a new Civil Service Law which took effect on 1 January 2006. This legislation established the basis for today’s civil service. Although the Law has been responsible for far-reaching changes in the civil service landscape, the subject remains an under-researched area of inquiry in the West. Only a small number of works on it have appeared recently.27 As a result, understanding of the way the Chinese administrative system works is not widespread across Western societies.28

Before examining the implications of the 2006 Civil Service Law in detail, a brief description of the Chinese public sector (especially the civil service) may be useful in providing some

27 See, for example, the seven chapters dealing with the state of public administration in China in Evan M. Berman, M. Jae Moon and Heungsuk Choi (eds), Public Administration in East Asia: Mainland China, Japan, South Korea, and Taiwan (pp. 33–195), CRC Press, Boca Raton, FL, 2010.
background to the discussion which follows. China’s public sector comprises three categories of institutions: party and state organisations (*dangzheng jiguan*), public service units (PSUs or *shiye danwei*) which exist outside core government and specialise in delivering social services, and state-owned enterprises (SOEs or *qiye danwei*), entities that remain within government ownership. Each category has its own personnel management system and human resources and budget allocations. Party and state organisations are staffed by civil servants (*gongwuyuan*). PSU employees, though paid by the state, are not classified as civil servants. The economic reforms of the past three decades and the emergence of a market economy have changed the relative positions of these institutions and their employees. They have, for example, considerably eroded the long-standing preferential job arrangements and benefits framework in place for those employed in SOEs and PSUs. However, for core civil servants working in party and state bodies one central pillar of preference remains; it can be summed up in the concept of the ‘iron rice bowl’ (*tie fan wan*), which refers to guaranteed lifetime employment and a series of housing, medical and retirement benefits. Under the old command economy, these were provided to almost all cadres, whether civil servants or those working in PSUs and SOEs. But eligibility for iron rice bowl status is being modified in response to economic exigencies and changing political pressures. Only civil servants and some PSU employees still enjoy the advantages of iron rice bowl status. Increasingly, however, as the private sector has grown as a result of state-run firms morphing into private or state-owned shareholding companies, eligibility for iron rice bowl status has changed. Whereas certain categories of government employees (chiefly those employed in PSUs) were previously required to contribute little to financing these benefits, contract-based employment and ‘socialised’ welfare is more and more becoming the norm. Cover is made up in the form of contributions funded jointly by the individual, the employer and the state. Nevertheless, iron rice bowl status remains a strongly entrenched practice within the civil service proper, being used as a key means of securing civil servants’ loyalty to the government. This is particularly so in the case of influential middle and senior ranking staff, whose fealty is vital to stable administration.

Under the terms of Article 2 of the 2006 Civil Service Law, the term civil servant refers to ‘personnel who perform public duties according to laws and [who] have been included [in] the state administrative bianzhi with [their] wages and welfare borne by the state public finance [system]’ *Bianzhi* literally means ‘establishment’ and refers to the number of authorised personnel in a Communist Party/government unit, office or organisation. The

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concept, which lies at the core of Chinese public management, has three main elements. The first, which is most relevant here, is administrative bianzhi (xingzheng bianzhi). It is central to the administrative system and encompasses: the authorised number of established positions in party and government agencies and organisations; the framework of administrative agencies; the number of personnel allocated to these agencies; and budget outlays to be provided in the form of salary and allowances. Private sector employees are not part of the bianzhi system.

China has approximately 11 million civil servants, working within a public sector consisting of some 64 million employees. PSU employment now stands at around 28 million and SOE employment at approximately 25 million. Even China’s leaders and civil service planners concede that distinguishing what positions fit within each category as well as respective numbers of workers per category is not easy.30 Most civil servants work in government departments and agencies; significantly, state leaders and cabinet ministers, who would be regarded as politicians in Western political systems, are classified as civil servants in China.

Prior to the 2006 reforms, most government employees and Communist Party officials at all levels were known as cadres (ganbu). However, the 2006 Act redefined the scope of the civil service by collapsing the distinction between cadres and civil servants. This change saw the number of civil servants rise from 4.9 million to 6.3 million, and personnel in Communist Party organisations, the People’s Congresses, the People’s Political Consultative Conferences, the judicial and procuratorial bodies, and the democratic, party organisations all become classified as civil servants.31 As part of a drive to maintain high-quality employees within a fast-growing market economy, the government also reinforced the iron rice bowl preference system—especially in relation to its most valued civil servants.

Kjeld Erik Brodsgaard and Gang Chen estimated in September 2011 that there were some 42 million cadres in China and asserted that all civil servants are cadres but not all cadres are civil servants. There has recently been a trend to restrict the concept of the cadre to apply only to the core government (civil service) bureaucracy.32 Not all civil servants are Communist Party members, though 95% of civil servants in leading positions from division (county) level and above are members of the Party. Party cadres are Communist Party members who work in Party organs and branches. State cadres are not necessarily Party

members, and work in administrative departments and agencies at any level of government (namely, the central level or provincial, municipal, county or township government).

The distinction between these categories of cadre refers primarily to where they work, but the educational focus for each is also different. China’s political elites (including civil servants) are trained in two parallel national systems which continue to reflect the dominance of the Party over the State cadres—the Party School system and the Administration School system. Although there is some curriculum overlap, the Central Party School (CPS), located in Beijing and its local branches across China focus on Party cadres while the Beijing-based China National School of Administration (CNSA), along with its more than 2,000 affiliated administrative academies throughout the country, trains State cadres. Whereas the CPS curriculum has a stronger political and ideological content, that of the CNSA focuses primarily on economics and applied skills. The educational structure reflects the dominant role of the Party cadre in Chinese administrative affairs over the State cadre.  

Since the economic reform process began in the late 1970s, and especially in recent years, the government has remunerated its civil servants well in order to retain them—and had the economic wherewithal to do so. Between 2001 and 2010, China’s national government revenue quintupled. In dealing with the governance and public administration challenges generated by the growth of the market economy, the framers of the Civil Service Law of 2006 were mindful of three particular areas which needed to be addressed. These related, as mentioned above, to recruitment, pay, and ethics systems. They were (and remain) central to any attempts to create a merit- and values-based civil service which functions in accordance with high standards of public administration. Despite the very real efforts made in each area, much remains to be done—and it is essential that APS employees remain abreast of China’s progress in these significant realms of public sector governance.

**Recruitment:** Kjeld Erik Brodsgaard and Gang Chen regard the most significant addition to the civil service legislation of 2006 as Chapter 16, which deals with ‘appointment’. The latter enshrines in statute a hitherto variously-observed practice allowing the government and civil service leaders to use the appointment system (pinren zhi) in a better targeted way to appoint those with strong specialties to the civil service. In relation to the hiring of regular staff, the 2006 Law introduced a distinction between selection (xuanren) and appointment (weiren)

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33 Kjeld Erik Brodsgaard & Gang Chen, ‘China’s Attempt to Professionalize its Civil Service’, National University of Singapore, East Asian Institute (EAI), EAI Background Brief No. 494, 16 December 2009, p. 7.


The concept of selection did not appear in the 1993 regulations ratified by the 2006 legislation. The term ‘selection’ describes a recruitment system under which recruitment occurs through a written examination (kaohe) and an interview. Vacancies are advertised publicly and candidates drawn from among a larger pool of applicants than in the past. In essence, the difference between the traditional appointment system and the new selection system is akin to the difference between appointment from the top down and appointment from the bottom up.\(^{36}\)

The 2006 Law is also more specific about civil servants’ rights and duties. For example, it prohibits participation in profit-making jobs not linked to a civil servant’s employment. This extends to a period of three years after he or she retires. As part of a drive to professionalise the civil service, the government in 2008 established a semi-independent State Bureau of Civil Servants (guojia gongwuyuanju) that reports to the Ministry of Human Resources and Social Security (MHRSS). In-service training was also made compulsory for civil servants, with Communist Party schools, administrative colleges and cadre schools becoming the major learning and development venues for both Party and State cadres. Courses focus on Communist thought but also include offerings on the global economy, the political and legal systems of other countries, finance, trade, and science and technology.\(^{37}\)

These reforms notwithstanding, the dilemma at the heart of them has still not been resolved—with continuing consequences for public administration in China. Genuine attempts at fairer outcomes for civil servants as part of a drive to improve national capability and performance, have required the leadership to balance the effects of easing state control against its determination to maintain itself in power by favouring the civil service over PSUs and SOEs. Accordingly, in order to ensure that civil servants remain loyal to the Communist Party, the privilege of iron rice bowl status has been retained for all civil servants, a step taken in parallel with many institutional reforms designed to improve civil service efficiency.

Job security for civil servants still rests not on a civil service statute but is secured through a unified personnel management system that the civil service leadership is continually modifying.\(^{38}\) However, serious tensions remain which arise largely from PSU and SOE resentment at being treated as second class servants of the state (and the people). It is difficult to see how this situation can be resolved while ‘the objective of civil service management in

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\(^{37}\) Kjeld Erik Brodsgaard & Gang Chen, ‘China’s Attempt to Professionalize its Civil Service’, National University of Singapore, East Asian Institute (EAI), EAI Background Brief No. 494, 16 December 2009, p. ii.

China is to make sure that professionally competent people are recruited and promoted and that these remain loyal to the party’s ideological and political line. All civil servants are managed by the Communist Party within a framework of detailed regulations encompassing recruitment, appointment, transfer, rewards and training. The regulations supplement the 2006 legislation. They stress that, in selecting and appointing leading cadres, a number of basic principles must be observed. These include openness, equality, competition and selection of the best candidates. Their selection and appointment are based on meritocratic principles (ren ren wei xian), but the legislation also makes clear that cadres must meet certain standards of political integrity and ability (de cai jian bei). The Communist Party is responsible for overall management of the cadres (dang guan gan bu). The 2006 legislation set out clear educational requirements for the various grades of civil service employee aimed at further strengthening civil service capacity.

Civil service capability has improved substantially with the implementation of the 2006 legislation. This is perhaps nowhere better illustrated than in the increasing competition for civil service positions. The number who sat the national civil service entrance examination soared from 87,000 in 2003 to 1.44 million in 2009; one year later, with the applicant total still rising, candidates competed for 16,000 positions. There were nearly 5,000 applicants for the most sought-after position, ‘energy conservation and technology equipment officer’. One of the main reasons for this is the competitive job market in all sectors—in July 2010, 28% of that year’s graduates had not found work. Many of those who had managed to secure a civil service job were disappointed with their salaries; between 2003 and 2008, average starting salaries for graduates rose little and they were comparable to the steadily rising wages of uneducated migrant workers. Nevertheless, this was offset by job security and the various benefits discussed earlier.

Remuneration and Benefits The question of how salaries paid to civil servants compare with those paid to PSU and SOE employees as well as private sector workers is a significant—and highly contentious—one for employees across China. It is also essential to understanding civil service effectiveness. As Hon S. Chan and Jun Ma have persuasively argued, ‘The capacity to deliver pay reform is central to assessing the institutional performance and


development of a government in a developing nation such as China. This approach has been spearheaded across the developing world in recent years by both the OECD and the World Bank. The 2006 Civil Service Law introduced a new wage system into the civil service. It is based on a classification of 12-level job positions and a 27-level ranking system as well as a grade system within each rank (with a maximum of 14 grades permissible inside each rank). Ranking is done in terms of the nature of work, the level of responsibility and qualification, capability and seniority.

Under the new arrangements, almost all civil servants receive some monetary subsidy (butie) to assist them with daily living costs. The subsidy amount is generally related to local GDP performances, fiscal revenues, price levels and geographic conditions. The amount paid is usually higher in large cities like Shanghai and Beijing and coastal provinces such as Guangdong and Jiangsu because of the higher living costs there. Coupled with this is a well-established system of financial bonuses which are paid for realisation of economic goals and administrative efficiency of a high order. The system has not always worked smoothly and, in response to criticism, the government is renewing its efforts to enlarge wage differentials among civil servants on the basis of administrative ranking and yearly performance. The government’s two principal aims in establishing this performance-based structure have been to improve efficiency, and to eliminate corruption.

As pointed out earlier, private sector employees are required to contribute financially in order to receive a substantial range of benefits which are provided to core civil servants as a matter of course, for example, medical care, superannuation, and housing subsidies. In salary terms, though, they appear to be paid more highly than civil servants. However, a study by Hon S. Chan and Jun Ma has concluded that, while the basic pay of civil servants is comparatively less than those in other sectors, their total compensation—including fringe benefits and various other subsidies—is not. Indeed, the total compensation for civil servants is higher than that for employees in other sectors.


Hon S. Chan and Jun Ma argue that the issue of benefits and subsidies skews the debate about remuneration both within the civil service and when making comparisons with the private sector. The benefits system, they conclude, is ‘fragmented, complex, and full of randomness, non-transparency, and unpredictability.’ They caution researchers, for example, to view official pay scales as potentially serious understatements of actual remuneration. Chan and Ma also assert that China must openly integrate civil service salary, benefits and subsidies into the overall civil service pay system and account for all of these elements as part of the public sector budgetary arrangements. Such budgetary systems should also be open to proper public scrutiny by, for example, the People’s Congresses for review and approval.46 Chan and Ma also call for better rewards for job performance across the civil service as a means of maintaining greater competitiveness in the labour market. Yet, as with recruitment reform—and even more so in the case of salary and benefits—it is difficult to persuade civil service employees to take the concept of rewards for good performance seriously when, for the vast majority of civil servants, career mobility to the administrative class is not based on job performance. ‘Pay reform in China is torn between striking a balance of rewarding meritocracy and political credentials. Seen as such, it is difficult for Chinese reformers to wholeheartedly institute a merit-based pay system.’47 The tight control exercised over this process by the government, with little contribution possible by the People’s Congresses, makes it seem likely that the rigidities built into the system and the adverse follow-on effects on economic performance will continue.

**Ethics and Values** For decades the Communist Party oversaw civil service ethics practice, ethics management depending heavily on the Party’s management of its members. No state codes of ethics for civil servants were devised and the leadership managed ethics chiefly through the supervision of its administrative agencies. Over the past decade the government has introduced new approaches to reducing the incidence of corruption and ensuring greater observance of ethical standards by civil servants.48 The focus has passed from campaign-based, top-down corruption control and education to institutionalised integrity management designed to advance government integrity at the local level.

The new strategy also encompasses strengthening the institutional capacity of anti-corruption agencies as part of a bottom-up approach to integrity management. It is exemplified in the


variety of declarations of assets disclosure arrangements now in place (though a single one for the whole public sector is not yet in existence). Some regions/cities have embraced new integrity management approaches and made great progress, for example, the city of Liuyang in Hunan Province. Knowledge of the relative standing of regions and cities in this process would be of considerable help to APS employees in dealing with Chinese civil servants employed there. The future of the government’s ethics and values reforms is unclear. As Ke-Yong Dong, Hong-Shan Yang and Xiaohu Wang put it in 2010:

... although new laws have been passed, ethics management depends heavily on the party’s supervision of its members; because the system of discipline and inspection is controlled by the party, its ability to investigate and prosecute its members is limited. The effectiveness of these newly adopted measures is still unknown, and further reforms and increased efforts seem likely.

Another pressure—existing across the public sector itself—accounts for much of the continuing dysfunction characterising civil service (and wider sector) performance. All of those seeking to understand the structure of China’s civil service, including APS employees who deal regularly with the Chinese bureaucracy, must be aware of it. Reform of the three main categories of public sector institutions—core civil service agencies, SOEs and PSUs—has not occurred at the same time. Although so-called iron-rice bowl preference has been broken down within the civil service, with commensurate improvements in performance, the government’s decision to maintain this preferential form of job status has generated considerable resentment among SOE and PSU workers (in particular the latter).

Due principally to problems with earlier reforms—especially as they affected more vaguely defined PSUs—PSU employees are using the difficulties experienced by their SOE counterparts as an excuse to boycott changes to their pension and benefits schemes. Kjeld Erik Brodsgaard and Gang Chen have concluded that the unfairness and discrimination that were hallmarks of the early reform process may have serious future implications: ‘The power-based special treatment only reserved for all civil servants obstructs further reforms on [sic] other public sectors and will gradually erode the popularity of the ruling party in the long run.’

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In order to retain the loyalty of PSU leaders (and key middle managers), the government has chosen to provide them with iron rice bowl status. The leadership has financed this by commercialising many aspects of PSU operations, thereby reducing their reliance on budgetary revenues. Many PSU employees are as a consequence employed on the basis of the market principle with performance and continued employment being based on results. Iron rice bowl status was first abolished in SOEs with reasonable success but its implementation in the case of PSUs has been controversial and uneven. PSUs encompass key groups of public sector employees, for example, health and education workers. Evidence suggests that there is widespread dissatisfaction among PSU employees about their status, salaries and benefits in relation to core civil service and SOE staff (especially civil service employees). This is a feature of Chinese public administration that will require continuing attention by those assessing reform progress and interacting with the Chinese bureaucracy.

**Implications of Civil Service Reform**

Revitalisation of the Chinese civil service since the early 1980s has been manifested, not only in key areas such as recruitment and salary reform, but also in several other central aspects of its operations. Chief among these are: 1) the workings of an agency established for the purpose of professionalising civil service staffing functions; 2) the process in place to eliminate corruption and other forms of malpractice; 3) the increasing resort to staff rotation—both within the civil service and with the private sector—which is designed to strengthen organisational capability; and 4) the declining average age of civil servants. These are discussed briefly below.

As stated earlier, in 2008 a semi-independent State Bureau of Civil Servants was created, whose principal role is to enhance public sector management. It reports to the Ministry of Human Resources and Social Security (MHRSS). Elimination (or at the very least curbing) of civil service corruption continues to be a major challenge for China’s government within a burgeoning market economy. Attempts to counter corrupt practices have been implemented during the thirty years of the economic reform period, but detecting and/or preventing corrupt practice remains a continuing problem.

Also in recent years, and again in the interests of increased transparency, China’s government has put its weight squarely behind the so-called ‘Sunshine Project’, which aims to make details of civil servants’ salaries and benefits more open to public scrutiny. The initiative has met with only mixed success because in some localities it is seen as a measure which

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(inadvertently or otherwise) reduces bonus payments to public sector employees by setting annual income ceilings.\textsuperscript{53}

The third aspect of civil service operations to be discussed here concerns the increasing recognition of the ways in which staff rotation can help improve public sector capability. How is this occurring? Because civil servants are also cadres they are part of the cadre transfer system. Leading cadres below ministerial and vice-ministerial level must be transferred upon completion of their second term, that is, after a maximum period of ten years. This takes place within the civil service, but also increasingly between state-owned companies and the civil service system with business sector leaders moving into state and Communist Party positions.

Examples include Xiao Yaqing who worked as President of the Aluminium Corporation of China before in February 2009 transferring to the post of Deputy General Secretary of the State Council; and the Chairman of the Taiyuan Steel Company Chen Chuanping, who in the same year moved to the provincial government of Shanxi to serve as its Vice-Governor. This is occurring more and more, as the government seeks to bring fresh ideas and new practices into the bureaucracy.\textsuperscript{54}

The fourth key feature of civil service life, to which the APS will need to give increasing attention, is the declining age of Chinese civil servants and their leaders. Largely as a result of the personnel management reforms introduced in the early 1980s, and the setting of mandatory retirement ages for civil servants in 1982 of 60 years for men and 55 years for women, the average age of China’s civil servants has declined. By the mid-1990s, over half of civil servants were under 40 years of age. A consequence of this has been that, increasingly, a greater proportion of younger people are being selected for leadership positions.\textsuperscript{55}

\textbf{Conclusion}

What, then, can be said with reasonable certainty about the likely future development of China’s civil service and, of equal importance, what key factors must APS employees take account of in order to deal most effectively with that country’s civil servants? First, it is


essential that the APS recognises and keeps abreast of the accelerating pace of change in China, in particular within its civil service.\textsuperscript{56} Knowledge of the structure of China’s civil service and understanding of Chinese civil servants’ roles and responsibilities will continue to be of paramount importance. Secondly, it remains the case that, although China’s market economy is increasingly undermining the traditional value and administrative system which has for centuries supported Chinese bureaucratic thinking and practice,\textsuperscript{57} the Confucian legacy remains a central element in Chinese public administration.

Thirdly, the APS should be mindful that the Chinese civil service is not a single homogeneous organisation but two systems. The first, as the OECD has argued, is located at the centre and in the richer coastal areas. It is ‘relatively’ performance-oriented, selects the most talented staff via competitive recruitment mechanisms, links rewards to performance and seeks to counter and/or eliminate corruption and indiscipline. The second system is generally to be found in the poorer, less developed hinterland and across regional and remote China. It \textit{de facto} operates as an employer of last resort, selects staff using 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.\textsuperscript{58} Another case in point to illustrate this dichotomy is integrity management approaches to eliminating corrupt practice by civil servants and other public officials, which are being applied with great variability across China.\textsuperscript{59}

The contrasting characteristics of these two systems will necessitate innovative approaches by the APS in dealing with their respective employees. As the Australian Business Foundation has observed, the size and diversity of China requires national public services such as the APS to devise thoroughly-researched and well-targeted approaches in dealing with China’s multifaceted public sector—one rendered so by the variety of stakeholders it must satisfy across a geographically vast nation of some 1.3 billion people.\textsuperscript{60}

Finally, as Bill K. P. Chou has argued in relation to the 1993 civil service reforms, the APS must remain aware that many ambitious reform blueprints and initiatives exist only ‘symbolically’ in China—they do not often reflect what is really occurring in the reform


process. A tension exists between central policymakers and local leaders in implementing civil service change. The former emphasise economic (and policy) rationality while the latter place greater emphasis on resolving the conflicts and difficulties which arise from implementing change on the ground. A change program being described by civil service leaders at the centre may be being implemented very differently at the grassroots level.\textsuperscript{61} Chou was writing in 2004, but this remains largely the case today.

Scholarly opinion continues to differ about the efficacy of the public sector reform process inaugurated in 1993 and extended by the 2006 legislation. This has a number of implications for APS employees dealing with the Chinese civil service. K. E. Brodsgaard and Gang Chen assert that the government’s policy of creating a more clearly defined cadre corps comprising civil servants and the staff of selected PSUs will ultimately result in a public sector that is less egalitarian—‘iron rice bowl’ status will endure as the Communist Party attempts to retain those employees it needs to retain power while most PSUs will lose out and have growing difficulty in attracting top talent.\textsuperscript{62} Uneven capability could thereby become a severe impediment to attempts to enhance overall public sector capability.

Assessing the relative capability and influence of sections of the Chinese bureaucracy will remain a significant challenge for the APS. In addressing it, they will be assisted by a small number of scholars and commentators specialising in the study of Chinese (and other Asian) bureaucratic systems. Prominent among these are: Anthony B. L. Cheung (on the Chinese administrative tradition); K. E. Brodsgaard and Gang Chen, who have published detailed studies of China’s civil service system; and Wang Xiaoqi, who argues in her book, \textit{China’s Civil Service Reform} (2012), that the 1993 and 2006 personnel management reforms have produced a more effective and efficient civil service—a situation attested to increasingly by favourable citizen opinion of its performance. Nevertheless, even she concludes that corruption remains rampant within many areas of the public sector, with few opportunities in place for detecting and punishing offenders. Much-heralded wages reform aimed at fostering cleaner government has also failed to meet expectations.\textsuperscript{63}


The year 2012 has seen a growing Australian Government and scholarly focus on building relationships with Asia. Successful Australian (and APS) relations with China will continue to rest on many factors. Chief among these are a trenchant understanding of: the political, economic and social changes taking place in that country; the implications of these developments for China’s civil service and its wider public sector; the Chinese administrative tradition; and the structure of the Chinese civil service and the responsibilities of its officials.

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