

Recent developments in civil service pay in China

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A symposium on civil service pay in China, organised by the Chinese Government in Beijing from 30 October to 3 November 1989, provided an opportunity to discuss and analyse the latest developments on this front. The International Labour Office was invited to participate and sent a team of three consultants,¹ whose role was to comment on the changes to the existing Chinese civil service pay system envisaged by the Ministry of Personnel in the light of the experience gained by both industrialised and developing market economies. This article is based on what is now known of recent and proposed changes in civil service compensation as they were discussed at the symposium.²

It may be useful, at the start, to specify who is considered a civil servant in China.

At the time of writing the term civil servant refers to any person employed in a state administrative organ at the central, regional or lower levels of government. Employees of state enterprises are not civil servants, and less obviously, neither are employees of state institutions (including educational, research, health and cultural institutions). Thus a doctor working in the Ministry of Public Health is a civil servant, but a doctor in a government hospital is not. Similarly, teachers in educational institutions are not counted as civil servants. Provisional regulations were formulated in 1988 which, if approved, would exclude from the definition of civil servants blue-collar workers in state administrations presently engaged in the humblest levels of work (e.g. messengers, cleaners) and in more skilled activities (e.g. electricians, carpenters, drivers, gardeners). Omitting these employees, there were 4.2 million civil servants at the end of 1987: 100,000 worked for

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¹ The writer of this article led the team, the other members being Professor Derek Robinson, Institute of Economics and Statistics, Oxford University, and Ms. Lyn M. Holley, Project Director for Pay and Compensation, US National Commission on the Public Service.

² In an earlier article (see D. C. E. Chew: "Civil service pay in China, 1955-89: Overview and assessment", in *International Review of Administrative Sciences* (London), June 1990, pp. 345-364) the author examined the principal developments in civil service pay in China over the past three decades, analysed the wage reform of 1985, formulated some suggestions for improvement and discussed some of the ideas now being explored by the Chinese authorities.

the central Government, 400,000 for provinces and autonomous regions, 1.1 million in prefectures, 1.85 million in counties and 750,000 in townships.³

The structural wage system

It will be easier to appreciate recent and envisaged developments in civil service remuneration if the basic features of the present system are outlined briefly. Known as the "structural wage system", it was introduced in 1985 to replace one that had been operating since 1955. In fact it also applies to employees in state institutions but not to those in state enterprises. The 1985 wage reform retained the 1955 classification of posts. The whole spectrum of work ranging from a vice-minister, which corresponds roughly to the post of a British permanent secretary or an American undersecretary, to the most junior clerk is covered by only nine posts: vice-minister, department director, deputy department director, division chief, deputy division chief, section head, deputy section head, section member and clerk. Each post has its own range of salary points. In the Government's view, the *post salary* is meant to reflect the level of work required, and should be the major component in total pay. The matrix of post salaries for state administrations (see table 1 below) is similar but not identical to that for state institutions. The individual matrices are essentially subsets of a master or "spinal" salary column.

There are three further components in the structural wage system: *seniority allowance*, *performance bonus* and *subsistence wage*.⁴ The seniority allowance recompenses continuity of service. It is worth 0.5 yuan a month (about 11 US cents in January 1990), irrespective of post and employing organisation (i.e. state administration or institution), for every year of service, starting with the first job (not necessarily a civil service job) and subject to a maximum of 40 working years and 20 yuan monthly. The performance bonus rewards excellence and is supposed to vary accordingly. The subsistence wage, designed to cover the basic needs of 1.5 persons, predicated on a one-child family, is the same for every employee, regardless of post and employer but varying by region.

Formerly each geographical area of China was allocated to one of 11 wage regions. Post salaries were identical across regions, but differences in the cost of living resulted in substantially different values for the subsistence wage. By 1985, however, the considerable differences in the cost of living between regions had narrowed, and wage regions 1 to 4 had been absorbed into region 5.

At its inception, the structural wage system was presented as a composite of separate parts each performing a different function, far more

³ Communication dated 1 February 1989 to the ILO from the Ministry of Personnel.

⁴ The Chinese actually call this last component "basic" salary. To avoid confusing readers for whom basic salary denotes the salary derived from the salary scale of an occupational grade (or "post" salary in Chinese usage), the term subsistence wage has been substituted in this article.

Table 1. Monthly post salaries (in yuan) in central, regional and metropolitan governments, effective June 1985

Post	Post salary points:							
	←	1	→	2	3	4	5	6
Vice-minister	270	240	215	190	165	150	140	..
Department director		190	165	150	140	130	120	..
Deputy department director		150	140	130	120	110	100	..
Division chief			130	120	110	100	91	82
Deputy division chief			110	100	91	82	73	65
Section head			91	82	73	65	57	49
Deputy section head			73	65	57	49	42	36
Section member			57	49	42	36	30	24
Clerk			42	36	30	24	18	12

Source: People's Republic of China, Ministry of Personnel, Department of Salary, Insurance and Welfare.

flexible and adaptable to variations in the national economy and individual performance than its predecessor.⁵ Close scrutiny persuaded this writer that the post salary introduced in 1985 was not a true innovation, but rather the same wine in a new bottle. The performance bonus too had a precursor and, like it, could not be effectively implemented. The seniority allowance and the subsistence wage were indeed innovations, but ill-advised ones.

Classification of posts

As there are so few posts in the existing classification scheme, a number of them have to cover work of very different levels of difficulty, responsibility and educational requirement. For example, an accounts clerk does work of a higher order than a filing clerk, as does a typist compared with a telephone operator. Yet at present all fall into the one clerical position and are placed within the same salary range, thereby disregarding the substantial differences in job content and denying the principle of equal pay for work of equal value.

The Ministry of Personnel is presently testing a new system of position classification, based on job evaluation, in which posts with different levels of difficulty, responsibility and educational requirement will be assigned to different grades.⁶ Under this new system, which is being introduced experimentally in six central government departments, the civil service is to be divided into three very broad categories: administrative, generalist and

⁵ See, for example, Chinese Academy of Social Sciences: *Information China*, Vol. 2 (Oxford, Pergamon Press, 1989), p. 656.

⁶ Action along these lines was suggested in Chew, *op. cit.*

technical. Each category will be broken down into broad occupational groups (e.g. a public health administration group and an education administration group within the administrative category). Thirty-three groups have been preliminarily identified. Each group will be further disaggregated into occupational class series which distinguish between different types of work within the same grouping; 138 class series have been tentatively established. At the same time, a hierarchy of 18 grades is envisaged, each grade representing one level of difficulty, responsibility and educational requirement. The posts (which cut across groups and class series) within each category and their associated grades are shown in table 2. Blue-collar workers are excluded from the table as they will probably not be considered civil servants in future.

The appropriate number of grades in any system is a matter of judgement. When there are too few grades, posts with very different levels of work will be placed in the same grade, as has happened in China. However, when there are too many grades, the distinctions between work levels become very fine and make it difficult for those who have to classify posts to do so discriminately and non-controversially.

The proposed doubling of the number of grades is an improvement over the present classification. For example, greater responsibilities, inherent in the duties of a particular department director, can be rewarded by a higher grade in the same post, which is not possible at present. In addition, two current posts are to be disaggregated (clerk into "clerk (class 1)" at grade 2 and "clerk" at grade 1; section member into "section member (class 1)" at grade 5, "section member" at grade 4 and "assistant section member" at grade 3) to take proper account of dissimilar work requirements. A new organisational layer is to be introduced in the administrative category below the section: the unit, with posts of chief and deputy chief.

There are, however, some disquieting aspects to the new classification. First, the work involved in grading such a huge civil service is daunting and the Ministry of Personnel lacks manpower trained in job evaluation. Second, the Ministry's exaggerated belief in the scientific nature of job evaluation – it is indeed systematic but not scientific – leads it to underestimate the importance of exercising due judgement and securing the participation of workers and supervisors in designing the scheme. Discernment is required at many stages of the job evaluation procedure: in the choice of the factors or criteria used to rate jobs, in the assignment of weights to each factor, and in the actual description and rating of jobs.

Third, despite its commitment to position classification, which rates the post and not the employee, the Ministry of Personnel still wishes to retain the right to accommodate individual employee attributes. Pure rank-in-post and rank-in-man systems are ideal types. In practice, where a country employs a rank-in-post system, it is not uncommon to find some deviations to take account of employee characteristics. Thus educational requirements for a grade may be waived for candidates with compensatory qualifications. A

Table 2. Posts and grades in proposed classification system

Grade	Administrative	Generalist	Technical
18	Vice-minister		
17	Department director		
16			
15	Deputy department director	Commissioner	Senior technical positions
14			
13	Division chief	Deputy commissioner	
12			
11	Deputy division chief	Assistant commissioner	Middle-level technical positions
10			
9	Section chief	Executive at section level	
8	Deputy section chief	Deputy executive at section level	
7	Unit chief		Junior technical positions
6	Deputy unit chief	Assistant executive at section level	
5		Section member (class I)	
4		Section member	
3		Assistant section member	
2		Clerk (class I)	
1		Clerk	

Source: People's Republic of China, Ministry of Personnel, Department of Salary, Insurance and Welfare.

Ph.D. may be recruited at a salary step higher than stipulated by the service rules. The Chinese Ministry of Personnel is vague as to how far it intends to bend the position classification structure. Although it sometimes claims that posts will be assigned to the 18 grades strictly according to job content, on other occasions it asserts that the multiple grades of a post will enable individuals with dissimilar personal traits doing the same work to be placed on different grades. However, the very rationale of position classification collapses beyond a certain accommodation of employee attributes.

Fourth, the manner in which the proposed classification was introduced on a pilot basis poses certain problems. A job description questionnaire was filled in by the jobholder and countersigned by the immediate supervisor and the latter's supervisor. Experience elsewhere suggests that information

collected in this way can be inaccurate and even misleading. Not only can specific questions be misunderstood or particular terms be subject to different interpretations, but both the jobholder and the supervisor have an interest in exaggerating the content of the job: the former because a higher job content means a higher grade and salary, and the latter because his or her own grade is linked to those of the employees supervised. Benchmark posts need to be audited by the Ministry to provide a reliable check on the information provided.

Basic or "post" salary

Table 2 shows the post salaries of civil servants employed by central, regional and metropolitan governments as they were established in June 1985, when the structural wage system was launched. The salary matrix has not changed since. Under both the 1955 and 1985 wage systems, each post had a range of salary "points". The points do not correspond to the annual or biennial incremental steps granted in most civil services. Until the 1985 reform, in fact, Chinese civil servants did not receive any increments for longer service, and many middle- and senior-level staff received the same nominal basic salary for the entire period from 1956 to 1977. When the Government decided in 1985 to reward length of service directly, it did so by introducing the seniority allowance.

Since 1955 the infrequent wage adjustments granted by the Government, usually in an effort to benefit the lower paid, have taken the form of moving employees to higher post salary points. Progress has typically been by one point at a time, with employees earning higher post salaries often not being allowed to advance to a higher salary point. This method of effecting salary revisions, accentuated by preferential treatment for the lower paid, has played a major role in weakening the link between levels of pay and work in the civil service. Since the aim of the wage revisions was to provide financial relief, employees were advanced beyond their post's theoretical maximum point onto the points of a higher post: thus unskilled manual workers have encroached upon the clerks' range of points, clerks upon that of section members, and section members upon that of deputy section heads. It follows that, in the lower hierarchically adjacent posts, persons performing dissimilar levels of work have increasingly received the same basic salary.

Under the new proposals, a salary scale of six to 12 steps will be allocated to each of the 18 grades shown in table 1.⁷ Increments, to be awarded annually, will be based on assessments of political integrity, regular attendance and, especially, performance: only an assessment of "satisfactory" or "fairly satisfactory" will earn an increment. A merit

⁷ This goes some way towards meeting the suggestions made in Chew, *op. cit.*, to replace the system of salary points with salary scales of incremental steps rising with length of service, and to implement wage adjustments by raising the nominal values of salary scales.

increment is under consideration, with an assessment of "excellent" yielding an additional step. The salary scales are likely to be the same for all levels of government, from central to local.

The new salary scales discussed at the symposium, while an improvement, suffer from two major defects. First, overlapping of scales will be considerable, far greater than most countries have found practicable. Staff up to grade 5 can receive a basic salary equal to or less than the maximum salary of grade 1; the overlap for grade 1 is therefore five grades. Similarly, staff up to grade 6 can earn a salary equal to or below the maximum salary of grade 2, an overlap of five grades again. As many as 14 grades have an overlap of at least five grades; eight have an overlap of seven grades.⁸ There is a danger that this high degree of overlapping will undermine the new position classification scheme. The scheme seeks to capture differences between levels of work more precisely so that higher work levels receive higher basic salaries. However, the overlapping scales mean that staff in as many as seven hierarchically ranked grades could receive roughly the same basic salary. Part of the reason for such inconsistency is that work on position classification falls to the Department of Professional Titles and Positions in the Ministry of Personnel and work on remuneration to the Department of Salary, Insurance and Welfare, and there has been insufficient consultation between the two.

Second, the proposals do not address the problem of salary differentials. In many developing countries the ratio of the highest to the lowest basic civil service salary has fallen over the past two decades. The desire of governments – at times also influenced by egalitarian ideals – to protect the living standards especially of their lowest-paid employees during periods of protracted inflation and severe constraints on public expenditure has produced flat-rate salary increases or other adjustments which favour the lower paid. Diminished salary differentials have contributed to the resignations of senior officials, thus aggravating shortages of certain skills. Staff who remained have become demoralised and demotivated. A major contemporary issue for many Third World governments is whether salary compression in the civil service has been excessive and should be reversed.⁹ However, even in 1983 and 1984, when very low differentials caused serious problems in, for example, Bangladesh, Sri Lanka and Uganda, the ratio (10.0, 7.0 and 5.7 respectively) of the basic salary of a permanent secretary to that of a newly recruited clerk was still higher than that now being proposed for China. There the proposed ratio of the maximum basic salary of a vice-minister to that of the minimum basic salary of a clerk is only 4.2. Salary differentials clearly need to be widened in

⁸ Calculated from proposed salary scales provided to the author by the Department of Salary, Insurance and Welfare.

⁹ For a recent comment on this question see D. Robinson: "Civil service remuneration in Africa", in *International Labour Review*, 1990/3.

China; this would also enable the present considerable overlapping of salary scales (almost inevitable with 18 grades, six to 12 steps in each salary scale, and the 4.2 ratio) to be reduced.

It will be interesting to see whether the Chinese authorities, who have for decades exercised selectivity in awarding additional salary points, will indeed use unsatisfactory performance as grounds for withholding an annual increment. Virtually all developing countries formally make the award of increments conditional on satisfactory performance. In practice, however, increments are almost always granted automatically, except in the event of flagrantly shoddy work.

Allowances

Happily, the proposed pay plan of the Ministry of Personnel discontinues the seniority allowance. At 0.5 yuan a month for each additional year of service, this offers virtually no extra financial reward for middle- and high-level civil servants. Even for the lowest-paid clerk, it is worth only 1 per cent of the post salary and subsistence wage together. In addition, to recompense each year of non-government service, regardless of its relevance to the civil service job, is unnecessarily generous. Past unrelated work receives no financial compensation in other countries, even if relevant experience is sometimes recognised by the award of a higher starting step.

As regards the subsistence wage, it seems that the idea in 1985 was that this would be adjusted in response to changes in the cost of living. However, even full (100 per cent) indexation of the subsistence wage to the rate of inflation only protects the employee's ability to provide for basic needs. Levels and patterns of consumption are conditioned by the total regular salary, so it makes far better sense to index this, i.e. the sum of the post salary, seniority allowance and subsistence wage. Once this is done, the *raison d'être* of a separate subsistence wage disappears. Moreover, top-bottom salary differentials are automatically compressed when only the subsistence wage is indexed.

In practice, even though inflation accelerated after 1984, the subsistence wage was untouched. Instead, a separate foodstuff allowance had to be given in 1985 and another in 1988 when food prices were increased. The reason given for not increasing the subsistence wage was that this would not properly reflect the true increase in food prices, especially outside Beijing. When the subsistence wage cannot adequately compensate increases in basic food prices, its usefulness is minimal. Fortunately, the pay plan also proposes to consolidate the subsistence wage into basic salary.

The Ministry of Personnel is justifiably concerned about the increasing proportion of cash allowances in total pay. Notwithstanding the affirmation that the post salary should be the largest component in total pay, table 2 shows that in wage region 6,¹⁰ for example, where the subsistence wage is 40

¹⁰ Which includes Beijing.

yuan a month, section members at the first three points of their salary range and clerks at all but the maximum point of their range received, under the structural wage system, a post salary lower than the subsistence wage. Moreover, the introduction of the seniority allowance and the subsistence wage further lowered the share of the post or basic salary in total pay. By the end of the 1980s the post salary absorbed only 21 per cent of the civil service wage bill. The remaining 79 per cent was distributed as follows: subsistence wage, 28 per cent; seniority allowance, 7 per cent; performance bonus, 11 per cent; other allowances (regional allowance, special area subsidy, responsibility allowance, subsidies for food and transport, winter heating allowance, travel allowance, allowance for harsh working conditions, etc.) and expenditures, 33 per cent.¹¹

Pay should indeed be sufficient to meet the needs of workers and their families, but its main rationale is to reward work done. It is unhealthy when allowances constitute a high proportion of total pay while basic salary, the component relating to work done, accounts for only a small percentage. Staff interpret this to mean that pay is linked to their needs rather than to work performed, which does not improve efficiency. In such a situation it is often better to raise basic salaries both absolutely and proportionally in relation to total compensation. This will satisfy workers' requirements and simultaneously emphasise the connection between pay and work. It is worth mentioning that, apart from the intrinsic reasons for discarding the seniority allowance and the subsistence wage, the replacement of the former by incremental steps and the consolidation of the latter into basic salary will have the additional advantage of increasing the share of basic salary in total compensation.

Other issues

The Ministry of Personnel is ambivalent about a performance bonus. Although under the 1985 reform the bonus was intended to reward the deserving, with the amount varying according to merit, in practice it has been paid at a uniform rate to virtually all employees. The Ministry is aware that a true performance bonus strengthens the link between work and pay. However, until the present difficulty of assessing performance accurately can be solved, it is wise to defer the implementation of a performance bonus. To insist on one prematurely is to invite charges of inaccurate assessment, manipulation and favouritism from employees, and to stimulate discontent rather than effort.

Finally, the Ministry of Personnel would like civil servants to receive pay comparable to that earned elsewhere, specifically in state enterprises since large private firms remain a rarity. Some officials' interpretation of parity is unfortunate, however, for they consider it to be achieved when

¹¹ Information supplied by the Department of Salary, Insurance and Welfare.

average pay in the civil service roughly equals that in state enterprises (more precisely, average pay of managerial staff in state enterprises so as to take account of the higher educational qualifications of civil servants).

Parity should not be determined by average pay, as the following simple example demonstrates. Assuming equivalence between the civil service and state enterprises in occupational distribution and occupational salaries, average pay in the two sectors will be equal. However, should the civil service become the employer of last resort for school-leavers and employ them as clerks, average pay in the civil service would fall below that in state enterprises even though occupational salaries in both sectors remained equivalent. To restore the value of the average civil service salary to that in state enterprises would entail increasing the salaries in government employment and so departing from the principle of parity. If the situation is reversed, and state enterprises become the employer of last resort, should the salaries of civil servants be reduced? In varying degree, governments throughout the world have recognised wage parity across employing sectors as being fair to civil servants, to taxpayers and to themselves as employers with a duty to attract, retain and motivate staff. However, the wage parity sought has always been at the level of the individual job, not the average of jobs, and the Chinese authorities would be well-advised to follow this example.

In conclusion, it may be said that a number of recent developments in China, at various stages of fruition, are improvements over the past system of civil service pay. Some aspects can, with profit, be reconsidered and consultations strengthened between different technical departments of the Ministry of Personnel and between management and staff.