China’s Administrative Reforms in the Economic Transition

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China’s Administrative Reforms: A Looking Back and Summary

SINCE THE 1980’s, as China launched a series of reform activities, significant changes have taken place in social, political and economic fields. During this transitional period, China’s administrative reform as a component part of the political reform has been an on-going process. Major reforms include the 1982-1983 central and local government restructuring, the 1987-1988 central and local restructuring, 1993-1996 central and local government restructuring, and the 1998 central government restructuring which is underway. The Chinese government launches major structural readjustment every 5 years, which at least demonstrates that there exists strong driving force and great social demand for administrative reform, that the Chinese government has been constantly exploring an administrative management model fitted for China’s economic and social development, at the same time that China’s administrative reform is a process of continuous exploration.

Driving Forces Behind Administrative Reforms

China’s traditional administrative management system was based upon a planned economy with strong centralization. The relationship between the government and society as demonstrated under such system was where administrative power permeated all the fields and strata of society, any social affair was under the control of administrative power. As a result, social organizations were unable to develop, the internal self-management and self-control mechanism for the society found it difficult to materialize. Excessive responsibilities and contradictions were concentrated on government. Under the traditional administrative management system, the government had very powerful macro and micro economic management functions. The relationship between the government and enterprises were that the government directly controlled and distributed various social resources. At the same time, the government directly administered the production and management. With this kind of administrative model and means, massive administrative departments, particularly large economic administrative departments and personnel were needed. All this not only made administration too costly, financial burden too heavy, but also led to the confusion of the government with enterprises, thus hampered the economic development.

Therefore, the driving force behind China’s administrative reform can find its sources in the needs of economic reform that transited the planned economy to the market economy and in excessive financial burdens in the course of administration. In the meantime, as China implemented its market-oriented economic reform, the social management affairs became
ever more complicated, the demand for high quality public service became ever stronger, and the demands for administrative reform became ever more pressing. Under such circumstances, China’s administrative reforms, particularly since 1987, have been centered around transforming the government functions, streamlining the structure, and increasing administrative efficiency.

The Effectiveness of the Administrative Reforms

In parallel with China’s social development, some achievements had been made along the lines of administrative reforms before 1998. These achievements include:

(1) From a macro management point of view, China’s traditional planned economic model and means of economic operation have undergone fundamental change. The state enterprises have enjoyed a certain degree of autonomy, become independent economic corporations, and have introduced themselves to the market-oriented operation mechanism.

(2) The degree by which the government controlled the society has been substantially lowered. The social resources and fields under government control had seen a great decrease. In the domestic economy, various economic factors enjoyed common development. In urban areas, public welfare had been socialized, the rural villagers provided an autonomy system, and social security and social relief facilities had substantially developed. The society’s self-coordinating capacity had been significantly raised.

(3) The means by which the government controlled the society had seen great changes. The government regulated and controlled the social operation mainly through legal and economic means, and had abandoned the administrative decrees and plans.

Yet, due to the facts that over the past 30 years, China’s traditional administrative management system had well established organizational structure and regulatory systems, that the government had to consider if the society was resilient enough to withstand the impact, that there was a need to strike a balance among often conflicting interests, and that there were various other subjective and objective reasons, the government restructuring before 1998 did not fully achieve the goal of transforming the government functions, streamlining the structure, and raising efficiency.

Especially, government did not achieve substantive function transformation. After restructuring, the government suffered expansion repeatedly. Some critical problems, such as over-bloated structure, over-staffing, confusion between government functions and enterprise management, and serious bureaucratism, had not been solved. Contradictions arose and became ever more grave as administrative reform lagged behind economic reform. These explains why a new round of government restructuring was launched in 1998.
The Nature of China’s Administrative Reforms

Looking back at China’s administrative reform, we can find the following characteristics:

1. China’s administrative reforms are still at the macro reform level. Their views are to establish a new administrative management framework suitable for the socialist market economy and China’s specific conditions.

2. To date, China’s administrative reforms have been focused on the government structural reforms. In the world context, however, administrative reform means much more than structural reform. Yet as far as China’s conditions are concerned, the principal objectives of reform have been transformation of administrative management system, therefore structural reform has to be the focal point of the current administrative reform.

3. There is no final model to apply for China’s administrative reform. The content of the reform and its process need to be settled in accordance with the relatively stable reform objectives and the current social environment, so that a step by step result can be achieved.

One point that needs to be raised is that with the society in transition, the conditions have become increasingly hospitable to the success of the administrative reforms. For instance, the legal framework that regulates economy and other social relationships has seen constant improvement. According to statistics, since opening up, the National People’s Congress has promulgated more than 310 laws and decisions concerning legal questions. The State Council promulgated over 750 pieces of administrative regulations. Local People’s Committees that have law-making powers have formulated over 5399 laws and regulations. Significant changes have taken place concerning the organizational structure of the society. The dependence of social organizations towards administrative departments has been reversed. Various federations, institutes, research academies, non-government organizations, accounting firms, and law firms have separated themselves from the government administrative organizations, and have become independent legal persons. To serve the society, to pay due attention to, and to protect the interests of, the tax payers have become a mode of thinking that is gradually taking roots in the public servants. All these are the indispensable prerequisites for the government to change its functions and means of administrative management.

The 1998 Central Government Restructuring

Last March 1998, the 9th National People’s Congress approved the State Council restructuring program, which is being smoothly implemented. This is the 4th and the largest structural reform since China adopted opening up. It will have significant bearing on the economic reforms, economic development, and other social issues. In the following passages, I will briefly discuss the objectives, principles and main contents of the reform.
Objectives and Principles of the Reform

The objectives of this restructuring are: to establish an administrative management system which functions effectively, operates cohesively, and conducts itself properly; to improve the state civil service system; and to build an arm of high-quality professional administrative management cadres, so as to establish step by step an administrative management system with Chinese characteristics suitable to the Socialist market economy.

There are four principles for the current structural reform:

1. In accordance with the requirements of the socialist market economy, to transform the government functions so as to separate the government from the enterprises. The functions of the government shall be shifted toward macro regulation and control, social management, and provision of public service. The enterprise shall enjoy full power in production and management.

2. According to the principle of simplicity, unification, and effectiveness, the central government will readjust its organizational structure, so as to achieve a leaner civil service, and simpler administration. That is to say, the government will strengthen departments that perform the macro economic regulations and control functions, readjust and reduce the number of the special economic departments, properly readjust the government departments that provide social service, strengthen the law enforcement and supervisory departments, and develop social intermediary organizations.

3. According to the principle of combining power with accountability, the government will readjust the functions and scope of responsibility, and clearly divide the functions among various government departments. Same and similar functions will be performed by a government department in order to avoid duplicate management and administration.

4. According to the principles of running the state affairs by law, and performing the administration by law, the government will strengthen the legal framework of administration.

The above-mentioned four principles embody the guidelines of the structural reform. Based upon past experiences, we believe that transformation of the government functions is the focal point. If government does not change its functions, the problem of government interfering with the enterprises will not be solved. Downsized government will see expansion once again. At the same time, a fundamental lesson that we learned from our past experiences is that we must improve China’s administrative legal system, by which we will be able to protect the achievements of reforms, maintain sound administrative order, and check the administrative power and expansion of the administrative structure.
The Main Contents of the Reform

Two main programs mark the reform: streamlining and transforming of government functions. Streamline the structure through this year’s reform, the component ministries to the State Council have been reduced from 40 to 29, a decrease by 11, or 27 per cent. The number of the departments within various ministries under the State Council has been substantially reduced, by around 25 per cent. To be more specific, the staff quotas have been reduced by 50 per cent with as many as 16,000 persons separated. Through this reform, departments and personnel have seen most significant reduction both in term of percentage and quantity since China adopted opening up.

In terms of the structure of the State Council and its functions, the transformation of government functions will proceed as discussed below.

(1) Turn the general management departments into macro regulatory and control departments. General management departments are preferred over the special economic management departments. Under the planned economy system, the government set up special economic management departments according to certain production. And when there were already many special economic management departments, it became imperative to set up general management departments to provide overall management and coordination. Through this reform program, the functions of the former general economic management departments have been readjusted. It has been decided that the National Development and Planning Commission, the State Economic and Trade Commission, the Ministry of Finance, and the China People’s Bank will be the macro regulatory and control departments. The functions of the macro regulatory and control departments have been stipulated in principle. They are: to maintain the overall economic balance, to control inflation, and to optimize the economic structure in order to achieve sustainable, fast, and healthy economic development. The general economic management departments are required to improve the economic and legal means to improve the macro regulatory mechanism.

(2) Corollary to this, the Ministries of Railway, Transport, Construction, Agriculture, Water Supply, and Foreign Trade and Economic Cooperation will remain as they are. All the industrial enterprise management ministries such as the Ministries of Machinery, Metallurgical Industry, Coal Mining Industry, Chemical Industry, Power Supply, Electronic Industry, the Councils of Light Industry and Textile Industry have been abolished. Corresponding state bureaus have been set up under the State Economic and Trade Commission. It has been unequivocally stated that these state bureaus will no longer manage enterprises. Their major functions are to formulate strategic plans and policies within their respective industries, manage the industries, guide the adjustment of the product structure, and maintain competition order within the industry.

(3) Strengthen the public service departments. In order to be suitable for economic and social development, to set up and improve the social security systems, to strengthen the supervision, protection and relocation of the land, and to provide information, the State Council has set up the Ministries of Labor and Social Security, National Land Resources, and Information Industry. At the same time, the State Council has strengthened the functions of the Ministries of Science and Technology, Education, Culture, and Health in order to satisfy the ever-growing social demands for developing public and welfare undertaking.
According to the principle of combining power with responsibilities, to readjust and reorganize the departments which suffered the severance of duplicated functions. For too long, there had been too many government departments, and too detailed division of responsibilities. Thus, government departments suffered overlapping functions, which in turn contributed to negative results of low administrative efficiency, and high waste of resources. According to the new restructuring program, one department will be responsible for one function, and similar functions will be merged. After readjustment, over 100 functions have been relocated or merged.

In any structural reform, the redeployment of the separated staff has always been a difficult point, which will hamper the reform, should it be poorly handled. The civil servants in the administrative departments by and large are well educated and have professional knowledge, are familiar with the state laws and regulations, and know their own sector well. Therefore, they are invaluable human resources. The Chinese government has made careful and practical arrangements for the separated staff. The redeployment measures include mainly the following:

a. As condition permits, the abolished special economic departments may be reorganized into enterprises, thus part of the separated staff can go to these enterprises or social intermediary organizations.

b. The young separated civil servants may receive reorientation training such as accounting, auditing, laws, economic management, industrial and commercial management, and educational management. After they have been deemed satisfactory in appraisal, they may go to enterprises or law enforcement departments such as finance, tax, police and market regulations departments. They may also go to cultural, educational units or social intermediary organizations.

c. The retirement system will be strictly implemented. For those who have reached the retirement age, the government will promptly handle their retirement process. For those who will reach the retiring age by the end of 2000, they may be allowed early retirement on voluntary basis.

d. Select a group of people to strengthen the banking, taxing, industrial commerce, and quality supervisory departments.

e. According to the requirements of the readjustment of the personnel structure, select and assign some people to work in their respective public institutions or social groups.

In addition, those separated staff are encouraged to find jobs on their own, or to start their own business or welfare undertakings. The government will provide relevant incentive assistance.

These measures to accompany reform have been fully understood and supported by the civil servants in the administrative departments, and have been carried out very smoothly.
Conclusion

The current structural reform at the central government level is just a part of a new round of administrative reform. The reform for local governments and other public institutions will be launched very shortly. It is fair to say that though the reforming task has been daunting, the future is very promising.

The current central government reform is just one step forward in the course of China’s gradual administrative reforms. Certain departments and functions are transitional, therefore the natural tendency will be continuous reform and adjustment.

I firmly believe that in the course of China’s administrative reform, we can overcome difficulties and impediments, move toward the objectives of reform, and gradually set up a modern administrative management system appropriate for China’s economic and social development.