Performance Management in the PRC

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Outline

• Introduction
• Restructuring and human resource management
• Performance and results management
• Case study: Shaanxi Province
  – Ranked 19th out of 31 provinces in terms of GDP in 2008
• Evaluation
• Lessons
In March 2008 the Chinese central government announced that it would introduce ‘performance management’, the first time the term publicly appeared in an official document.

Yet China has had experience of ‘performance management’ since the mid-1980s.
Performance management scope

• Budgetary and financial management
• *Restructuring and human resource management*
• *Performance and results management*
• Administrative examination and approval system
• Public service delivery
• Public participation in the process
Restructuring

• Six rounds of large scale restructuring

• Characteristics
  – Top down, sought to improve efficiency, downsizing, improve fit for purpose for a market economy
  – Robust economic growth reduced pressure to downsize, merge somewhat
Restructuring

- Central
  - Provincial
    - Prefecture
      - County
      - Township
      - Town
  - Municipal
    - City
      - District
      - Neighborhood
Central/local relationships among functional agencies

• Vertical system
  – Central gov’t sole authority; offices ‘dispatched’
  – E.g., customs, state security, nat. tax

• Semi-vertical system
  – Vertical relationship begins at provincial level (central agency does not have authority to appoint leadership at provincial level)
  – Higher authority at and below prov. Level appoints leadership group at lower level, but not other appointments and no appropriation of funds
  – Result: heads mostly local people
  – E.g., land management, industry and business admin, local tax office, AQSIQ (quality)
Central/local relationships among functional agencies

• Local system
  – All appointments made locally, funds provided locally
  – E.g, Development and Reform Commissions, Audit
Key performance management players

• Development and Reform Commission
  – Plays a key role in assigning and localizing targets that are laid down in performance contracts for local government

• Audit
  – In 2009 National Audit Office set up 6 offices (‘dispatched offices’) to audit groups of provinces
  – Plays a key role in monitoring the achievement of some targets
Civil service reform

• Performance oriented elements in formal system
  – Pay
  – Promotion
• But, structural problems may impede the system (e.g., too few promotion posts)
• Other practices (corruption)
Performance and results management

• Evolution from mid-1980s...

• Objective responsibility system (ORS)
  – Introduced in mid-1980s by some local governments
  – Involved objective setting, cascading targets down to individuals
  – Voluntary, lack of unified guidelines
ORS in 1990s

- Higher level governments came to see the usefulness of ORS. Gradually the system became:
  - Compulsory
  - Results of target completion tied to bonuses and promotions
  - Pressure to fulfill the targets ‘intense’
  - Excessive weight given to GDP
  - Other key targets were family planning, social order
  - Gradually broadened targets to become more ‘human-centered’
ORS in 1990s

• Types of targets
  – Functional (job specific) targets
  – Common targets (family planning, social order, party building)
  – Core targets (economic)

• Trend: proliferation of common and core targets, set from above, that were also used to evaluate the performance of officials
ORS in 1990s

- Provincial governments took control of the process
  - Standardization
  - Improved measures

- Changing nature of measures used
  - In early days, often no measures provided
  - Introduce measures, which were improved: changed from inputs to outputs
ORS in 2000s

• Formal system linked to Five Year Plans (source of goals that become targets)
• Linked to personnel movements for leaders
ORS in 2000s

• Increasingly formalized, top down
• Provincial governments lay down evaluation criteria for all leadership groups, procedures for conducting evaluations, rewards and punishments... all laid out in performance contracts
• Tighter links to personnel system
ORS in 2000s

• Failure to fulfill some targets could have severe consequences for official careers

• Typically in these areas...
  – Family planning
  – Dealing with mass complaints
  – Production safety
  – Social security
Case study: Shaanxi Province
Shaanxi County X, 2005 performance management coverage

- Party building
- Anti-corruption
- Family planning
- Dealing with mass complaints
- Production safety
- Propaganda work and spiritual civilization construction
- Comprehensive social security
Shaanxi County X, 2005 ‘dealing with mass complaints’ assessment criteria

• Make a practical plan for dealing with MC
• Appoint a leading official to be responsible
• Frequently ‘study and discuss problems’
• Establish reception places for MC
• Ensure that 70% of complaints are ‘handled’
• Ensure that 100% of complaint cases sent from center/prov are handled
• Do not allow collective petitions to be handed in to central, provincial, or Xi’an officials
• Prevent ‘skip-the-level’ petitions
• Actively propagate new regulations on Letters and Visits

Shaanxi Province: Cascading down of economic targets

• 11th Five Year Plan growth target = 7.5%
  – Set out 2 goals: GDP, GDP/capita

• Shaanxi Province target = 11%
  – Adopted 2 central goals, added 4 additional goals
    • Budget revenue, total value of investment in fixed assets, total value of imports and exports, total value of foreign investment

• Xi’an City target = 13%
  – Adopted 6 goals and added a new one
    • Total retail sales of consumer goods

• Counties adopted all of this + one goal
  – Per capita net income of farmers
Shaanxi Province

- Economic targets were ‘anticipatory’
- Other targets ‘obligatory’ (e.g., ...)
  - Total population
  - Reduction in energy consumption per unit
  - Reduction in water consumption per unit
  - Total amount of cultivated land
  - Reduction of total major pollutant emission volume
  - Forest coverage
  - Population covered by basic pension in urban area
  - Coverage of new rural cooperative health care system
Shaanxi Province key institutions

• Provincial Development and Reform Commission
• Xi’an DRC
• County DRC
### Shaanix Province: responsibilities for monitoring compliance

<table>
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<th>Target</th>
<th>Agency</th>
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<td>Per capita GDP</td>
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<td>Total investment in fixed assets</td>
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<td><strong>Economic Structure</strong></td>
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<td>Ratio of expenditure on R&amp;D to GDP</td>
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<td>Ratio of non-public economy to GDP</td>
<td>State-owned Assets Supervision and Administration Commission</td>
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<td>Ratio of primary, secondary and tertiary sectors</td>
<td>DRC</td>
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<td>Urbanization Rate</td>
<td>City Construction Bureau</td>
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Shaanxi Province monitoring

- Xi’an City LSG to Inspect the Implementation of Core Targets and Key Projects
- County inspection teams
- Random inspections
- Reporting system
- Ranking system
Summary

• Early experimentation in mid-1980s
• Central government became increasingly involved
  – Standardization, more clearly specified measures
  – Move from inputs to outputs
• ORS tied to personnel movements, rewards
• ORS has provided an effective lever for superiors to encourage compliance from subordinates
• Still, monitoring is often in local hands
• Limited public participation in the system
Evaluation

• Structural reform has undoubtedly improved the performance of government
  – Strengthened key performance management agencies
• But left both DRCs and Audit locally managed
• Both have strong incentives to tailor performance reporting to fit local needs (e.g., inflating growth, under reporting performance in other areas)
Evaluation

• Civil service system is now more performance oriented
• Encourages officials to perform to the targets
• Recently targets have been broadened to include more social and sustainability goals
• ORS targets have become increasingly concrete, specific, measurable
• Yet many targets focus effort on inputs rather than outputs
Evaluation

• Relying on local governments to report their own performance has its limitations
  – Inflated GDP
  – Tailor reporting to present province in a favorable light

• Ranking systems encourage competition which can have negative consequences
  – Across-province cooperation often ignored
Lessons

• Further effort needed to encourage collaborative arrangements to address pressing public problems such as environmental protection and water conservation

• More public participation in the performance management system would enhance legitimacy