

The Difficulties in the Classification Reform of Chongqing's Public Institutions and Suggested Countermeasures

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Abstract

After the past twenty years of reform in China's public institutions, the existing problems and disadvantages have been eased, but the deeply-seated problems remain unresolved. And since the Third Plenary Session of the 18th Central Committee of the Chinese Communist Party, the classification reform of public institutions has been held to a new height, which has received the attention of local governments. As a result, Chongqing conducted a series of reforms on the classification of public institutions, but there are many problems to be solved, and these problems have hindered the progress of the classification of Chongqing's public institutions.

Key words: Public institutions; Reform; Difficulties; Countermeasures

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INTRODUCTION

According to the "Decisions" put forward in the Third Plenary Session of the 18th Central Committee of the Chinese Communist Party, we should speed up the reform of public institutions, increase the purchase

of governments' public services, push forward public institutions and competent authorities to straighten out their relationship and get rid of administration, and create conditions for phasing out the administrative rank in schools, research centers, hospitals and other units. Besides, the "Decisions" also stipulates that we should establish a corporate governance structure in public institutions, and promote the qualified public institutions to turn into enterprises or social organizations, and build a unified registration system for all public institutions. In this sense, we have good reasons to believe that accelerating the reform of public institutions is an inevitable requirement for transforming government's functions and building a service-oriented government. In fact, they are the crucial carriers of providing public services to economic and social development, and are the important driving force for China's socialist modernization.

1. THE NECESSITY OF CLASSIFICATION REFORM

Classification is a new understanding for and division of public institutions, and is an irresistible trend of effectively promoting the reform of public institutions and establishing a public service system to meet the needs of political and economic systems. As far as the specific situation in terms of our public institutions is concerned, it is quite complicated and the institutions are verified. As China's second largest social organizations, public institutions cover a wide range of areas including education, scientific research, health care, culture, press and publishing, social welfare, agriculture, forestry, husbandry, water, transportation, and weather forecast. Besides, the affiliated relations, pattern of ownership, business scope, and funding sources of public institutions are very different. For example, from the perspective of business scope, they could be in charge of public utilities, production and operation, and offering public services;

according to the funding sources, they can be divided into three types which enjoy full funding, balance funding, and those who can support themselves.

As for the practice of the reform of China's public institutions, public institutions have attempted to explore a new management system to fit the basic line of China's socialist market economic system. We can see from the Central and local documents, the reform of public institutions has attached much importance to classification at the first beginning, thus it classified the institutions into three categories which are public welfare institutions (70%), production and operation institutions (25%), and other public institutions. In 2001, the Office of Central Institutional Organization Commission set up "a research group in charge of the classification reform and classified management of public institutions." Later, *Suggestions on the Formulation of 'eleventh five-year plan' by the Central Committee of Chinese Communist Party* was approved in the Sixteenth National Congress of the Communist Party of China, which put forward classification reform of public institutions. Subsequently, Zhejiang, Jiangsu, Shandong, Liaoning and other provinces have enacted local implementing plans, beginning their preliminary attempt of reforming public institutions. In 2008, *On the Opinions of Selecting Pilot Places for the Classification Reform of Public Institutions* was formally issued, selecting Shanxi, Shanghai, Zhejiang, Guangdong and Chongqing as the pilot areas. It is at that time that the work of classifying public institutions was conducted in the whole country.¹

The classification reform of public institutions does not come to an end. This topic has been repeatedly addressed in the Seventeenth and Eighteenth National Congress of the Communist Party of China as well as in the Third Plenary Session of the Eighteenth Central Committee of the Chinese Communist Party. This not only indicates that the reform of public institutions is in great urgency, but also reflects that there are shortcomings in the operation of public institutions. With the improvement of China's socialist market economy and the economic system, there are imbalances between public institutions and economic development, so reforming public institutions will make it possible to fit the economic base. Furthermore, we should know that public institutions are varied; the internal situation is complex; and there is no demarcation between governments and public institutions; and their functions are also confused and mixed. All these have seriously wasted China's financial and human resources. If we promote experimental work or conduct reform in some specified places to set examples, we can accumulate experience in the reform, thus laying a good foundation for the following classification reform.

¹ Referring to "Opinions on the Classification Reform of Public Institutions", August 11, 2008, the Office of Central Institutional Organization Commission.

2. THE STATUS QUO OF THE CLASSIFICATION REFORM IN CHONGQING

In the past years, Chongqing has contributed a lot to the classification reform of public institutions. In addition, the Municipal Government of Chongqing has also developed a set of effective methods and actively carried out the pilot work, paving the way for the reform of the whole city.

2.1 The Deployment of Reforming Public Institutions in 2013

According to the general requirement by the Central Communist Party of China about the classification reform of public institutions, and after approved by the leader group meeting on classification reform of Chongqing's public institutions and by the Organization Weaving Committee of Chongqing, the Office of Reforming Public Institutions issued "The Main Points of the Classification Reform of Public Institutions in 2013" and "The Task Breakdown Sheet of the Classification Reform of Public Institutions in 2013", making a comprehensive deployment for the reforming work. In accordance with the two documents, the reforming work should proceed under the guidance of the principle—classified guidance, proceeding in separate professions, organizing by different levels, and implementing step by step", requiring us to pull all our efforts to carry out the "Twelve Main Tasks", that is, "two basically, two completion, two active promotion, five improvements, and an experimental unit". "Two Basically" means basically adjusting the three categories of public institutions and basically improving public institutions' responsibilities and tasks; "two completion" refers to the completion of turning a number of public institutions who are in charge of management and operation into enterprises and the completion of merging a number of public institutions; "Two active promotion" means to actively promote the reform of administrative institutions and actively promote the institutional reform of education, science, culture, health and other sectors; "five improvements" is to improve the supporting policy system for reforming public institutions, improve the fiscal safeguard mechanism for classification reform, improve the distribution system of public institutions, improve the authorized size and personnel management system of public institutions, and improve the standards of public institutions' authorized size; "an experimental unit" refers to the experimental unit for carrying out a new corporate governance structure in public institutions. "The Task Breakdown Sheet of the Classification Reform of Public Institutions in 2013" has specified the "Twelve Main Tasks" of Chongqing in the form of sheet, divided each task into specific work, clarified the leading department, responsible department, and participating department for each work, and has determined the deadline for each work.

In parallel with deploying the reforming work, the Office of Reforming Public Institutions in Chongqing established a sound working mechanism serving as the important basic work of reforming public institutions. It also determined three organizational patterns including leader group decision-making system, contact group responsibility system, and project group undertaking system, formed four working mechanisms such as weekly meeting, monthly meeting, bimonthly meeting, and quarterly meeting, and formulated four-step procedures from the proposal by project group, examination by the department head, approval by the Office of Reforming Public Institutions to the decision-making of leader group. In the following work, the Office of Reforming Public Institutions of Chongqing will strictly proceed in accordance with the "Main Points" and "Task Breakdown Sheet", earnestly play a leading role, cooperate with the concerned departments of all levels, and work jointly to ensure a successful completion of various tasks on time.

2.2 The Document About the Fiscal Policy for Reforming Chongqing's Public Institutions

In February 2012, the document of "Fiscal Policy for the Classification Reform of Chongqing's Public Institutions" was issued, in which five points were put forward: first, improving fiscal policies and improving security methods; second, earnestly implementing preferential tax policies to support the reform and development of public institutions; third, promoting public institutions to turn into enterprises, and perfecting the social security system; fourth, strengthening the management of state assets and improving the efficiency in the use of assets; fifth, enhancing financial management and standardizing financial behaviors. To some degree, the aim of the document is to make advantage of these policies to establish and improve the financial system of Chongqing's public institutions, as well as accelerate the classification reform.

2.3 The Implementation of Pilot Work

Four areas such as Hechuan district and Shizhu County have been appointed to do the experimental work of reforming the public institutions. It is hoped to promote the classification reform in all the institutions by drawing upon the experience gained on the pilot places, so as to lay a good foundation for the reform in whole Chongqing.

In order to achieve the above-mentioned objectives and carry out the guiding principles of the "Implementing Plan of the Pilot Work in Terms of Classification Reform of Chongqing's Public Institutions" formulated by the Office of Municipal Party Committee and the Office of Municipal Government in Chongqing, several measures have been taken which are as follows.

Firstly, conducting a thorough investigation. It is recommended to make a research to get to know the responsibilities that public institutions are shouldering,

so that we could have a clear understanding of their situations. In August 2010, classification lists made by each department were reported to the upper level. With regard to the controversy on the classification in the lists, the Office of Reforming Public Institutions assigned contact groups to the subordinate units again in the late August to conduct a one-month investigation on whether the public institutions have the features belonging to the reported category. Besides, the results of performance of these public institutions will be obtained during the process, which will pave the way for a scientific and rational classification of all the public institutions.

Secondly, carrying out reform step by step to maintain stability. It is an important prerequisite for ensuring a smooth progress of the classification reform of public institutions. The Office of Reforming Public Institutions has established a mechanism for preventing disputes before the reform; apart from this, it also increased the efforts to conduct investigation through various forms, actively communicated with the competent authorities and institutions, so as to ensure a sound implementation of the classification reform.

Thirdly, strictly promoting the implementation of reform. Based on an accurate understanding of the functions and responsibilities of various institutions, the Office of Reforming Public Institutions proceed strictly in accordance with the defining characteristics of the three categories divided by the superior document and examine the functions of each department to make classification. When examining the identified categories, it will do things outside the normal and approved channels.

As is mentioned above, Chongqing has made attempts to reform and classify public institutions from bottom to top through conducting pilot work, reforming fiscal policies and making a deployment. Also, it gradually implemented the reform with order and in different periods, as well as made in-depth researches and policy studies to ensure the implementation of the reform, and change the status quo of a confusion of governments and public institutions in the real sense. In specific, it classified the institutions who are exercising administrative power into the administrative departments, put those who are in charge of production and operation into the market, so that public institutions can play a part worthy of their names, which is to provide high-quality public services to the masses.

3. THE DIFFICULTIES IN THE CLASSIFICATION REFORM IN CHONGQING

Since the reform of public institutions conducted by Chongqing city, great achievements have been achieved. To some extent, the problems and shortcomings in the traditional public institutions have eased, thus gradually

meeting the requirements of the market economy. However, many problems still remain to be resolved, for they have largely hindered the progress of the classification reform of Chongqing's public institutions. These problems are mainly reflected in the fact that the reform of public institutions is not synchronized with the reform of government; it is not consistent with the change of function, and does not fully meet the requirements of the market economy.

3.1 Confusion of the Functions of Governments, Public Institutions, and Enterprises as Well as Slow Transformation of Governments' Functions

According to the pattern of the traditional planned economy, government has the absolute resource allocation right, appointment right and administration right; there is no independent legal person in public institution in its own right. However, currently, such aspects as the authorized size, wage distribution, job management, and personnel appointment in public institutions are in line with those in the administrative institutions. In general, they lack autonomy and the ability of self-development, and their internal mechanisms are incomplete. In essence, we can say that public institution has become an appendage of government. Besides, although some institutions who have transformed into enterprises can make profits from the market to support themselves thus keeping a moderate relationship with government without asking funds, in fact, their status is the same as ordinary public institution. To fundamentally solve the problem of transforming governments' functions, it is necessary to straighten out the position of government in the public service system, classify public institutions, and further separate governments from public institutions, so as to give the latter the right of autonomy in its strict sense.

3.2 Overstuffing and Heavy Financial Burden of Public Institutions

The population of Chongqing totals 32 million, with 561,962 people enrolled in public institutions but with 484,717 people actually on the job. In addition to the retired, one out of 50 people in Chongqing works in public institution on average, slightly lower than the national average level, but it is substantially higher in relation to other municipalities directly under the central government. As far as the number of enrolled workers in public institutions is concerned, the actual number accounts for 86.25% of the total population, and there is no workers in 13.75% of the enrolled positions. Such excessive number of population in public institutions has imposed immense financial pressure to them. Moreover, the funds of public institutions are limited; as the number of workers increases, more than 70% of the funds have become "capitation". Therefore, the problem of overstuffing in public institutions has brought tremendous pressure to Chongqing's economic development and to its financial bearing capacity (Sun, 2012).

3.3 Backwardness of the Supporting Policy for the Reform

In recent years, Chongqing city has actively made an exploration on personnel system, job management, distribution system and incentive system, basically forming a modern personnel management system for public institutions. Nevertheless, this system fails to meet the characteristics of the units from different categories, and there is no personnel management system that could satisfy the demands of market economy. For example, the personnel system and job management system that could be prepared for both promotion and demotion as well as could let workers go in and go out have not formed; the performance appraisal system and supervision mechanism are not perfect; distribution system reform is not complete and so on. These issues are affecting the further development of the reform of public institutions, restricting their self-development, and cannot go ahead with the development of the socialist market economic system.

4. COUNTERMEASURES FOR THE CLASSIFICATION REFORM OF CHONGQING'S PUBLIC INSTITUTIONS

We should set a clear direction and manage the classification of public institutions to ensure a reasonable classification reform which could fit the professional standards. In specific, the reform should "get rid of the two ends and remain the left things", that is to let the public institutions having the administrative power join the administrative departments and let the ones opening to the market under the operation of the market. So the remaining others will become the main providers of public services. Nevertheless, we should keep in mind that the classification reform of public institutions requires a comprehensive planning and thorough consideration.

4.1 Institutions Having the Administrative Power

4.1.1 Merging Institutions

When cleaning up the functions of institutions, we could include the ones totally playing an administrative role into the administrative departments; with regard to the ones partly shouldering the administrating responsibility, we could adhere to the principle of separating public institutions from governments, transferring their administrative power into administrative departments on the one hand, thus maintaining their original nature as public institutions; on the other hand, we could get rid of their function of giving public services, thus gradually turning them into administrative departments. In addition, it is suggested to reorganize or remove the public institutions whose functions are overlapping or who have only a single function or whose functions are improperly set.

4.1.2 Enhancing the Management of Authorized Size and Personnel Placement

It is recommended to scientifically position posts in accordance with the scope of function, and rationally arrange personnel as well as strictly control the authorized size in line with the principle of simplification and high-efficiency. We can assign the public institutions which will be included into administrative departments according to the National Civil Servant Law. And for those working staff who will be dismissed because of the reform, we should be people-oriented rather than be irresponsible to push them into the society. To the end, we can adopt a variety of methods to conduct personnel placement, encourage and support their employment. In short, we should take various positive methods to solve the placement of personnel, so as to reduce the turbulence caused by the reform.

4.1.3 Standardizing the Management of Funds

After the inclusion of public institutions having the administrative power in the administrative system, their funds and personnel expenditure will be included in the central financial budget and be borne by the State Treasury. Besides, administrative charges and incomes from fines and confiscations will be turned over to the Treasury in full, implementing the financial management system of state organs.

Currently, it is apparent that we cannot transform all the public institutions having administrative power into government agencies within a short time. Therefore, we should proceed gradually and chronically, respectively determining general goals and goals at different stages.

4.2 Institutions in Charge of Production and Operation

The public institution in charge of production and operation provides paid services in terms of operation to the social community. And the institution which is established by government has a stable source of income and self-development ability providing internal services and paid external services. Such kind of public institution should not be allowed to remain within the scope of public institutions, but should be transformed into enterprises, becoming independent corporate enterprises.

4.2.1 Managing Assets and Preventing the Loss of State Assets

In the process of the transformation of public institutions into enterprises, we must examine, audit, and define the property right of state-owned assets in accordance with the law. We should make use of various ways such as invitation for bids, auction, and listing to openly transfer state assets. The money we obtain from sales and transfer should be turned over to financial departments and competent authorities. As for the public institutions waiting to be restructured, they should write off legal person and authorized size, and register the property

right of state-owned assets as well as do the business registration. After the success of transformation, the public institutions should be managed in accordance with the modern enterprise system, deepen the internal reform, and be gradually separated from the previous administrative departments, thus becoming independent corporate entities. In addition, governments should no longer make direct investment to these public institutions, but support their development through implementing preferential policies.

4.2.2 Making a Good Personnel Placement

We should take the bearing capacity of staff into account when making personnel placement. The new enterprises changed from the previous public institutions through restructuring should try utmost to hire their original employees, and change the employees' identities. For the staff members who have asserted their right to retire, we should give them the same social insurance as that of the current public institutions, and provide them pensions in accordance with social security system and in line with the national standards for the retired employee in public institutions; with regard to staff members who are employed after the restructuring, the standard of their wages, welfare, and pensions is consistent with that in the enterprises; for the members who make a willing offer to resign, we should give them some compensation. In a word, we should pay high attention to the efforts devoted to the reform and to the personnel's bearing capacity.

Apart from the above-mentioned, the reform of institutions in charge of production and operation should be based on the consideration of the actual circumstances. We should restructure the public institutions that are in a good position to do so, while conducting enterprise-style management for those who are not. Nevertheless, we should also seize the opportunity to transform the latter into enterprises in a timely manner. When completing the restructuring and transformation of all the public institutions of this kind, we should remove this category of public institutions.

4.3 Institutions Providing Public Services

The institution providing public services refers to the unit set up by state authorities or other organizations through the use of state assets to provide public services and goods to the society, as well as offer protection for the functioning of state organs. In this sense, such an institution bears the responsibility of providing social security and services that are closely related with people's daily life, so it has rich social foundation and is in the interest of the whole society, reflecting the real meaning of public institutions. We can classify public institutions into institutions providing pure public services and quasi institutions providing public services on the basis of their responsibilities, target people and the circumstances of resource allocation. The business of the former mainly includes compulsory education, basic research, health

care, public welfare and other public affairs, while the business of the latter mainly covers higher education, vocational education, comprehensive health care, and so on. What is worthy of mentioning is that the latter institutions can collect funds from consumers to compensate for their expenditures, but such compensation generally cannot offset all of the costs, thus they still need the financial support from government.

In fact, “remaining the left things” is not to remain the left things unchanged, but to optimize, upgrade and improve them as a whole, so as to enhance the non-profit feature of public institutions, and enable them to be organizations truly independent of governments and enterprises.

4.3.1 Adjusting the Layout and Structure

We should incorporate and merge the institutions which have the same, similar or overlapping functions in accordance with the principle of regional coverage, complementary advantages, and nearest services, as well as on the basis of the different characteristics of the three categories and breaking the boundaries of departments. In this way, we could improve the resource use efficiency. At the same time, those institutions that do not produce fruits for a long time, or whose output is of poor efficiency, or who are not equipped with personnel should be removed.

4.3.2 Reforming the Management of Funds

Governments should increase financial support for such basic undertakings as compulsory education, health care and basic science, change the situation of merely relying on financial support, and encourage and guide the funds from social organizations and individuals to public welfare undertakings. In this way, we could establish a fund management mode and a subsidy mechanism for operating costs. They are of a combination of fixed-quota subsidies or categorical grants and incomes through offering public services; therefore, we will be on the way to achieving the purchase of governments’ public services.

4.3.3 Formulating and Improving Relevant Supporting Measures

We should establish a personnel system which focuses on entire employment and job management, transfer the pure administrative management into the management by law, turn the administrative appointment of personnel into equal employment, and transform the management by identity to the management by post. Moreover, we should carry out various and flexible income distribution systems, and determine wages in accordance with the nature of jobs

and personnel performance. Besides, a systematic and standard social security system should be established. We should also abolish the original “double track” systems in public institutions, gradually establish funding channels and build a security system independent of the public institutions but could guarantee multi-level services. In addition, it is suggested to advocate the combination of social pooling and individual accounts as well as shared pensions by units and individuals (Cui, 2013).

CONCLUSION

Public institution has its own particularity and involves all the aspects of society and economy. Therefore, we should not conduct the classification reform blindly. Instead, the classification reform of the public institutions in Chongqing should be based on scientific planning and categorization, and we should make an overall plan as well as progress steadily, so as to ensure a good implementation of the reform as well as establish a service-oriented government in its real sense.

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