The relationship between civil service pay and corruption alleviation is an intriguing but underexplored topic. A widely held view is that when civil service pay is comparatively low, public officials will be tempted into corrupt behaviors in order to compensate their perceived withheld desserts. Thus, some governments use high pay to ensure a clean civil service. Rahman (1986) notes that: “The government [in Singapore] believed that an efficient bureaucratic system is one in which the officers are well paid so the temptation to resort to bribes would be reduced” (p.151). In fact, employing good civil service pay to improve government integrity is not new to the Chinese. This chapter explores the historical background to utilizing good civil service remuneration to ensure a clean government in China. It is found that though in both ancient and modern China some policy makers were well aware of the importance of appropriate civil service compensation, the complexities and dilemmas embedded in implementing this policy were daunting. In today’s China, some Chinese traditional philosophies, coupled with a socialist ideology, encourage the introduction of good practices in modern public administration.

The chapter proceeds as follows. It first presents theories about the relationship between civil service pay and corruption. The second section examines the practice of good pay in ensuring government integrity prior to 1949, while the third section discusses the complex situation of applying increased pay to deter corruption in the history of the PRC. A final discussion serves to link up the various debates in both ancient and modern China.

THEORIES EXPLAINING CIVIL SERVICE PAY AND CORRUPTION CONTROL

Cross-national evidence suggests that bureaucrats may act predatorily when their wages are kept unreasonably low (Wei, 1999). In ancient
China, rulers offered an extra benefit (yanglian yin) to bureaucrats to prevent corruption (Klitgaard, 1987). There are some theories related to the relationship between increased pay and corruption reduction. The “efficiency wage” hypothesis coined by Becker and Stigler (1974) is one of the most influential theories. Paying a higher than market clearing salary, it hypothesizes, is instrumental for corruption control. It is argued that public officials are mainly motivated by the maximization of personnel interests. As such, they calculate the benefits from corruption and costs of being punished eventually. Thus, the government should pay a “capitulation wage” to civil servants in a bid to maintain a clean civil service (Rijckegehm & Weder, 2001).

Some empirical research suggests that good compensation helped to reduce corruption in Sweden between 1870 and 1970 (see Tanzi, 1998). Goel and Rich (1989) in a survey of the US observe that high compensation for public servants can prevent officials from taking bribes. Rijckegehm and Weder (2001), drawing on cross-national panel data, develop a test of the relationship between public sector pay and corruption. It is found that public sector pay is negatively and significantly associated with corruption. That is, high pay can play a crucial role in ensuring a clean government.

Public officials, being human beings, compare their own lives with others. Thus, some literature suggests that corruption control will only succeed when public servants earn a relatively high salary in comparison with other wage-earners. That is the “fair-wage” hypothesis. A perception of a “fair” income matters a lot in practice. “The ‘fair wage’ can be determined through comparing the wages of peers within or outside the place of employment, social expectations, the market wage, subsistence requirements, the status of civil servants etc.” (Mahmood, 2005, p. 70). A perception of pay unfairness can result in corruption. More importantly, the general public may share the feeling with civil servants; thus they show sympathy towards corrupt officials, which complicates a government’s anti-corruption efforts (Abbink, 2005).

Supplementing the “fair-wage” hypothesis, Gong and Wu (2012b) call attention to some sociological studies which shed light on the causes of corruption. This is the “relative deprivation” hypothesis. As noted by Giddens (1972), relative deprivation is associated with much social deviances in the real world. When people feel deprived of what they
perceive they should receive, they may respond in unhealthy ways to compensate their perceived losses. Real-world examples suggest that the above assumption can be tested empirically. Huang and Snell (2003), in a study of the moral atmosphere in state-owned enterprises in China, reveal that a perception of material deprivation makes the managers of state-owned enterprises vulnerable to corruption and other unethical behaviors.

Scholars and practitioners are now paying growing attention to the negative impact of pay inequality on corruption. Good public sector pay relative to the private sector, as Quah (2003) notes, is essential for effective anti-corruption efforts in many countries. The Singapore government, among others, promotes an effective mechanism of corruption control whereby a civil service salary is, by and large, higher than one in the private sector.

It should be noted that though the negative consequences of external pay inequality in the public and private sectors has been detected, the impact of internal pay inequality on anti-corruption remains little understood. External pay inequality (public–private wage disparities) receives much scholarly attention. The perception of pay unfairness, Mahmood (2005) points out, is determined by the comparison among peers “within or outside the place of employment” (p.70). I suggest that the perceived unfairness or deprivation is greater when a comparison is made with colleagues in the same place of employment. People tend to have an interest in comparing their own salaries with their colleagues, as they not only compete for promotion but also better pay. When they feel unfairly treated, frustration and deprivation may lead to corruption.

Internal pay inequality can be disastrous in the Chinese context. Drawing on ethnographic field work in China, Agelasto (1996) reveals that cellularism and personal relationships among colleagues complicate public sector motivation and corruption control in China. On the one hand, colleagues seem to have closer personal relationships than their Western counterparts; thus a comparison about remuneration is possible. On the other hand, close personal relationships do not necessarily mean that perceived unfairness and jealousies are lower in Chinese workplaces. Comparing wages within the workplace, coupled with perceived unfairness, more often than not poses a greater threat to public sector integrity in China than elsewhere (Wu, 2012).
With regard to the policy implications of the relevant theories, they point to different anti-corruption strategies. Under the “efficiency wage” hypothesis, the government should provide a good salary for civil servants. Meanwhile, an increase in the probability of the detection of corruption and the punishment of corrupt behavior will work to reduce corruption as well. Nevertheless, addressing the problems inherent in the “fair-wage” scheme requires a comprehensive reform of both the civil service pay system and the corruption control approach. Civil service salaries should be set at a good rate but in a fair fashion. Corruption control should not be handled only through enhancing law enforcement. A well-structured and transparent civil service system is a prerequisite to maintaining an honest and clean service.

The “relative deprivation” hypothesis also points to the importance of a fair wage system, especially within the place of employment. From the perspective of modern human resource management, differentiating remuneration between senior executives and rank-and-file civil servants may reap some benefits in terms of rewarding accumulated contribution and motivating junior civil servants. But a substantial internal pay gap has a negative impact on civil service management and a government’s anti-corruption efforts. It is acute in the Chinese context. Soon after the founding of the PRC, the government channeled sizable fringe benefits to senior cadres. Therefore, cadres tended to view promotion as vital to their careers. If they got promoted to higher positions, it meant that they could receive both higher formal pay and substantial cash-based or non-cash-based extra pay. However, there is always a limited chance of promotion in practice. Roughly 92 percent of civil servants hold the ranks of section head and below. Comparing salaries and fringe benefits between those occupying senior positions with rank-and-file civil servants can result in frustration, which can shape cadres’ behaviors negatively.

More importantly, the situation turns serious when a country’s labor market is rigid. The “efficiency wage” hypothesis has been developed against the background of rather flexible labor markets in developed countries. If civil servants readily shift to the private sector, paying a higher than market clearing salary to civil servants is instrumental in improving civil service morale. A rigid labor market, by contrast, limits the possibility of transfers of labor between the public sector and the
private sector. Substantial internal pay inequality therefore can be devas-
tating as, even though civil servants might feel upset and deprived, they
cannot readily join the private sector for a while and come back later on.
Transfers between government departments are not easy in China.

The policy-makers of the equal pay policy in today’s China seem
well aware of the importance of internal pay equality. Senior officials in
public personnel management have reiterated the necessity of correct-
ing pay disparities across government departments since the 1990s. But
as will be seen later, this policy’s implementation nonetheless runs in a
different direction.

YANGLIAN YIN AND THE PRACTICE OF GOOD PAY
TO REDUCE CORRUPTION

Yanglian yin (literally “money to nourish incorruptness”) (see Klitgaard,
1987; Zhong, 2003) was an important practice for a clean government
in ancient China. The Emperor Yong Zheng of the Qing Dynasty
promoted the system to improve both the fiscal responsibility and the
corruption control of local governments in 1723. Leading local officials
were offered an extra payment amounting 10 to 100 times their regular
remuneration.

Mr. Tian Wenjing, the Governor of Henan and Shandong Provinces
and the proponent of “yanglian yin” and “huohao guigong” (regulating
surcharges by local governments), reported to Emperor Yong Zheng
that some clean public officials had to get involved in corruption as
they encountered extremely difficult situations when performing their
public duties. When everyone was implicated in corruption, then the
governing system should be reviewed thoroughly. Mr. Tian saw “the
link between adequate salaries and the ability of officials to carry out
their responsibilities honestly and efficiently”, thus promoting high pay
for ensuring civil service integrity (Zelin, 1984, p.131). He discussed
this with Emperor Yong Zheng and promoted the system of “yanglian
yin” wholeheartedly in his jurisdiction. The Henan model of alleviating
corruption through improving public sector remuneration became
famous at that time. In addition to formal taxes, local officials collected
surcharges (huohao) on farming. The rate of surcharges originally was
up to magistrates at the municipal and county levels. Many magistrates
used surcharges to fund their daily public expenses and to provide
bribes to their superiors. Nevertheless, the Henan model of “yanglian yin” prescribed a flat rate of surcharges and asked local officials to remit all their collections to the provincial government coffers. Magistrates then received money for their daily expenses from higher authorities. Therefore, the Henan model prevented local governments from collecting extra surcharges because they needed to return all revenues to higher authorities. In the meantime, the money returned to magistrates ensured that local officials received adequate pay to sustain their families and run public enterprises.

In parallel to the Henan model, the Hubei one also attracted great attention nationwide. The Hubei model was a surcharge-sharing system whereby 68 percent of surcharges collected by magistrates were remitted to higher authorities. The remaining 32 percent of surcharges were retained by magistrates as “yanglian yin”, which was used for public affairs and their own family spending. Compared with the Henan model, the Hubei one still implicitly encouraged magistrates to collect more surcharges than they were supposed to, with local governments still having a nefarious stake in the collection of surcharges.

Utilizing the “yanglian yin” system, the Emperor promoted a decentralized system of corruption control. But the implementation of “yanglian yin” varied greatly among local governments. Some adopted the Henan or Hubei models, with others mixing them up in order to adapt to their own situations. The “yanglian yin” system did not achieve its goals in the end, but modern public administration does have something to learn from this system of ancient China. It has some modern elements of corruption control: the government attempts to alleviate corruption through enhancing the fiscal responsibility of local governments. In today’s developing countries, many governments collect surcharges in addition to formal taxes in a bid to meet expenditure needs. Some public officials nonetheless profit from the system. When local governments’ expenditure needs are guaranteed, civil service salaries are adequate, and corruption tends to level off.

In addition to the “yanglian yin” system, reducing corruption through increased civil service remuneration emerged occasionally in ancient China. But civil service pay remained very low in general due to ideological concerns. According to the Rites of Zhou (zhouli, one of the classics of Confucianism), civil service salary serves to compensate the loss
from agricultural production (luyi daigeng) when a person decides to join the civil service in an agrarian society. Emperors in ancient China, by and large, respected the pay principle set by the Rites of Zhou. The implementation of this principle nonetheless encountered difficulties for two reasons. First, bureaucratic expansion occurred frequently in ancient China and eroded the fiscal capacity of the government, making adequate pay impossible to carry out. Wang Anshi, a politician of the Song Dynasty, advocated the practice of “shengguan yifeng”, whereby the government introduced increased remuneration for public servants while public sector retrenchment was conducted. But instead, serious bureaucratic expansion rather than civil service retrenchment occurred during this period (Yang, 2006). Second, inflation ate away public sector pay increments. Similar to what happened in China in the 1980s, public sector pay increments always resulted in inflation in the economy. Some public officials in the Song Dynasty argued that their salaries had been eroded by half even though they had not committed any crimes (a criminal offense often led to a reduction in civil service pay in ancient China (Yang, 2006)).

The late Qing (China’s last imperial dynasty) period saw an increasingly heated debate over the linkage between civil service pay and corruption control, due to the importation of Western public administration theories and practices. During this period, many “best practices” concerning civil service management from Western countries poured into China. Some prominent politicians and philosophers contended that, rather than being corrupt inherently, public officials were led into corruption because the government was promoting a bad system, especially in fiscal matters. Thus they argued that the government should be responsible for covering all public expenses related to public affairs. This meant that government officials should not rely on bribes and illegal collections from farmers to support their daily public work. They suggested that the Chinese government should learn from the Japanese experience in introducing a modern civil service pay system to reduce corruption. In 1906, five years before the collapse of the Qing Dynasty, the Qing government set up a government department in charge of sur-

1. As we shall see, Zhu Rongji, the former premier of the PRC, also promoted a two-pronged strategy of civil service reform in the late 1990s. On the one hand, he launched a large-scale civil service retrenchment across the board; on the other, he attempted to improve civil service pay without harming the fiscal capacity of the government.
veying public officials’ salaries. The Qing government announced that expenses related to public affairs should be paid by the state treasury. This practice was, to some extent, similar to the “yanglian yin” system promoted by the Emperor Yong Zheng. However, the late Qing government was not able to implement this system before it collapsed.

A military uprising overthrew the Qing government in 1911. The provisional government of the Republic of China (ROC) was introduced in 1912, and Sun Yat-sen, a prominent revolutionary in the late Qing period, was elected as the first president of the ROC. A prolonged period of political and economic turmoil followed. Nevertheless, the debate over civil service management and, in particular, civil service remuneration did not halt during this time. For example, Liang Qichao, a reformist and philosopher in the late Qing Dynasty and early the ROC, criticized high remuneration for public officials. He viewed civil servants as unproductive labor. If high pay were introduced to reward public officials, society would be corrupt and uncompetitive (Yang, 2006). The argument advocated by Liang Qichao exactly epitomized the pay principle of the Rites of Zhou.

In the warlord period of 1912–1928 the Chinese government promoted high pay for civil servants. Although one administration overthrew another administration regularly, civil service management imported from the West had started to take root in China. Many open-minded reformists advocated high civil service salaries to ensure civil service integrity, which could buffer the negative impact of the wars on society.

The lowest paid public servants could afford a family with five members during this period (Yang, 2006). Drawing on some nationwide household surveys on income and expenditure, the government tried to promote good living conditions in a bid to foster a stable and clean civil service. Pay differentials were substantial – even larger than those in the PRC, as the idea of “privileging high-ranking officials (zhonggaoguan boxiaoli)” dominated. But since many civil wars occurred during this period, the high pay system was frustrated by inflation and poor economic conditions.

Not until the Nationalist Government of the ROC (1927–1948) was a modern civil service system introduced. Over half of the ministers in this government were foreign-educated returners (Yang, 2006). Numerous good practices taken from Western public administration were introduced into China. For example, the government separated
management by political appointees from that by ordinary civil servants. Also funds for the remuneration in both work and retirement of civil service personnel were guaranteed by the government.

Civil servant pay during this period was generally handsome – the average expenditure of a lowest-ranked civil servant was double that of an ordinary worker (Yang, 2006). According to the Rites of Zhou, civil service pay works to guarantee civil servants’ family expenditure needs when civil servants stop being involved in agricultural production. Public administrators in the Nationalist Government argued that civil service pay served to promote both the personal integrity and the incorruptness of public officials. Thus civil service remuneration should be high enough for civil servants to have a decent life. Excessive pay differentials nonetheless were condemned at the time, which suggested a social demand for equality and distributive justice. Evidence suggests that a rationalization of civil service remuneration was associated with a clean government at that time (Yang, 2006).

Civil service pay suffered after warfare began against the Japanese in 1937. Serious inflation made an every-three-month salary review late and ineffective. Local governments had to provide cost-of-living allowances for civil servants. But too often salary adjustments and cost-of-living allowances could not catch up with hyperinflation. Worse yet, high military expenditure led to widespread civil service pay arrears. When civil servants did not receive their salaries on time, they resorted to using their power for private gain. It is reported that corruption, especially grand corruption among high-ranking officials, was rampant at that time (Yang, 2006).

**Using Adequate Pay to Improve Government Integrity in the PRC**

From its beginning, the PRC has been governed by the ideology of Marxism–Leninism. During his rule over the Soviet Union, Lenin and his party were plagued with pre-revolutionary bureaucracy and petty corruption. He turned to “rationalize” the civil service system during his administration, though he never succeeded in eradicating corruption (Harding, 1981). Lenin’s preoccupation with rationalizing his bureaucracy deeply shaped the governing style of the Chinese Communist Party.

Alleviating corruption through increased civil service pay never became a core public administration issue in the Mao period in China.
Pay and Corruption: Past, Present, and Prospects

A mass campaign against corruption was the main method of corruption control at that time. Gao Gang, the head of the early liberated Northeast People’s Government, launched a campaign aimed at reducing both corruption and administrative waste in 1951, soon after the founding of the PRC. Most of the state’s cadres, due to a lack of management skills, wasted substantial financial resources when the new government was in dire need of various resources to consolidate power. They also gave in to temptation now that they unexpectedly had the power to manage the economy, allocate human and material resources, and regulate commercial activities. Small-scale corruption mushroomed across the country. Zhou Enlai, the then premier of the PRC government, wished to reorganize the administrative system to improve public sector efficiency and reduce corruption. But Chairman Mao was enthusiastic about promoting a campaign style of anti-corruption and anti-waste within the bureaucracy. The Three-Anti Campaign (against corruption, waste, and bureaucracy) saw many high-ranking and grassroots cadres lose their jobs or even end in jails.

The Socialist Education Campaign was another high watermark of anti-corruption in the Mao period. Most ordinary people and grassroots cadres have a bad memory of the Great Leap Forward in the late 1950s and early 1960s, as they suffered from unprecedented food shortages; numerous people died in a great famine. Partly as self-protection behavior, local cadres increasingly paid attention to material benefits for themselves and their family. Some of them abused public power for personal gains (Harding, 1981). As an outcome of the Socialist Education Campaign, many cadres received brutal punishment for their wrongdoing or incorrect political stance.

Harding (1981), in a review of governance before the economic reform and right after the reform, points out that “the Chinese have done a creditable job in controlling outright graft” (p.356). Various international surveys on corruption in China also suggest that the government was relatively clean during the early period of economic reform, which implies that corruption control was effective in the Mao era. However, Wedeman (2000) argues that campaign-style corruption control is not able to deter large-scale corruption. Some large-scale corruption happened but this was not detected during the Mao period.

Corruption has grown to operate on a larger scale since the late 1980s. Forms and characteristics of corruption have become increasingly com-
plex and multifaceted (Gong, 1997). Transparency International – a Berlin-based, independent, corruption-monitoring organization – has published a global ranking of corruption for decades. As shown in Figure 8.1, the perceived level of corruption was less serious in the mid-1980s. It nonetheless became very worrisome between 1995 and 1997 as the score changed from 4.73 in 1992 to 2.88 in 1997.

Zengke He (2000) provides three explanations for the acceleration of corruption in post-Mao China. First, a dual economic system with a combination of a planned economy and a market economy created huge opportunities for corrupt officials to profit. In many cases, for example, insiders in the public sector could obtain materials at a price far lower than the market value. It was noticed that public officials made profits through utilizing various opportunities related to their public positions. Second, regulatory power wielded by government officials led to substantial corruption. The growth of regulatory policies for the market-oriented economy aimed at leveling the playing field in transitional China. But an unintended consequence was that it generated space for bureaucratic manipulation. Corruption surged. Third, the decline of the Marxist–Leninist ideology and “ethical education” in the public sector resulted in an intensification of corruption. As noted by Professor He, ethical education for public sector officials has lost effectiveness since

Figure 8.1: Corruption perception index of China, 1985–2011

Source: Transparency International (TI), various years.
Note: Lower score indicates a high perceived level of corruption.
the economic reform. Corrupt individuals now feel less moral pressure from society, which contributes to rampant corruption in China.

A civil service remuneration regime was a part of the planned economy, which maintained a low-wage regime and paid little attention to the alleviation of corruption. This regime profoundly shaped the civil service reform both before and after the economic reform. Though a market-oriented economy has been promoted since the early 1990s, the old orthodox view of civil service pay in China is substantially distinct from the Western one in two ways. First, the Chinese government prioritizes production over income distribution; civil service remuneration, viewed as a counterforce to advancing production, is tarnished and compressed. The Chinese government has some characteristics of a developmental state wherein economic development is a crucial tool for the ruler to maintain legitimacy. In the planned economy of China, income distribution was inferior to production, as wealth generated went back to improve the production capacity of state- or collective-owned enterprises.

Chen Yun, a central heavyweight with the portfolio of economic management, argued in 1982 that “We should attempt to improve people’s livelihood. It is of great importance to let people have a meal to eat. Eating, consumption, nonetheless must be contained. Production is crucial to our nation. There is no hope for the country when people eat up all resources” (Li, 1991, p. 312). The central leadership in China viewed production and consumption as a zero-sum game wherein substantial consumption would lead to a declining capacity to produce. Production thus came first, wage remuneration and other consumption activities second.

Second, civil service remuneration is constrained by an encompassing state. The Chinese government pays attention to the issue of “letting everyone have a meal to eat” (Takahara, 1992, p. 44), though some reformists are skeptical of “everybody eating from the same big pot” (Chew, 1990a). Under the framework of an encompassing state, civil servants cannot earn a substantially high salary as against other urban employees; meanwhile, the gap between civil service pay and the income of rural peasants should not be great. In addition, social stability is also an important concern. The Central Committee of the CCP in 1957 stated unambiguously that the gap between rural and urban lives should not exceed a certain limit. Otherwise, migration from rural to urban areas would ensue. However, urban areas fell short of resources to sustain a large population (Li,
1991, p. 312). Thus, as noted in Chapter 7, for a long period the model of “high-employment, low-wage, and low-consumption” dominated in China. Though the advocates of low-consumption have faded away in recent years, since the country needs to boost consumption for economic growth, the encompassing state still hinders the development of a well-functioning civil service pay system (Cooke, 2005, p. 294).

Rooted in the early period of the PRC, civil service remuneration, ridden with many political and ideological concerns, has not played a role in improving both civil service motivation and government integrity. Though some rectifications have been made since the late 1990s, civil service pay in China has a long way to go toward true rationalization, though public opinion about the positive impact of adequate pay on corruption reduction has been around since the early 1990s.

Singapore, as a model country of corruption control in Asia, has spread its successful experiences to China. When Lee Kuan Yew, the founding father of modern Singapore, visited China in 1992, he was invited to talk about Singapore’s experiences and lessons in both public goods provision and civil service governance. He told the Chinese about the role of high civil service pay in alleviating corruption in his country. According to the People’s Daily, Lee argued that “Civil servants in Singapore earn a good salary; thus corrupt officials will risk losing their jobs and handsome pensions” (People’s Daily 29 August 1992, p. 6). It stirred a great debate in the country about remuneration in the public sector and corruption control.

Intriguingly, when discussing the Singaporean experience, the Chinese do not use the term “using high pay in ensuring a clean government” (gaoxin yanglian) but “using adequate pay in ensuring a clean government” (yixin yanglian). This reflects both an ideological and a practical concern that civil service pay cannot be too high, in order to meet political demands. In addition, the fiscal capacity of the Chinese government at that time could not pay a high salary to cadres (the term of civil servant was officially endorsed in 1993).

The People’s Daily, the CCP’s mouthpiece, published the first commentary on improving public sector salary in ensuring a clean government soon after Lee’s visit. It was argued that sufficient compensation was a precondition for preventing corruption. More importantly, the author cited the Singaporean case when drawing a distinction between an
adequate and a high wage. Whilst cadre remuneration was not expected to catch up with high earners in the private sector, a fair wage offering government officials a decent living should be put in place in a bid to prevent them from involving themselves in corruption (Liu, 1992).

Then in 1995 another article appeared in the People’s Daily. It observed that as both economic development and living conditions continued to improve in the country, many were arguing for the introduction of the Singaporean practice for corruption control in China. The article cautioned, however, that a high salary by itself would not effectively prevent corruption, because some greedy persons might still try to grab more money illegally. The author cited an old Chinese saying: “Greedy persons want more than they need after they get rich while self-disciplined people are happy even they are poor (lianzhe change wuqiu tanzhe changyu buzhu)” . The commentary concluded by urging the government to promote the way of a frugal life among civil servants (Wu, 1995).

Whilst sharing a caution about material reward, the 1992 and 1995 commentaries in the People’s Daily both endorsed the role of adequate civil service compensation as a precondition of minimizing corruption in modern China. Zhu Rongji, a heavyweight in the Chinese government, also argued that public employees should be given an adequate and fair, but not high, compensation. This distinction between adequate and high pay shows that there is still an egalitarian sentiment born of the Marxist–Leninist ideology. Civil servants should not be remunerated substantially higher than other job earners. But there are strong demands for pay rises in the public sector, not only for corruption control but also to realize a modern civil service system in China.

A turning point came in 1997 when the first pay rise for civil servants across the board came (Ministry of Personnel & Ministry of Finance, 1997). Six nationwide civil service pay rises between 1997 and 2006 were due to several factors, such as macroeconomic control and addressing pay inequality among the regions. In addition to such factors, using pay increments to reduce corruption is now also a crucial driving factor for pay rises in the Chinese public sector. The then Premier Zhu Rongji promised to double the salary of civil servants within three years (Singtao Daily, 6 March 2001). Modeled on anti-corruption experiences in both Hong Kong and Singapore, the premier seemed to be learning from the Emperor Yong Zheng, who had promoted the “yanglian yin” system in
The People’s Daily, later on, published some bolder, more articulated commentaries on the relationship between civil service pay and corruption. A party chief with a portfolio in corruption control in Shanxi Province argued for reforms, to improve the effectiveness of reducing corruption. He pointed out that the Chinese government should have in place a system of increased civil service pay, to safeguard a clean government. Thus civil service pay must rise in line with economic development. In addition, pay should be made adequate in order to attract and retain talent (Jin, 2003). In the same year, a senior cadre in the central government also wrote to the People’s Daily arguing for a system with adequate pay for alleviating corruption. He said that the central government should address the low pay of civil servants and state cadres in order to foster a clean and effective government (Peng, 2003).

In sum, the Chinese leadership has started to attach great importance to the role of civil service pay in alleviating corruption. Neither civil servants nor ordinary people object to adequate pay for corruption control. In 2009, Wen Wei Po, a Hong Kong-based pro-Beijing newspaper, published a piece on Tian Wenjing, who had endorsed a good pay for making civil servants honest and efficient in the Qing Dynasty. The piece discussed the role of Tian Wenjing in promoting “yanglian yin” and a clean government. It argued that when Governor Tian was awarded an extra yanglian yin amounting to 10,000 taels by the Emperor Yong Zheng, Tian declined to accept the payment, saying he already had good salary (Wu, 2009). The above piece concerning the link between public sector remuneration and corruption echoes some Chinese sayings. For example, “The gentlemen are concerned about justice, while the petty men are preoccupied with profits (junzizhongyi xiaorenzhongli).” This reflects the impact of Confucianism on modern civil service management in China, by stressing that public officials should pay more attention to justice than to material benefit. In addition, the state’s Socialist ideology contributes to the situation as it attaches importance to self-sacrifice and the like. In the early period of the PRC, asceticism, self-sacrifice, and

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2. Eventually rural agricultural taxes were abolished in 2006 (see Kennedy, 2007; Li, 2008).
detachment from material world were rather emphasized. Even today the Chinese leadership still tend to pay lip service to these qualities.

The idea of “privileging high-ranking officials” in fact dominated in both ancient and modern China. This meant that senior officials should be respected and well compensated, with rank-and-file officials being educated to maintain a humble life with meager pay. The bureaucratic hierarchy itself was expected to play an instrumental role in motivating talented youths and gentlemen (junzi), and discouraging petty men (xiaoren) who cared about material interests, to join the government. In many inspirational stories from ancient China, senior officials were depicted as gentlemen who were concerned with spiritual rather than physical matters. Nevertheless the state compensated them by offering them substantial material benefits to improve their lives, while junior officials, the petty men seeking physical comforts, were punished.

Socialist China has complicated the above issue, as egalitarianism was a part of the Marxist–Leninist ideology. The CCP nonetheless inherited some governing techniques from those of ancient China, by in practice maintaining a hierarchical society. Therefore, if informal compensation such as cars or houses for senior officials is taken into consideration, civil service compensation today is highly in favor of senior public officials. Wu (2012), in a survey of extra benefits for senior state workers, reveals that internal pay inequality is very serious in China. The income gap between senior and junior civil servants has not been narrowed but widened in recent years.

Worsening Corruption Despite Increased Remuneration

The Chinese government has latterly made great efforts to improve public sector remuneration. The pay level has increased substantially. On a conservative estimation, real civil service pay now ranks 4th out of 19 job categories. Civil service compensation has become high both in absolute and relative terms. Coupled with substantial extra benefits, leading cadres earn a good salary while leading a good life.

Statistics on corruption in China nonetheless suggest a disappointing trend: many senior officials have been investigated and prosecuted for corruption since the mid-1990s (Gong & Wu, 2012b). For each corruption case, the sums involved have risen sharply over time (Yang, 2004). A survey on corruption severity in China among private entrepreneurs
between 2006 and 2007 reveals an alarming situation. 17.6 percent of private entrepreneurs stated that “hardly anyone [public official] is involved” in corruption, 63.1 percent of the respondents agreed that

Note: Narrowly defined corruption includes graft, bribery, embezzlement, and misappropriation while broadly defined corruption includes all the above plus other types of power abuse such as nepotism, privilege seeking, and dereliction of duty.

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“some officials are corrupt”, while 19.0 percent of them thought that “most officials are corrupt” (Chen & Dickson, 2008, p. 796). China has suffered a surge of corruption in recent years (Johnston & Hao, 1995).

Furthermore, according to the China Procuratorial Yearbook, the number of “grand cases” (da an) of bribery, embezzlement, and the like in proportion to all prosecuted cases rose from 32 percent to 67 percent during the period 1998–2008, and “major cases” (yao an) increased from 4.9 percent to 7.4 percent in the same period (see Figures 8.2A, B). “Grand case” means that the case involves a vast amount of money. Currently, it refers to at least 50,000 yuan for bribery. “Major case” denotes the corruption case involving high-ranking officials (above the county level).

A newly-available large-scale dataset suggests a similar trend. This dataset covers all the corruption cases detected by the government and reported by the China Procuratorial Daily (jiancha ribao) between 2000 and 2009. In general, they reveal a steady increase in corruption cases over the period. The number of high-profile corruption cases, on average, was 251 in the period 2000 to 2004, whilst it increased to 310 between 2005 and 2009 (Gong & Wu, 2012c).

Figure 8.3: Number of reported corruption cases, 2000–2009

Source: Adapted from Gong and Wu, 2012c, p. 207.
Governing Civil Service Pay in China

DISCUSSION

Increasing pay to ensure a clean civil service seems to be a rather technical issue. It epitomizes the development of the Chinese bureaucracy and civil service governance. The Chinese government has waged an unrelenting war against corruption. Nevertheless, many issues pertinent to the association between civil service pay and corruption control remain ambiguous and inconclusive.

In the early period of the PRC, ordinary citizens surprisingly put up with the slogan “working for no pay” when most of them needed to make money for their families. Ordinary people suffered from both low pay and low consumption. They “voluntarily” advocated giving up material returns on their labor, which suggested that the controlling power of socialist ideology was omnipresent and formidable. Though people have gradually changed their minds in the post-Mao period, the attack on good pay for civil servants is still present today.

Internal pay inequality persisted for a long time over Chinese history. Egalitarianism paradoxically coexists with serious pay inequality in the PRC today, which makes the effectiveness of both corruption control and civil service motivation difficult. The practice of “privileging high-ranking officials” existed for more than a thousand year in China. Most public officials were viewed as magistrates’ personal secretaries or personal servants (Zhong, 2003). Thus the remuneration of public officials, up to magistrates, was always low. Privileging those appointed by emperors was the norm in ancient China. Learning from the Western, modern public administration, many foreign-educated returners to the ROC promoted an effective system of public personnel remuneration for low-ranking officials. But though good pay for civil servants was introduced, internal pay inequality remained serious.

Originally, it seemed that internal pay inequality could be addressed readily in Socialist China where a proletarian dictatorship prevailed. Under the orthodoxy of the Marxist–Leninist ideology, the social statuses of high- and low-ranking officials were comparable – all were “comrades”. It should be noted that internal pay inequality was serious as early as the founding of the PRC. Substantial extra benefits were provided to senior cadres to compensate their efforts in building a modern socialist country. This has become unbridled since the introduction of the market economy, as many public officials abuse their power to seize
“market opportunities” to enrich themselves (Gong, 2006). It appears that senior officials increase their personal gains while increasingly ignoring the remuneration of low-ranking civil servants. This leads to bad public governance at the grassroots level.

Why does better remuneration not lead to corruption alleviation in the country? Civil service pay is but one dimension of the intricate set of factors leading to corruption. Thus, we cannot expect increased civil service pay to deter corruption immediately after the pay increments. The probability of being caught for corruption is still very low in China. As Guo (2008) points out the latency period (the time lag between the commission and the detection of corruption) of corruption cases has grown in recent years. Guo generated databases A and B based on corrupt officials’ administrative rankings. In the period 1980 to 1988, the latency period, on average, was 1.80 years for database A and 2.19 years for database B. The period increased to 6.44 and 5.00 years, respectively, during the period 1998 to 2002 (Guo, 2008). The severity of the penalty for corruption, based on various accounts, seems not to be high in China. Therefore corrupt officials are emboldened to profit from wielding power.