

## CHANGING STATE-ENTERPRISE MANAGEMENT IN CHINA DURING ITS ECONOMIC REFORM PERIOD

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### INTRODUCTION

**D**URING China's period of economic reform which has lasted since the late 1970s, the principles of state-enterprise management organization have undergone various changes, basically in the direction of decentralization. The reforms have encompassed a whole gamut of areas, ranging from allocation of enterprise and state assets to fund supply, allocation, and circulation of raw materials and products, and hiring systems. In this article I will examine the intra-enterprise personnel, namely, enterprise management that has been changed directly with putting the reform policies into practice. This study thus deals with managerial personnel in the broadest sense, called "cadres" (*ganbu*) who have some institutional opportunity to participate in enterprise management, and will focus on those who actually function as top-management and participate in the decision-making process. This study will concentrate on state-owned manufacturing enterprises, and will not deal with collectively owned, individually owned or foreign investment enterprises.

First, I will examine how "cadre" groups out of which enterprise managers are selected are being reproduced and what kind of personnel management is conducted by them. Secondly, I will analyze the reforms carried out so far made concerning personnel management, keeping in mind that this is an area where the effects of the economic reforms have been least felt. Thirdly, I will show what changes have occurred in the top-management of state enterprises, changes that reflect the new environment created by economic reform. Generally, the aim is to identify and explain both the changed and unchanged aspects of Chinese industrial decision-makers.

### I. "CADRE" MANAGEMENT POLICY

#### A. Terminology

In Chinese personnel and labor management, the work force<sup>1</sup> is strictly divided into the management-technical personnel and shop-floor worker groups. The

<sup>1</sup> The Chinese concept of work force (or "staff and workers" [*zhigong*]) is defined so as to reflect the present regime's attitude toward work participation. A relatively recent book on personnel management gives this definition: "the 'whole staff and workers' [*quanbu*

TABLE I  
COMPOSITION OF STAFF AND WORKERS IN ENTERPRISE AND INSTITUTION UNIT

	(%)	
Workers	Cadres	Professional Technical Staff
70.17	16.92	12.92

Source: [1, p. 460].

Note: Based on a sample survey in 1986. 647,112 persons chosen as samples.

former is the cadre (*ganbu*)<sup>2</sup> group and the latter the worker (*gongren*) group.

Table I shows the job-based distribution of enterprise personnel. "Cadre" in the broad Chinese sense accounts for about 30 per cent of the nation work force.

How is "cadre" strictly defined in the Chinese personnel management system? Cadre is "the general term used in referring to management staff at state enterprise and institution units."<sup>3</sup> At state enterprise units, those employees who are college or technical secondary school graduates and those who have gone through *zhuangan* ("transformation into cadre") procedures are all given "state cadres" status, regardless of the jobs they are assigned to or whether they are now acting in a leadership role or not. During the democratic revolution period, personnel under party guidance and personnel holding positions higher than platoon commander were all called cadres" [7, p. 117]. Another document gives a simpler definition. "Those who are hired at the recommendation of personnel departments or affiliated organizations are referred to as cadres, and those who are hired with the approval of labor departments are referred to workers" [3, p. 101]. The clear difference between cadres and workers is that the former fall within the jurisdiction of the

*zhigong*] are those who work for and are paid by the enterprises or institutions in the ownership of whole people or in urban collective ownership, state organs at all levels, and people's organizations, including those who are working at the township [*xiang*] level in the countryside and paid by the state. They do not include retirees, those working in management structures at the township level in rural areas, those who work at village and township enterprises and other village and township businesses, or individual workers in urban and rural areas" (italics added) [3, p. 63]. The same book goes on to say that "staff and workers at industrial enterprises" are defined as "all mental and manual laborers employed by whole people ownership or by urban collective-owned enterprises with the approval of the personnel and labor offices of the county or higher level administration" (italics added) [3, p. 62]. Basically, "staff and workers" are those employed by the above two categories of enterprises. However, in the past two or three years, employees at rural enterprises have begun to be called "staff and workers." The usage of the term "staff and workers" thus has in reality been broadened, even though official statistics still follow the stricter definition.

<sup>2</sup> Although it is customary to translate *ganbu* as "cadre," in Chinese personnel and labor management terms, "cadre" is used in the broadest sense, rather than in the more common sense of a nucleus of key, experienced persons. When a person is hired by a state enterprise either upon graduation from school or otherwise, he or she is given either cadre status or worker status. It could be used in a narrower sense: cadre can denote only office staff, differentiated strictly from technical staff. Please note that "cadre" will be used here to refer to both groups and individual persons in accordance with the Chinese usage.

<sup>3</sup> Therefore, there are no cadres for collective enterprises.

personnel departments and their affiliated organizations headed by the State Council's Ministry of Personnel and the latter within that of the labor departments headed by the Ministry of Labor. To wit, "cadres" are assigned (*fenpei*) to enterprises under the unitary control of the personnel departments. Inside state enterprises, the cadres are divided into the following job categories: (1) production-line managers, i.e., chief and vice factory directors; heads of functional sections and departments, directors of workshops and branch factories, and workshop leaders,<sup>4</sup> (2) engineers, (3) general business managers (planning, accounting, wage, personnel, production control, marketing, welfare, and others), and (4) party committee and mass organization managers (chief and vice secretaries of party committee, presidents of labor unions, etc.) [2] [1].<sup>5</sup>

Cadres are also defined as personnel under the control of the Communist Party of China. From the revolutionary period through the early 1950s, the party's organization section directly controlled all cadre assignments. Later, personnel affairs were decentralized and changed to government offices and district party organizations, and in the 1980s the party relinquished its power to control cadres directly, with the exception of top enterprise executives. Nevertheless, assignment and control of cadres are still formally in the hands of the party [2, pp. 7-9]. In other words, the unitary cadre assignment system has been maintained throughout the history of the People's Republic of China, even though the job assignment system for workers (*gongren*) has changed over time.

#### B. *Becoming a Cadre*

Those who are hired by the state enterprise as cadres are staff personnel controlled by the personnel departments. Basically they consist of graduates of technical secondary schools and colleges and ex-soldiers employed by state enterprises.

There are two ways military personnel take up civilian jobs. One is by *zhuanye* (transfer to civilian work) and the other *fuyuan* (demobilization). Military personnel holding platoon commander or higher positions can "transfer to civilian work" as cadres. Such transfers were begun in January 1949 prior to the founding of the People's Republic of China.<sup>6</sup> Those soldiers below the platoon commander level who are "demobilized" enter civilian work as workers. Several million military personnel are said to have become cadres through these procedures during the thirty-five years since the revolution. On the other hand, college and technical secondary school graduates are assigned to jobs by the education and personnel departments, thus automatically become cadres.

<sup>4</sup> However, those who are the production-team leaders, workshop directors in a small enterprises, and those in lower positions are called *butuo chan ganbu*, or cadres engaged in production, and are treated as workers.

<sup>5</sup> The survey reported in [1] was conducted by the All-China Federation in the spring of 1986 on 519 enterprises and institutional units comprising more than 800,000 workers and staff.

<sup>6</sup> The following table shows that more *zhuanye* (transfer to civilian work) involving military personnel by enterprises occurred after 1960 than in the 1950s.

TABLE II  
EDUCATIONAL BACKGROUND OF STAFF AND WORKERS

	Illiterate, Semi-illiterate	Primary School	Junior Middle School	Senior Middle School, Technical Secondary School	University and College
Workers	3.33	14.90	51.68	29.34	0.77
Cadres	0.51	6.66	33.92	42.36	16.57
Professional technical staff	0.12	1.01	7.88	42.00	49.02

Source: [4, p. 466]. [4] is based on a survey done from March through April 1982 on eleven enterprises.

The above hiring practices are together referred to as *xishou* (recruitment), but there are other exceptional cases in which persons other than ex-soldiers or college and technical secondary school graduates are hired as cadres. This is called *luyong* (literally "employment"), and is differentiated from *xishou* [2, p. 49].

Table II showing educational background of staff and workers indicates how this system works. Those cadres and technical staff whose educational levels are low usually consist of former soldiers, older employees, and those hired first as workers and then promoted to the cadre status.<sup>7</sup>

### C. The Cadre Hierarchy

Enterprise cadres are subject to unitary control by the party committees, their organization sections, and government personnel departments at different echelons.

Previous Jobs of Engineers and Technicians (33,616 persons as samples)							
	Worker	Military	Student	Peasant	Rusticated Youth	Youth Waiting for Employment	Others
Before Oct.							
1, 1949 <sup>a</sup>	1,284	582	657	271	0	0	159
1949-56	2,461	958	4,089	978	1	3	298
1957-65	994	1,389	5,985	355	23	27	93
1966-76	1,379	1,474	6,005	323	1,001	300	74
After Oct.							
6, 1976 <sup>b</sup>	463	165	1,500	22	270	87	33
Total	6,584	4,568	18,146	1,949	1,295	417	657

Source: [4, pp. 30-33].

<sup>a</sup> The founding of the P.R.C.

<sup>b</sup> The arrest of the Gang of Four.

<sup>7</sup> For details concerning the procedures for prompting workers to cadres, see p. 450 in the text.

This is a system basically copying the method of party cadre control. This system originated in, and has been basically maintained since the revolutionary period when centralized personnel control was necessary and when personnel management was not very complex.

Because enterprises, institutions, and all other units have been subject to administrative channels ever since 1949 liberation, all organizations have become hierarchically ranked, each being given a status equivalent to its corresponding echelon in the administrative or military structure. Thus, each factory, shop, school, cultural organization, and even each temple or shrine, has been assigned to a rank corresponding to a certain echelon within the national administrative hierarchy. Chinese enterprises, for instance, are divided into "large enterprises," "medium-sized enterprises" etc., in accordance with the size of their assets and production capacities. But this classification means more. "Large enterprises" are usually considered equal in status to above prefectural-level administration and "medium-sized enterprises" equal in status to county-level administration. Thus, a prefectural-level cadre will be appointed director of a "large enterprise" and a county-level cadre will be appointed director of a "medium-sized enterprise." That is to say, cadres are ranked according to the enterprise they work for, and when a cadre is transferred he or she will be moved to a post with similar ranking. Similarly, military personnel move horizontally to similarly ranked civilian positions. Since all cadres in all enterprises and institutions are covered by this system, every engineer, teacher, physician, athlete, policeman, or even actor carries a certain rank with a corresponding position within the party hierarchy. Thus, there are "department chief-level Buddhist monks" and "bureau chief-level college professors."

In 1956 a national uniform wages system (classified into grade 1–grade 30 scale) was put into effect for all personnel in administrative agencies. At that time, enterprise management followed a different wage system. Then in 1963 a reform carried out to apply the administrative personnel wage table to enterprise cadres. With this reform, correspondence was established among the ranks and wages of the three categories of cadres: enterprise, administrative, and military.

Table III gives the corresponding ranks between the administrative and military cadres. For example, a chief regiment commander in the military, a grade 14 cadre (section chief) in the national administration, and grade 13–15 cadres (county chief) in local administration are regarded to be in the same ranking. In enterprises this ranking is equivalent to a "medium-sized enterprise" director.<sup>8</sup>

This wage system was again modified in 1985 in favor of a "structural wage system." Under the new system, cadre wages are subdivided into four components: basic wage, post wage, seniority wage, and promotion wage. Nevertheless, the post wage component still inherits former grade wage guidelines (Table IV).

<sup>8</sup> This classification is based on the wage table for cadres. Both cadres and workers are paid according to different wages tables. Traditionally, the workers were paid in accordance with an eight-grade wage table (apprentice, grade 1 to grade 8 worker) based on skill and duration of service.)

TABLE III  
CORRESPONDING RANKS AMONG MILITARY, NATIONAL, AND LOCAL CADRES

Military	National Administration	Local Administration
Division level:		
Chief division commander	11	10-12
Assistant division commander	12	11-13
Junior division commander	13	
Regiment level:		
Chief regiment commander	14	13-15
Assistant regiment commander	15	14-17
Junior regiment commander	16	
Battalion level:		
Chief battalion commander	17	16-18
Assistant battalion commander	18	17-19
Company level:		
Chief company commander	19	18-20
Assistant company commander	20	19-21
Platoon level:		
Chief platoon level	21	20-22
Assistant platoon level	22	

Source: [2, pp. 314, 316].

## II. ECONOMIC REFORM AND PERSONNEL MANAGEMENT

### A. *Reforms in Personnel Management*

Since the economic reforms were launched in the late 1980s, a variety of changes have been made in enterprise management, centering around increased enterprise autonomy. But these reforms have not significantly affected personnel management system. This is because personnel assignments are still a party affair and therefore remain highly political in nature. Reforming personnel management is a matter for political reform than economic, and it is a fact that little political reform has been carried out up to now.

Even so, some measures have been taken by way of personnel management reform in terms of decentralization of authority power in assigning school graduates and cadres and new measures to promote workers to cadre status. The transfer of personnel has also been carried out on a large scale and at different levels so as to rejuvenate leading cadres to promote professionalization.

(1) Traditionally, college and technical secondary school graduates were assigned to administrative agencies and enterprises as cadres. In implementing assignments, the Ministry of Education used to use a general framework, while other ministries utilized implementation plans. This system was reformed in 1980 by "Notice on unified assignment adjustment of technical secondary school graduates" followed in 1985 by "Procedures of organization of job assignment plans for graduates of higher education institutions." These two policies aimed to

TABLE IV  
BASIC AND POST WAGES FOR CENTRAL AND PROVINCIAL ADMINISTRATIVE PERSONNEL  
(Yuan)

Post	Basic Wages	Post Wages					
		1	2	3	4	5	6
President, vice-president, premier	40	490	410	340			
Vice-premier, state councilor	40	340	300	270			
Minister, governor of province	40	315	300	270	240	215	190
Vice-minister, vice-governor of province	40	270	240	215	190	165	150
Chief of bureau, chief of office	40	190	165	150	140	130	120
Vice-chief of bureau, vice-chief of office	40	150	140	130	120	110	100
Head of department	40		130	120	110	100	91
Vice-head of department	40		110	100	91	82	73
Section chief, head of section members	40		91	82	73	65	57
Section member	40		57	49	42	36	30
Office worker	40		42	36	30	24	18

Source: Dangdai-Zhongguo-bianhua-zhanguang-diaochasu, ed., *Dangdai Zhongguo de zhigong gongzi fuli he shehui baoxian* [China today: wages and welfare of staff-and-workers and social insurance] (Beijing: Zhongguo-shehui-kexue-chubanshe, 1987).

Note: This table applies "category 6 area" of Chinese regional wage classification.

decentralize the authority of personnel administration. As a result, the administrative agencies directly controlling individual schools were given more power in assigning their graduates. In concrete terms, the following measures were introduced.

—Graduates from local institutions of higher education (about half of China's university-level [mostly technical school] graduates) are assigned by the corresponding local administrative agencies.

—Graduates from technical secondary schools are in principle assigned by the departments, provinces, municipalities, and autonomous regions concerned, but these decisions are subject to "fine tuning" by the central government.<sup>9</sup>

—Concerning graduates from the technical secondary schools directly affiliated with central government ministries, up to 5 per cent can be assigned by the ministries concerned to the important government projects or other urgent tasks.

<sup>9</sup> According to the regulation made in 1960, 15 per cent of such graduates were subject to the unitary assignment by the central government.

TABLE V  
WORKER PARTICIPATION IN OFF THE JOB STUDY

	(%)
Night school managed by factory	20.9
Night school managed by city, district	2.4
Educational TV	2.6
Technical study programs	53.8
Skilled workers' school managed by factory	16.0
Independent study	4.3

Source: [4, p. 3].

Note: 149,995 persons were sampled for this survey. Of the sampled persons 34.5 per cent of 51,690, participated in some form of study in one way or another. The figures represent percentages of the total survey participants.

These measures in effect have strengthened ministry-level control over each individual graduate.

In 1985, the mandatory state assignment system was abolished for graduates from thirty-eight universities under the Ministry of Education. That year, 40,000 of the 275,000 graduates sought jobs freely. According to the government, the mandatory assignment system will be totally abolished for the graduating class of 1993.

(2) Another important reform pertaining to cadres was the institutionalization of promotion of non-cadres to the cadre status (*luyong*). This used to be considered a very exceptional practice and not many people were promoted in this manner. In actual practice, however, a goodly number of workers have had to be assigned to jobs institutionally set aside for cadres, but even in such cases such workers were rarely promoted to cadre status. The practice of assigning workers to cadres' jobs without a change of status is called *yigong daigan*. In fact, since the 1960s factories and mines have suffered shortage of cadre personnel, since the cadre recruiting system has not functioned well. So quite a few workers have been assigned to cadres' jobs. Also, during the Cultural Revolution, the supply of cadres labor totally broke down. It is said that this increased the cases of worker assignment to cadre positions significantly [7, p. 117].

In 1982, "Some regulations concerning the promotion to and recruitment of cadres" were formulated, setting down in black and white the conditions for the promotion to cadre status. In 1983, the Party Central Committee Organizing Department and the Ministry of Labor and Personnel issued the "Notification on the rectification of the *yigong daigan* problem," which approved the promotion to the cadre status of those *yigong daigan* workers who were in practice performing the tasks of cadres as of 1979, on condition that they fulfilled certain job skill and educational criteria (i.e., have attained high school education level).

To become cadres by fulfilling such educational criteria, workers are allowed to back to school and get the necessary diploma. In some cases enterprises have sent their workers to college. Otherwise, workers attend workers' colleges or take college diploma courses through correspondence curriculum. Table V gives some



data, though a bit dated, about worker participation in study and training off the job.

(3) Yet another reform involving cadres concerning its rejuvenation and professionalization. In his lecture titled "On the reform of the leadership system of the party and the state" given to the central political bureau's enlarged conference in 1980, Deng Xiaoping proposed "four points for modernizing" cadres. Following this lecture, a retirement age system was introduced, and efforts were stepped up to provide opportunities for younger cadres in various organizations.

The cadre management system was also reformed. From the revolutionary war period to 1953, all cadres were controlled by the Party Central Committee Organizing Department. In 1953, this system was changed and personnel management mechanisms were created at central government, ministry, local government, and enterprise level. But even after this reform, personnel control firmly remained in the hands of party organizations. After economic reform was launched it was decided in 1980 that party organizations and government agencies at different levels could control the personnel affairs of affiliated organizations only within the two top cadre ranks, but the principle of party control of personnel affairs was never modified. In 1984 such control was limited further to the top-ranking cadre. Formerly, a ministry had controlled all the personnel affairs pertaining to enterprises belonging to it, but under the new reform, a ministry could now control the posts of only one rank, namely, the director of an enterprise. The authority to fill posts inside the enterprise was transferred to the director of the enterprise concerned.<sup>10</sup>

#### *B. The Relationship between Cadre and Worker Rankings under the Economic Reform*

The division of work force into cadres and workers is a practice rooted in the traditional political and economic system of the People's Republic of China. Under the traditional system this practice was thoroughly implemented. Despite the fact that economic reform is being carried out precisely to rectify the defects of the old system, the aspect of the cadre/worker distinction has not been changed.

Survey data concerning intra-enterprise relationships between cadres and workers are given in Table VI. The table shows that cadre/worker relations have been perceived as having worsened in the course of the reform. This sentiment is considered to have arisen from the workers' dissatisfactions with cadres: cadres abuse their rights for personal gain; cadres cannot perform their jobs properly due to lack of concern with workers and personal emotions etc. [1, p. 190].

A fairly large group of workers feel unhappy about the large gap in work conditions between them and cadres. This sense of a gap motivates workers to gain promotions to cadre status. According to a survey at a machine-tool factory, 10 per cent of the workers are studying for a college diploma because that is the only way, they said, to get promoted without having to rely on personal favoritism [1, p. 284].

<sup>10</sup> This description largely depends on [2, Chaps. 1 and 2].

TABLE VI  
INTRA-ENTERPRISE RELATIONSHIPS BETWEEN CADRES AND  
WORKERS UNDER ECONOMIC REFORM

	(%)		
	Workers	Cadres	Technical Staff
A. How have the worker-cadre relations changed after reform?			
Better	26.37	33.24	25.15
No change	31.58	29.58	33.30
Worsened	38.56	34.55	37.68
No answer	3.51	2.65	3.90
B. How has the worker-technical staff relations changed after reform?			
Better	25.02	30.46	31.99
No change	46.22	39.32	44.05
Worsened	20.30	22.56	18.74
No answer	8.47	7.68	5.24
C. How has the inter-worker relationships changed after reform?			
Better	31.92	28.65	24.26
No change	38.54	41.05	47.46
Worsened	23.72	23.06	21.94
No answer	5.84	7.26	6.37

Source: [1, p. 516].

TABLE VII  
EVALUATION OF PARTY MEMBERS IN THE WORKPLACE

	(%)		
	Workers	Cadres	Technical Staff
All are exemplary	5.75	5.02	3.14
Most are exemplary	33.81	56.98	43.11
Very few are exemplary	39.00	31.11	42.44
None is exemplary	3.34	1.25	2.32
Worse than non-party members	16.44	4.29	6.60
Others	1.05	0.83	1.66
No answer	0.64	0.55	0.77

Source: [1, p. 570].

Note: Same sample as in Table I.

Table VII is not directly concerning cadres, but it indicates how party members in leading positions are seen by workers. More than 60 per cent of the workers covered by this survey have something critical to say about party members.

The categories cadres and workers are created for the convenience of personnel and labor management. But during the more than thirty years since the implementation of this system, it has created two distinct statuses among urban employees. The antagonistic relationship implicit in this system has not been mitigated, but rather strengthened over time.

There is at least one case of this dichotomous labor management system being abolished. Shoudu Iron and Steel Co. in Beijing in 1987 ventured to try a new system. At that enterprise, the educational level of workers had been gradually rising so that in 1987 40 per cent of the workers were high school graduates. Workers had thus become able to handle complex systems, and so it was felt that cadres could now be recruited from among them. Also, the contract system that was introduced about that time heightened the need for capable cadres. Under this situation the distinction between the workers and cadres began to be blurred. Thus, some cadres were demoted and others were recruited from among the workers. In other words, the enterprise started to carry out job transfers without regard to status distinction, filling positions and bestowing job titles in accordance with ability. In this way status differences were abolished.<sup>11</sup>

It is indeed noteworthy that there has been at least one enterprise that has carried out such drastic reforms, but it could do so only because of certain favorable conditions it enjoyed. Therefore, this type of reform seems not to have been followed by other less fortunate enterprises.

### III. CHANGES IN ENTERPRISE MANAGEMENT IN THE PROCESS OF ECONOMIC REFORM

Here changes in the composition of enterprise decision-makers, including enterprise directors and party secretaries, will be examined using examples from the machinery industry.<sup>12</sup>

Which of China's social strata have been providing enterprise directors to state enterprises? When an enterprise is first established, a director is installed. Since a state enterprise is publicly owned, it is established by the administration, not individuals or enterprises. The administrative agency that starts the enterprise selects a person and appoints him/her as the director of that enterprise.

Chinese state-owned machinery enterprises can roughly be divided into three groups: those established before the revolution or during the First Five-Year Plan, those set up during the Great Leap Forward period, and those established from between 1965 and 1975. Few enterprises have been established since the beginning of the economic reforms. In many cases, the initial directors of these enterprises came from military backgrounds. In the immediate aftermath of the revolution as well as in the subsequent period, military officers were appointed through the aforementioned *zhuanye* procedures as the first directors of newly founded enterprises. The correspondence established between enterprise cadre ranks and the military owed greatly to this fact. Some examples are given in Table VIII. Case 1 is a machine-tool factory in the Northeast region (typical of a

<sup>11</sup> A detailed account of this is given in "Shougang gaigehou zhihong duiwu bianhua zhuangkuang" [Changes in staff and workers after Shoudu Iron and Steel Company reforms], in *Zhonghuarenmingongheguo jin baokan ziliao* [Duplicated material of newspapers and periodicals of the People's Republic of China], ed. Shougang-gaigehou-zhihong-duiwu-bianhua-zhangkuang-diaochazu (1988, No. 5), taken from *Shehuixue yanjiu*, 1988, No. 2.

<sup>12</sup> Unless otherwise stated, the data in these cases are based on hearings this author conducted at machine tools factories from 1988 through 1989.

TABLE VIII  
SUCCESSIVE DIRECTORS AND PARTY COMMITTEE SECRETARIES

Period as Director	Previous Posts	Positions in Case 1 Factory before Assuming Directorship	Jobs and Posts after Resigning Directorship
(1) -1953	Party secretary at military-run factory in Shandong province	Directly appointed director	
(2) 1953-54	College graduate	Directly appointed director (at the age of around 40)	Ministry of Machine-Building Industry
(3) 1954-59	Commander in military sub-area; became director after retirement	Directly appointed director	Provincial department of machine-building industry; vice-minister of 2nd machine-building industry
(4) 1959-66	Forge worker at munitions factory; became production-team leader, then workshop director, and director of that munitions factory	Party committee secretary	Chief of city economic commission
(5) 1966-	All cadres sent out to work camps; production resumed around 1968.	Production suspended (for half a year); military control of the factory;	
(6) -1974	Head of production section at factory in nearby province; vice-director at the same factory (in charge of production); became survey officer at the First Ministry of Machine-Building Industry	Vice-secretary of the party committee	Chief of city people's congress
(7) 1974-83	Machinist's apprentice at a large machine-tool factory in the same province; production team leader; sent to the Soviet Union as student in the 1950s	Production section chief; vice-director in charge of production	Chief of city machine-building industry bureau; vice-mayor; vice-chief of city people's congress

TABLE VIII (Continued)

Period as Director	Previous Posts	Positions in Case 1 Factory before Assuming Directorship	Jobs and Posts after Resigning Directorship
(8) 1983-84	Graduated from technical secondary school; sent to the USSR for study	Technical staff member in machine-tool production; staff member in charge of technology; chief engineer	Vice-chief of city commission of economy; transferred to a company in Hong Kong owned by the commission of the machine building industry
(9) 1985-86		Graduated from junior middle school; machinist; production section; production section chief; vice-director in charge of production	Austro-Chinese Company (a company owned by the commission of the machine-building industry in Australia)
(10) 1986-	Graduated from Qinghua University in 1968	Quality control office; officer in charge of quality control; returned to Qinghua University to study management for two years; head of planning section; head of production section; vice-director in charge of production (43-year old in 1988)	
Period as Party Secretary	Previous Posts	Positions in Case 1 Factory before Assuming as Party Secretary	
-1986		Many party secretaries were former personnel of this factory	
1986-	Graduated from Dalian University of Technology (specialized in heat treatment)	Technical staff; workshop section chief; workshop director; head of production section; vice-director in charge of production (40 years or so in 1988)	

TABLE VIII (Continued)

Case 2. Machine-Tool Factory (Medium Size) in South China Region			
Period as Director	Previous Posts	Positions in Case 2 Factory before Assuming Directorship	Jobs and Posts after Resigning Directorship
1955-	Military		
1966-	Military	(Concurrently party secretary)	
1975-	Military representative	(Concurrently party secretary)	Machinery company officer (trading arm of the Ministry of Machine-Building Industry)
1983-	University research assistant; assigned to another factory in a nearby province in 1961	Joined the factory in 1963; head of technology section	
Case 3. Machine-Tool Factory (Medium Size) in Southwest Region			
Period as Party Secretary	Previous Posts	Positions in Case 2 Factory before Assuming as Party Secretary	Jobs and Posts after Resigning Directorship
1955-	(Different person from enterprise director)		
1966-		(Concurrently enterprise director)	
1983-	Graduated from technical secondary school in the same province	Joined the factory as a machinist; staff member in charge of design; vice-secretary of party committee (35-year old in 1989)	
Case 3. Machine-Tool Factory (Medium Size) in Southwest Region			
Period as Director	Previous Posts	Positions in Case 3 Factory before Assuming Directorship	Jobs and Posts after Resigning Directorship
(1) 1958-	Military	Directly became director	
(2) n.a.	Joined the party in 1938; guerrilla leader; Ministry of Machine-Building Industry	Directly became director	

TABLE VIII (Continued)

Period as Director	Previous Posts	Positions in Case 3 Factory before Assuming Directorship	Jobs and Posts after Resigning Directorship
Late 1960s to early 1970s	Machinist in a factory in Northeast region	Machinist; vice-director of factory	
(10) 1983-86		Joined case 3 factory fresh out of school in 1958; vice-director in 1981	Provincial resource development company
(11) 1986-	Graduated from college in 1965	Workshop staff; design section vice-director of the factory in 1983	
Period as Party Secretary	Previous Posts	Positions in Case 3 Factory before Assuming as Party Secretary	Jobs and Posts after Resigning as Party Secretary
-late 1960s	All party secretaries were from the military		
Late 1960s to early 1970s	Worked in a factory in mid-China region	Chief dispatcher; vice-director of the factory in 1968	
-1983	Graduated from college in 1965	Worker; secretary of workshop party committee	Chairman of provincial federation of trade unions; autonomous prefecture government in the same province
1983-86	Graduated from college in 1965	Technical staff; vice-director of the factory	Chief of the economic commission of the same city
1986-87	Graduated from technical secondary school (specialized in electric machines)	Secretary of the Communist Youth League factory unit; vice-secretary of the party committee	Party committee in the provincial capital
1987-	Graduated from college in 1970	Workshop staff; technical staff; chairman of factory trade union unit; vice-secretary of party committee (43- or 44-year old in 1970)	

TABLE VIII (Continued)  
 Case 4. Machine-Tool Factory (Small Size) in Northeast Region

Period as Director	Previous Posts	Positions in Case 4 Factory before Assuming Directorship	Jobs and Posts after Resigning Directorship
-1973	All directors and vice-directors were transferred from other factories		
1973-75	Machine-tool parts factory in the same city		Machine-tool repair factory in the same city
1976-84	Director and party committee secretary at a forging factory in the same city	(Concurrently party secretary)	
1984-	Graduated from college in 1968 (specializing in machine tools)	Assigned to this factory fresh out of school; workshop staff; technology section (design and engineering); equipment and power section; vice-director in charge of production	
Period as Party Secretary	Previous Posts	Positions in Case 4 Factory before Assuming as Party Secretary	
n.a.	Graduated from college engineering department	(Party work at this factory ever since finishing school and assigned there)	

Source: Based on interviews this author had in 1988 and 1989.



long established factory where capable staff is concentrated), which received Soviet technological knowhow in the 1950s and has been developed with the input of huge amounts of funding and manpower due to its strategic character. Case 2 is a relatively old machine-tool enterprise in the South China region (typical in that it operates in a relatively undeveloped region). Case 3 is a machine-tool enterprise established in the Southwest region (typical of enterprises started in remote areas to promote local development). Case 4 is a machine-tool factory classified as a small enterprise in the Northeast region (typical of small finished-products manufacturers).

Case 1 is an important enterprise established during the First Five-Year Plan with the introduction of Soviet technology and is important to the state's industrialization strategy. When it was put into operation, a party secretary at a munitions factory in Shandong Province was invited to become its director. He was replaced around 1953 by a forty-year old university graduate, who served there for about a year. In case 2 all the directors came from the military. In case 3 the first director was from the military. In case 4, the background of the first director is not known, but all other director-class personnel there were sent from the city machinery industry bureau.

Who succeeded the initial directors in these cases? In case 1, the director serving from 1954 through 1959 came from the military background. In 1959 a person from worker background, who had become director of a military factory and was then appointed party secretary, was appointed as director. In case 2, all the directors have come from the military. In case 3, the enterprise's second director had been a guerrilla fighter and was recommended by the Ministry of Machine-Building Industry. In case 4, all the directors came from the city machinery industry bureau. Their personal backgrounds are not known.

The above cases indicate that the military was the main source of enterprise directors. As time passed, however, such directors began to be replaced by those transferred from management in other enterprises through the same ministerial channels. This tendency does not hold for all enterprises though. In a subsequent period, quite a few enterprises had directors with worker backgrounds, but such cases were concentrated in the Cultural Revolution period, so one should be cautious about assessing their general significance.

The power to appoint enterprise directors was consistently held by the government ministries concerned. Ministries thus were able to (1) transfer an officer from one enterprise under its jurisdiction to assume the directorship of another enterprise also under its control, (2) appoint ministry officials to directorships of enterprises under its supervision, (3) promote an officer of the enterprise concerned to its directorship, or (4) appoint someone from outside its jurisdiction to the directorship of an enterprise under its control.

In concrete cases, however, this system of appointments shows a number of subtypes depending on the size and ministerial jurisdiction of the enterprise involved. The affiliation of individual enterprises frequently changed over time. Enterprises originally affiliated with central agencies would be put under the supervision of local authorities and vice versa. But affiliation did not mean that a single ministry or government office controlled all aspects of an enterprise's

activities, which often encompassed production planning, materials allocation, and personnel appointments. It was rather the usual case that production plans were imposed on an enterprise by the central government, especially if it were in one of the strategic industries, while personnel affairs were left to the discretion of local authorities. When personnel matters were in fact left to the Ministry of Machine-Building Industry, personnel transfers might be carried out between enterprises or between government offices and enterprises under the ministry's jurisdiction. Similar transfers were made at the provincial level, if the provincial department of the machinery industry were in charge of personnel matters. The same is true at the county level. In other words, if an enterprise were shifted from the central government to provincial government control, the source of its cadres is accordingly narrowed from the national to the provincial level.

Now let us look at enterprise director appointments in the above-cited cases during the period from the 1960s to the beginning of economic reform.

In case 1, the Cultural Revolution, which occurred in 1966, was followed by the cadres's abandonment of managerial jobs. Production was stopped and the factory was placed under military control. Production resumed around 1968, when a new director was appointed. He was a man who had been promoted to enterprise vice-director in a neighboring province, then assumed a post at the Ministry of Machine-Building Industry before he was transferred to the enterprise in point first as its party committee vice-secretary and then director. In 1974, another director was appointed. He started as an apprentice at another factory in the same province, was sent to the Soviet Union to study, and was then assigned to the enterprise as a cadre. He had been working at this factory for some years before he assumed its directorship.

The case 2 enterprise received a military man as its director in 1966. His successor in 1975 was also a military officer. Both also served as party committee secretaries.

In case 3, the directors were all old guard revolutionaries.

In case 4, an officer from another factory producing machine-tool parts was appointed director in 1973. He was transferred to a machine-tool repair factory in 1975.

The Third Plenary Session of the 11th Central Committee of the Communist Party of China held in December 1978 instituted an economic reform promotion program. At that time, Deng Xiaoping, as was earlier mentioned, called for the rejuvenation and professionalization of cadre ranks. Personnel appointments at enterprises reflected this trend and were thus largely modified in the subsequent period. In this rejuvenation drive, young cadres, who had graduated in the 1950s or early 1960s, were appointed enterprise directors. It is noteworthy that these young directors were not drawn from the military or from administrative offices, but were promoted from among the cadres working at the enterprises concerned. They were all engineers or engineer turned managerial staff, most of them having graduated from technical secondary schools or colleges.

In case 1, the person appointed director in 1983 was a technical secondary school graduate who studied in the Soviet Union.

TABLE IX  
AVERAGE TERM OF OFFICE FOR THE OFFICERS

				(%)
Party Secretary	Party Vice-Secretary	Factory Director	Factory Vice-Director	
3.6	2.5	2.5	2.6	

Source: [6, p. 274]; [6] is based on a survey conducted in 1985 on 900 enterprises in eighteen cities across the country; effective replies numbered 1,386.

In case 2, the new director appointed in 1983 was formerly an academic assistant at a university. He served at factory in another province and later transferred to this enterprise and became head of the technology section.

In case 3, an enterprise employee became director for the first time in 1983.

In case 4, an engineer who had been working for this enterprise since graduating in 1968 from a college of engineering assumed the directorship in 1984.

However, the terms served by these new directors appointed under the economic reforms were extremely short.

In case 1, the director who assumed the post in 1983 quit in 1984. He was succeeded by another intra-enterprise director, but he too was replaced by a college-graduate director in 1986.

In case 3, the director appointed in 1983 was replaced by a new director who had been working at the enterprise ever since graduating from college.

Generally, the data given in Table IX corroborates this tendency of short directorship terms.

Therefore, the major change that economic reform wrought in the composition of enterprise management has been the replacement of an older generation of managers by relatively young engineers who are technical secondary school and college graduates. It is also important that many of the new managers have been working and accumulating experience in the same enterprises they now manage. This is development which signals the arrival of a new era in the history of Chinese enterprises.

However, some, if not many, enterprises had directors chosen from among their own cadres even before the economic reform. Case 1 is such an instance. As far back as 1974 this enterprise's director had worked there after coming back from study in the Soviet Union. There are similar throughout the Northeast region. This may be explained by the historical background of the machinery industry in Northeast, which had grown and developed since the First Five-Year Plan period, producing a host of capable intra-enterprise managers.

Small enterprises, however, follow a different pattern. Traditionally, most of them were supplied with not only directors but also vice-directors via administrative personnel transfers from other enterprises. This may be explained by their inability to foster their own managerial staff. Their directors and vice-directors are management professionals who move from one enterprise to another at an interval of several years. Even after the beginning of economic reform, many

TABLE X  
PREVIOUS POSITIONS OF ENTERPRISE LEADERS

Previous Positions	% of Total	Of Those Who Said They Assumed Enterprise Leadership Positions	
		Those Who Became Factory Directors or Vice-Directors	Those Who Became Party Committee Secretaries or Vice-Secretaries
Technical work	34.6	84.5	15.5
Vocational work	9.6	71.8	28.2
Low-level management	28.4	70.6	29.4
Administration	13.3	46.1	53.9
Military	7.3	28.9	71.1
Worker	2.9	n.a.	n.a.
Other	3.9	n.a.	n.a.

Source: [6, pp. 273-74].

Note: Survey made in July and August 1985.

small enterprises were still receiving directors from other enterprises. In this sense, case 4 may be an exception, since under the impact of economic reform this enterprise promoted one of its own cadres to its directorship. Most small enterprises are not in a position to do so, however.

Turning from enterprise directors and to party committee secretaries, the data is scarce. However, it may be safely argued that what has said about enterprise directors can also be said for party secretaries, since both usually have similar career backgrounds and also because one person often serves as party secretary and then becomes enterprises director (or vice versa), or may even serve as both concurrently. Besides, after the beginning of the economic reform, cases of engineers becoming party secretaries without intra-enterprise party experience have been reported. The barrier between enterprise director and party secretary has become even less evident because of this practice.

Table X contains the results of a survey on the positions held by enterprise directors and party secretaries doing prior to their appointments.

This table shows that already in 1985 the stratum of personnel engaged in practical business was the major supplier of enterprise leaders and that such personnel had a greater opportunity to become enterprise directors than party secretaries. However, Table IX indicates that the enterprise leaders covered by Table X are those who assumed office circa 1983. Following the introduction of the factory director responsibility system, the mutual relationship between enterprise director and party secretary has greatly changed, strengthening the position of the former, since enterprise directors are now free from the party committee guidance. It may therefore be surmised that now enterprise directors have been more depoliticized, while party secretaries more business-oriented than the table indicates.

Another important aspect to point out in clarifying the characteristics of enterprise leaders is what posts enterprise directors and party secretaries assume after stepping down.

After resigning, most of the directors and party secretaries at large and medium enterprises, obtain administrative posts, and not enterprise posts. In our four cases, former enterprise leaders obtained important posts in the machinery industry, on local economic planning committees, and other economic fields, in the National People's Congress, trade unions, and in the Ministry of Machine-Building Industry itself. In case 1, persons (2) and (3), after resigning their directorships, went into the Ministry of Machine-Building Industry either directly or through the machinery industry provincial department. This reflects the fact that this enterprise was directly under the Ministry of Machine-Building Industry. The directors who resigned after 1960 all went into municipal government work. Persons (4), (5), (7), and (8) became involved in economic administration, but there are others like (6) and (7), who became a People's Congress delegate and a vice-mayor. It is characteristic that all who served as enterprise directors in case 1 invariably obtained administrative positions and never returned to enterprises work. In cases 2 and 3, as well, all took administrative posts. The samples here may be too few to allow a general conclusion, however.

Small enterprises like case 4 are an exception to this rule. Directors of small enterprises usually move from one enterprise to another and rarely enter administrative channels. However, there is only one case-4 director whose post-resignation position is known. Coming from an enterprise through machine-tool channel, he served as director at the case 4 enterprise for two years, and then moved to another machine-tool factory. Thus, we have a typical case of a small-enterprise manager moving from one enterprise to another.

Administrative agencies have a tight grip on the personnel in their respective channels through their power to transfer staff from one post to another. In the cases of large and medium-sized enterprises, however, managerial personnel are usually moved upward. Rarely are they moved downward from the administrative level to the enterprise level. In the case of small enterprises, administrative agencies control personnel through their power to horizontally transfer enterprise directors within their respective channels.

Economic reform has had a strong impact on enterprise management. It is of course significant that engineers having good educational backgrounds are assuming the directorship at many enterprises, but more important is the fact that personnel who have been serving the same enterprises since finishing school are now becoming the top leaders. They have a strong loyalty to the enterprise they have been working for, and the emergence of this stratum of personnel as managers will certainly modify the mode of decision-making at the enterprise level.

Nevertheless, even these kinds of managers will ultimately move to administrative agencies in charge of the industries concerned and take high positions there after they retire. This is the way they are retrieved into the administrative structure. On the one hand, the enterprise side is not happy with this practice, since it loses able personnel. But on the other hand, it is beneficial to the enterprise as well, since it now has its powerful spokesperson inside the controlling agency.

## IV. CONCLUSIONS

In China, choosing those who are to carry on economic activity is more a political issue. As was seen in Section I, enterprise personnel are divided into cadres (*ganbu*) and workers subject to two distinct systems of control. But this is not particular to the Chinese system. In the past, a similar system existed in Japan, as well. In Japan, employees were divided into two groups, one subject to control by a personnel section and the other by a labor section. What is particular to China in comparison with Japan is not the dualistic system itself, but rather the unitary party control over cadre management on the basis of a nationally uniform and cross-branch class rating. Also, many of the future cadres come under the control of a specific ministry or department even during their school days. Treating them as its own human resource, each ministry or agency then assigns them to its offices or enterprises to spend their whole life within its "channel," being transferred from one job to another. Under this system, there is no essential distinction between officials and enterprise managers. Individuals are officials at one time, managers at another, since the administrative agency is free to transfer them, and such transfers are made in consideration of class levels.

As far as state enterprises are concerned, managerial personnel merely mean personnel who happen to be placed where they are at the whim of this cadre management policy. In other words, cadres are not entrepreneurs ready to take risks in order to expand their businesses. Instead, they are managers who expect to be promoted by performing the tasks the administrative "channel" has given them. Enterprise directors are more interested in keeping a smooth liaison with controlling offices than in promoting the economic interests of their enterprises. Despite economic reform, no change has occurred in this basic relationship, rather the relationship has been even strengthened as decision-making powers become more decentralized to local authorities and as job transfers accordingly become more frequent.

It is true that the negative side of this non-differentiation between enterprise managers and administrative officials has also been noticed in China. In his report delivered on October 24, 1987 to the 13th National Congress of the Communist Party of China, Zhao Ziyang raised the issue of political reform. The existing cadre management system, according to Zhao, "has too rough a definition of 'state cadres.' 'State cadres' are not a scientifically constructed category. Cadre control is too centralized. Personnel management and business management are not in harmony. The cadre control system is too uniform to encourage capable personnel to surface and grow. It is not healthy, for it lacks legal criteria in appointments. These are the defects of the existing system" [5]. On this basis, Zhao proposed the introduction of a state public service system. By turning administrative officials into public servants, he argued, an essential difference between officials and business managers would be created. He advocated a new principle of separation of government from enterprise, which would lead to the establishment of a new enterprise personnel control system.

The increase of appointments of insider engineers to directorial posts was indeed an unexpected phenomenon under economic reform. Thanks to this, the nature and quality of enterprise management has definitely changed. But how its effects will be felt in the decision-making process and how far it can effectively change the management style is still to be seen. Also unclear is how far the business environment can be transformed so as to allow intra-enterprise decisions to be actually implemented. The quality of management has been improved, but to bring this quality to full play, a new system should be introduced, under which enterprise management is no longer regarded as the lower end of the administrative system, but rather as an independent entity asserting itself vis-à-vis government institutions.

This would directly lead to the transformation of the ownership system, which is the crux of Chinese economic reform. Modifying the ownership system in one way or another is an important precondition for the formation of independent management in China. Whether or not the new managers cropping up all over China can make the most of their abilities will largely determine the success or failure of economic reform in that country.

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