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### Abstract

*In China, one of the major administrative reforms is the transformation of public service units. Since the 1980s, reform of public service units has been an important activity parallel to the reforms of the rural areas, SOEs and administrative system along with China's reform and opening-up progress. Public service unit is an organizational feature of the public sector unique to China. Today, public service units have become the main providers of public services as they touch upon such major areas related to people's livelihood as education, science and technology, culture and health care in the form of schools, research institutes, cultural organizations, medical institutions, etc.<sup>1</sup>. Although the concept of public service unit or public service institutions is unique to China, institutions performing similar functions can also be found worldwide. Such are institutions as independent agencies, executive agencies, non-departmental public bodies, bodies of public law, semi-autonomous bodies<sup>2</sup>. Further enhancing reform of public service units is important because such reform is about improving people's livelihood and scientific, educational, cultural and health care undertakings that are closely related to people's welfare. Only by deepening reform can the government meet the society's increasing need for public services. Moreover, such reform is crucial in transforming government functionality and building a public service-oriented government. In addition, such reform is critical to sustainable economic growth, as public service is an indispensable part of the tertiary industry and a potential area to boost consumption. It is also vital to structural improvement of economic engines, economic transformation and upgrading. In sum, pushing forward reform of public service units is critical to the overall layout of reform and opening-up.*

**Keywords:** Public Service, transformation, health care, education sectors, cultural sector, human resources, private and public ownership.

### Introduction

According to General Principles of the Civil Law of the People's Republic of China, there are mainly four types of legal persons: corporate, government agency, public service unit and social organization. Hence, a public service unit is an independent legal person. Currently, there are 1.11 million public service units in China, with a total of over 31 million employees. Classified by industries, public service units can be divided into 25 major categories and over 100 minor categories. In 10 industries, there are public service units with more than over 400,000 officially budgeted posts. Over half of the public service units are found in the education sector, with a total of 14.83 million employees. The health care sector and the cultural sector have the second and third largest number of public service units. Public service units first appeared during the era of planned economy. In the 1950s, following the pattern of the Soviet Union, China adopted a series of actions to transfer private ownership to public ownership, thus forming a mechanism with the government as the arranger and public service units as the sole providers of public services. In 1955, the term "public service unit" was first used in an official document, referring to "government agencies or

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<sup>2</sup> OECD: Distributed Public Governance: Agencies, authorities and government bodies, CITIC, 2002.

departments whose budgets are listed as state financial outlays for public undertaking.”

### Reform phases

The reform of public service units can be divided into the following phases:

#### *Power Delegation and Profit Sharing to Invigorate Public Service Units*

Taking economic development as the central task was identified at the Third Plenary Session of the 11th Central Committee held in December, 1978. However, due to the influences of the Cultural Revolution, financial support for scientific, education, cultural and health care undertakings had been highly insufficient. Meanwhile, the planned economy mentality and strict policy restrictions resulted to public service units lacking vigour. Under such circumstances, initial reform on public service units’ centred on delegating administrative power to public service units at all levels. It started within the scientific sector first, as it is closely related to economic development, followed by exploration of further reform in health care, education and cultural sectors. In 1985, reform of the fund appropriation for research institutes was proposed in a document of the central government, which involved classification management of funds according to features of different research activities. In this way, research institutes were granted more decision-making power. A system whereby the director of a research institute takes responsibility was adopted and it was made clear that trial implementation of the system of employment under contract could be carried out in research and design institutes and higher education institutions. In the cultural sector, trial reform of the art performance troupes was put forward by the Ministry of Culture through the introduction of the contract responsibility system. Paid services and commercial activities enjoyed policy encouragement and contributed to the thrive of the cultural sector in turn. In the health care and education sectors, power delegation invigorated local public service units and institutions. For instance, in the health care sector, state subsidies to hospitals all followed the rule of fixed subsidy, and decision making by individual hospital except for major maintenance and purchase of large scale medical equipment. In the education sector, the state implemented the principle of local government taking the responsibility for basic education and carrying out classification management in 1985. Later, reform of the enrolment plan and graduation assignment system of higher education institutions were also implemented, which showed that higher education institutions were granted more decision-making power.

Through policy incentives of delegating power and sharing profits during 1985-1992, public service units were invigorated. However, due to insufficient fund and other difficulties, reform of the public service units was still comparatively passive. The main focus of the reform would thus be on expanding resources for funds. It should also be noted that during this period of time, the line between public service units and enterprises was blurred as public service units were starting to “make profits”, which showed early signs of unclear functions of public service units.

#### *Separating the Government and the Public Service Units, and Conducting Special Reform*

After the goal of pushing forward reform towards socialist market economy was proposed in 1992, establishing a government administration system compatible to socialist market economy became a priority. Reform of the public service units thus entered a new phase of establishing a system for the operation of public service units and human resource

management compatible to socialist market economy. In 1993, reform of the wage system in public service units was carried out. As a result, classification management for three different public service units, namely full allocation, balance allocation, and self-control of revenue and expenditure was adopted. The reform was mainly about the transition from full allocation to balance allocation, and from the latter to self-control of revenue and expenditure, which enabled market-oriented public service units' access to the market. Since 1996, exploration on targeted reform of public service units began. Intermediary agencies in the field of finance and securities underwent ownership transformation. Meanwhile, application based research institutions and geotechnical investigation and design units were reformed as enterprises.

In 1998, with the reform on government institutions, personnel downsizing and the transfer of government function took place. Public service units thus undertook part of the personnel as well as part of the government functions. As a result of the 1998 reform, the number of government agencies was cut by half, leaving a huge number of administrative tasks unattended. Therefore, the number of public service units soared at that time. On the other hand, along with economic and social development, government functions also expanded, requiring new public service units that had administrative and law enforcement functions for supervising the environment, labour security, cultural market management and other conditions for administrative functions. Such public service units include China Securities Regulatory Commission, China Banking Regulatory Commission, China Insurance Regulatory Commission, State Electricity Regulatory Commission, etc. However, this only made the line between public service units and government agencies more blurred.

In 1996, the first administrative document on public service units, *Opinions of the State Commission Office of Public Sectors Reform on the Reform of Public Service Units* was launched, which marked the shift from reform according to sectors to overall reform. The underlying guideline was to “design an overall reform plan in a scientific way, unswervingly follow the trend of social development, encourage diversified ways of classification management and institutionalize the control of total amount of public service units”<sup>3</sup>. In this way, progress had been made in the reform of public service units in terms of human resource system, distribution system, social security, etc. In 1999, with the launching of *Provisional Regulations on the Registration and Administration of Public Service Units*, public service units were under unified registration and administration nationwide.

In 2000, classification reform on non-profit research institutes subordinated to State Council and departments directly under the State Council was carried out. Those non-profit research institutes that engaged in fundamental and applied research or public services shall be subsidized by state finance, and shall operate and be managed as non-profit organizations. During this time, reform on the human resource system in public service units was intensified.

In this period, the reform direction became clearer. The public service units' legal person registration system enabled public service units to become independent legally, which separated public service units from administrative departments in a legal sense. Meanwhile, the reform followed the principle of socializing public service units, which coincided with the introduction of market mechanisms in the new global public administration movement.

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<sup>3</sup> Fan, H.S. (2010). *Exploration on the Reform of Public Service Units in China*. Beijing: People's Publishing House.

At the same time, the concept of “non-profit” appeared in official documents, which marked its presence in policy design of the reform. Also, the principle of separating public service units from the government stipulated during this period granted public service units with the status of independent social entities, which was also the main theme for ensuing reform of public service units and the administration structure. The trend of marketization emerged as well during the reform in sectors such as science and technology, education, culture and sports. In such public service sectors as medical care and education, the trend of profit orientation rather than non-profit appeared. On the one hand, new systems were being established as public service units were gradually separated from the government. On the other hand, the incomplete reform of government bodies or the new functions assigned to public service units, again blurred the boundary between the government and public service units. Problems of “unclear distinction between the government and public service units, unclear distinction between the government and enterprises and unclear distinction between government and social organizations” became eminent, which showed that public service units still had blurred functions and their non-profit nature was regarded inadequate.

### ***Breakthroughs by Personnel Reform and Deepening Reform by Sector (2002 –2011)***

During this period, the reform focus of personnel system in public service units was on promoting the system of employment under contract and post management system in all industries, in order to gradually develop a personnel management system for public service units that were different from that of administrative organs and SOEs. In 2002, the State Council forwarded a document by the Ministry of Human Resource and Social Security, which stipulated that the system of employment under contract shall be adopted in public service units and all employees should sign contracts. In 2006, with the launch of Post Management Methods in Public Service Units (Trial, Ministry of Human Resource and Social Security (〔2006〕, No. 70), which marked the transformation from personnel management to post management. The same year, remuneration reform was carried out with the introduction of wage packages based on performance. Additionally, in 2008, pilot programmes of endowment insurance in public service units were introduced in such provinces and municipalities as Shanxi, Shanghai, Zhejiang, Guangdong and Chongqing.

Public service units can be found in various sectors. Reform of public service units by sector has always been underway. In 2003, public service units in the cultural sector underwent major reforms. Pilot programmes of the reform were carried out in 35 public service units in 9 regions nationwide. As a result, public service units in the cultural sector were divided into two categories: non-profit and profit. The reform focus on the non-profit public service units in the cultural sector included more input, system transformation, vitality enhancement and service improvement. In 2009, structural reform of public service units in the medical and health care sector was initiated, bringing forth the separation of government and public service units, supervision and operation, hospital and medicine business, profit and non-profit. Pilot programmes of the reform in public funded hospitals were also implemented. In an effort to combat the defect of the blurred line between management and operation, in such areas as radio, film and television, cultural undertakings, news and press, the new business groups were formed, where the separation of management and operation was finally enabled.

During this period, public service units were significantly invigorated due to reform of personnel system, together with deepening reform of the finance system, and pilot

programmes of reform of the endowment insurance system. Classified reforms of public service units were first proposed in the 2005 Government Work Report. And pilot programmes of classified reform started in certain provinces and municipalities. A solid foundation for ensuing reform of public service units was formed by the successful progresses of preceding reforms of personnel system and public service units, continued by transformation of pilot programmes into full implementation results, complemented by the development of unified reform into targeted reform, and stable advancement of single item reform up to comprehensive one.

### ***Back to Its Non-profit Nature - the period of comprehensive reforms (2011- now)***

In March, 2011, Opinions of the CPC Central Committee and the State Council to Promote the Reform of Public Service Units (2011, No. 5) was launched, marking a new round of reforms of public service units. This is also the first top-level design that targeted reform of public service units as a whole. One distinct feature of the new round of reform is that based on scientific classification, public service units were divided into three categories, namely public service units that undertake administrative functions, public service units that provide public services and public service units that undertake business operations. On such basis, targeted policies were designed for public service units of different kinds to further promote the reform. As non-profit public service units are the main body of public service units, they were thus the core of the new round of reform. After the official document was released, 11 supporting documents were also launched, aiming at solving issues such as the classification of public service units, management of officially budgeted posts, finance related policies, legal person management structure, income distribution and other basic issues public service units had in common during the transition process.

Since 2011, based on the criterion of social functions, the first step of the reform was to clarify the functions of public service units. During the process, the administrative functions undertaken by public service units were given back to administrative organs, whereas technical, supportive and service-oriented functions were given to public service units. Functions that could be undertaken by social organizations, i.e. assessment, appraisal, inspection and standard making were returned to social organizations and the market. Scientific classification was mainly based on such clarification. During this period, Regulations on Personnel Management in Public Service Units was launched, which marked another step of law-based reform of public service units, a dual system, where employers enjoyed the same basic endowment insurance system as enterprise employers. By 2015, classification of public service units that undertake administrative functions and public service units that engage in business operation was basically completed. With the launch of Opinions on the Purchase of Services by the Government to the Private Sector, such practice formed a trend, and the institutional environment for engagement of the private sector in the development of public undertakings has been further optimized.

### **Main Achievements of Reform of Public Service Units**

#### ***Contribution to Social Development***

Along with the reform of public service units, a batch of public service units in the fields of sales and production, technology and application, intermediaries and services were all restructured and became enterprises. They no longer enjoyed preferential policies for public service units and had to follow market competition rules, operate autonomously and assume

sole responsibility for their profits or losses. Such a move gave public service units back its non-profit nature.

The public service units engaged in education, science, culture and health care took up the largest proportion of public service units and have been playing a significant role in promoting social development through constant reform in the past three decades.

In the education sector, the popularization of education is significant. As a result, more people are having access to education. Furthermore, efforts made towards education equality have seen important progress, with the gap between urban and rural areas, different regions, schools and groups narrowing. The retention rate of Nine Year Compulsory Education reached 92.6%, and the total number of students in higher education institutes reached 35.59 million, ranking China 1<sup>st</sup> in the world<sup>4</sup>.

In the health care sector, universal health care system has been established. The proportion of individual expenditure on health care in total medical expenses dropped to 30%. Over 1.3 million people have been covered by three major basic medical security and insurance plans, namely: employee basic medical insurance, the new rural cooperative medical insurance, and urban residents basic medical insurance, contributing to a participation rate of over 95%. With further improvement of the medical service system, the number of medical institutions exceeded 980,000 and the total number of medical workers exceeded 10 million. Basic medical service system that covers both urban and rural areas has been established, which resulted in significantly improved medical service conditions: each village has clinics, each township has health care centres and each county has eligible county-level hospitals. The proportion of residents that can arrive at a medical treatment places within 15 minutes has reached 84% and 80.2% in urban and rural areas respectively<sup>5</sup>.

In the science and technology sector, for scientific research public service units, all the projects are no longer subject to the administrative approval of the supervising unit or financial department. Instead, the undertaking unit will be in charge of the transformation of research outcomes and the income generated<sup>6</sup>. Meanwhile, in response to requirements of classification reform of public service units in terms of the use of research outcomes and profit management, pilot reforms have been carried out in several public service units subordinate to the central government in National Innovation Demonstration Zones, or provincial level pilot zones such as the Hefei-Wuhu-Bengbu Pilot Zone, etc<sup>7</sup>.

In the cultural sector, with constant improvement of modern public cultural services system, public cultural services networks at the national, provincial, municipal, county-level, township, village and community levels have been established. Moreover, in rural areas, 40,000 township level cultural service centres have been established, over 600,000 Rural

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<sup>4</sup> Yuan, G.R. Reform and Development of Employment and Social Security since the “12th Five Year Plan”, Especially after the 18th CPC National Congress. Retrieved on June 10, 2016 from <http://news.12371.cn/2015/10/21/ARTI1445365460334897.shtml>.

<sup>5</sup> Wang. G. Reform and Development of Health Care since the “12th Five Year Plan”, Especially after the 18th CPC National Congress. Retrieved on June 10, 2016 from <http://news.12371.cn/2015/10/20/ARTI1445278350425253.shtml>.

<sup>6</sup> Wan. G. (2005). China’s Scientific Innovation Since the “12th Five Year Plan” (Particularly after the 18th CPC National Congress). Party members’ website, <http://news.12371.cn/2015/10/22/ARTI1445451095310860.shtml>.

<sup>7</sup> Notice on Further Implementing Pilot Programmes of the Use, Distribution and Profit Making of Scientific Research Results in Public Service Units Directly Subordinated to the Central Government.



Libraries have been set up and farmers can enjoy free movies once a month<sup>8</sup>.

Besides, reform of public service units propelled equalized public services and contributed to the building of a service oriented government that is dedicated to maintaining social security and improving people's livelihood. A considerably improved public service system has been established, which is a major driving force to equalized public services, more public service-oriented government function, optimized government structure and administrative mechanisms. With more investment in public finance, significant progress has been made.

### ***Separation from the Government - Clarification of the functions of public service units***

Long after the Reform and Opening-up, public service units were still affiliated to governments without being independent legal persons, and their functions were mainly based on government functions. Many public service units that were administrative and entrepreneurial in nature took up much administrative and profit-making functions. Before the Reform and Opening-up, "some public service units did not have clear functions and could not separate from government and enterprise functions", as a result, "social service development in China was relatively backward, with inadequate social welfare services, single way of service provision, irrational resource distribution and low quality and efficiency".

With the new round of reform of public service units in 2011, a series of reform measures were launched and implemented. Public service units were qualified as independent legal persons. While the government delegated micro management to public service units, public service units continued to provide the society with public services as independent legal persons.

In the process of realizing the separation of the government and public service units and further straightening the relationship between the two, it was proposed that government departments should "reduce micro-management and direct management on public service units. On the other hand, their role in stipulating policies, laws and regulations, planning the development for different sectors, improving standardization, supervision and instruction, in order to ensure the independent legal persons' status of public service units as independent legal persons. For public service units that are providers of public service, "we actively explore effective ways to separate management and operation, and will work on gradually eliminate administrative ranks." In a sense, reform of public service units further strengthened the public service function of the government by further clarifying the role of public service units as the main provider of public services, and the main force in basic public service area. Clearer functions also ensured that public service units could play a more important role in improving public services.

### ***Reform of internal management system - bringing invigoration***

Reform of public service units resulted in the development of an internal management system that is compatible to public service units, one that is different from that of the government and enterprises, with innovation in cadre management, personnel system, performance management, etc.

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<sup>8</sup> Yin, W.M. (2015). Reform and Development of Employment and Social Security since the "12th Five Year Plan", Especially after the 18th CPC National Congress. Retrieved on June 10, 2016, from <http://news.12371.cn/2015/10/21/ARTI1445365460334897.shtml>.

First and foremost, an executive accountability system was widely adopted. Meanwhile, development of legal person governance structures were promoted. Since 2012, State Commission Office of Public Sectors Reform led the launching of pilot programmes of legal person governance structure in public service units. Over the last few years, pilot programmes have achieved initial results, the governance structures were built in over 600 public service units and considerably complete legal governance structures and systems were developed by pilot units.

Secondly, personnel management system that is compatible to the features of different public service units and demand of different posts has been built. Furthermore, public service units are endowed with more authority in terms of personnel management, represented by the introduction of competition mechanism and the wide adoption of employment by contract system. By the end of 2014, the implementation rate of employment by contract system reached 93%, and the implementation rate of employment by job posting reached 91%.

Thirdly, the previously adopted unitary income distribution system was changed to adapt to different features of public service units of different kinds, which effectively invigorated the motivation of professionals. Since 2009, salary based on performance system was fully implemented in compulsory education institutes and public service units in the public health system and grassroots medical institutes. Pilot programmes of the reform were also carried out in other public service units, which further motivated employers and formed effective incentives to strengthen the vitality of public service units.

#### ***Breaking up Monopoly - diversified options for public services***

Through reform, providers of public service gradually shifted from the government as the sole provider to the combination of government, social organizations and enterprises. Meanwhile, the private sector also has access to participate in the area of profitable public services by means of bidding, contracting, franchise, and sole proprietorship.

In the education sector, joint education programmes such as “state run and private funded”, “private run and government funded”, and “joint program by the public and private sector” appeared. Private invested elementary schools, middle school and, universities, and other education institutes are becoming an important part of China’s education. In the science and technology sector, private invested research institutes, such as R&D institutions, intermediary organizations, and high-tech technology entities supplement to state run research oriented public service units in a positive way. In the cultural sector, private funded cultural undertakings and cultural industries have seen rapid development. Freelance writers, private booksellers, freelance performers, rural individuals engaged in the cultural industry, private invested book stores, libraries, recreation centres and community recreation groups all emerged, which resulted in the boom of urban and rural cultural markets and development of the cultural undertaking and cultural industries. In the health care sector, policies to encourage private invested medical services have been stipulated, which changed the situation of the state as the sole provider of medical services. Medical institutions funded by public donation, private clinics and private funded hospitals are allowed, forming a new picture where the state, public entities and individuals all join hands in providing medical services.

Although public service units are still the major provider of public services, with the reform of financial investment method, the procurement system has separated the government’s



role of service procurer from service provider and arranger. The government no longer provide all public services, but instead, procures public services from entities other than public service units. In this sense, the previous monopoly with government as the sole public service provider had been broken up. As a result, public service market has been on the rise, bringing forth diversified providers and channels of public services.

### **Features of Reform of Public Service Units in China**

Reform of public service units over the past three decades has generated some valuable experiences. To summarize, these experiences include classified reform, pilot reform, progressive reform, and systematic reform.

#### ***Classified reform - attending to the differences of public service units***

Classified reform has been stressed since the beginning of reform of public service units, due to the variety and complexity of public service units. In different phases of the reform, different classification criteria were adopted. Since 1985, the reform was mainly based on different features of different industries, along with systematic reform in education, cultural, health care, science and technology sectors in order to fully unleash the motivation of administrative departments. For a while, reform of public service units followed such a pattern, where administrative departments were given more space to avoid one-size-fits-all kind of deal, which was also an internationally prevalent practice. In the 1990s, reform on public service units was based on different budget channels of public service units. Based on budget channels, public service units were divided into three categories: full allocation, balance allocation, and self-control of revenue and expenditure. In this way, the government could realize more effective management of the finance of public service units. For the past decade, however, classified reform was mainly based on the social functions of public service units and more focus was put on scientific classification. Such classified reform is one valuable experience of reform of public service units in China, as it would make the reform more targeted with concerns of the differences of public service units.

#### ***Pilot reform - wide application based on successful experiences***

“Looking before you leap is a reform approach that has Chinese characteristics and applies to the realities of China. Looking before you leap also means to learn from practice.”<sup>9</sup> Just as reforms in other areas, the reform of public service units also started with pilot programmes, which is a way to learn from practice. For instance, pilot programmes structural reform of art performance groups started in the latter half of 1988, in some large and medium-sized cities that undertook comprehensive reform of economic systems appointed by the State Council. The 1992 deepening reform of scientific research system also started with pilot programmes. “Pilot programmes shall be adopted in 3-5 research institutes in their respective fields for structural adjustment, and in 5-10 research institutes in trying out structural optimization and operation system reform as an effort to explore ways for major research institutes to operate towards a commercialized direction.” Pilot program of reform of public service units is also a way to accumulate experiences, identify problems, and lay foundation for wide adoption. During the personnel system reform of public service units in the health care sector in 2000, pilot programmes of new types of management systems, such as board

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<sup>9</sup> Xu, S.S. (2003, November 19). “Reforms Must Start with Pilot Programmes, and Knowledge Lies in Practices”. People’s Daily.

decision making system and the establishment of board of supervisors were introduced under approval in institutions where reform on proprietorship was under trial. In 2008, pilot programmes of classified reform of public service units were carried out in five provinces and municipalities such as Shanxi, Shanghai, Zhejiang, Guangdong and Chongqing. Important reforms such as this usually start with pilot programmes. In the process, based on local realities, these provinces and municipalities can propose detailed implementation plans, and issue the plan to local party committee, government and commission of sector reform for approval, and the plans can then be implemented after they are put in files by State Commission Office of Public Sectors Reform. In the implementation process, local authorities will coordinate with finance, human resource and social security departments and summarize important experiences. Another example is that in 2010, Opinions on Pilot Programmes of Reform of Public Funded Hospitals were released, requiring 1-2 cities (districts) in each province, autonomous region and municipality to be the pilot city for reform of public funded hospitals. The state then chose 16 cities to carry out pilot programmes under state direct instruction. In this way, we can research on problems arising from the pilot program and solve the problems in a timely manner. By constantly summarizing experiences, we can further improve the general idea and main policy measures of the reform.

Pilot programmes are important for the reform for they are based on realities and conform to specific conditions of the areas and organizations where these programmes are carried out. Moreover, they ensure power delegation, which better motivates local authorities and encourages explorations of different kinds, and results in an accumulation of experiences. When problems arise, relevant departments and organizations can communicate and coordinate, which ensures proper management of the relationship between reform and development.

### *Progressive reform - ensuring smooth transition*

Public service units cover a lot of sectors and industries, with a large number of organizations and personnel. Under such circumstances, progressive reform that starts from easy to difficult is necessary. Firstly, a one-size-fits-all kind of deal should be avoided, and targeted measures should be adopted for personnel of different age, for instance. In another sense, reform is the re-distribution of interests, which concerns every individual. No matter it is the reform of endowment insurance or system transformation of public service units, targeted measures for certain issues were adopted to reduce obstacles from the employers' side. Secondly, policy making during the transition period of the reform ensured smooth transition. The official document on the reform of public service units in 1996 embodied the idea of progressive reform. "Promote eligible full allocation public service units to offer paid services according to certain regulations; balance allocation public service units shall further create conditions to transit to self-control of revenue and expenditure or enterprise management." During the reform, all regions and department were required to propose the range, standard, proportion and time line for the transition of public service units. For instance, if a public service unit is transformed to an enterprise, it was clearly stipulated that "during the transition period, government budget will still be granted to solve the social security issue of people who retired before the system transformation." For classified reform, "public service units that fully conform to certain categories should be identified; those that almost fit in certain categories shall be put in an assumed category before they are identified

according to all conditions.” Progressive reform was a way to reduce the resistance of reform, and to minimize the impact of reform on stability, while protecting the rights of employers. Thirdly, state finance as the support. During the transition period of system transformation, for instance, if the enterprise’s pension calculated according to the enterprise standard is lower than that calculated according to the former public service units’ standard, the government would subsidize the difference by using the basic endowment insurance fund. The fund was undertaken by the Ministry of Finance, and under the joint management of the human resources and social security departments and finance departments. The latter would fill in the gap once the fund is inadequate. In a word, progressive reform effectively mitigates possible conflicts and ensures stability during the reform.

#### ***Systematic reform - joint efforts of targeted reform and comprehensive reform***

Reform of public service units is a complex and systematic undertaking which is never isolated from other social progress. Firstly, it always goes along with the reform of administrative system and is compatible with socialist market economy, aiming at power delegation and invigoration. It can be seen as part of, or an extension of administrative reform. Secondly, it is related to reform of cadre personnel system, which stresses classified reform of government agencies, public service units and SOEs. Thirdly, it concerns the commercialized operation and non-profit nature of public service units. The new round of reform of public service units in 2011 highlighted the systematic manner of the reform. Official documents of the highest level since the founding of new China in 1949 were released that same year, which provided answers for the generality, transition and basic issues concerning public service units. Meanwhile, 11 documents included instructions for reform details, such as classification, sector reform, legal person management, and state asset management. The 1+11 documents proposed joint measures to systematically push forward the reform, and manage the relationship between the reform of public service units and that of the economic structure, administrative reform and relevant sector reform. It also provides references for how to coordinate measures of internal reform, in order to ensure the consistency and compatibility of reform measures.

Although China’s reform of public service units has been effective and fruitful, there are still remaining problems that need special attention: China’s social development is still relatively backward; some public service units still have blurred functions, which can be hardly separated from government and enterprises, resulting in its inflexibility; the overall supply of public services is still inadequate, and supply channel is relatively unitary, resource distribution needs to be more rational, and quality as well as efficiency of the supply should be improved; policy measures supporting public services are far from enough, and supervision still needs to be strengthened. All these issues are affecting the healthy development of public services in China. By 2015, classification of public service units had been completed, and reform on public service units that undertook administrative functions or engaged in businesses had been basically accomplished. Non-profit public service units still belonged to public service units. By 2020, it is scheduled that a management and operation system featuring clear functions, improved governance, efficient operation, and strong supervision should be built, and a public service system that “prioritizes basic services, adequate supply, rational service structure and trustworthy services”, one that has Chinese characteristics be established. Such a goal is consistent with the goal of building a moderately prosperous society in an all-round manner by 2020. For reform in the next step,

the focus would be on non-profit public service units. And the reform shall be further carried out in education, health care, cultural, science and technology sectors, covering issues including the separation of government and public service units, and the separation of supervision and operation, legal person management structure, personnel system, income distribution, finance and taxation, social security and reform, supervision and management, etc.

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