

Professors, doctors, and lawyers: the variable wealth of the professional classes

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Professionals such as doctors, lawyers and university professors are usually regarded as central elements in the description of the middle classes. While the People's Republic of China [PRC] certainly has substantial numbers of doctors and university professors, and growing numbers of lawyers, these professional classes are not certainly part of that country's new rich. In the first place in relative terms professionals such as doctors, university professors and those engaged in legal affairs are more automatically to be sited as part of the established middle class between the establishment of the PRC in 1949 and the start of the reform era in the late 1970s. In the second place, though it is clear that certain professionals, and even some doctors, lawyers and university professors have benefited disproportionately from reform policies and the marketisation of the economy in general change has proved to be more variable, even in large numbers of cases leaving professionals as less comfortably off than previously if not quite the 'new poor.'

This chapter explores the institutional and policy changes that have affected the economic conditions of professionals in the reform era, drawing on the experience of doctors, lawyers, and university teachers – the three best established groups of professionals. It first discusses the economic conditions of intellectuals and professionals in the pre-reform era, suggesting that they were the effective 'middle classes' of the earlier PRC located between the more privileged government officials on the one hand and the worker-peasant classes on the other. Then it considers the general decline of the economic status of professionals in the reform era and the opportunities that economic reform has presented. The last part of the chapter focuses on each of the three professions in turn, identifying the paths that lead most usually to individual wealth.

Professionals before 1980

The PRC had substantial numbers of professionals after 1949 and even before the changes of the late 1970s. The Chinese government, in its pursuit of modernization that started in the 1950s committed considerable resources to the education and training of professionals. The Chinese Communist Party [CCP] itself relied heavily on educated cadres with specialist knowledge and skills in the administration and operation of the country's bureaucratic, service and industrial systems. Ironically, these professionals and other educated intellectuals were economically better off and enjoyed more privileged social status than other less educated social strata, such as workers and peasants, who the CCP always regarded as its natural constituency.

While professionals were often regarded with political suspicion by the CCP before 1978, not least because of Mao Zedong's ambivalent attitude to intellectuals, on the whole they were materially well-looked after by the regime. For a start, the majority of professionals were salaried state employees. In addition to their state salary each

professional received fringe benefits through their work-unit, according to policy and the availability of resources, differentiated by activity and location.

In the early 1950s the CCP implemented several institutional changes which impacted greatly on the social and economic life of professionals (Deborah Davis 2000a). Firstly, all the educated, especially the highly educated, were nationalized. The state became the sole employer of intellectuals. University teachers, engineers, doctors, artists and writers became salaried state-employees. Secondly, the private sector was rapidly reduced and then disappeared. With the disappearance of the private sector went a market where intellectuals could sell their expertise. Thirdly, education, especially tertiary education which is the dominant producer of professionals in a modern society, was also nationalised. The Party-state not only took over the administration and financing of all universities and colleges, but also allocated jobs for graduates. After 1953 all graduates were assigned to public sector work-units. Fourthly, salaried intellectuals were isolated by the work-unit system. They were not able to establish linkages with their peers located in other workunits, and there was no professional association.

The results of these policy settings left professionals powerless organisationally and politically. In face of the Party-state, they had virtually no bargaining power and were on the receiving end of any economic terms that the Party-state decided to impose on them. As salaried state employees, accumulation of personal wealth became impossible. According to a survey conducted by the Central Government in 1955, the average salary of senior intellectuals (mainly well-known professors, writers, scientists and doctors) was only about 16.8% percent of that in 1937, just before Japan's invasion (M. Chen 2006). In comparison with other social strata, however, their salaries left them as the 'middle class', between the more powerful political cadres employed in the administrative work-units on the one hand, and workers and peasants, on the other.

The Communist government implemented its first significant across-the-board wage reform in 1956 (State Council 1956). A major achievement of this reform was the establishment of a general wage scale. New occupational categories were also established with wage ranks delineated within each category.

There were 30 grades on the general wage scale, corresponding to 30 grades of administrative responsibility. The highest salary grade for the Beijing region was 579.50 *yuan*, and lowest was 23 *yuan* per month. Different occupational categories (including administrative positions) occupied different spectra on the scale. Each occupational category was further divided into hierarchical ranks. For example, the category of state cadres had 26 ranks on the wage scale, occupying grades 1 to 26. Judges and court personnel had 25 ranks, occupying grade 2 to grade 26 (Korzec and Whyte 1981). University teaching positions were broken down into four professional levels – professor, associate professor, lecturer, and assistant professor – and 12 wage ranks, covering grade 6 to 21 on the scale. The monthly salary for a rank 1 Professor was 345 *yuan*, and for a rank 12 Assistant Professor 62 *yuan*. Medical technicians (including doctors and nurses) had six professional levels and 21 wage ranks, covering grade 6 to 26 (Korzec and Whyte 1981; M. Chen 2006). For a rank 1 Chief Doctor, the monthly salary was 333.5 *yuan*, while for a rank 4 (lowest rank for a doctor) Assistant Doctor, the monthly salary was 62 *yuan*.

In comparison, technical workers were divided into 10 ranks, covering grade 19 (99 *yuan* per month) to 28 (27.5 *yuan* per month) on the scale. Industrial workers had eight

ranks, covering grade 19 (99 *yuan* per month) to 26 (33 *yuan* per month). Service personnel in state organs had six ranks, covering grade 25 (37.5 *yuan* per month) to 30 (23 *yuan*) (Korzec and Whyte 1981). Intellectuals had higher salaries than urban workers and considerably higher incomes than peasants. For example, in 1956, the average net income per peasant in Shandong Province was 86.72 *yuan* for the whole year, about 11.6 percent of the lowest level of salary for a university graduate (62 *yuan* per month) (Shandong People's Government nd).

These disparities became a concern to the government. Li Yi observes that the 1956 wage reform produced differentials that were even larger than in the Republican Era (1912-1949), in which generally the highest salary was about 15 times the lowest. (Li Yi 2005:60-62). To remedy these differentials the government took action in 1956 and then later again in 1960 to reduce the upper levels of salaries and to increase wages at the lower end. In December 1956, a resolution was enacted to reduced the salary rates of grade 10 and above on the 1956 salary scale (Li Yi 2005: 64).

These changes affected remuneration rates for professionals. In 1957, the salaries of technicians and engineers of level 1 to 3 decreased. Probation for four-year university graduates was extended from six months to 12 months. After probation, the starting administrative and salary grade was downgraded from 21 to 22 (to 56 *yuan* per month) (State Council, Personnel Bureau 1957). Furthermore, the State Council called a halt to all wage increases and promotions in 1957 (State Council 1957). These practices were maintained for two decades so that from 1957 to 1978 wages for cadres and professionals declined. For professionals in universities, research institutions and hospitals, as well as technicians and engineers in the industry and other state agencies, promotion was completely non-existent between 1966 and 1978. After 1957, university graduates' salaries were frozen at 56 *yuan* per month for twenty years without a pay rise (M. Chen 2006).

Nonetheless, before the 1980s educated state-employees enjoyed a higher income than ordinary workers and peasants. Moreover, professional personnel also had access to a wide range of fringe benefits through their work-units. These included highly subsidized housing; nearly free healthcare, and heavily subsidized healthcare for non-working family members; and the provision of food, household goods and clothing rations that were not otherwise available. The relatively higher wages and access to fringe benefits made tertiary education one of the major channels of upward social mobility even during the Cultural Revolution when education, graduates and intellectuals were generally viewed with extreme political suspicion.

Xu Weiguo's story is illuminating. Xu was a worker-peasant-soldier student and graduated in 1976 from Central China Normal College. Before entering the college, he had been a peasant in Hubei Province with only junior middle school education but with a politically trustworthy background. Upon graduation, he was duly employed by a government agency in a big city and earned a salary of 52 *yuan* a month. The appointment brought with it status and benefits, as well as a stable income. He was not required to return to his home village to work the land; his wife and children were given urban household registration and lived with him in a big city; his parents could live with his family and enjoy the urban lifestyle. Xu notes, 'For people like me [that is, worker-peasant-soldier students] going to university was an unexpected gift presented by the time. It was a blessing from heaven that allowed us to leave the poor countryside, to eat state [provided] rice, and to earn a stable income!' (Yao Haiyang 2004).

Walder shows that in the pre-reform era, education was a prerequisite for aspirant individuals to attain privileged administrative positions and professional positions, although administrative posts usually brought more material privileges to individuals than professional positions. Generally speaking, in a period of austerity in which the state was almost the sole source of individual income, and fringe benefits and private wealth were non-existent, individuals with tertiary education were apparently 'richer' than workers and peasants who were allegedly the natural allies of the Communist Party. (Walder 1995) Between the 1950s and the 1970s, university graduates were truly high earners, regardless of wage rates (Yao Haiyang 2004). However, their relatively well-off standard of living did not continue automatically into the reform era.

Professionals in the reform era

On the surface the beginnings of 'reform and openness' in the late 1970s and early 1980s appeared to have been good news for intellectuals in general and professionals in particular. In 1977, one year before reforms were adopted intellectuals started to feel the change. The restoration of the national unified university entrance examination indicated re-emphasis on the academic quality of tertiary education and revival of the meritocracy that had been abandoned during the Cultural Revolution. In various well-publicised talks during 1977 Deng Xiaoping signalled a sea-change in the regime's hostility to intellectuals and made commitments to ensure the development of conditions for professionals. (Deng Xiaoping 1995: 6; 54; 63-64; 69).

While the politics of state attitudes to professionals certainly changed, and for the better, with the introduction of the reform era, the economic reality was more depressing. The wages of state employed professionals in the major sectors of research, education, culture and health have declined steadily since the late 1970s. In the late 1970s and early 1980s, wage readjustments were targeted at low wage employees and those whose wages had been frozen since the 1960s. The 1956 wage scales were not altered and individuals with low incomes were simply promoted. Incomes for those at the upper ends of the professional scales were not affected. (State Council 1982).

In 1985 the 1956 wage system was abandoned. In future the wage rates of different occupations and positions were not to be linked to specific administrative grades. The unified wage system was broken up into two major schemes: one for for-profit state-owned enterprises and organizations, and the other for not-for-profit institutions (CCP Central Committee and State Council 1985; State Council 1985). For the majority of professionals employed in the public sector, the new wage scheme for not-for-profit institutions provided the new standards for their salaries.

In the new scheme, a professional's salary was structured to have four components: a base wage, a position wage, a standing stipend and provisions for bonus. The base wage was the same for all professionals: 40 *yuan* per month. The standing stipend was 0.5 *yuan* per month for each year of service. Salaries were differentiated mostly by position wages, while the bonus was highly contingent and not usually calculatable in advance.

The results were quite draconian. For a newly promoted professor, the highest rate of wage he or she could earn was only 255 *yuan* a month plus the standing stipend, which was no more than 20 *yuan* per month providing he or she had worked for 40 years. The bonus was not guaranteed. It depended on how much the work-unit could save from the state budget. In other words, while in 1957 a Level One professor could receive 345 *yuan* in salary per month, his or her colleagues in 1985 could only make 275 *yuan* at

most (providing he or she had 40 years service in the university) a 20 percent decrease. In 1957, the wage for a top level lecturer was 149.5 *yuan* per month, while in 1985, it had dropped to 140 *yuan* (base plus position wage). For professionals of middle level and above, there is an apparent decrease in nominal wages. In the new scheme, only the rate for a commencing position, such as the beginning level of Assistant Professor, Intern Researcher or Doctor, those who were newly graduated from universities, were raised from 56 to 70 *yuan*.

In terms of real wages, incomes for professionals dropped even further. In the 1950s, the top-level monthly wage of a professor (345 *yuan*) could buy 575 kg lamb. In 1985, the wage for the same level of professor, namely 255 *yuan*, could only buy 32 kg lamb (Lin 1999: 132). As Deng Xiaoping observed at the time: 'I am told that an old professor at Beijing University said recently, "My salary has remained the same as it was when the People's Republic was founded. But with the way prices have gone up, my standard of living has dropped by two thirds."' (Deng 1994: 270)

In comparison, workers seemed to benefit more from the reforms of the 1980s and early 1990s. With the reinstatement of performance wages and piece-rates, their income rose faster than professionals. According to a 1982 survey of eleven work-units in Beijing, state employees with tertiary education who were under the age of 49 had lower incomes than those with only primary and secondary education. (Li Qiang 1996; Zheng Yefu 2004: 147-148). The outcomes of this survey were widely cited as evidence of the existence of reverse wage disparity between professionals and workers: a disparity that did not improve in favour of professionals throughout the 1980s (Li Qiang 1996).

This disparity ran counter to the widespread belief among all Chinese intellectuals, including professionals, that they were entitled to earn more than workers, because of their greater investment of time and effort in knowledge acquisition, and because their work contributed more to the development of the country (Pang 1989; Yang 1989). With all the political rhetoric, intellectuals had a reason to believe that they held the key to China's modernization and should be better off than other social classes. Many writings published in the 1980s and the early 1990s claimed that the educated earned more than workers in all developed and many developing countries (Wei and Huang 1993). Some even warned that a reverse wage disparity could lead to social unrest (Yang 1989).

The warning was not as far-fetched as might first appear. The participation of professionals alongside other intellectuals in the events culminating in 4 June 1989 in Beijing was to some extent motivated by their economic treatment. They protested for example on 15 May 1989 in support of students on hunger strike under banners that read: 'Professors, Professors. The longer they teach the thinner they become,' 'Poor professor,' 'poor PhD,' and 'no money in research.' (Zhang Liang 2001: 403-404). The clearing of Tiananmen Square was followed in October 1989 by moderate pay rises for intellectuals. The highest rate for a professor, for instance, was increased to 420 *yuan* per month, but the commencing rate for a professor at 180 *yuan* per month was still lower than it had been in the 1950s (Lin 1999: 132). A more substantial pay rise for university teachers, medical doctors and other knowledge workers came in 1993, though it was not particularly well received. The problem was that their support staff in the state sector received even larger pay rises (Lin 1999: 133).

The dual wage system was blamed for the wage disparity between educated professionals and the less educated (Xie and Chen 1989; Li and Li 1991). Under

conditions of economic reform enterprises were allowed a management and fiscal autonomy denied to the public sector work-units where most professionals work. Employees in public sector work-units depended almost entirely on the government allocation for their salaries, while enterprise workers had their incomes linked to individual and company performance (Ministry of Personnel 1983; State Council 1985). Moreover, these disparities were exacerbated by the development of the private sector.

While the relativities have not been totally or systematically restored, there has been improvement in the economic returns available to professionals through a series of pay reforms and institutional changes introduced since the mid 1990s (Li Weizuo 1998; Liu Lanbiao and Cai Jiming 1998; Lin 1999). Between 1993 and 2003, a series of six wage adjustments more than doubled the fixed salaries of university teachers and doctors. The pay rises came with a revamp of the wage structure established in 1985. A professional's salary was re-designed as consisting of two parts: a fixed position wage and a flexible stipend. The position wage is usually guaranteed, while the rates and purposes of flexible stipend are determined within work-units according to the performance of the individual and the work-unit. This component cannot exceed 30 percent of the entire salary for a full-budget work-unit employee (for example, university teachers) and 40 percent for a marginal budget work-unit employee (for example, medical professionals) (State Council 1993).

In 2006, another round of wage reform was implemented, featuring a further substantial change to the wage structure and providing increases (Ministry of Personnel and Ministry of Finance 2006). The new system introduced wages calculated by position grades, wage levels, performance wages and stipends. Position grades and wage levels determine the basic wage of an appointment. Specialized technical positions such as university teachers and medical doctors are classified by 13 grades and 65 levels. Grade 1 appointments have to be approved by the Ministry of Personnel, and thus have only limited applicability in reality. Normally senior specialized technical positions fall between the second and seventh grade, including Associate Professors and Professors in universities, as well as Chief Doctors and Associate Chief Doctors in hospitals. Salaries range from 1247 *yuan* per month (Grade 7, Level 16) to 4500 *yuan* (Grade 2, Level 65). Middle level positions (Lecturer, Responsible Doctor) are listed at the eight to tenth grades with salary rates ranging from 861 *yuan* per month (Grade 10, Level 9) to 3380 *yuan* per month (Grade 8, Level 65). The eleventh and twelfth grades are reserved for junior professionals (Assistant Professor, Doctor). Salaries for these positions range from 715 *yuan* per month (Grade 12, Level 5) to 3220 *yuan* per month (Grade 11, Level 65) (Ministry of Personnel and Ministry of Finance 2006).

Pay rises since the mid-1990s have meant that on the whole professionals may be regarded as earning middle-ranked incomes. The highest possible base income for a state employee is 5400 *yuan* per month, or 648,000 *yuan* per annum (Grade 1, Level 65 in the 2006 wage scheme). Clearly it is unlikely that on the basis of their state provided income a professor or senior doctor will make it into the ranks of the high-earners, still less the majority of middle rank and junior teachers, doctors and other professionals. The opportunity for some professionals to create substantial personal wealth has come from the introduction of the market and the commercialization of tertiary education, healthcare and other services (including legal services).

New rich professionals

When economic reform started the government encouraged university teachers, doctors, engineers, lawyers, and other professionals to trade their specialist knowledge and advanced skills for extra income in the newly emerging market. In 1978 for example the Ministry of Education, Ministry of Finance and National Bureau of Labour promulgated a provisional regulation on remuneration for concurrent activities by university teachers working outside their host institution (Ministry of Education, Ministry of Finance and the National Bureau of Labour 1978). In 1982, personnel in the fields of science and technology were permitted to take up second jobs in other work-units (State Council, Bureau of Technical Cadres 1982).

The practice was though more limited despite apparent official encouragement. In the 1980s, state-employed specialists who provided services for fees outside of their host work-units found that they could easily be charged with engaging in illegal economic activities, such as soliciting bribes, or engaging in illicit speculation, resulting in their incomes being confiscated (Xiao et al. 1986: 107-111; Ding and Yao 1987: 30-32; Zhu Jintao 1989: 147-151). Access to the market was highly restricted by the work-unit system, professionals' disciplines and the immaturity of the market. Employees had long been regarded as 'owned' by their work-unit and mobility between work-units was restricted. Many work-units implicitly opposed the government's policies and discouraged their staff from taking second jobs through concerns about loyalty and complaints about uneven incomes. Moreover, until the mid 1990s the market demand for advanced knowledge and skills was more than somewhat limited.

Dramatic change came in the late 1990s when the government started to reform the institutional work-unit personnel system. This policy change promoted management of professionals as professionals, loosened administrative control over them and provided more freedom for them to use their professional knowledge and skills in non-state organized economic activities (Ministry of Personnel 2000).

University professors

Throughout the 1980s and 1990s, the economic condition of university teachers was a main indicator of the Party-state's treatment of intellectuals. Between 1978 and 1998 university teachers were not happy about how they were treated for two fundamental reasons. The first was the slow growth in their nominal salaries; and the second was the scarcity of subsidized housing due to insufficient government investment in tertiary education (Lin 1999: 53).

Market reforms created opportunities for university teachers. At first the demand for specialist knowledge was limited to only a few disciplines, among which foreign language teaching was most popular. The opening-up policy had encouraged enthusiasm for major foreign languages, mainly European languages and Japanese. Demand surged hugely above the provision from the centrally planned tertiary education system. This allowed foreign language departments in universities to organize extracurricular short-term non-award courses to generate income and to pay bonuses to staff. In 1981, the Ministry of Education required all university teachers' workload to be quantified and all extra work above the formal workload to be paid (Ministry of Education 1981). Often these activities were organised departmentally, but university teachers and professors could also organise their own extra-workload fee-paying activities. Numerous language schools emerged in Shanghai in the 1990s and language

teachers, especially those teaching English, were in high demand. As a result, language teachers from Shanghai Foreign Language University were the first to pay income tax among Shanghai's university teachers. It is estimated that they could make an additional 7,000 to 10,000 *yuan* per month (Lin 1999: 60).

In recent years, the market demand for specialist knowledge has diversified. The payment for university teachers working outside their main employment is determined by the market in light of their specialty and seniority, as well as the reputation of their university and themselves. Teachers of other disciplines, such as information technology, law and business administration started to be in considerable market demand towards the end of the 1990s. A first class professor in a field related to economics and business management can make 20,000 to 30,000 *yuan* for a one-day lecture; a second class professor 10,000 to 20,000 *yuan*; while a third class 5,000 to 8,000 *yuan*. The most famous in the field can receive up to 80,000 *yuan* for a lecture (*Jiangnan shibao* 21 September 2005).

Increasingly in the PRC companies have become publicly listed. In 2001, the China Securities Regulatory Commission required all publicly listed companies to hire independent directors. Some of the posts for independent directors are earmarked for experts, such as those with specialist knowledge in business administration, accounting and finance. Professor Na's story is illustrative. He is the head of a research institute of finance in a university in southwest China, and sits on the board of directors of four publicly listed companies. Each company pays him 40,000 to 50,000 *yuan* per year for acting as an independent director. That alone brings in around 200,000 *yuan* each year, in addition to his salary, stipends from the university and research funding.¹

Universities contain more than just languages, IT and business administration departments and professors – the areas for which there is most demand. There has been pressure on the university administration from those disciplines without much market demand to assist in the generation of income. Since the early 1990s, university-run enterprises have been widely adopted as a legitimate way to ensure additional funds. In 1993 Beijing University dismantled the wall along the southern end of its campus and built instead a string of small retail shops. Beijing University claimed that this represented a changed view towards education, though it provoked heated debate among intellectuals even whilst widely copied by other universities (Wang Jianbing 2001).

Drastic structural reform was introduced for university teachers in 1999. (Ministry of Education 1999a). University teachers are no longer assigned by the government to their teaching posts, nor is their employment protected. Rather, universities need to establish the number and categories of academic posts that are required, and then advertise these posts internally or externally. Teachers have to compete for these posts. This has led to the emergence of a labour market for tertiary teachers. There has been a decrease in job security, and an increase in remuneration. The salary for a university teaching post is now composed of the basic salary prescribed and supposedly paid by the state, a position stipend, and a performance award. Universities need to raise the funds themselves to meet position stipends and performance awards.

The pressure on university funds has consequently increased at a time when state funding has also become limited. Universities have managed to afford higher payment for their teachers thanks to the deregulation of fees and the commercialization of tertiary

¹ Interview 14 June 2007.

education activities. Fees are an important component of funding. Tertiary education had remained substantially free for students up to 1989. In 1989 the state sanctioned a change to tertiary tuition fees. A universal 200 *yuan* per annum was introduced and since then tuition fees have risen repeatedly to 610 *yuan* per annum in 1993, 700-800 *yuan* per annum in 1995, 3000 *yuan* in 1999, 4200 *yuan* in 2000, and 5000 *yuan* in 2001 (M. Chen 2006).

The commercialization of tertiary education and increasing financial autonomy have meant that universities are able to increase payments for their academic staff. The expansion of admissions has also mean that universities have been under pressure to employ increasingly more teachers. One result is that university teachers have gained increased bargaining power, not least because of the reform to the personnel system that effectively encouraged job mobility. There has often been an intense competition for professors, associate professors and those with doctoral degrees. Universities have formulated favourable policies and enticing packages to attract qualified academics both within China and from overseas. For example, the North China University of Technology in 2002 offered a 90 square metres apartment; 50,000 to 100,000 *yuan* start-up funds; and a 70,000 *yuan* one-off settlement fee to attract graduates with doctoral degrees (North China University of Technology 2002). In 2003 Shanghai University offered favourable benefits to attract members of the Chinese Academies, doctoral degree supervisors under the age of 55, professors under 50, and associate professors with doctoral degrees under 30. The offer for a professor included 100,000 to 200,000 *yuan* housing subsidy, as well as special or university position stipends (Shanghai University 2003). In 2004, Guangzhou University promoted additional benefits, on top of normal remuneration, for reputable and award-winning academics. For instance, it offered an additional 300,000 *yuan* settlement fee for professors supported by the 'Cheung Kong Scholars Program,' jointly funded by the Li Ka Shing Foundation (founded by Hong Kong tycoon Li Ka Shing) and the Ministry of Education in 1998 (Lin Mei 2004).

While elite academics have benefited greatly from these changes, other university teachers have also managed to improve their living standards. The expansion of tertiary education and the emergence of private colleges has resulted in fierce competition for university teachers. Higher remuneration and improved housing conditions have become prerequisites for retaining staff. The scale of costs is indicated by the case of Jilin University, which through the amalgamation of five colleges between 2000 and 2004 grew into the biggest university in China. To prevent loss of teachers to other universities, it has doubled its stipendary payments to staff (to 100.6 million *yuan* a year) (Wang Lei 2007) and added 220,000 square meters of new residential housing to provide accommodation to its staff (He Zhongzhou 2007).

The emergence of a labour market, the expansion of universities and the demands of a mature market for advanced knowledge have given many university teachers, and especially the more senior and qualified, a better market position. Since 2001, university professors have been one of eight professional categories that have been monitored by taxation offices as 'high' income earners (Li He 2001). In 2005, the State Taxation Administration established a new system to monitor nine professional categories of high income earners, including university professors, despite the latter's complaints (Li Lihui 2005).

Medical Doctors

All the wage and personnel system reforms that have applied to the university sector have been almost simultaneously applied to health professionals. However, fiscal policies for the two sectors have followed different paths since the early stages of reform. The differences result from the legitimacy of income-generation patterns in the two sectors and government regulation of profit pursuing activities. In particular, the difference is related to the timing of commercialization in the two sectors. Commercialization of healthcare was introduced earlier than that of tertiary education, which means that the healthcare sector started to rely on user fees for finance much earlier than higher education.

Hospitals have been classified as marginal budget work-units in the state financial system since the early years of the People's Republic. This means that they have long needed to generate part of their revenue from user fees, with government finances meeting the balance. In the reform era, with the decline of state budgets, hospitals have been forced to rely increasingly on user fees. With the collapse of the health insurance system in the rural areas and the drastically reduced healthcare coverage for the urban population, patients have been required to meet costs out of their own pockets.

Health professionals are able to obtain extra income in two different ways. As with their colleagues in universities they are able to organise themselves privately to sell their specialist knowledge and expertise. In addition it is more prevalent for hospitals and clinics to organise additional for-profit activities in which healthcare professionals participate. The major form of state-sanctioned individual income-generation practice has been providing after-hour services.

Since 1985, health professionals, including doctors, nurses and midwives, were encouraged to provide local after-hour services. These activities could be organized by professionals themselves or by their work-units (Ministry of Health 1985). Individual professionals were permitted to provide diagnostic services or surgery for other medical work-units in return for fees. The policy of encouraging after-hour services was reaffirmed in 1989 (Ministry of Health, Ministry of Finance, Ministry of Personnel, State Prices Administration, and State Taxation Administration 1989). The expectation was apparently that activities would be organized collectively by appropriate work-units for the purpose of easier supervision, and income generated from these collectively organized after-hour services were required to be redistributed by those work-units. The policy stipulated that individuals participating in after-hour services should be limited to an additional income of no more than 60 *yuan* per month (Ministry of Health, Ministry of Finance, and Ministry of Personnel and Personnel 1986).

Health professionals, especially senior staff, have proved themselves resistant to these attempts at regulation. They are not very keen on collectively organized after-hour services. The commercialization of healthcare and the collapse of health insurance schemes in both urban and rural areas has led to a situation where patients effectively choose where they go providing they can afford the services. Hospitals, especially those non-state-owned facilities that usually do not have reputable specialists on the staff, tend to employ specialists from major hospitals in major cities as consultants who operate or conduct surgeries during weekends and public holidays. In recent years, moonlighting among doctors has become a major source of hidden income for senior specialists who are monopolized by major hospitals in major cities (Yang 2006). It is apparently possible for a specialist to earn 1000 *yuan* in a weekend in this way.

Surgeons may make even more. For example, the payment for a cataract extraction is between 400 and 500 *yuan* per operation. A specialist is able to perform seven to eight operations a day. (Zhi Jian 2002)

Moonlighting is privately organized. Work-units employing the moonlighters are usually not aware (at least in any formal sense) of the concerned specialists' activities. The secrecy of moonlighting also means that the income is not reported for taxation. It is understandable that the health authorities expect more transparency and accountability of practice. The Ministry of Health spells out clearly that it does not support moonlighting, but encourages doctors to take up officially arranged secondary jobs (Zhu Yu 2002).

While moonlighting remains controversial it is recognized as a necessary evil. On the other hand, some other privately arranged income-generating activities are completely illegal. In the past decade, the health authorities have been targeting drug kickbacks, as well as 'red packet' taking among health professionals.

Public hospitals control over 80 percent of drug sales in China (Chen Wenling 2005). On average, 41 percent of hospital revenue came from drug sales in 2006 (Ministry of Health 2007) and it is reported that drug sales provide up to 70 or 80 percent of revenue in some hospitals (Wang Lei 2004). A mark-up of 15 percent on drug prices has long been endorsed by health authorities to compensate the deficit generated from the delivery of healthcare (Gao Qiang 2005). With the liberalization of the pharmaceutical industry, competition has been fierce. To boost the sales of pharmaceuticals in hospitals, the major market for the pharmaceutical industry, drug representatives pay kickbacks to individual doctors secretly for prescribing the drugs they sell (Wu Yan 2000; Fang Tong 2004). Some senior doctors are able to collect up to 100,000 *yuan* per month from prescribing drugs (*People's Daily* 21 December 2005). In 2004, 56 doctors from the Ruian People's Hospital in Zhejiang Province were found to have taken drug kickbacks worth 1.1 million *yuan* (Zhao Anping 2004).

The practice of 'red packets' refers to the informal payments patients give to doctors for services. They form another source of income for medical doctors, surgeons in particular. The popularity of red packets is partly attributable to the state's regulation of medical services pricing. The prices of medical services have always been determined by the government. To increase healthcare accessibility, government has deliberately marked down the value of medical services, keeping prices low. A survey of 32 hospitals in Zhejiang Province in 2003 revealed that the rates for 92.9 percent of surgical procedures could not cover the costs (Gu Yining 2003). Payment for the technical component of surgeries is very low, accounting for 10 percent of the total payment for a surgical procedure (Duan Yali 2007).

Patients find that they have to motivate doctors with extra payments out of their pocket if they wish to obtain quality services. The size of red packets is determined by many elements, including the complexity of the operation, the professional rank and reputation of the surgeon, the length of the waiting list, and the strength of the local economy. The Government has had taking red packets in its anti-corruption spotlight since 1992, but campaigns targeting this practice have failed to root it out (Li Gang and Zhao Xinpei 2004). On the contrary, it has become the norm in the public healthcare system. In 2004, 1135 doctors from hospitals in Beijing handed in red packets worth 830,000 *yuan* (Li Gang and Zhao Xinpei 2004). In 2005, 32,000 red packets worth 5.286 million *yuan* were declined or handed over to authorities in Guangdong Province

(Liao Huailing and Gan Yuanhong 2005). In 2006, 4062 red packets were handed to the authorities in Heilongjiang Province, with a total value of nearly 1.9 million *yuan* (Lin Xiaolei 2007). It seems likely that the red packets doctors are publicised for having handed over or declined are only the tip of the iceberg. Even the authorities admits that in spite of their past regulatory efforts, it is very difficult to investigate red packet transactions. 99 percent of red packet givers would not report their doctors as long as they are satisfied with the outcome of surgery (Li Gang and Zhao Xinpei 2004).

According to the Minister of Health in 2005, the government budget accounted for 30 percent of hospital revenue in the 1970s and 1980s, but only 7.7 percent in 2000 (Gao Qiang 2005). As a result, hospitals have to rely on user fees for operational expenses, development, payroll, and updating infrastructure. A widely adopted measure to increase doctors' incomes within work-units is to link the performance part of a doctor's wage package, in some cases even the whole wage, to their 'performance', namely, the quantity of drugs prescribed, provision of diagnostic tests, and the use of other fee-paying services.

For example, Shenyang Traditional Chinese Medicine [TCM] Hospital enacted a new wage scheme in 2003. It features a 'redistribution according to second performance assessment' procedure. All the doctors and nurses are only guaranteed 30 percent of their wages (most probably referring to their position wage), and are required to find 'ways' in their own work to earn the remaining 70 percent, and indeed anything else. A position with a normal monthly wage of 1,700 *yuan* is only paid around 700 *yuan*, including 500 *yuan* of the fixed wage. The rest of the salary has to be made through prescription of drugs, tests, and other services. There is also a system detailing the kickback rates for prescriptions. For instance, doctors will get 11 percent for prescribing herbal medicine, 10 percent for pathology tests, and 13 percent for injections and bandage change. Consequently, doctors in some popular departments could pocket up to 10,000 *yuan* extra per month as a reward for prescribing drugs and services, while others from the least popular department would only receive about 100 to 200 *yuan* kickback from the hospital (Cong Zhiguo 2004).

Although the Ministry of Health has prohibited health facilities from linking staff wages to prescriptions since 2004 (Ministry of Health 2004), wage schemes like the one implemented in Shenyang TCM Hospital have been widely adopted to motivate doctors and as a means to increase revenues for the hospital (Tang Xiangyue 2004). Township and village clinics, which have not usually received any government funding since the start of the reform era particularly favour 'performance' wages as the basic remuneration system for their staff (Min Jie and Wang Xinxin 2007). Apparently, this model has led to over-prescription and over-provision of services.

As the prices for medical services are determined by the government and are usually kept low, hospitals have needed to resort to charging illegal fees or overcharging patients to raise funds. Revenues from these sources are partly used to fund bonus or other incentives for staff. According to media reports, illegal charges seem widespread in hospitals. In 2004, the National Audit Office found over 11.89 million *yuan* of overcharges in all ten major hospitals in Beijing that it selected for audit (Zhang Xuemei 2005)

Lawyers

Lawyers have been around in the PRC for a relatively short time, only having been resurrected as a profession as a direct result of the changes introduced during the late 1970s. The number of lawyers remains limited and is no match for the establishments of doctors and university professors. By mid 2006, there were only 156,000 practicing lawyers and 12,000 law firms in China. At the same time, the legal profession is considerably more marketized and enjoys more autonomy in its organization and business. For this reason alone lawyers are more clearly and unambiguously to be regarded as part of China's new rich.

Apart from a brief appearance in the mid 1950s, there was no profession of lawyers in the PRC during the decades before 1978. With the promulgation of the Criminal Procedure Law in 1979, defendants of criminal cases were allowed to have lawyers to defend them. The legal profession was re-established from scratch in that year. The reestablishment of the legal service profession was not designed as an independent function of the judicial system representing the interest of clients, but a minor appendix of the public security-prosecution-court system, representing the government interests rather than clients' interests. Understandably, they were initially public employees of work-units, and each lawyer had the status of a cadre (Fung 1987). The Provisional Regulations on Lawyers drafted in 1980 and enacted in 1982 stated expressly that lawyers were state legal workers and their workplace, called legal advisory offices, were institutional work-units (NPC Standing Committee 1980). All lawyers were on the state payroll. The government determined staffing quotas and set budgets for each legal advisory office, which was subordinate to the local judicial department (Zhang Na 2006).

As state employees, lawyers were supposed put the state interests above their clients' interests. During the 1983 'campaign to strike crimes harshly' for instance, lawyers had the job of persuading convicted criminals who received a capital sentence to appeal their verdict. If the convicted chose not to appeal, they would have ten days before execution. If they appealed, their appeal could be rejected immediately and they can be executed within five days (Zhang Na 2006).

Within a few years, the legal profession was reformed. In a ministerial circular enacted in 1984, the Ministry of Justice granted more staffing and financial autonomy to legal advisory offices. State-budgeted offices could use the surplus from their business income to hire lawyers on a contract basis. The government also encouraged the development of legal offices completely without a state budget and state-set employee quotas. These offices were to be staffed by specially appointed lawyers, part-time lawyers and contract-based supportive staff (Ministry of Justice 1984). For offices which did have a revenue surplus, the rules of 'self-determined business income and expenses and retaining or redistributing the surplus' applied. The staff of those offices could have higher bonus rates than their colleagues whose revenue left them dependent of a state allocation. For those offices operating at a deficit, the government continued to subsidize the balance. The ministerial circular of 1984 also clarified that lawyers were intellectuals and should be treated as professors, associate professors, lecturer and

assistant professors politically and economically. All the policies relative to intellectuals were regarded as equally applicable to lawyers.

In a report submitted to the State Council in 1986, the Ministry of Justice requested additional budget for more staff in the next five years, but it also proposed its retreat from government funding and staff control of legal offices. Offices should be allowed to recruit lawyers outside the state-imposed staffing quota. They were paid through office revenues generated outside a state allocation. (State Council, General Office 1986). Furthermore it was proposed that the government's full control of staffing, budget and administration should be changed. To solve the problem caused by a budget shortage, the Ministry suggested in the report that some legal offices in good financial shape should be allowed more financial autonomy. It suggested that greater autonomy be possible for independent accounting; assuming responsibility for profits and losses; self-control of revenue and expenditure; and retaining the revenue surplus.

The 1986 report reaffirmed that lawyers were intellectuals and should be treated equally with those in other specializations. In 1988, the Ministry of Personnel and Personnel approved the wage rates of lawyers proposed by the Ministry of Justice. The positions of lawyers were divided into five hierarchical ranks, Grades One, to Four for lawyers, and a fifth grade for Assistant Lawyers. As with other wage grades, Grade One was the highest rank. The salary rates for Grade One to Four were exactly the same as those for university teachers of equivalent ranks formulated in 1985 (Ministry of Personnel and Personnel 1988).

The state employment of lawyers and state ownership of law offices impeded the development of the legal profession. In a proposal made to Tianjin Municipal Government in 1988, the Tianjin Bureau of Justice complained that the current lawyer system no longer met the needs of social development and the construction of the profession. In the first place, the state-imposed staff quota prevented the expansion of the profession to meet the needs of the society. Secondly, a lack of competition meant that the system failed to motivate lawyers. Thirdly, as cadres serving the interests of the state, lawyers were not trusted by their clients, especially foreign clients. This had an adverse impact on the opening-up policy. A major reform that the Bureau proposed was to trial cooperative law firms in the city (Tianjin Municipal Government 1988).

After a few months, the Ministry of Justice proposed the trial of cooperative law firms throughout the country. A cooperative law firm is designed not to receive any state funds and to have at least three full-time lawyers not on the state payroll. Lawyers who willingly join the cooperative law firm have to resign from public position, or keep their positions without pay. Cooperative law firms are outside the state accounting system and assume complete responsibility for their own profits or losses. Lawyers do not receive fixed wages, but are paid in accordance with their performance. In return, law firms enjoy autonomy in the management of their business, staffing and the use of their revenue (Ministry of Justice 1988).

The privatisation of law firms gained momentum in 1993 with the promulgation of the Ministry of Justice's 'Plan to deepen the reform of lawyers' work'. The 'Plan' encouraged lawyers to team up voluntarily, assume responsibility for their firm's

income and expenditures, take control of their own development and discipline, and to set up firms that did not require state appointed staff or financial support. The marketisation of legal services has been central to this reform, transforming law firms from state-financed institutional work-units into non-state-budget self-disciplined legal service organizations, and lawyers from state cadres into professionals. The Ministry further required lawyers who applied to set up law firms to produce evidence of resignation from public positions or disconnection with previous public sector work-units, and to specify in their application the firm's financial management system, revenue distribution patterns and the responsibility for liabilities. The 1993 reform is hailed as the 'most profound, most thorough, and most open-minded' reform of the legal system (Gong Xiaobing 2005)

The promulgation of the Lawyers Law in 1996 was a further milestone in the professionalization of lawyers. Lawyers are defined as 'personnel who have obtained a business license for setting up a lawyer's practice in accordance with the law and who are providing legal services for the public' (NPC Standing Committee 1996). They are no longer viewed as state workers serving the interests of the state. Lawyers may practice in three types of law firms: state-owned, cooperative, and partnerships. The latter two types of firm do not receive any financial support from the state. However, even state-owned firms do not necessarily receive a state allocation. In the mid 1990s nearly half of the law firms established with state funds stopped relying on the state for funding. In 1998, state-funded law firms accounted for 59 percent of the 8,946 law firms. 27 percent were partnerships and 11 percent were cooperatives (Peerenboom 2002: 353). By 2007, 70 percent of the more than 13,000 law firms have become partnerships (Zhang Yirong 2007).

In spite of the state regulation of pricing for services, lawyers have enjoyed much higher autonomy in determining the rates they charge. While the government sets the guiding rates for lawyers representing clients in civil, criminal, administrative and state compensation cases, they can negotiate with their clients about the rates of fees for other services, such as acting as legal advisors and providing non-litigious services.

Economic autonomy has contributed greatly to the emergence of rich lawyers, but the regional differentiation is striking. As of the year end 2003, about two thirds of the more than 10,000 law firms were located in big cities, while the poorer regions and China's West had shortages of lawyers. In 2003, two Beijing law firms generated over 200 million *yuan* in business each, while in 2002, there were 16 provinces whose lawyers were unable to generate more than 200 million *yuan* gross income in a single province (Gong Xiaobing 2005). Table 9.1 compares average business turnover for lawyers in Beijing, Shanghai and China as a whole between 2001 and 2002.

Table 9.1. Legal business turnover 2001-2002

Location	Number of lawyers 2001/2002	Turnover (billion <i>yuan</i>) 2001/2002	Turnover/person (<i>yuan</i>) 2001/2002
Beijing	6,000/7,500	1.8/2.7	300,000/360,000
Shanghai	4,500/5,000	1.2/1.5	250,000/300,000
All China	100,000/120,000	8/12	80,000/100,000

Source: Gong Xiaobing 2005

The grand total of lawyers' business reached 15 billion *yuan* in 2004, more than one third of which was generated in Beijing. The average business turnover of Beijing lawyers was about a half million *yuan* in 2004 (Yu Wei 2005; Zhang Lijing 2005). Shenzhen had 3100 lawyers with an annual turnover of 1.06 billion *yuan* in 2004, or nearly 350,000 *yuan* per lawyer on average (Su Rongcai and Wu Tao 2005). The 6000 odd Shanghai lawyers made 1.6 billion *yuan*, or 300,000 *yuan* per lawyer (Wei Caihong 2004). In other cities, the figures are much lower. For example, the average business turnover of Chongqing lawyers was only 50,000 *yuan* for 2005 (Chongqing Daily 31 March 2006). The 371 lawyers of Guilin, a medium-sized city in south China, generated only 12.19 million *yuan* in 2005, or 32,800 *yuan* per lawyer (Xu Yingbao 2006).

Income disparities amongst lawyers are severe (Peerenboom 2002: 366). There are four major employment models in the legal profession: intern lawyers, full salaried lawyers, commissioned lawyers and partners. Senior partners and directors of major law firms are usually the highest income earners. Their annual income can reach over one million *yuan*. The number of such lawyers, however, is very limited. Annual incomes of ordinary lawyers in major cities can be anywhere between 10,000 to 400,000 *yuan*, depending on their experience and competence, reputation, and source of business (Gong Xiaobing 2003; Wei Caihong 2004; Zhang Lijing 2005).

In Beijing, a full salaried lawyer is paid 3000 to 5000 *yuan* basic salary per month plus bonus, but he or she does not need to seek new businesses. Commission based lawyers have two wage patters. For fully commission-based lawyers, they have to give 30 percent of the revenues generated from businesses to their law firms. Lawyers can also receive a basic salary ranging from 800 to 2000 *yuan* per month, plus 20 to 50 percent of the revenues of the businesses they service. The lowest income earners are the intern lawyers, who, according to the law, have to spend one-year internship in law firms before they can be granted a practicing license. Their monthly income is between 1000 and 2000 *yuan* (Zhang Lijing 2005). Generally speaking, an established lawyer in a major city can expect an income of 100,000 *yuan* a year.

The income of lawyers is also determined by their specializations. It is reported that those who are not involved in litigation receive the highest incomes. These lawyers include those with licenses to provide legal services related to securities, stock exchanges and listing of companies on stock markets; as well as in the privatisation of state-owned enterprises or conveyancing (Yu Wei 2005).

The variability of wealth

It is clear that in recent years some university professors and doctors, and most lawyers have benefited from changes in the economic environment to achieve significant individual wealth. Nonetheless it is also clear that the different professions have different patterns of wealth generation and accumulation. University teachers and doctors remain public sector employees, however much their immediate environment has become commercialised. For those who are high earners in these professions, the major sources of both their wealth and their income do not seem sustainable and are highly susceptible to government changes in both budget and regulation. The public sector salary rates for university teachers and doctors remain limited. For doctors, even the state salary rates are not guaranteed. Professionals from both sectors have had to resort to individually organized activities to generate extra income that may sometimes put their total income in the ranks of the highest income earners. The extent of their success though is very contingent on both the individual's ability and their specialisation. Not everyone has the capacity to build on such opportunities. Moreover, in the healthcare sector, many of these opportunities are illegal.

In contrast the legal profession has undergone a major privatisation.. Lawyers' incomes are now all but completely determined by the market. Their sources of incomes are more reliable and their wealth more sustainable than professionals in tertiary education and the healthcare sector. While the excess wealth of very rich university professors and medical doctors depends on government policies and actions, their equivalent colleagues in the legal profession have an independence that draws on the market.

Economic success has only come to specific individuals within the professions, and only then under particular conditions. The majority of professionals are not particularly better off as a result of the changes wrought by the reform era. In spite of the Party-state's promotion of commercialization, the markets for professional services remain subject to various but nonetheless strict control by government. The Party-state is indecisive about its policies on professionalisation. On the one hand, it has introduced market elements to the professions in the hope of reducing its financial burden and motivating individuals to provide quality service. On the other hand, bound by its ideological commitment to socialism and the poor, the CCP has employed strict regulation on the pricing of professional services. The regulation of prices has kept the average income of professionals low. Professional services are thus made seemingly more accessible to the poor so that government can claim political merit. The Party-state has used low-wages, even for professionals, as a major competition strategy to boost China-made in the international market. The lack of political, economic and organizational autonomy and power has prevented professionals from monopolizing their markets and further impeded their attainment of higher percentile incomes. Only a small number of elite professionals have been able to take advantage of their specific environments to achieve a measure of excess wealth.