

Innovation-Driven Personnel Management: Challenges and Opportunities of the Implementation of Yuan'e System in Higher Education in H Province, China

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Abstract. This grounded theory study analyzes the Yuan'e system in 12 H Province universities, identifying five core issues: uneven implementation, inadequate communication, systemic rigidity, funding shortfalls, and poor coordination. Corresponding solutions include: a tiered implementation mechanism, youth-oriented policy dissemination, independent career pathways, standardized financial safeguards, and enhanced cross-department collaboration, providing theoretical and practical guidance for system optimization.

Keywords: yuan'e system, higher education, qualitative approach

1 Introduction

China's management of the Yuan'e system in higher education institutions can be traced back to 1985, when the State Education Commission of China issued the Trial Measures for the Staffing in Regular Higher Education Institutions, marking the initial articulation of staffing standards for various types of higher education institutions [1].

In China, the adjustment of teachers' identity rights—a term referring to the legal and professional status of teachers and the associated benefits—is a long-term and ongoing process. There are differences in the personnel systems applicable to employees who started working in different eras, which are reflected in the terminology used to describe personnel relationships during different periods. Centered around the core of “identity,” the state has continuously introduced new concepts such as the establishment, temporary work system, appointment system, worker-replacement system, employment system, labor contract system, personnel agency system, labor dispatch system, and Yuan'e system in different historical periods. Each term and concept corresponds to a specific

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connotation of identity rights. When the state redefines identity rights, it creates new terms that represent these new definitions, distinguishing them from previous concepts.

The evolution of terminology reflects the changes in the underlying personnel management system. This process of creating new terms is still ongoing, as evidenced by Hainan's recent relaunch of the "Yuan'e system," which indicates that the adjustment of the connotation of identity is still evolving. This process reflects the gradual nature of China's higher education reform, as well as the challenges and coping strategies faced at different stages, especially considering the comprehensive impact of economic, social, and policy environments.

The establishment of these standards indicated the determination of the personnel scale in higher education institutions, forming the rudiments of Yuan'e system. Over time, the Yuan'e system gradually gained attention. Due to H Province's yuan'e policy being implemented for only one year, even in other provinces within China, this policy is considered an experimental initiative. This study, based on the status and issues observed during the first year of policy implementation, proposes strategies for enhancing this policy.

2 Literature Review

Due to the unavailability of highly suitable translations that may accurately convey the intended meaning, this study has opted to use the Chinese pinyin of specific terms to ensure clarity in communication for the readers. For example, the term "bianzhi" refers to "establishment" and typically denotes the number of approved positions in a unit, office, or organization. By controlling the bianzhi, the state exercises oversight over its administrative apparatus, ranging from the highest state offices to the institutions. The bianzhi system involves the creation and elimination of positions in various entities, including Party, government, state-owned enterprises or institutions, by identifying the necessary functions that these entities need to fulfill. Individuals within the bianzhi system are typically part of the government (administrative) civil service or Party/government system. The bianzhi system is administered by the Central Staffing Commission and overseen by the Party's Organization Department. Those within the bianzhi system enjoy civil service benefits [2].

It's important to distinguish among the bianzhi, nomenklatura and the yuan'e systems. While the bianzhi system encompasses millions of state-salaried employees, the nomenklatura includes only cadres in leadership positions, from central Party and government leaders to local township leaders. The term nomenklatura, originally a Soviet/Russian term, refers to "a list of positions, arranged in order of seniority, including a description of the duties of each office". In contrast, the bianzhi system refers to the authorized number of personnel (the number of established posts) in a Party or government administrative organ, a service organization, or a working unit [3].

The yuan'e system is a new personnel mechanism where institutions and public service units purchase services in a socialized and market-oriented manner. Funds are allocated through the financial department, allowing institutions to autonomously hire employees whose positions are not included in the bianzhi management system. In simple terms, the number of staff under the yuan'e system is determined based on the actual needs of the work, rather than fixed quotas. Therefore, the yuan'e system represents a form of personnel establishment derived from public service units. Employees under this system receive better treatment than temporary workers and those in public

welfare positions but slightly less than regular bianzhi staff in public service units. Although they are contract employees, their salaries are funded by the finance department [4].

Moreover, the implementation of the Yuan'e system varies across different regions, with differences in job sources and promotion opportunities. For example, in Hainan, the pursuit of developing a free trade port has led to a significant influx of population, attracting a substantial number of talents from both within and outside the country. This has resulted in a shortage in the existing bianzhi, necessitating urgent measures to attract and properly place these talents. Consequently, the Yuan'e system has become the preferred choice.

In addition, it's essential to explain another concept, namely "authorized personnel size", which refers to the maximum number of employees that an organization, government agency, institution, or unit is officially allowed to employ, as determined by a governing authority. This includes restrictions on various types of positions, posts, or establishments to ensure a rational distribution and management of personnel within the organization. In the public sector or enterprises, planning and controlling of staffing levels are crucial aspects of organizational management, aiming to achieve the most effective utilization of human resources [5].

Currently, the Yuan'e system is widely used in the recruitment and management of judges and prosecutors, often referred to as the "judge quota reform." This reform aims to optimize the structure of the judiciary, decentralize judicial power, and enhance the efficiency and capability of the judicial workforce [6]. In higher education, the Yuan'e system serves as a supplementary mechanism to the bianzhi system and faces challenges such as insufficient financial support and limited promotion opportunities during the pilot phase.

There are significant differences in employment between the bianzhi and Yuan'e systems. Under the bianzhi system, employees are guaranteed lifetime job security, with their positions permanently tied to their employment status, ensuring non-dismissable job stability [7]. In contrast, the Yuan'e system operates on a contract basis, with positions directly linked to specific posts. Institutions have the autonomy to decide on rehiring or dismissal based on performance, with typical contract durations of 3–5 years. This market-oriented employment mechanism breaks the traditional "iron rice bowl" model, introducing flexibility into the employment system [7].

China's higher education institutions have undergone years of development in the Yuan'e system reform: the concept of bianzhi reform was first proposed in 2000, the management framework for the Yuan'e system was formally established in 2017, and pilot programs were subsequently launched in Beijing, Shandong, Hebei, and other regions, promoting the transition of personnel management from the bianzhi system to the Yuan'e system. While the traditional bianzhi system ensures stability, it struggles to meet the evolving needs of higher education institutions. Its rigid employment mechanisms and lack of incentive-based compensation systems restrict talent mobility [8]. The Yuan'e system, with its market-oriented approach, breaks the rigidity of the bianzhi system, granting universities greater autonomy in personnel management. It clarifies rights and responsibilities through performance contracts, establishes competitive incentive mechanisms, optimizes talent mobility, and improves career development pathways [9].

Although the Yuan'e system holds promise for reform, its implementation is still in the exploratory stage and varies across regions. This study focuses on higher education institutions in H Province to assess the current status of implementation and propose optimization suggestions.

3 Questions and Analytical Methods

This study employs a qualitative research paradigm guided by grounded theory methodology. It aims to construct a theoretical framework from the ground up to explain the implementation dilemmas of the personnel policy, through systematic analysis of textual materials related to the implementation of the Yuan'e system in universities within H Province.

The data were derived from a specialized survey organized by the provincial supervisory department in March 2023. All 12 public universities (including both undergraduate and vocational institutions) in the province submitted formal reports on the implementation of the Yuan'e system as required, forming a complete-coverage sample. These officially authored documents provide detailed accounts of position establishment, recruitment procedures, compensation and benefits, promotion mechanisms, practical challenges, and policy recommendations, offering highly authoritative and information-rich material for analysis.

We utilized NVivo 12 to manage and code the entire set of textual data, strictly adhering to the three-stage coding procedure of grounded theory: open, axial, and selective coding.

3.1 Stage 1: Open Coding

The texts were reviewed line-by-line, and initial labels were assigned to each policy-relevant statement. For instance, statements such as “inadequate policy dissemination impedes the recruitment of high-level talents” were coded, ultimately resulting in the extraction of 95 initial concepts.

Table 1: Examples of Open Coding from Raw Data

Raw Text Excerpt	Primary Coding (Conceptual Labels)
“Funding for personnel under the Yuan'e system relies on self-raised funds, placing significant financial pressure on the university.”	Self-raised Yuan'e Funding
“It is recommended to promptly establish pathways for converting the status of Yuan'e personnel to that of permanent establishment personnel.”	Lack of Status Transition Mechanism
“There are difficulties in recruiting high-level talents, such as PhD graduates, under the Yuan'e system.”	Difficulties in Recruiting High-Level Talents
“Universities have insufficient understanding of the overall staffing policy and lack technical expertise in position management.”	Inadequate Policy Publicity and Understanding

3.2 Stage 2: Axial Coding

In this stage, the 95 initial concepts were systematically clustered into higher-order axial categories through constant comparison, based on semantic and functional similarities. Each category was formed by integrating multiple traceable initial concepts and supported by textual evidence from multiple universities.

For example, concepts such as “Self-raised Yuan’e Funding” and “Lack of Fiscal Guarantee for Salary Payments” were grouped under the axial category “Unsound Financial Supporting Mechanisms.” Similarly, codes like “Inadequate Policy Publicity and Understanding” were consolidated into “Inadequate Policy Publicity and Training.” Ultimately, all initial concepts were organized into 12 axial categories.

Table 2: Distribution of Axial Coding Categories

Axial Coding Categories	No. of University Documents Involved	Frequency of Mention
Unsound Financial Supporting Mechanisms	7	20
Ineffective Articulation with Personnel Systems	4	13
Rigid Establishment Structure	5	12
Insufficient Attractiveness to High-Level Talents	3	6
Inadequate Policy Publicity and Training	2	5
Lack of Inter-University Differentiation and Categorized Management	6	20
Constrained Effectiveness of the Yuan’e system	5	33
Lack of Redeployment Mechanisms for Non-Establishment Personnel	5	9
Non-Standardized Recruitment Procedures	3	6
Unclear Promotion Mechanisms	5	20
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3.3 Stage 3: Selective Coding

Through the systematic integration of all axial categories, this study identified “systemic institutional misalignment” as the core category, which reveals the common structural root cause underlying various identified issues. Building on this, we systematically articulated the intrinsic relationships between each category and this core, thereby consolidating fragmented findings into a unified theoretical framework. Within this framework, the five implementation challenges are clearly delineated as concrete manifestations of this systemic misalignment across five key dimensions: Divergent Implementation Commitment and Intensity; Inadequate Policy Dissemination and Interpretation; System Rigidity and Lack of Flexibility; Severe Lack of Financial Security; Ineffective Interdepartmental Coordination Mechanism.

4 Research Results

Analysis of policy implementation reports from all 12 public universities in H Province reveals that, despite widespread institutional attention to the yuan'e (personnel quota) system, five persistent challenges hinder its effective implementation.

4.1 Maintaining the Integrity of the Specifications

Eight universities have formally prioritized the yuan'e system through strategic plans or party committee agendas. However, implementation remains uneven. For example, University 7 integrated the reform into its top-level agenda but lacks clear operational guidelines, while University 4 delayed issuing regulations due to transitional uncertainty. Even institutions with multiple internal documents (e.g., University 6) report difficulties in system integration.

4.2 Inadequate Policy Communication

Both external and internal communication gaps undermine recruitment. Externally, prospective high-level talents often lack basic awareness of the yuan'e policy, reducing attraction efficacy. Internally, HR staff struggle to explain key issues—such as salary, benefits, and career paths—due to insufficient training and ambiguous policy wording. University 3 noted that HR personnel cannot conduct proper job analyses, leading to candidate confusion and withdrawal.

4.3 Structural Rigidity and Limited Autonomy

The yuan'e system imposes rigid constraints on institutional governance. Five universities reported that leadership positions remain reserved for traditional bianzhi (established compile) staff, blocking yuan'e personnel from senior roles. Institution 2 cited insufficient management units and leadership quotas, hindering refined governance. Six institutions called for greater autonomy—such as shifting recruitment oversight from pre-approval to post-filing—to better respond to talent needs.

4.4 Insufficient Fiscal Support

Seven universities rely on self-raised funds to cover yuan'e personnel costs, straining budgets. University 4 spends 29 million yuan annually on 189 yuan'e staff, while University 8 stated tuition revenue cannot sustain these expenses. Without provincial fiscal inclusion, institutions fear long-term financial instability. Unclear policies on pensions and social security further deter talent recruitment, especially doctoral candidates.

4.5 Fragmented Interdepartmental Coordination

Weak coordination among finance, personnel, and academic units creates operational bottlenecks. Salary delays and uncertain benefit provisions (University 6) reflect systemic misalignment. Additionally, over 300 non-bianzhi staff at University 3 await reassignment, illustrating transition

pressures. Critically, yuan'e staff face capped career ceilings (e.g., management roles limited to level 7) and no formal pathway to bianzhi status, severely limiting professional mobility.

5 Recommendations

This study identifies five major challenges in reforming the Yuan'e system across 12 universities in H Province, which illuminate the fundamental tension between a market-oriented personnel mechanism and the traditional governance of public institutions. The recommendations below are designed to mitigate this structural dissonance by offering locally adaptable solutions.

5.1 Build a Differentiated Implementation Mechanism Based on Institutional Adaptability

A hierarchical implementation mechanism should be established based on institutional adaptability. Universities are recommended to be categorized into three types through a comprehensive evaluation system assessing governance capacity, fiscal sustainability, and talent structure needs: institutional innovation pilots, steady transition institutions, and basic support institutions.

Institutional innovation pilots with strong governance and sound finances should receive greater autonomy in position management and salary distribution, along with support for developing yuan'e-establishment conversion mechanisms. Steady transition institutions should adopt gradual reforms through dynamic position adjustment and two-way mobility mechanisms. Basic support institutions require strengthened financial guarantees for core positions and flexible performance incentives to prevent talent drain.

The implementation quality of the Yuan'e system, measured by position utilization efficiency, staff stability, and talent satisfaction, should be incorporated into provincial higher education resource allocation decisions to ensure alignment between reform progress and institutional capacity.

5.2 Build a New Paradigm of Youthful and Interactive Policy Communication

In view of the current problem of insufficient acceptance of the yuan system among young scholars, it is urgent to establish an accurate and effective policy communication mechanism. It is recommended to systematically promote it from three dimensions: content transformation, channel construction and effect evaluation.

In terms of policy content presentation, the transformation of institutional texts to visualization and interaction should be promoted. Develop intelligent assessment tools to transform complex job conditions, compensation structures, and promotion paths into intuitive career development plans to help young scholars accurately understand job value.

In terms of communication channel layout, it is necessary to establish a network system of online and offline collaboration. It is necessary to rely on new media platforms to display real career cases, and to provide professional policy consultants at the university level to provide authoritative interpretation and personalized consultation for potential candidates.

At the same time, it is necessary to establish a complete closed loop of policy feedback. Collect the concerns of young scholars through regular research and discussions, optimize communication

strategies in a timely manner, and incorporate the implementation effect into the system evaluation system, forming a virtuous circle of continuous improvement.

5.3 Innovating Career Development Mechanisms for Yuan'e Positions Beyond Bianzhi Dependence

The Yuan'e system's development remains constrained by its dependence on the traditional establishment framework. Empirical evidence from H Province reveals that most yuan'e positions lack viable pathways to establishment status due to rigid quota controls. Persisting with "status transition" as the primary career incentive undermines institutional effectiveness and accelerates talent attrition.

We propose establishing an autonomous career development structure for yuan'e positions. First, create a professional grading system with independent evaluation standards aligned with teaching-research support, technical service, and administrative innovation functions, forming a parallel trajectory to establishment positions.

Second, innovate professional certification mechanisms through university consortium-led peer review committees. Their certifications should directly determine resource allocation and promotions, bypassing establishment-based constraints.

Finally, implement a professional achievement portfolio system documenting contributions in cross-departmental collaboration and service innovation. This portfolio should connect to non-status incentives including training resources and academic opportunities, enabling identity-neutral career advancement.

5.4 Build a Standardized Financial Security System

At present, the post system faces three outstanding problems in terms of financial security: unstable fund supply, unclear expenditure responsibilities, and insignificant incentive effects. To solve these problems, it is necessary to establish a clear financial guarantee mechanism.

It is recommended to build a guarantee model based on financial investment and supplemented by budget management. First of all, the basic expenditure of post personnel should be included in the financial per capita allocation system, and additional funding items for post personnel should be added when approving the per capita allocation standard to ensure that basic treatment is stable. Secondly, strictly standardize the budget preparation of colleges and universities, requiring each school to separately list the expenditure of the post system in the annual budget, clarify the use and source of funds, and ensure the standardization of the use of funds.

In terms of incentives, colleges and universities can arrange performance expenditures from compliant own funds or use project balance funds that meet the requirements as required, but all expenditures must be included in budget management and subject to supervision. At the same time, establish an evaluation mechanism for the efficiency of fund use, and link the evaluation results with subsequent financial allocations to promote the improvement of fund use efficiency.

5.5 Enhancing Interdepartmental Collaboration for Yuan'e system Reform

To effectively advance the Yuan'e system reform in higher education, the government should strengthen coordination among policy-making, financial, and human resources departments and universities through the following measures:

First, establish a standing interdepartmental coordination committee to facilitate regular communication and ensure unified implementation of policies related to recruitment, salary distribution, and benefits. This mechanism will help address disparities in talent recruitment and improve the management of vacant positions.

Second, develop targeted policies to clarify compensation standards, retirement benefits, and management mechanisms for yuan'e personnel. Concurrently, formulate detailed transition plans to streamline staff reassignments and reduce operational disruptions during the implementation process.

Third, create clear promotion pathways and career development policies for yuan'e personnel, ensuring equitable advancement opportunities and enhancing job satisfaction. These policies should be designed to support professional growth and motivation.

Through these coordinated efforts, the government can resolve recruitment inconsistencies, improve personnel management efficiency, and support the sustainable implementation of the Yuan'e system reform.

6 Conclusion

Based on a comprehensive study of 12 universities across H Province, this research finds that the yuan'e system faces significant and persistent challenges due to a fundamental systemic misalignment with existing institutional structures—particularly in establishment management, fiscal support mechanisms, promotion pathways, and internal governance frameworks. The research reveals that key structural issues include chronically inadequate financial security, weak policy dissemination channels, severely limited career development opportunities, poor interdepartmental coordination mechanisms, and uneven reform commitment levels across different institutions. These implementation barriers are further compounded by rigid administrative traditions and insufficient stakeholder engagement throughout the reform process. Addressing these deep-seated and interconnected problems requires substantially more than simply expanding position quotas or marginally raising salary levels. Effective and sustainable reform calls for a truly comprehensive and multi-dimensional strategy: differentiated provincial guidance carefully tailored to institutional diversity and local contexts; stable long-term fiscal and budgetary support mechanisms with predictable funding streams; a professional career system fully independent of traditional establishment status constraints; clear and consistent cross-departmental policies regarding compensation structures and personnel transitions; and significantly stronger university administrative capacity in policy interpretation, strategic planning, and operational execution. While admittedly limited to one province and primarily based on official documentary sources, the empirical findings nevertheless offer valuable and transferable insights for broader higher education personnel management reforms throughout China and potentially other developing economies facing similar institutional transitions.

7 Limitations and Future Research

This study has several limitations. First, the sample is limited to 12 universities in H Province, where the yuan'e system has been implemented only recently and is heavily influenced by the province's unique free trade port policies; thus, the external validity of the findings warrants further examination. Second, the data rely solely on official documents, lacking first-hand interviews with key stakeholders such as yuan'e personnel, which may overlook the complex tensions embedded in micro-level practices. Moreover, as the reform is still in its early stages, its long-term effects and institutional evolution require ongoing tracking. Future research could enhance explanatory power through cross-provincial comparisons, mixed-methods approaches, and deeper engagement with institutional theory.

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