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The Historical Evolution of Salary System Reform in Chinese Universities

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Abstract

This paper systematically reviews the historical evolution of salary system reform in Chinese universities since 1949. The system has developed into a modern framework centered on a post-based performance pay system and supported by diversified incentives. It identifies key problems, including unreasonable income distribution, imperfect performance evaluation, and insufficient institutional autonomy. The paper also highlights understudied issues, including regional and institutional gaps, welfare disparities between early-career teachers and administrative staff, non-salary income sources, so as to provide practical references for improving university salary management and governance system in the new era.

Keywords: University Salary System; Post-Based Performance Pay; Higher Education Governance; Income Distribution Reform

1. Introduction

The university salary system is a core component of modern higher education governance, serving three key functions: optimizing human resource allocation, motivating faculty and staff, and ensuring teaching and research quality. Since 1949, China's university salary reform has been closely tied to national economic transformation, higher education policy adjustments, and global talent competition. A systematic review of its development helps summarize historical experience, avoid reform risks, and offer feasible suggestions for improving the salary system. This study has both theoretical and practical value for promoting high-quality higher education and building an education powerhouse.

2. Historical Context of Salary System Reform in Chinese Universities

2.1. The Unified Wage System in the Planned Economy Period (1949-1985)

2.1.1. 1949-1955: Transition from the In-Kind Supply System to the Grade-Based Wage System

In the early years after the founding of the People's Republic of China, university faculty and staff were covered by a state-run in-kind supply system featuring highly equal distribution of daily necessities. The 1952 wage reform transformed it into a monetary payment system based on wage points. In 1955, unified national wage standards were implemented, setting salaries according to administrative ranks and professional titles, which initially standardized university salary management. However, salaries at that time failed to reflect the nature of teaching and research or individual work contributions, resulting in weak incentive effects.

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2.1.2. 1956-1985: Consolidation of the Centralized Grade-Based Wage System

In 1956, the State Council issued the *Decision on Wage Reform*, requiring universities to adopt a unified grade-based wage system. Faculty salaries mainly depended on position grades rather than job duties or work performance. While this system guaranteed basic living needs, it lacked flexibility and suffered from serious egalitarianism. As salaries were disconnected from academic and teaching achievements, they could hardly inspire faculty enthusiasm. Moreover, it created institutional inertia that prioritized administrative status over academic contributions, limiting teachers' innovative vitality.

2.2. University Salary Reform in the Early Stage of Economic System Reform (1985-1993)

In 1985, national authorities issued the *Implementation Plan for the Reform of the Wage System for Faculty and Staff in Institutions of Higher Education*. Universities adopted a structural wage system consisting of basic wage, position wage, seniority allowance, and performance bonus. This reform raised overall salary levels and established regular salary adjustment mechanisms. Nevertheless, egalitarianism remained widespread: bonuses lacked quantitative evaluation standards and were distributed arbitrarily. In addition, the system failed to align with the operational characteristics of universities or reflect differences in position value.

2.3. Salary Reform Under the Socialist Market Economy System (1993-2006)

Guided by national public institution wage policies, universities adopted a position-grade wage system with 70% fixed payment and 30% flexible allowance. This reform first introduced performance-oriented distribution, laying the foundation for the subsequent post-based performance pay system. In practice, however, most universities continued to distribute allowances equally, resulting in mismatches between position value and salary. A clear gap existed between performance-oriented policy design and equality-oriented implementation.

2.4. Implementation and Improvement of the Post-Based Performance Pay System (2006–2016)

2.4.1. 2006: Implementation of the Post-Based Performance Pay System

In 2006, multiple central ministries issued guidelines for public institution income distribution reform. Universities fully implemented the post-based performance pay system, which consists of post wage, salary grade wage, performance pay, and subsidies, with the first two constituting basic wages. Flexible incentives such as one-off rewards, negotiated wages, and annual salary systems were introduced to effectively attract high-level talents.

2.4.2. 2010-2016: In-depth Reform of Performance Pay

In 2011, the General Office of the State Council issued the *Opinions on Deepening the Reform of the Income Distribution System for Staff in Public Institutions*, which divided performance pay into basic and incentive components. Incentive performance pay was distributed flexibly based on appraisal results, turning the principle of more pay for more work and better performance into a practical institutional arrangement.

2.5. New Era: Exploration of Dynamic Salary Adjustment and Diversified Incentive Systems (2016-Present)

From 2016 to 2020, national policies promoted post-based performance pay reform, granted universities greater salary distribution autonomy, directed more salary resources toward frontline teachers, and improved internal incentive mechanisms. In 2025, the *Outline for the Construction of an Education Powerhouse (2024-2035)* further emphasized the need to deepen university salary reform.

In recent years, universities have established dynamic salary adjustment mechanisms linked to economic growth, fiscal capacity, and price levels. Following the reform of "breaking the five-only evaluation criteria", they have strengthened rewards for the transformation of scientific and technological achievements, improved salary security for teachers and staff, and innovated annual salary and negotiated salary systems to enhance the competitiveness of core talents.

3. Driving Factors for Salary System Reform in Chinese Universities

3.1. Market-Oriented Transformation of the Economic System

The shift from a planned economy to a socialist market economy is the fundamental driver of university salary reform. The rigid state-controlled salary model under the planned economy failed to adapt to market-oriented talent competition. After 2006, salary distribution became more performance-oriented and flexible, shifting from administrative pricing to market-based talent valuation.

3.2. Strategic Guidance of Higher Education Development Policies

National higher education strategies provide top-level policy guidance for salary reform. As China's higher education evolved from elite to mass and then universal education, strategies such as the Double First-Class Initiative raised standards for faculty development. Policy changes have continuously strengthened incentive effects and promoted salary differentiation and diversification through resource allocation.

3.3. External Pressure from Global Talent Competition

Intensifying global talent competition drives institutional reform among world-class universities. With high-level talents moving across borders more frequently, salary packages and incentive mechanisms have become core competitive factors. Top Chinese universities draw on international experience to design competitive compensation packages for overseas talents, promoting the marketization and internationalization of domestic salary systems through localized adjustments.

4. Institutional Logic of Salary System Reform in Chinese Universities

4.1. From Identity Management to Post-Based Management

In the planned economy era, university salaries depended on administrative ranks and staffing status, with little connection to job duties and performance. Since the reform and opening-up, salary management has shifted to post-based models, where position value and responsibilities determine salaries, following the principle of "salary changes with posts and performance."

4.2. From Egalitarianism to Performance Orientation

Long-standing egalitarianism restrained academic innovation before the reform and opening-up. With continuous policy adjustments, performance has gained greater weight in salary distribution. The 2011 post-based performance pay reform broke the traditional equal distribution pattern. However, balancing performance incentives while avoiding over-emphasis on performance remains a key direction for institutional improvement.

4.3. From a Single Salary Structure to a Diversified Incentive System

Early salary systems relied mainly on basic wages, with spiritual incentives as supplements. At present, universities have formed a diversified incentive system of "basic salary, performance pay and special incentives." Targeted policies for high-level and young talents, together with rewards for research outputs and technology transfer, mark a shift toward refined and differentiated salary management.

4.4. From State-Unified Distribution to University-Autonomous Distribution

Traditional nationwide unified salary standards ignored regional differences, institutional positioning gaps, and variations in talent value. The central government has gradually delegated salary distribution authority to universities, enabling them to set internal distribution rules and allocate resources to core disciplines and key talents.

5. Neglected Issues and Heterogeneity in the Reform Process

Existing policies and academic studies mainly focus on mainstream salary reform paths, while several important issues remain under-explored.

5.1. Regional and Institutional Disparities

Salary levels and reform progress differ greatly between eastern and western regions, Double First-Class and ordinary universities, and central-affiliated and local universities. Local universities often face tight performance pay budgets due to limited regional fiscal revenue, which widens income gaps. Future research requires refined analyses of specific regions and university types.

5.2. Early-Career and Administrative Staff

Salary reform exerts uneven impacts on different staff groups. Young teachers face heavy academic pressure alongside low basic salaries, while administrative staff are disadvantaged in performance pay distribution because their work outcomes are difficult to quantify. These groups are rarely discussed in current research.

5.3. Non-Salary Income and Off-Campus Activities

University faculty receive considerable non-salary income from research funds, consulting fees, book royalties, and off-campus part-time jobs. Such income has long compensated for low official salaries but is excluded from mainstream salary reform discussions, leading to an incomplete understanding of faculty incentives and internal income inequality.

6. Conclusions and Prospects

After more than 70 years of continuous reform, China's university salary system has evolved from a state-unified planned-economy model into a modern post-based performance pay system with diversified incentives. It effectively motivates faculty and attracts talents, providing institutional support for high-quality higher education development.

To better support the construction of an education powerhouse, this paper puts forward targeted suggestions: establishing dynamic salary growth mechanisms to narrow regional gaps; adopting differentiated performance appraisal; reasonably regulating internal salary gaps to balance efficiency and equity; expanding university salary distribution autonomy with sound democratic decision-making and external supervision; and innovating long-term incentives to strengthen talent support for high-quality higher education.

Limitations and future research: This study is based mainly on policy documents and existing literature. Future empirical research could use micro-level salary data, cross-university case studies, and faculty interviews to explore reform heterogeneity.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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