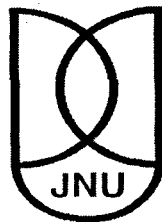


**SOCIAL SECURITY PROVISIONS FOR WOMEN AND  
THE ELDERLY IN URBAN AND RURAL CHINA:  
A PRELIMINARY INVESTIGATION**

*Dissertation submitted to Jawaharlal Nehru University  
for award of the degree of*

**MASTER OF PHILOSOPHY**

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**DECLARATION**

I declare that the dissertation entitled “**Social Security Provisions for Women and the Elderly in Urban and Rural China: A Preliminary Investigation,**” submitted by me in partial fulfillment of the requirements for the award of the degree of **Master of Philosophy** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other university.

  
**RUKMANI GUPTA**

**CERTIFICATE**

We recommend that this dissertation be placed before the examiners for evaluation.

  
**Dr. ALKA ACHARYA**  
Chairperson, CEAS  
and Supervisor



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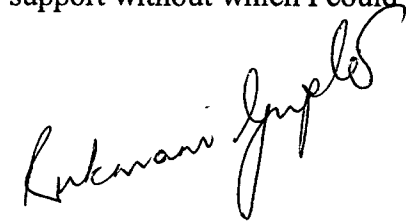
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## CHAPTER 1: INTRODUCTION

Societies have always sought to provide their people with the minimum requirements of life and help them in times of contingencies. These efforts have been determined by cultural beliefs, socio- economic structures and political institutions. The arrangements a society makes to meet the essential subsistence needs and contingencies of its members may be said to constitute its social security system.

Historically, social security has been a function of the family and the clan as well those holding positions of authority in state or society. Industrialization and urbanization have affected the understanding and function of social security in dramatic ways. The modern social security system can find its origins in the late nineteenth century, however it is only in the aftermath of the Second World War that formal systems were developed.

The system prevalent in industrial market economies is often referred to as the capitalist model of social security. The establishment of communist regimes, first in the Soviet Union and then, after the Second World War, in other countries in Eastern and Central Europe, brought in its wake a radically different political and economic system. Political power was in the hands of the communist party while most of the productive assets and property were nationalized. The communist countries developed their own distinctive system of social security which could be broadly referred to as the socialist model. The collapse of the communist regimes in Europe after 1989 led to various attempts to transform the political and economic system in these countries into one modelled on the Western countries. These changes required parallel changes in social security systems. Most of the erstwhile communist countries are still in a transitional phase: the emergent social security system of these countries is thus described as the transition model. Developing countries display a vastly greater diversity in their political systems and economic structures than is found in the two groups discussed above. There is perhaps even greater diversity in their social security systems. The economic differences among developing countries are vast. Despite these differences,

the great majority of these countries share the characteristics of widespread absolute poverty, extensive under- or unemployment, limited industrialization and dualistic economic growth.

China has characteristics of both transitional and developing countries. This complicates an understanding of the imperatives that determine policy formulation and implementation in China.

The concept of 'social security' in China needs to be understood within the broader socialist ideological framework. Social security was the foundation on which the socialist goal of enabling each individual to realise his potential was premised. By ensuring the provisions of basic needs, the state provided the individual with opportunities to learn and develop skills through which he could contribute constructively in society. Within this framework then, social security came to symbolise the superiority of socialism vis-à-vis capitalism that was based on the exploitation of the individual. Thus a review of the changes in social security provisions and policies must be placed within the context of China's politico-economic history and aspirations.

At the very outset it would be appropriate to state that the concept of social security in China is somewhat fluid. There appears to be no single definition of 'social security' that is deemed authoritative or which is consistently cited. To begin with, social security encompassed only 'labour insurance' for the majority of urban workers employed in state enterprises as stipulated by the Labour Insurance Regulations introduced in 1951. This reflected the importance of workers in socialist ideology. Although the term 'social security' is today increasingly employed in official publications such as the *White Paper on Labor and Social Security* and *White Paper on China's Social Security and its Policy* 'labour insurance' continues to be the term popularly used. 'Social insurance' has come to refer to schemes that require contributions from enterprises and workers resulting in an accumulation of funds used for welfare services (Fu and Li, 1994, cited in Chow, 2000: 9). Mutual-assistance programmes have been encouraged by the Ministry of Civil Affairs and these function as social security networks. Some Chinese

theorists define social security as including all labour insurance, social insurance and social relief measures (Xu and Wang, 1985, cited in Chow, 2000: 9). This definition may perhaps be too inclusive. On the other hand, scholars in developed states often define social security as ensuring income stability through programmes of social assistance; social insurance, and redistribution. For the purpose of this study, a definition of social security that is appropriate for developing countries will be adopted. Thus, the objective of social security may be understood as the prevention of very low standards of living irrespective of whether these are the result of chronic deprivation or temporary adversity (Ahmad et al; 1999: 43). The success of social security will be measured in terms of its ability to prevent deprivation and vulnerability. The emancipatory nature of these policies will also be considered.

Mao's concept of the relationship between state, society and the people was based on the three beliefs of freedom/rights, equality and a just society. Freedom/right in Mao's view has a twofold meaning – one that is physical and the other that is moral (Soo, 1982, cited in Li, 1999: 87). It is the moral that is superior. His concept of rights was shaped by the absence of foreign coercion on one hand and the capacity of the Chinese people to choose the correct path on the other. Equality for Mao extended into all spheres of society – political, economic and social, based as it was on the belief in the inherent equality of human dignity and worth. Mao believed that “the people, and the people alone, are the motive force in the making of world history” (Mao, 1945: 257). A just society could thus be created through human endeavour for which a transformation of human beings was required. The correct consciousness and will, would help transform Chinese society. Workers were to be freed from economic exploitation and provided the opportunity to develop. Decommodification of labour was necessary to raise labour consciousness and free it from the mundane worries of day-to-day living. Traditional China's Confucian society emphasised filial piety and a hierarchical social structure wherein actions remained tradition bound. For Mao, it was China's social legacy that suppressed innovation and enabled imperialist exploitation in the country. The KMT led Nationalist government's failure against Japanese aggression, its acceptance of traditional social stratification and a perpetuation of socio-economic



apathy determined the direction of Mao's political thought. Developing the Chinese nation so that it could take its rightful place in the world would be impossible without breaking free from tradition bound social and intellectual formulations. Thus Mao's economic policies and consequently the social welfare system he envisioned were both consequences of conscious political choices. China's social security system was therefore a product of its historical legacies and socialist ideology, shaped by the task of nation building before the post revolutionary state.

China emulated the Russian model of social security once the CCP came to power. This model was formulated keeping in mind four principles enunciated by Lenin which were:

- It (social security) should provide assistance to all cases of incapacity, including old age, accidents, illness, death of the breadwinner, as well as maternity and birth benefits.
- It should cover all wage earners, including the unemployed and their families.
- The benefits should equal full earnings and all costs should be borne by employers and the state.
- There should be uniform insurance organisations (rather than organisation by risk) of a territorial type and under the full management of the insured workers.

(Remlinger, 1971: 250-251)

The Chinese social security system based as it was on the Russian model contained the advantages as well as the disadvantages of the latter. Though intended to cover all wage earners, in practice it focussed on urban industrial workers, particularly those employed in State Owned Enterprises. This focus ensured that only urban workers had access to a social security system guaranteed by the state. Thus, as Meisner (Meisner, 1977: 92-98) and Selden (Selden, 1979: 49-57) have established, the Chinese social security system from its very inception had a pronounced urban bias. Though the state actively provided for urban workers, industrial and agricultural workers in rural areas were to be cared for by the communes. The communes were responsible for formulating and implementing social insurance programmes. Resources for these were to be generated by the commune itself with the state bearing only a minimal liability. Davis (Davis, 1989: 557-

597) has examined the skewed development of social security system and found that the countryside was to be self-reliant as far as social security provisioning was concerned, yet was expected to produce enough for the subsidies given to city dwellers. The 'iron-rice-bowl'<sup>1</sup> that came to epitomise the Chinese welfare system differed in urban and rural areas. Though it provided for the needs of the worker right from food and housing to health and education, there developed a qualitative difference in the services available in the urban and rural areas as a consequence of the difference in state outlay. Since the state directly apportioned funds for urban expenditure, the services and systems available were better in cities than in the countryside where the communes had to depend largely on their limited resources.

The socialist emphasis on egalitarianism, collectivism and self-reliance was sought to be combined with traditions of family, charity and bureaucratic administration. While the state would do its best to provide for the well-being of its citizens by way of a bureaucracy controlled by the centre, traditional reliance on family networks and charity were expected to fill the gaps in state endeavours.

Two reasons can be identified for the imbalances in the social security system of the Mao era. First, the emphasis on the role of the urban proletariat as central to socialist development and the US led blockade that necessitated immediate growth of heavy industry. Second, China's material conditions which did not permit the state to directly provide for all in urban as well as rural areas (Li, 1999: 90).

In the late 1970s the Chinese state embarked upon a series of economic reforms that were epitomized in Deng's famous statement – "It does not matter if it is a white cat or a black cat, as long as it catches mice" (Nam, 1999: 23)<sup>2</sup>. With this the ideological framework of economic and consequently social welfare policies changed.

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<sup>1</sup> The 'iron-rice-bowl' is an idiom used to describe the system of guaranteed lifetime employment in state enterprise wherein the employing unit would be responsible for fulfilling the employee's and his dependant's needs right from the time of birth to death.

<sup>2</sup> This quote is from Deng's speech "How to restore agricultural production" delivered on 7 July 1962. The original version reads: "Yellow or black, as long as it catches mice it is a good cat".

The reforms were placed within two theoretical frameworks. The first of these was the 'globalisation thesis' which deemed it necessary for China to engage with the global economy to change its position in the world. The division of the national labour force into formal contract and temporary workers with differential remuneration and benefits was part of this development strategy which accepted that some would become prosperous before others. The needs of rapid industrialization had to be met by attracting foreign investors with favourable conditions. Reduced welfare costs would imply reduced production costs and greater profits that would become incentives for greater investment. The other theoretical formulation was the revision of 'Chinese Socialism'. Deng himself called for a revision of Chinese understanding of Socialism in his speech on "Building Socialism with Chinese Characteristics" -

"What is socialism and what is Marxism? We were not quite clear about this in the past. Marxism attaches utmost importance to developing the productive forces. We have said that socialism is the primary stage of communism and that at the advanced stage the principle of from each according to his ability and to each according to his needs will be applied. This calls for highly developed productive forces and an overwhelming abundance of material wealth. Therefore, the fundamental task for the socialist stage is to develop the productive forces. The superiority of the socialist system is demonstrated, in the final analysis, by faster and greater development of those forces than under the capitalist system. As they develop, the people's material and cultural life will constantly improve. One of our shortcomings after the founding of the People's Republic was that we didn't pay enough attention to developing the productive forces. Socialism means eliminating poverty. Pauperism is not socialism, still less communism." (Deng, 1984)

In the 1987 Communist Party Congress Zhao Ziyang declared that China was in "a primary stage of socialism" that could last 100 years. Under this premise, China needed to experiment with a variety of economic systems to stimulate production. Socialist development understood in orthodox Marxist terms thus necessitated the existence of 100 years of capitalism prior to the creation of material conditions suitable for the creation of a communist society. The notion of development till such time had to be non ideological and pragmatic. This official line seemingly dilutes the acceptance of the 1949 revolution as a true working class revolution. With this questioning of the status of the 1949 revolution, the socio-economic formulations that were espoused by it would

also come to be questioned. The Chinese state would therefore be free of the obligations it incurred with the success of 1949.

With economic reforms after 1978, the cradle-to-grave system of welfare came to be criticized by those who viewed it as retarding economic growth by adding to production costs. As has been examined by Forster (Forster, 1998), the practice of 'eating from the same big pot' was also deemed responsible for the complacency within the workforce. With rationalisation of resource utilisation and allocation, urban residents had to contend with rising inflation and consequently fewer welfare services provided *pro bono* by the state. In the countryside, the state had always encouraged self-sufficiency in welfare activities. The commune provided its members with all necessary services. With the implementation of the Household Responsibility System however, the communes were disbanded and a vacuum left as far as welfare services in the rural areas were concerned. The urban-rural divide in welfare provisions has been a problem in Chinese policies right from the time that the first Labour Insurance Law was adopted in 1951. Studies (Tang, 1999) indicate that this divide has only been exacerbated with the rising inequality of wages and the steady retreat of the state from welfare services especially since the reforms. In such a situation, ensuring even 'labour insurance' as defined by the Chinese state itself, becomes increasingly difficult.

As family structures change with changing patterns of employment in the wake of population control policies and greater marketization, there emerge certain groups whose socio-economic status is in constant flux and who may, arguably, be more vulnerable than others. Women and the elderly can be identified as two such vulnerable groups.

On the urban front, non-state enterprises that emerged in the 1980s have come to produce over 66 per cent of the gross output value of industry. The employees of these enterprises fall outside the ambit of social insurance provided by the state. It is estimated that over 70 per cent of the urban population has no social insurance (Man, 1996: 1). As the total number of pensioners increased to almost 40 million in the mid

1990s, the costs of social insurance and welfare as a proportion of the wage bill rose to 30 per cent (*China Statistical Yearbook*, 1996: 733). With a rapidly greying population and a family structure with more dependents per adult family member, old age pensions and welfare is becoming an urgent problem. Rising unemployment resulting from the reform of SOEs coupled with greater labour mobility despite the perpetuation of the *hukou*<sup>3</sup> system, has led to the creation of a floating population estimated at 100 million, that no access to institutionalised welfare services (Croll; 1999: 688). Majority of this floating population comprises women employed in export-oriented industries that lack government regulation and follow no clear labour laws. Larger sections of the urban population thus have little or no access to welfare provisions. This does not bode well for social stability in urban areas or for the long-term prospects of sustained economic growth.

In the rural areas, the dismantling of the communes has led to a huge gap in welfare services available. Complete reliance on local resources has translated into large variations in services across counties and regions. With labour migration to the cities, the elderly are often left without assistance and in fact expected to help in the upbringing of their grandchildren who may be unable to reside with their parents. Women, it has been found, have to often function as primary care givers as well as wage earners (Perry, 1998). In most rural areas kinship networks help sustain those that need access to services, care and assistance. The demand for welfare in the countryside increases as adverse demographic dependency ratios persist and unemployment rises (Wong, 1994: 313). Wong's examination of rural welfare programmes (Wong, 1994: 319-323) found that most community welfare programmes in rural areas have been encouraged to marketize with the result that they offer different services to those who can pay and those who cannot. This may help sustain welfare in the rural areas but may

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<sup>3</sup> The *hukou* system classified people into rural and urban residents. Residents with urban *hukou* enjoyed social benefits such as quota of food, subsidized housing, social security, right to employment, education, medical care and retirement benefits, while those with rural *hukou* had limited access to such welfare. The household registration system was meant not only as a means of distributing welfare provisions but also as a check on rural-urban migration. To reside in an area without *hukou* implied illegal residency. This system of Household Registration has now been abolished.

well exclude those that require it the most. The absence of welfare services ensuring income and health security thus becomes a matter of concern.

The Chinese government has sought to reform the welfare system by separating social welfare from its earlier enterprise base, thereby establishing social security provisions not exclusive to employees of state enterprises. The decentralisation of social welfare is encouraged with the aim of reducing the financial burden on the central government and making local governments more responsible. Increased marketization is encouraged with the view to provide competitive services that are fee based. The involvement of NGOs and informal community and kinship networks are being strengthened as alternative sources of welfare services.

What has occurred is a paradigmatic shift in the definition of “social security”. Whereas in the pre reform era entitlement to social welfare provisions was moral, with the state taking a measure of responsibility towards achieving the goal of social security for all, the reform era has seen a changing definition of entitlement. Entitlement is no longer moral or the responsibility of state accrued to it by its ideological leanings but is rather becoming a legal entitlement divorced from notions of socialist equity articulated in the past. The notion of the ‘Welfare State’ as an ideal model for China in which the state assumes primary and comprehensive responsibility for the welfare of its citizens is changing. Social security is no longer the sole responsibility of the state, which has sought to shift the burden of welfare costs to enterprises and individuals. The interests of productivity have taken a priority over the interests of people’s welfare.

In the wake of the 1978 reforms, literature on China’s social security systems has been largely restricted to studying the breaking of the iron-rice-bowl and its impact on the workers. Thus, most studies (Sheehan, 1998; Wong, 1998; Wong and Flynn, 2001; Yao and Liu, 2003) focus on industrial workers in SOEs. The notion of social security as an integral part of good governance, that is inclusive of groups other than SOE workers is a relatively recent phenomenon. Literature on the subject thus is somewhat hard to isolate. Nonetheless, new research and analysis of various groups and systems gives us

an opportunity to collate data and construct a matrix of analysis that helps understand the position of groups that have been largely marginalized by scholars so far.

Women's studies in China have increased rapidly in the last decade. The changes in the economic structure have led to a change in employment patterns and the social status enjoyed by women. In urban centres, women are the majority of the floating population employed in less skilled export-oriented production. The infringement on their labour rights and the lack of adequate redressal mechanisms are discussed by He Ling (Ling, 1998), Grace O.M. Lee (Lee, 2001) among others. Susan Perry (Perry, 1998) emphasises the changing role of women in China in the post reform era and the long-term implications of the same. Delia Davin (Davin, 1996) studies the gendered impact of 'circular migration' in China and the manner in which family structures are being reformulated while Dorothy Solinger (Solinger, 1999) discusses the politics and exploitation of migrant labour. Gao Xiaoxian (Xiaoxian, 1994) and Heather Xiaoquan Zhang (Zhang, 1999) evaluate the impact that rural reforms have had over the last two decades. The 'feminisation' of agriculture along with migration of female labour to cities has changed the responsibilities shouldered by women. They continue to be primary care-givers and engage in greater economic activity. Though the forms of economic control over women have weakened with the reform of the economic system, providing women with employment opportunities, inequalities in social relations have perpetuated. Patriarchal attitudes prevail and these affect the education and health of young girls eventually determining their status as young women. Though financial independence has transformed some rural women into entrepreneurs, their zeal to gain financial freedom has led to their exploitation as labour in cities and industrial enterprises. Safeguarding their interests and rights is proving to be an uphill battle.

Security provisions for the elderly are generally subsumed under discussions for pension reforms and old age security. David Li and Ling Li (Li & Li, 2003) focus on providing solutions to China's growing pension crisis the spectre of rising pension costs and the inability of the working population unable to sustain the same are what scholars focus on while discussing old age security. Many see the problems of retired workers of

SOEs where corruption and mismanagement have eroded funds for old age support as part of growing labour unrest. Others like Deborah Davis (Davis, 1988) emphasise the disparities within old age support as a consequence of growing wage differentials within urban areas. Lin Jiang (Jiang, 1995) breaks from the evaluation of social security solely in terms of pension systems. He takes into account the changing nature of the family structure and the greying of the population as having a direct impact on security for the elderly. An analysis of kinship structures is undertaken for both urban as well as rural areas. In this respect his study is more comprehensive. The dependence on revived kin and clan loyalties in the absence of state structures for welfare and assistance is highlighted. As demographics change however, these kinship structures could well come to be strained. In such a situation the demand for welfare especially by the elderly would not be met even through informal networks.

Discussions of China's health policy and its reform have largely centred on the reform of the urban health insurance system. It is increasingly studied from a perspective that evaluates the role that marketization has come to play and the investment opportunities available to foreign investors. Yanrui Wu (Wu, 1997) in an article on the transition in the Chinese health care system emphasises the trade and investment situations in China's health sector and the growing household demand. The provisions for medical training as well as resources available are discussed. While the focus remains on the opportunities for privatisation, the disparity in urban-rural health care provisions is acknowledged. Yuanli Liu (Liu, 2002) reviews the process of urban health insurance reform and the old labour insurance schemes (LIS) and the government employee insurance scheme (GIS). Newer schemes that expand coverage to private sector employees and provide financing with its risk pool at the city level are deemed more stable. The World Health Report 2002 and its definition of a health system are the parameters around which analysis of funding and benefits is carried out. Anthony B. L. Cheung's (Cheung, 2001) work on China's health policy reform is by far the most comprehensive. Citing studies of pilot reforms in Zhenjiang and Jiujiang where three tier contributory schemes have been developed to provide health care, he evaluates the access to health care services according to economic status. Beijing and Chengdu



models are reviewed as providing some access to health care even for the migrant population. Village health finance reforms are also assessed keeping in mind the collapse of the earlier commune system. Urban-rural differences are highlighted through a comparative analysis. "Societalization" of health care rather than privatisation is discussed while the transference of successful models across regions is debated. Most studies on China's health care system while acknowledging the urban-rural disparity in health care provisions focus on the urban system. Where rural health care is studied it is limited to a review of the process of marketization encouraged by the state.

This study is an attempt to evaluate the impact of the reform of the social security provisions on women and the elderly as two vulnerable social groups. It will take into account urban-rural disparities in facilities while assessing the nature of health and income security for these two groups. It is the purpose of this study to identify the trends and patterns of hardship and exclusion among women and the elderly.

This study is divided into five chapters. The first, providing an introduction to relevant issues and establishing the parameters and goals of the study. The second, reviews the ideological frameworks within which the changes to social security system have been made. It provides an overview of the differences in social security provisions in rural and urban areas during the pre and post reform eras and the changing role of the state. The third chapter will review the state of income and health security for women as a social group. It will assess disparities in provisions and access to social security between rural and urban areas and highlight the gender dynamics of the same. The fourth chapter will review state policies for old-age security in urban and rural areas. The problems of demographic change and reforms of the pension system will be the focus of inquiry. The concluding chapter will attempt to summarise key findings and evaluate the changing nature of state involvement in social security provisioning.

## CHAPTER 2: THE RURAL-URBAN DIVIDE IN SOCIAL SECURITY

The state in post-revolutionary China met with considerable success in providing the majority of its population with some semblance of social welfare from the 1950s onwards. To begin with, social security was envisaged as part and parcel of the economic policy of the state. Thus, no separate system of social safety nets or welfare was constructed. However, collective organisation of labour and production activities enabled the formulation of an egalitarian system of income and benefit distribution. This along with policies of relief in times of economic distress due to famine or floods ensured a minimal standard of living for most. The social insurance system that was instituted (with the establishment of Labour Insurance for urban workers in 1951) was juxtaposed to the policies followed by the KMT that made little effort to formulate economic policies that would ensure equitable redistribution surplus. The CCP taxed employers and maximised state contributions to social insurance programs. This is assessed by Phillion (Phillion, 1998: 522-23) as a move in the direction of labour 'decommodification' while simultaneously ensuring worker loyalty to the party. National development as well as redistributive functions were sought to be achieved simultaneously. While equity was a goal inherent in the ideological imperatives of the Chinese Communist Party, it was understood that the most productive sectors of the economy were the ones that would receive the most generous benefits. The establishment of a social welfare system was aimed primarily at the redistribution of surplus through the agency of the state rather than balancing the ill effects of a labour market. In doing so, the state invariably institutionalised 'differential entitlements'<sup>4</sup> within the system. Distribution of services was premised on the productive capacity of the individual and as such the urban proletariat was deemed integral to economic growth facilitated by rural surplus. Party cadres and urban state-workers thus came to acquire entitlements that were more generous than those available to the rural peasantry or the urban workers who fell outside the ambit of the work unit. Though this

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<sup>4</sup> The term 'differential entitlement' is employed here with reference to the differences in social benefits and distribution of public goods that workers received. On average, urban workers received more benefits than did the rural. Also, within urban state enterprises those who were part of enterprises that made more profits received more benefits. Party cadre also had access to services that non party members did not.

distinction has been somewhat eroded with the reform process, a system of differential entitlements continues to exist and is becoming increasingly complicated as demographic change and greater mobility alter the composition of the labour force.

### **The Mao Era : 1949 – 1976**

After the 1949 revolution, ideological imperatives shaped economic policy so that the provisions of housing, food, health and education for all members were deemed the responsibility of politico-economic institutions such as state enterprises and collectives.

In the countryside, the land reforms begun after 1949 acquired particular importance as enabling a greater degree of equality in rural communities. The land reforms completed by 1953 allocated equitable proportions of farming land to all members of a rural community. With the establishment of advanced Cooperatives, the Five Guarantees system was introduced to ensure the well-being of members. Although varying considerably between cooperatives, the Five Guarantees included food, clothing, burial expenses, and either fuel and children's education or medical care and housing (Chang, 1993: 174). The welfare system was based on half free supply and half cash relief. The People's Commune System was established in 1958 and private ownership of land was done away with. Rural production came to be organised through production teams. Income and benefits were distributed equitably within the production team and disparities arose only with reference to differentiation in production among different teams. The Household Registration System (*hukou*)<sup>5</sup> effecting restrictions on movement and migration coupled with the lack of mass media and communication infrastructure prevented knowledge of the scale of disparities in income and lifestyle in urban and rural centres.

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<sup>5</sup> The Household Registration System or *hukou* refers to residency permits issued in the PRC. A household registration record officially identifies a person as a resident of an area and includes identifying information such the name of the person, his date of birth, the names of his parents, and name of his spouse, if married. Under the command economy in the PRC before the 1980s, a residency permit was required for any employment and to receive food and other essential consumer products. This system of Household Registration has only recently been abolished.

The social security system in rural China was limited in that it provided no social insurance, limited subsidies for farmers and minimal safety nets for the disadvantaged. In keeping with the larger economic policies of the state wherein agricultural production was to fuel and supplement industrial growth, the villages had to be self-reliant as far as welfare provisioning was concerned. State subsidies for the very poor bereft of familial support and very remote communities was limited to the 'Five Guarantees' (*wubao*) of food, clothing, shelter, medical care and burial expenses in the form of residual aid provided by teams of thirty to forty households. This Community based social relief system was the primary organised welfare available in the countryside. With the establishment of the People's Commune System, two changes took place – the responsibility for welfare shifted to the Commune, away from the family and a universal rather than categorical approach to support was adopted. Communal services included: public mess halls, homes for the aged, nurseries and kindergartens, sewing, shoemaking and laundry teams. Income support was available at the discretion of the commune CCP committee. Riskin (Riskin, 1987: 91-95) in his examination of the Commune system found that rural welfare came to depend entirely on the resources of the Commune and the production team in particular. Limited resources and dependency on the good will of the cadres thus made rural welfare irregular and uneven. A singular exception was the existence of health services in the form of the cooperative medical system established in 1959 through which over 85 per cent of villages had a health clinic (Xin, 1999: 90). Within this system emphasis was laid on preventative rather than curative health services. The 'barefoot doctors' formed the basic level at the brigade level above which commune and county level health services provided specialised care.

Dixon (Dixon, 1981) elaborates on the series of adjustments made in the welfare system with the failure of the Great Leap Forward. Communal services were discontinued with production teams made responsible for welfare administration and the family re-emerged as the main provider of assistance. Five categories of families were assisted: those of servicemen, 'Revolutionary Martyrs,' cadres, model workers and households with difficulties. Rural welfare reform in the wake of the Cultural Revolution included

granting assistance to families with the correct political attitudes, advocacy of commune self-sufficiency and a sharing of authority between the production brigades, the commune CCP committee and the *xian* revolutionary committee.

As far as the urban sector was concerned, the emphasis was on 'urban industrialization'. Capital accumulation at the national level to facilitate rapid industrial development became the rationale behind a centralised budgetary control system. Within this, economic controls were utilised to ensure that all industry was controlled and run by the state or urban collectives. Private enterprise played a marginal role. Urban wages were decided by the state and covered the basic living costs. They were however supplemented by numerous benefits which included housing, free education, health care and pensions. Lifetime job security with welfare benefits thus became the norm for those employed in the state sector. In such a system, it was the work unit (*danwei*) that provided comprehensive social insurance for its employees. Wage differentials in urban centres were minimal and there was a small degree of difference in welfare benefits from one *danwei* to another (Selden and You, 1997 : 1657-1658). The close association between the state and the public sector meant that this segment of the population was effectively provided for by the state. Those that fell outside the urban public sector had to rely entirely on state and community assistance which carried with it a certain social stigma, catering to the most vulnerable groups in society (the 'Three Nos' or *san wu*)<sup>6</sup> and households in extreme poverty (*kun nan hu*) (Saunders and Shang, 2001: 276).

Formal legislations addressing issues of social security may be found in the form of labour laws. The first of these was formulated in 1951 in the form of the Labour Insurance Regulation (amended in 1953, 1958 and 1978). As discussed by Chow (Chow, 2000: 19-32), the Chinese labour laws borrowed heavily from similar Soviet legislations and provided generous social insurance for only the urban proletariat.

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<sup>6</sup> 'Three nos' or *san wu* refers to those with no employment capacity, no reliable income source and no family support

There thus evolved a fragmented social security system in post-revolutionary China. Fragmented not only in terms of a rural-urban divide but also within the urban centres between those that were provided for by the *danwei* and those that were not. The legacy of the welfare system during the planning period continues to affect the structure of social security even today. The reform and opening up after 1978 sought to rationalise production and invariably affected the social welfare provisions enmeshed with national economic policies.

### **The Third Plenum and Deng's Market Reforms**

The Third Plenum of the CCP Central Committee in December 1978 marked the formal launch of the economic reforms with Deng's call for the adoption of 'market socialism'. 'Readjustment' and 'restructuring' were the two main thrusts of the reform policy (White, 1993: 42) 'Readjustment' hoped to correct the imbalances in the Chinese economic system that existed due to the adoption of the Soviet model in the 1950s. Decreasing the rate of capital accumulation, changing state investment priorities and emphasising labour intensive collective industry outside the state sector were the focus of readjustment plans. Restructuring on the other hand referred to a fundamental structural reform of the economic planning and management system. Restructuring was aimed at facilitating economic decentralization, China's opening up to the West and changes in economic ownership (as was later exemplified by the Household Responsibility System).

White (White, 1993: 43-50) explains the rationale behind the reform process in the dissatisfaction with earlier economic policies to sustain a steady rate of economic growth. Regional and sectoral disparities had continued to grow throughout the Maoist period and the disasters of the Cultural Revolution underlined the problems of the Maoist framework of development. China's development was seen in stark contrast to the achievements of the 'Four Asian Tigers'. This unfavourable comparison with smaller states that had once been at the periphery of the Middle Kingdom, emphasized

the need for China to engage with the World in order to progress, both economically and technologically.

The reforms begun in the rural areas from the early 1980s changed the socio-economic rationale of state policy. Material incentives were introduced to promote growth. The transition to 'market socialism' required the acceptance of material inequalities in society. The '10,000-Yuan households'<sup>7</sup> in rural China were given high political status and rural entrepreneurship was encouraged. State price control gave way to a market system and farmers came to enjoy greater choice over what to produce. Production in rural areas shifted from the Commune to the Household Production Responsibility system. Scholars such as Riskin (Riskin, 1987) and Kung and Liu (Kung and Liu, 1997) have detailed the transition to the Household Responsibility System. Although land continued to be collectively held, it was allocated to households that paid the state rent and were responsible for production activities. Land tenure allocation was made on the basis of the number of members in a household. Though a land market does not exist, renting of land is legal and encouraged by the state.

Rural non farm activities that were earlier strictly controlled by the state thrived as rural industrialization progressed from 1979 onwards. Local industry was encouraged as a producer of consumer products. Tax benefits to attract foreign investment were also provided. Township or Village Enterprises became the competitors of the state sector from the 1980s. This fuelled the decline of state owned enterprises as well as further urban reform to facilitate greater efficiency. Zweig's examination of the process of rural industrialisation (Zweig, 1997: 23-25) in the wake of economic reforms found that though it enabled the growth of rural incomes and a reduction of relative poverty, it led to greater inequality within rural communities.

The disbanding of the Commune system which was replaced by Township governance implied the disappearance of collective welfare programs. The end of the 'Five

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<sup>7</sup> A 10,000 Yuan household was a term used to denote rural households whose annual income exceeded 10,000 yuan. These households, whose success was attributed to utilization of opportunities presented by the reforms, were presented as models to be emulated by others.

Guarantees' and that of collective agriculture left most villages without public welfare systems and structures. The vulnerable and the needy now had to depend on individual good will and charity for sustenance. Studies (Meng et al, 2000) have found that the exception were a small number of the most prosperous and unified communities where redistributive networks were sustained or created, often together with management of successful township and village enterprises.

The collapse of collective welfare and the 'commodification'<sup>8</sup> of welfare has led to a collapse of the health services in rural areas. Wong and Chiu (Wong and Chiu, 1998) discovered that clinics and hospitals have been encouraged to "marketize"<sup>9</sup> with the result that the costs of health services have become prohibitive for the vulnerable sections who need them the most. Thus, the reform period has led to greater fragmentation as far as accessibility and affordability of welfare services are concerned even in rural areas.

Social welfare policies that exist in rural areas today are in essence a continuation of earlier policies are classified into six primary categories by Sarah Cook (Cook, 2003: 127). The first, 'social relief and assistance' (*shehui jiuzhu*) extends payments in cash or kind to poor households and provides relief in times of natural disasters. Community welfare funds, the Civil Affairs Budget and 'society' donation finance it. The second is 'social welfare' (*shehui fuli*) providing institutional care for the aged, disabled and orphans as well as welfare factories to provide employment for the disabled. Community funds, self-funding activities as well as local government subsidies provide for these. The third, 'social insurance' (*shehui baoxian*) covers pension schemes, community health insurance, insurance for employees of TVEs and insurance for public employees. Individual contributions, employer provisions and to a certain extent,

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<sup>8</sup> In classical Marxist political theory, 'commodification' is the process of allocating economic value to something that is not normally considered in economic terms (Encyclopedia of Marxism, <http://www.marxists.org/glossary/terms/c/o.htm>). In China the process of 'commodification' refers especially to the allocation of monetary value to welfare services such as health care and education that were earlier provide *pro bono* by the state.

<sup>9</sup> Marketization refers to the use of market based solutions for social, political, or economic problems. This involves deregulation of economic controls, privatization of industries, and releasing wages and prices from government influence.



the government budget provide funds for these activities. The fourth category is that of 'social preference' (*shehui youfu*) which extends special payments for sustenance to veterans, disabled soldiers, dependents of soldiers etcetera. Community welfare funds and the Civil Affairs budget provide finance for this category. The fifth constitutes 'medical security' (*yilaobaozhang*) concerned with curative services, immunization and medical fee exemptions. The Ministry of Health and budgetary allocations along with user fees and community funds provide for this category. The sixth category consists of all other services that include mutual savings and credit schemes, minimal living standard guarantees, child care etcetera which are provided for through individual contributions, the county budget and community funds.

A review of rural social security schemes undertaken by Dong and others (Dong et al, 1999) makes evident the steady withdrawal of state authority from welfare. Increasingly, these services are sought to be self-funded and rely on community contributions thus varying greatly across regions.

Ding and Warner (Ding and Warner, 1999) in their examination of changing industrial relations have found that urban reforms began with restoring piecework wages in state owned enterprises and re-established the incentive system to increase efficiency and productive capacity. Central control over wages was weakened and wage differentials among urban employees came to be enhanced – in part due to differences in productive capacity but primarily as a function of enterprise profitability. With a rationalization of labour utilization in SOEs, the 'iron-rice bowl' system came to an end. Increasing proportions of labour were now employed outside the state sector, without the assurance of lifetime employment nor the welfare benefits that came with being a state employee. Even within the SOEs the system of 'cradle to grave' welfare gave way to greater 'commodification'. Housing, health and education were no longer entitlements to be provided by the *danwei* but would require individual investments as well.

Cook (Cook, 2003: 79-83) identifies a three tier system of social security that was evolved to deal with problems of SOE reform. This included at the first tier the

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formulation of social insurance schemes covering pensions, health care and unemployment. The objective has been to separate the economic and social functions of the enterprise. Responsibility is sought to be shifted to 'society' in a process termed 'socialization' (*shehuihua*) with contributions made by employers and employees into pooled and individual accounts. The second tier is formed by the assistance extended to laid-off (*xiagang*) workers which includes basic living allowance, pensions, unemployment insurance. This assistance is seen as a transitional measure at the end of which either these workers would have been reemployed (as a consequence of skills training by the state) or receive unemployment relief. Funds for these schemes are derived from the central government, enterprise and social insurance contributions. The third tier is constituted of means-tested social assistance which is non contributory is extended to those households whose per capita income falls below the locally determined minimum living standard (*zuidi shenhuobaozhang xian*).



Thus we see that the state has attempted to mitigate the consequences of the withdrawal of welfare services, at least as far as the urban state employees are concerned. However, scholars such as Yang (Yang, 1999), Gao and others (Gao et al, 2001) have found that as inequality of incomes within cities rises, the earlier divisions between state and non state employees regarding social security seem to transforming into divisions along the parameters income.

**The State and Social Security Provisioning**

Dittmer (Dittmer, 2001) believes that marketization in Deng's period was rationalised as a device that would enable the state to provide better welfare services by taxing profitable firms. The logic of the expanding market rather redistribution of surplus is what the social security system was to accommodate. Competition from individuals, collectives and other non state actors was expected to boost the performance of state owned enterprises. While pressure on the state sector steadily increased, its resistance to rationalisation of the productive process became a problem. Added to this was the stake



that the party bureaucracy had in the interests of the urban working class. This impeded the full scale development of markets within China.

A number of factors have weakened the state's ability to provide social security even as the economy has boomed. China's Human Development Index rank however has always remained better than its Gross National Product ranking. This implies that China has performed well in providing welfare provisions in relation to its income. The difference between these rankings has been declining. This suggests a decline in the welfare provisions the state makes. An evidence of this is found in the World Health Report 2000 that ranked China 188 out of 191 countries in terms of fairness in financial contributions, 144<sup>th</sup> for overall performance of the health system and 139<sup>th</sup> in terms per capita expenditure on healthcare. China ranked below other developing countries like India and Bangladesh. In terms of health quality however, it received a better ranking but this could well be a residual impact of earlier provisions of universal healthcare (World Health Report, 2000). In China government health spending has been inadequate, 3.8 per cent of the GDP as opposed to the WHO recommended levels of 5 per cent for developing countries (Bland, 2000: 27).

Brandt and Zhu (Brandt and Zhu, 2000) detail the failure of the state to establish a sound taxation system that would enable it to raise revenue from the growing non state sector. The state sector continues to be the largest source of revenue for the state. Investment in enterprise development would therefore be given priority over social development.

An examination of the 'marketization' process (Gu, 1999; Meng, 2000) shows that as the logic of the market with its emphasis on efficiency and profit came to be adopted, the high costs of welfare provisions were revealed. Enterprises that could no longer be supported by the state made large scale lay offs. Those that continued to function withdrew welfare benefits. Housing, health care and education were commoditised. Increasing unemployment, falling wages along with rising costs of living all made for greater discontent and dissatisfaction amongst the urban working class.

In rural areas, the diversification of the economy and disbanding of collectives affected the state's ability to raise revenue. Decollectivisation resulted in the fragmentation of resources. The state had always emphasised self sufficiency in rural areas and had little direct stake in its social security system. Studies (Oi, 1999) have found that as local level administration lost the ability to tax collectives and mobilise community resources, even the limited welfare facilities available to the peasantry ceased to function. The state's involvement in the countryside having been minimal through the decades, there was a vacuum left with the disbanding of collectives.

Financial decentralisation that followed the reform process redistributed incentives among different levels of government changing their capacities. Often the burden comes to fall on the local government that is already underfinanced. The state's control over policy agenda despite decentralisation adds to problems of revenue generation (Wong, 1991: 691).

Increasing demands for social services further compound problems. The one child policy and demographics make it difficult to rely on family for support, there is expected an enormous increase in demand for institutional care for the elderly. The problem then is not merely about maintenance of existing services (a task which the state is finding hard to fulfil) but also an expansion of services to accommodate future needs.

There thus emerges a complex scenario in which puts the state in the midst of a brewing storm. Investors pressurise the state to privatize sections of the unviable state assets, stimulate the growth of the private sector requiring greater labour mobility and a reduction of costs. At the same time there is resistance from members of the working class to cuts in welfare benefits, redundancies and increasing job insecurity (Cai, 2002). Resistance from workers in a worker's state that has become rather wide-spread, is of obvious concern to a government that still claims socialism as its goal. Along with this have emerged concerns over large numbers of migrant workers and so called 'floating

populations' as a source of social instability. In the rural areas, public goods and services that were always rather limited further deteriorate.

With no integrated system in place and the failure of proposed safety nets, new service providers, most of whom work strictly on market principles, have emerged. Thus the understanding of entitlement has been changing. Earlier linked to productive capacity or even just to citizenship in a state governed by a communist party, entitlement today is linked to financial capacity. This creates new disparities within the population over access to services. The immense divide between the urban and the rural in terms of income disparities comes to be exacerbated. As Wong (Wong, 1998) emphasises, it also raises questions over the role and responsibilities of the state.

The urban areas have always held a position of priority in state policy. This divide between the urban and the rural however has been complicated due to migration from the countryside. The social status of migrant workers is not commensurate with their economic productivity. Migrant labour has been important for urban development in the form of labour in foreign owned enterprises, in the growing service sector as well as the construction industry. They aid rural development by way of remittances as well as capital, experience and new skills they bring back. Since they are not part of the locality they live in, these migrants often had no recourse to social services provided to urban residents. They had to in effect build services for themselves independent of the local government. Kinship and clan ties came to be the basis of independent organisations that catered to the needs of the migrant worker. In the late 1990s there were attempts to integrate migrants into social security provisions. These attempts were made in order to extend checks over the floating population and ensure its compliance with family planning regulations. Wang and Zuo (Wang and Zuo, 1999) found that integration however has remained problematic due to antagonism between migrants and indigenous populations that perceive them as competing for the limited employment available.

Late, partial or even non payment of wages and benefits has become a regular phenomenon in the public sector. The erosion of the unit based welfare system, short

term contracts for labour and rising unemployment effects access to social services. In the growing private sector, there is rampant exploitation of labour with no provisions that make welfare benefits mandatory. Labour laws are unclear and remain unimplemented.

In such a situation, new service providers have emerged. Voluntary organisations have supplemented the state in providing welfare services while private schools and hospitals have mushroomed. Studies have shown that cost effectiveness is the principle that is directing service provisions (Flynn et al, 2001: 9). While the private service sector has grown phenomenally, providing the best education and health services to those who can afford it, the majority of the population with financial constraints benefits little. As the 'urban poor' becomes a visible social category, the exclusion of substantial social groups from the welfare system becomes evident. The traditional family system plays a central role in providing security especially to the elderly. The over burdening of this resource necessitates immediate state intervention. On the whole, the new system not only erodes the old distinctions between privileged state workers and other urban residents but also works to the complete exclusion of large sections of the population.

NGOs and other charitable organisations have been increasingly active in the urban areas, seeking to assist the state. The state however, remains suspicious of independent organisation away from direct control. This is partly a result of its experiences with organisations aiding the Falungong and reflects partly the insecurity of the regime which realises that the state's direct influence in people's lives is steadily diminishing. As a result, those organisations are encouraged which are aligned with other government bodies. Commonly referred to as Government- Organised NGOs, they function in the traditional Leninist "transmission belt", negotiating with international agencies and groups and carrying out work that may not coincide completely with the official agenda (Saich, 2000). The state's inability to meet the obligations it claims for itself has led to a greater tolerance of alternative sources of financial and logistical support. This official acceptance of NGOs in providing welfare provisions is evident in

the state's willingness to hand over many functions of the government to what are termed new 'social intermediary organisations' (Jiang, 1997).

Although the state has accepted the functioning of NGOs, it is clear that they will operate under strict supervision. The emphasis remains on promoting quasi-governmental organisations that can claim a monopoly over representation and do not challenge the officially approved mass organisations. This is the case with the ACFTU and the All China Women's Federation.

This attitude of the state towards independent organisations also provides an insight into how corporatism as a system to revitalise welfare provisions functions in China. The new Trade Union Law calls for collective negotiations between the three partners i.e. the state, the workers organisations and the entrepreneurs. Aimed at improving working conditions in the private sector, the law insists upon negotiations on an equal footing. The catch however is that the workers are to be represented by the ACFTU. The ACFTU functioning as an extension of the party has then to not only represent the workers but also implement state policy. State policy has consistently prioritised efficiency over equality. Negotiations for benefits or better conditions thus are stymied by the restrictions on organised representation.

In the rural areas, people's schools and medical services function largely without state support. Greater democratisation at the grassroots, albeit state sponsored, has emphasised self sufficiency. An important aspect of this has been the development of medical and education services in the countryside. Care of the elderly and the infirm is undertaken by the community, with funding being drawn from a range of sources beyond the local government, including local residents and enterprises. In 1997 just over 10 percent of funding for all primary schools in China came from funds from social organizations, individuals or fund raising activities (*China Statistical Yearbook*, 1999: 674). The number of health professionals in private practice also rose from 18,000 in 1981 to 1,72,185 by 1995 (Hu and Jiang, 1998: 194). Hospitals and medical services run by the PLA too have been privatised. While there is much to be gained by

the greater privatization of services in the rural areas, this growth has been largely by default and not design. The need for a structured and equitable distribution of welfare services still remains, for the withdrawal of collective facilities has seen a sharp decline in rural health. What is most significant is the shift from preventive to curative medicine (Feng et al, 1995). Inadequate and over burdened facilities either unable to cope with demand or private facilities that become increasingly unaffordable for the majority of the population could very well have far reaching consequences on the health of the Chinese countryside in the long run.

The relative independence of social service systems in the rural areas from state funding, raises questions about the continued stake of the countryside in the current governing regime. As the state has steadily withdrawn all financial support to local level governance from education to policing, the very requirement of the state under the CCP could be questioned. Extraction from the rural areas in the form of taxes at all levels of governance continues, yet the financial investment in the countryside declines. Friction over this trend has already been witnessed with local bodies refusing to conform to state policies when seen as restricting local development. The growing autonomy of rural areas vis-à-vis the state could prove to be a source of tension in the future.

The creation of a labour market and the subsequent commoditisation of welfare provisions underline the commitment of the state to a new path of economic development. At the same time it is also a reflection of the constraints that integration in a global economy brings. The dilemma is one that is perhaps faced by every developing country – to find a balance between economic targets and social goals. China with its unique historical past and legacy of revolution has a greater burden to bear. Its obligations to the working class as well as the peasantry cannot easily be given up. It is no longer feasible to follow a strategy of separate development for the urban and the rural areas, nor to continue the old bias towards the urban centre. Given the financial constraints of the state however, there can be no extension of welfare to groups within urban areas nor to the countryside. What are required are new policy initiatives that take into account the interest of marginalized groups and ensure social and political stability.



Streamlining the extensive bureaucracy at all levels of government has already been undertaken with a reduction in administrative expenses freeing greater resources for welfare activities. While at the centre these attempts have met with success, their impact on the local levels is more difficult to determine due to the process of decentralization (Saich, 2001: 193-94). A proliferation of new institutions at the local level has increased financial outlays on salaries. The restructuring of administrative systems will undoubtedly save financial resources. What is important is also that these resources be channelized in a productive manner. Not only must township governments be strengthened but alternative service providers also encouraged. What is particularly striking is the lack of participation by those who are the objects of development. A mechanism that takes into account the needs of the people while formulating development goals needs to be put into place.

Thus we see that the process of opening up and marketization changed the state's ability to provide welfare provisions in a drastic way. Changes in economic and social realities will exert increasing pressure on available resources. With a steady detraction of goods and services from the public domain, there has been a greater commoditization of services. In such a situation financial capacity rather than principles of equality determines access to welfare provisions. Substantial numbers of both urban and rural populations thus have limited recourse to essential services such as health care and education. Growing discontent and deteriorating health standards have prompted the development of alternative providers. The functioning of these however remains limited. Greater self reliance in both rural and urban areas is seen with the revival of traditional support groups of kin and clan, and a recession of the state from the life of the individual. The social security system in China is in a state of flux – attempting to grapple with the imperatives of the market while trying to fulfil the obligations of a state governed by a communist party.

## CHAPTER 3 - WOMEN AND WELFARE IN CHINA

The economic reforms introduced after the Third Plenum sought to change production arrangements and relations in a manner that provided the greater economic freedom to the majority through engagement with market forces.

The pre-reform period of agricultural collectivization has been described as 'advantageous' for bringing women into the labour force by way of communised agricultural production. Mao had identified the power of lineage as one of the four forces that oppressed peasant women prior to the 1949 Revolution and mobilisation of female labour power was believed to have freed women from the traditional domestic roles assigned to them. The collectives functioned on work point basis that accorded greater value to male labour (Croll, 1983: 6; Zhu, 1991: 7; Zweig, 1989:191). The leadership of production brigades was also likely to be in male hands (Parish and Whyte, 1978: 238), and payments for the household were most often made to the head of the household rather than on an individual basis (Potter and Potter, 1990: 126). In these ways, lineage (sought to be diluted by state policy) became entrenched in the collectives. Women's labour though mobilized was undervalued and controlled by male members of the household. Their social conduct was governed not purely by personal choice but by prevalent social attitudes (Potter and Potter, 1990: 263). Income security for women in the pre reform period thus remained more or less limited.

### **Women and Income Security**

In rural China, the establishment of the Household Responsibility System implied not only freedom of decision making in so far as production was concerned but also a direct engagement with the market. In such a scenario, women's labour became increasingly important. However women's participation in economic activities continued to be shaped by three dichotomies concerning the nature of work – outside/inside, heavy/light and sometimes skilled/unskilled (Jacka,1997: 3,11). In each of these categories the first is the more valued and generally associated with men.

Women in rural China therefore continue to suffer from age-old prejudices. While they provide labour for the substantial majority of 'inside' work (i.e. domestic work related to the household) their labour is valued only in terms of the 'outside' work for which they receive monetary remuneration. At the same time their ability to participate in 'outside' work is determined by familial attitudes and general prejudices about women's ability as skilled labour. Sideline production which had always been the purview of women burgeoned into household enterprises that were emphasised by the All China Women's Federation (ACWF) and other such organisation as essential to rural development. Programmes such as the 'Double Learning and Double Competing' run by the ACWF have been initiated in order to encourage rural women. The aims of this programme are "learn to read and write", "learn skills and technology" and "compete for achievements". Subprojects supported by government ministries have set up centres that provide technological training as well as market information and credit services. Local authorities have encouraged diversification of the rural economy and women have been quite successful in running small business in trade and services. Animal husbandry and crop specialisation have also been encouraged. Women who grew the three 'baby-crops' of baby cucumbers, aubergines and chillies targeting mainly the export market, received support funds for each *mu* dedicated to a particular crop (Zhang, 1999:57-58). Not only are the returns from growing specialised crops higher than those from growing grain (almost ten times), government policies of providing loans has made this an attractive prospect. Women thus have higher incomes and prospects of mobility in the post reform era.

Migration of men and young women to urban and industrial centres from the rural countryside in search of better employment opportunities has steadily increased since the reforms especially in the wake of more relaxed migration laws. As a result of this, there has been a steady 'feminisation' of agriculture in rural China (Croll and Huang, 1997, Croll, 1983). While men are able to find work in industrial units more easily, women have been forced to accept low-level, unskilled farm work; this is most evident in the poorer north-western regions. More and more married and older women are

forced to look after not only domestic chores but support agricultural production as well. It is estimated that women represent almost 60 per cent of the agricultural labour force with this percentage rising to as high as 70-80 per cent in some areas (Perry, 1998: 281). While the migration of men to distant areas often made women the head of the household, in many instances changing their status within the family and the community, their responsibilities and work loads increased substantially too (Judd, 1990, 2002).

The impact of reforms in rural China has not been uniform. While women have greater mobility and opportunities, the gendered division of labour continues. This is evident from the differences in occupation and income. Despite the high rate of industrialisation in rural China which has brought with it greater employment opportunities, the ratio in which these opportunities are utilized is skewed. According to surveys the proportion of women as transferred labour is considerably lower than men. The figure also varies according to the general development of the region. The less developed the region the smaller the percentage of female workers. If the provinces were divided geographically into eastern, central and western, then the proportion of women as part of labour flow is 36.4 per cent, 20.8 per cent and 13.6 per cent respectively. (Xiaoxian, 1994: 91)

Men continue to enjoy employment in higher administrative positions when compared with women. Majority of female labour continues to be limited to low-skill, labour intensive jobs in industries that have poor working conditions and low wages. Few women reach higher managerial or administrative positions (*Ibid*; Perry, 1998).

Women receive lower wages than men. Many TVEs do not implement standards of equal pay for equal work. The attitudes that prevailed during the commune work-point system where men received ten points and women only eight for the same work done seem to continue. An exception would be industries where a piece rate system of wage is employed giving women an opportunity to earn at par. The paradox however is that most industries utilising piece rates are those that exploit female labour in low skill jobs (Bian et al, 2000).

The phenomenon of 'working girls' has emerged as China's economic reforms have progressed (Pun, 1999: 1-2). The transformation of coastal districts into export processing zones producing clothes, electronics, toys and other light industrial goods, the demand for labour increased. Most of these industries prefer female labour that is hired on a temporary basis from rural areas. Compared to labour from cities, rural female labour is markedly cheaper. Not only are the wages low but the enterprise also avoids expenses on day care centres, health benefits etcetera. Rural residency of the workers emphasises the temporary and cyclical nature of employment, which can be utilised by the management to its advantage (*Ibid*; Lee, 1998, 1999).

The status of rural women in the labour market demonstrates not merely the opportunities available to them in the post-reform era but the disadvantaged position they have come to occupy.

Economic reforms in urban China implied the rationalization of resource allocation and production in State Owned Enterprises (SOEs). Not only were the social services associated with the *danwei* discontinued but also as managers received the mandate to hire and fire employees at will, the number of layoffs increased dramatically. A key characteristic of these layoffs was the loss of employment for older and female employees. Women were more likely than their male counterparts to be laid off. In 1995, 60 per cent of all laid-off workers in cities were women (*China Population Statistics Yearbook*, 1996 Table 2-23 cited in Maurer-Fazio et al, 1999). This emphasises the prejudices inherent within Chinese tradition that value male labour over female labour. It was this same prejudice that dictated the allotment of housing and other benefits to male workers prior to the female, within the *danwei*. Attitudes in the post reform era have obviously been slow to undergo change.

As the SOE reforms began, large scale lay-offs were made. In order to minimize social unrest and facilitate engagement in productive activity, the state has begun a number of re-employment schemes aimed at imparting new technical skills that will enable laid-off

workers to get new employment. Also, some laid-off workers get unemployment aid that is limited to those still informally attached to the *danwei* and for a short period only. The ability of laid off female workers to part-take of these limited relief measures is suspect (Solinger, 2002).

However, in most of urban China employment is based on education and urban women who are generally better educated than their rural counterparts, thus come to employed in sectors that require some degree of skill. A large portion of urban female labour is employed in the service industry that has burgeoned with China's economic boom. Being urban residents their employment is not temporary and their access to labour unions and other such organisation gives them an advantage that is utilized to negotiate for better working conditions or wages. The wages in urban centres are in accordance with state recommendations and thus ensure some standardization across regions. However, this is not to suggest that gendered wage differentials do not exist. As one study of income difference between 1988 - 1994 found, the average wage of female workers was between 42 and 54 per cent of the comparable figure for male workers. The differences were even greater in the three province level metropolises of Beijing, Tianjin and Shanghai (Maurer-Fazio et al, 1999: 84).

Apart from urban residents, the urban labour force consists of what has come to be termed the 'floating population' of migrants who are employed in urban production facilities but do not have urban residency. Solinger (Solinger, 1999) and Song (Song, 1999) have studied the living and working conditions of this 'floating population' that numbers in excess of 80 million, women accounting for almost half of its composition. Employed in labour intensive jobs, members of the floating population work as hard as urban residents yet get paid on discriminatory an ad-hoc basis. Their non-resident status denies them access to the health and welfare facilities provided by the state. Dependent entirely on kin and clan ties, the members of the floating population have come to form the backbone of industry in several large cities, yet their entitlement to social security does not reflect their economic contributions.

The non-state enterprises that emerged in the 1980s have come to produce over 66 per cent of the gross output value of industry. The employees of these enterprises fall outside the ambit of social insurance provided by the state. It is estimated that over 70 per cent of the urban population has no social insurance (Man, 1996: 1). Women in urban China forming 40 per cent of the labour force are indeed affected by the lack of social safety nets.

The social insurance system envisaged for rural China, proposed by the Ministry of Civil Affairs and approved the State Council in 1987, continued to emphasise self-sufficiency and the role of the family in providing aid in times of distress. The state limited its responsibility to underdeveloped and developing areas where the majority of funds were to be supplemented by local subsidies in the case of the former and by collective and individual contributions in the latter (Chow, 2000: 73). In both cases however welfare was largely limited to 'needy households'. In developed regions social security networks were to be funded entirely through contributions from insured peasants. Thus the very scope of the security nets envisioned has remained limited. Women have little to fall back on as they shoulder dual responsibilities of inside and outside work. The search for better economic opportunities often leads to the exploitation of rural female labour in light industry that is becoming increasingly feminised. In TVEs and special economic zones the rampant exploitation of cheap female labour from rural China continues unabated. Decentralisation of economic decision-making has affected compliance with national labour laws.

As the work-unit system comes to an end in urban china, women most predominantly face greater threat of unemployment and exploitation. Traditional attitudes about the value of female labour continue to shape workplace dynamics. Though a certain degree of state control is exercised in urban areas, which ultimately facilitates better work environments, the nature of this control is weak. It is often limited to state enterprises and thus bypasses the 70 per cent employed in the non-state sector. The withdrawal of the state as the bearer of moral and financial responsibility towards social security provisioning has led to the ascendancy of the labour market as the rationale behind

income security. What is important to understand is that the labour market in China is by no means well developed. As documented by Ling (Ling, 1998), it is a market that is hampered by restricted movement of labour, the lack of negotiated contracts (instead contracts are increasingly dictated to the worker) and the lack of adequate labour laws. In such a situation exploitation of labour in the face of increasing unemployment becomes commonplace, especially female labour that has been traditionally undervalued.

The emphasis of the state is on economic growth. Thus it provides incentives to those who successfully engage with market forces, be it in the sphere of specialised farming or export oriented industry. The eagerness to attract global capital has led to prioritisation of efficient production processes over production conditions and relations. The state's efforts in ensuring income security for workers in China have been limited for income security for the vast majority is no longer deemed state responsibility. In such a scenario, ensuring income security for women as a social group is an uphill task.

### **Women and Health Security**

Women's health in China, as across the world, is a function of their socio-economic status and government policies promoting the same (Mason, 1993; Potter and Volpp, 1993). Thus, while discussing access to health services and utilization of the same, it is important to bear in mind the socio-economic position of Chinese women discussed above.

As has already been mentioned, the Mao era saw near universal access to basic health care in urban and rural China. This is not to suggest that inequalities did not exist in access and quality of health facilities<sup>10</sup>, yet, it is generally acknowledged that the mass campaigns that helped contain contagious diseases were indeed exceptional.

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<sup>10</sup> It has been suggested by scholars that egalitarian access to health care in the Maoist era may have been over emphasised. Patterns of government spending on industry and military were consistently higher than those on social welfare. If so demanded, resources were channelised from housing, education and health to facilitate growth elsewhere. See Riskin, (1987) also Hseuh and Ouyang (1993).



A restructuring of the health care system was encouraged along with economic reforms. Greater privatization of health services along with greater utilization of both traditional and western medicine seems to have had a direct positive effect on people's health in China.<sup>11</sup> The most prominent indirect positive effect of the changed structure of health care reforms has been greater awareness of nutrition and improved dietary habits in both urban as well as rural areas (Smith, 1993).<sup>12</sup>

Assessing the impact of the reform process on access to health services has been particularly difficult due the limited availability of reliable data. However in one study (Dow et al, 2005) that takes into account the 1989 and 1997 date of the China health and Nutrition Survey (a longitudinal micro-level study of Chinese households), data is analysed keeping in mind indicators of health care such as closest health facility, service price, time spent waiting, staff qualifications and drug availability. Findings of this study suggested that between 1989 and 1997 though the distances to hospitals increased for all strata of communities, the distances to clinics reduced significantly (indicating improved access to basic health care). Economically poorer regions had less access to hospitals when compared with economically rich and urban regions, they did however have better access to clinic services than richer areas. Prices of routine health services also increased the most in richer areas though there was an over all increase in charges across regions, this is an expected outcome of greater commodification. Waiting time was found to have reduced but no indication of significant reduction in waiting time in clinics was observed. Quality improvement in staff and technology was found to be considerably less in rural areas than in urban areas. Though there was a significant

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<sup>11</sup> For a discussion of technology transfers from developed states to China as also the positive effect on general health as a consequence of improved delivery systems, see Henderson (1993) and Chen and Tuan (1983).

<sup>12</sup> Moving up the food chain i.e. from eating staple foods like wheat and rice to a change in diet favouring meats and eggs may have improved nutritional intake but if the trend continues it could seriously impact health and nutrition in the long run. With the access to arable land dwindling, increased imports of foodstuffs is already emerging pattern in China. Imports may well impact pricing and thus affect the ability of those in poorer areas to maintain a nutritional diet. For a detailed discussion of this see Smith (1993) and Brown (1995)

increase in drug availability across regions, increases in drug availability were found to be lower in rural areas.

From this analysis certain inferences can be made. First, it is clear that quality, availability and utilisation of specialized health care services is lower in rural areas. Second, the suggestion that distances to clinics and hospitals reduced across regions must not be taken as an indication of equitable distribution of services. A general reduction in distance indicates only an improvement over past access in a particular area, it does not imply that basic health care is available at the same distance across regions.

A study of health security for women in urban and rural areas must then keep in mind the implications of the above inferences.

Though the correlation between poverty and illness in rural China is well known<sup>13</sup> (Croll, 1994: 92-93) what has been alarming is the correlation being drawn between female headed households and poverty in rural China (World Bank, 1992). One survey in Guanxi Autonomous Region found that 61 per cent of the households (2.02 million households) defined as poor were 'female-managed' (i.e. the men were absent or unwilling to work productively and economic activities were headed by the women) (*Ibid.*). This would imply that female headed households as a consequence of their poverty would be more susceptible to illness. Women's access to food and other household resources has been found to be unequal in the countryside (Chen, 2004: 165). Correspondingly, their access to health facilities is less than men. It has been suggested that there has occurred a slight increase in overall mortality rates in China throughout the 1980s and 1990s particularly in rural areas and women have suffered a worsening of their relative survival rate in the reform era (Sen, 1990). This has been measured by way of two indicators – the decline in the ratio of women to men in the population and the falling life expectancy of women (Sen, 1992). By 2000 the ratio of boys to girls,

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<sup>13</sup> A 1995 survey of 60 poor families in rural China cited medical expenses as the primary cause of poverty. For more such data see Kaufman (1998)

traditionally set at 106:100 was 117:100. In rural areas such as Anhui, Guangdong and Shaanxi this ration imbalance was reportedly higher than 120:100 (Greenhalgh et al, 1995: 607). The decline in relative survival rate for women may partially be explained by the boy-preference that has emerged during the reform era (*Ibid.*). With the continuing one child policy, female infanticide, selective neglect of the girl child and sex selective abortion are undertaken with the aim to ensure that the household would have another opportunity to produce a male child (Croll, 1994; Hom, 1992). Infant mortality for girls is seen to have increased with the cut-backs in rural health expenditure having a serious impact on the health of the girl child (Knight and Song, 1993). By the 1990s the so called 'missing-girls' were estimated to total more than one million per year while some scholars put the total figure at close to 40 million.(Croll, 1995: 164).

This phenomenon that changed the gender neutral one child per family to a gendered preference for a male child is what lies at the heart of health security for women in China. It is a reflection not only of prejudices that determine the health of a girl child but also the character of state health policy that would appear to be insufficiently nuanced.

Maternal and Child Health (MCH) Policies that form the basis of health facilities especially in rural China have not yet incorporated all the directives of the International Convention on Population and Development<sup>14</sup> (whose programme of action was approved by China along with majority of countries) for the utilization of basic reproductive health services such as prenatal care and hospital deliveries remain low in poor rural China (Kaufman and Fang, 2002: 113-114). Considerable evidence points to higher Maternal Mortality Ratio (MMR) in poorer rural areas than in urban areas. In West China the MMR was as high as 200 per live births which is four times the urban average and twice the rural average (Jing, 2004: i40). Often the funding for health service particularly MCH has remained static in rural areas. A case in point would be the health budget of Dafang County Government which increased from 1990 to 1997

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<sup>14</sup> The 1994 International Conference on Population and Development called for universal access to reproductive health services, including family planning and sexual health services

but the portion allocated to MCH remained the same if inflation was taken into account (*Ibid.*: i42).

Women in rural areas and those with 'unapproved' births have been found to be less likely to use pre and post natal care (Doherty et al, 2001). This was primarily a result of the costs involved in availing health services as also the lack of information about required health precautions in rural China. What seems to have happened is a continued emphasis on MCH as part of the family planning programme but not as a holistic approach to reproductive health.

Thus women's health which is conditioned by economic and social status is also directed by state family planning policies. In urban areas, greater health awareness as well as easier access to specialised services facilitates better health for women in general. This is not to say that differences do not exist in urban areas<sup>15</sup> but as discussed earlier, the available data suggests that health indicators are generally favourable in urban areas when compared to the rural. A direct example of this is the increase in the number of hospital beds per thousand in cities from 4.02 in 1980 to 4.71 in 1992. However the same period saw a decline in rural figures from 1.53 per thousand to 1.44 (Smith, 1998: 129).

Thus it will not be too contentious to state that health security for women in urban China is better than that in rural China not due to specific policies or programmes as such but due to the economic status of urban residents and the institution-based services available to the same.

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<sup>15</sup> This is especially true if one considers the state of women in the 'floating population' without assured access to health services.

## CHAPTER 4 – THE ELDERLY AND WELFARE IN CHINA

Classical demographic transition theory reasons that both the mortality and fertility of a population will decline as a result of socio-economic development (Hao, 1997: 202). Studies (Jones, 1993) have demonstrated that in developing countries that declining fertility and not increased life expectancy is the major cause of population aging. China's fertility rate dropped from 5.8 children per woman in 1970 to 2.1 in 1990 (Hao, 1997; 202), largely as a consequence of state sponsored family-planning policies such as the *Wan Xi Shao* (later marriage and childbearing, longer spacing and fewer births) campaigns in the 1970s and the one-child policy from 1979 onwards. China's mortality rate too fell from 7.3 deaths per 1,000 population in the 1970s to 6.5 per 1,000 population in the 1990s. At the same time, life expectancy at birth almost doubled in forty years from 35 years in 1949 to 70 years in 1990 (Hao, 1997: 202). Projections made using the last four census data indicate that the share of elderly persons (persons aged 65 years and above) will increase to 8.2 per cent by the year 2010 (*Ibid.*). The size of this age group has increased from 83.75 million people in 1982 to 96.92 million in 2003 (CASS, 2005)

Though theorists such as Cowgill and Holmes (1970) have opined that a population may be considered aging when at least 10 per cent is aged 65 year and more, and by this criterion China's population is still young, those born between 1950 and 1970 form a substantial part of its population. As this section ages it will only add to the elderly population in the coming decades. According to studies employing data from the State Statistics Bureau (Sun, 1994; Hao 1997), China's aging population will peak in the coming two decades with the elderly making up almost 20 per cent of the population by 2020. By that time, the elderly population will number almost 300 million and China will have the largest and the fastest aging population in the world. (Hao, 1997: 203)

As the implications of this aging process become better understood, attention is given to the problems associated with a greying population. The Chinese state and scholars around the world have sought to resolve the dilemma of old age security in China.

However, studies discussing this development have invariably focussed on the problems faced by the state due to an overburdened pension system and the increasing dependency ratio (World Bank, 1994, 1997). Conspicuous by its absence is a substantive discussion on the state of security services available to the elderly themselves.

Studies on the subject have either focussed on describing the aggregate trends of elderly number and proportions in the population, made assessments on the various kin and family networks available for old-age support and analysed the living arrangements of the elderly in attempts to understand the assistance they need. While utilizing all of the above, this chapter will attempt to give a comprehensive picture of the state of old age security in China, keeping in mind formal state policy.

### **Social Security and the Elderly in Urban China**

Social security for urban workers was first introduced in the labour laws of 1951. In the planned economy, the *danwei* was responsible for the pensions of the urban workers. SOEs were responsible for directly administering pensions to their employees based on the years of employment and the average wage earned. Pensions tended to be set at around 80 per cent of the wage earned by the retiree in the last yrs of his employment and required a minimum employment of ten years. It must be remembered that in the cradle-to-grave system, the enterprise provided for all basic amenities such as housing, education and health care. Even after retirement, the retiree's association with the work unit continued for the *danwei* continued to provide access to such services. Theoretically the state adopted a pay-as-you-go (PAYG) system to fund pensions, and budgetary allocations for pensions were factored into the costs of production for the enterprise.

With economic reforms in 1978, the relationship between the enterprise, the state and the worker changed fundamentally, impacting the pension systems that were in place. Enterprises were made at least partially responsible for accumulation and payment of

pensions. The system of profit sharing and taxation (in place of profit transfers to the centre) sought to partially finance pensions through the profits accrued by the enterprise. Wang (Wang, 2006) and Chow (Chow, 2000) have undertaken exhaustive studies of the various policies promulgated by the state in attempts to formulate a comprehensive social security system. In 1991 the *Decision on the Reform of Enterprise Pension System* was promulgated. This called for a multi-pillared approach to pensions with the government, the enterprise and individual workers sharing the financing responsibilities.

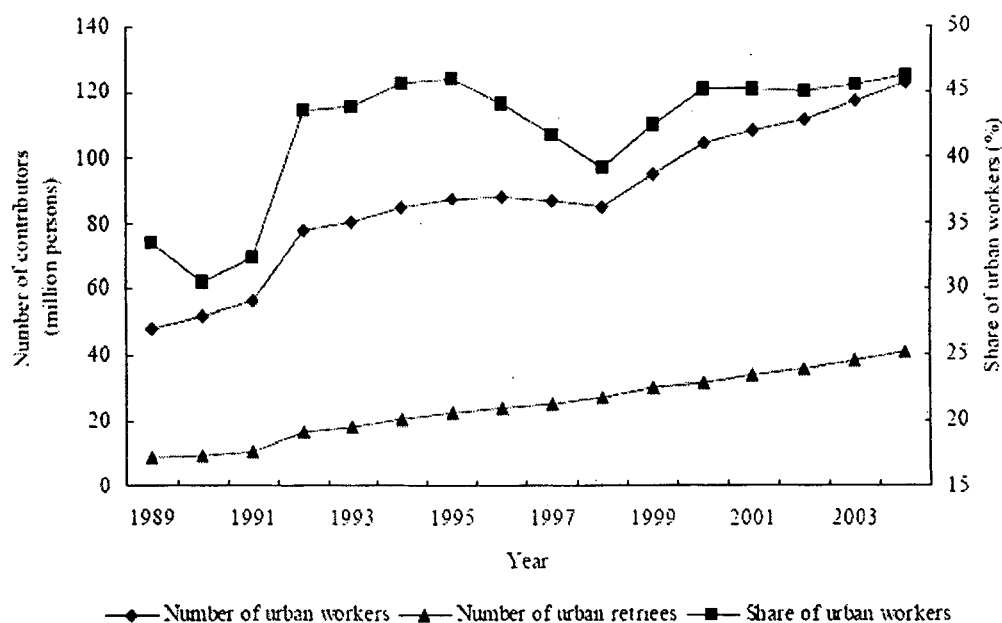
From the mid 1990s, the emphasis was on providing basic old age security and enlarging its cover. In 1993, the Third Plenary Session of the 14th Chinese Communist Party Central Committee promulgated a *Decision on Issues of Establishing a Socialist Market Economy System*, setting the principle of establishing the basic old age insurance system through a combination of pooling funds and individual accounts. In 1997, the State Council's *Decision on Establishing a Uniform Basic Old Age Insurance System for Enterprise Employees*, called for the establishment of an old age security system that would function through pooling of social resources as well as individual accounts. Pension accounts for individuals were set up at 11 per cent of the wage earned with two thirds of the contribution coming from the individual and the rest from the enterprise. This system provided a compromise between the old PAYG system and the fully-individual contribution system. In August 1998, the State Council announced measures for consolidating the basic old age insurance system for enterprise employees at a national level. Pension pooling was transferred from the city to the province level and full subsidization of pension funds was to be facilitated through social service institutions.

January 1999 saw the promulgation of *Interim Measures for Collecting Social Basic Insurance Premium* by the State Council. This greatly enhanced the scope of social security provisions available in urban areas. Apart from SOE workers, those employed in urban collectives, foreign invested enterprises and urban private enterprises were also to be included in social pooling schemes. On the basis of fiscal viability, local

governments were also encouraged to add the self-employed in the social pooling of basic pension schemes. Embezzlement of funds and the problems of managing pooled funds and persistent financial shortfalls encouraged the creation of the *Pilot Program on Improving the Urban Social Security System* in 2000. Under this program, pilot projects in Liaoning Province and selected cities were to be carried out directly by the Central government in order to minimize the transition costs and ensure that the pension accounts were actually funded. Personal accounts were separated from the social pooling accounts thereby improving management and delivery (*White Paper on China's Social Security and Its Policy*, 2004, Wang, 2006: 103-104).

As the reforms have progressed and new policies been implemented, the coverage for old-age security within urban areas has steadily expanded (Wang, 2006: 104-106).

**Figure 1. Coverage of Urban Basic Old Age Security System, 1989-2004**



Sources: Data from 1999 to 2003 comes from NBS (2000-2004). Data for 2004 comes from the Ministry of Labor and Social Security (2004).

(Source: Wang, 2006: 105)



Thus we see that from 1994-2004 the number of urban workers participating in the basic old age insurance scheme in China increased from 48.17 million to 122.5 million, with the participation rate rising from 33.5–to 46.3 per cent. Of those participating in the basic old age insurance scheme, the number of urban retirees increased from 8.93 million to 40.13 million, 4.6 times that of 1989. It has been estimated that pensions for retirees rose to 9047 yuan in 2003, 7734 yuan higher than 1990, 5.3 times that of 1990 (China Research Center on Aging, 2000).

### **Problems in the Urban Old Age Security System**

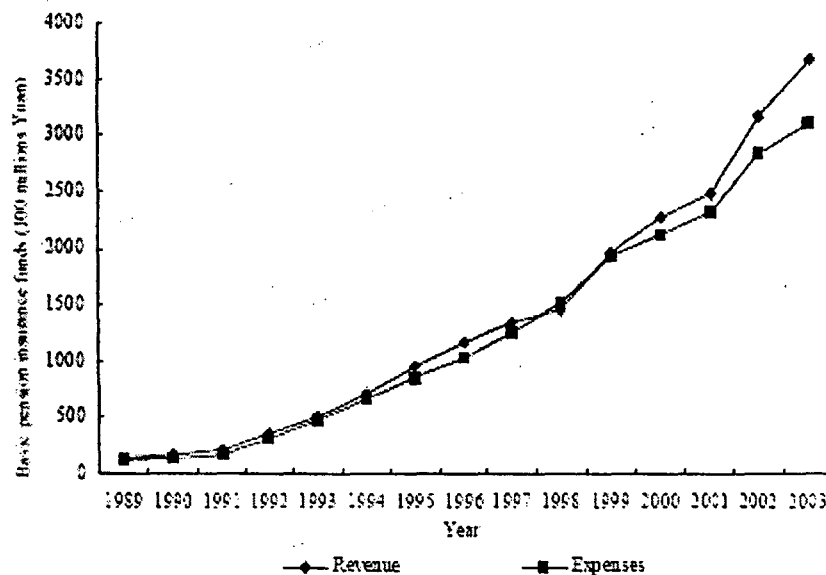
Despite reforms and the expansion of insurance cover, problems in the social-security network for the elderly remain. The 1997 reforms divided urban workers into three groups with different old age benefits. Those who had already retired continued to receive the benefits they did prior to the reforms. The workers who retired after 1997 received the PAYG and personal account benefits. Urban workers who were employed and participating in insurance schemes would receive benefits of both. Disparities in the nature of benefits available to urban retirees thus emerged. Pension payments made in accordance with the pre-reform wage package have been insufficient to maintain a steady standard of living due in the face of inflation. Apart from this, the most serious problem facing the pension system has been that of funding.

Though the reform of the insurance system was aimed at ensuring pensions of those retiring in the pre-reform era, it had also to resolve the issue of old-age security for those retiring in the future. The success of the new system has been hampered by the deficits it has inherited from the old. Official sources have acknowledged the deficit in pension programs as a major impediment to old-age security in China, with the Ministry of Labour and Social Security estimating that the current deficit of 2,500 billion yuan could grow to as much as 6,000 billion yuan in three decades (Wang, 2006: 106). The World Bank estimates the current deficit to be between 3,000 to 4,000 billion yuan and certain theorists have proposed that the yearly transition costs (from the old PAYG system to the new system of social pooling and partial individual contributions) would

be 190 billion yuan (Sun, 2001 as cited in Wang, 2006: 106). Financing the proposed old-age insurance package thus seems a Herculean task.

Problems with delivery of old age pensions remain. Since contributions to the social pooling and individual accounts are deposited with the same government accounts, local governments have been known to ‘borrow’ from individual accounts to cover the shortfalls in the social pool. The problem of empty accounts that the new system inherited is steadily worsening. In 2000, the amount ‘borrowed’ by local governments increased to 200 billion yuan from 14 billion yuan in 1997., The Central government had to make available subsidies of 98.2 billion yuan in 2001 to control pension arrears (Wang, 2006: 107).

**Figure 2. Trends of Revenue and Expenses of Urban Basic Pension Insurance Funds, 1989-2003**



Source: NBS (2000–2004).

(Source: Wang, 2006;107)

The unwillingness of enterprises and individuals to participate in financing social insurance is to a large extent due to drawbacks in institutional and policy designs that lack an incentive mechanism. Almost 80 per cent of those covered by urban social

insurance are SOE employees. The burden of pensions on these enterprises is as much as 30 per cent. SOEs attempt to evade these contributions in order to seek profits. Since contribution targets are not met, the contribution rates are further raised to make up for previous deficits. This results in a cycle of non payment of contributions.

Newer enterprises that have a smaller pension obligations due to fewer retired employees are also unwilling to participate in social pooling schemes for they do not want to shoulder the burden of pensions for other enterprises. These younger enterprises then evade or refuse to make contributions. It has been documented by scholars (Zhang and Qui, 2003 as cited in Wang, 2006: 107) that in order to avoid responsibility towards pension payments, enterprises have taken to hiring temporary and short term workers thereby reducing the total payroll. The phenomenon of 'empty accounts' and low returns have prevented greater participation in basic old age insurance. Individual accounts are supposed to be separated from social pooling accounts yet this measure has not yet been implemented. Embezzlement of funds by local governments and officials remains a possibility. Furthermore, in attempts to reduce its responsibility to future pensioners, the government has reduced returns on individual accounts. With directives to invest 80 per cent of social security funds in government bonds and 20 per cent to be deposited in bank accounts, the opportunities for high investment returns are precluded (West, 1997; Feldstein, 1998, Zhao and Xu, 2000 as cited in Wang, 2006: 108). The average return of social security funds was lower than three per cent from 2001 to 2003 and only 3.3 per cent in 2004 (Wang, 2006: 108).

Though the reforms have enabled greater coverage of urban workers, the actual percentage of those covered by basic old age insurance has remained the same from 1997 to 2004. It has been suggested that the stagnation in percentage covered may be due to the inflow of migrants into urban areas and the consequent stresses on the urban social security system. However, the dependency ratio, even if the migrants are taken into account, is steadily worsening. In 1990, the ratio of urban workers to retirees was 6.1:1. In 2003, this ratio fell to 2.7:1 (Wang, 2006: 108). It would thus appear that demographic change and not population migration is the primary reason for stress on

the urban insurance system. In an economy that is growing at a rate of at least ten per cent per annum, returns of the insurance contributions do not justify opportunity costs. Therefore, unless investment of social security resources becomes more profitable, contributions cannot be expected to rise. Policy should thus be directed towards not only ensuring regular contributions from all parties but also diversifying the investment portfolio.

### **Urban Poverty and Elderly Security**

Apart from problems that plague the effective administration of the urban insurance system, the issue of urban poverty as affecting the security of the elderly is also of grave concern. Peter Saunders and Sun Lujun (2006) have studied the correlation between poverty and hardship in urban China especially for the elderly. To better understand the circumstances of the aged population, Saunders and Lujun utilize the data collected by *Sample Survey of the Aged Population in Urban and Rural China* was undertaken in December 2000 that replicated earlier surveys in 1987 and 1992. Overall, the survey provided the basis for undertaking a comprehensive analysis of the living conditions of the aged that examines not only how many are poor using conventional measures, but also how many are in conditions indicative of an unacceptably low standard of living.

Though living arrangements are generally believed to be representative of the familial support available to the elderly, they do not always provide a comprehensive picture. Family living arrangements may well be a reflection of attempts to reduce expenses incurred on housing. Despite common perceptions, it has been found that household size is only marginally larger in rural than in urban areas. Whereas in rural areas the household is on an average composed of 4.2 persons, in urban China it is composed of 3.8 persons (Benjamin et al, 2000; 95). As a primary indicator of the access to support however, living arrangements do form the starting point of any study. A survey of living arrangements along with data on the incidence of income poverty among the aged gives a clearer picture of the state of elderly security. Saunders and Lujun go a step further in that they extrapolate available data and analyse it along gender lines.

**Table 1. Living arrangements of the urban aged in 2000 (percentages)**

Living arrangements	Age			Total		
	60-69	70-79	80+	('000)	(%)	Average household size
<b>Males</b>						
Living alone	2.4	2.8	0.8	853.2	2.9	1.0
Living with spouse only	22.1	14.4	1.7	5,442.7	18.5	2.0
Living with relatives	35.9	15.4	3.8	7,825.7	26.6	4.4
Living with unrelated people	0.3	0.4	0.0	88.3	0.3	3.0
<i>Total</i>	<i>60.7</i>	<i>33.0</i>	<i>6.4</i>	<i>14,209.9</i>	<i>48.3</i>	<i>3.3</i>
<b>Females</b>						
Living alone	5.4	6.2	2.4	2,118.2	7.2	1.0
Living with spouse only	16.0	6.3	0.5	3,471.6	11.8	2.0
Living with relatives	34.9	20.2	6.8	9,414.4	32.2	4.2
Living with unrelated people	0.5	0.4	0.3	205.9	0.7	2.5
<i>Total</i>	<i>56.9</i>	<i>33.1</i>	<i>10.1</i>	<i>15,210.1</i>	<i>51.7</i>	<i>3.2</i>
<b>Persons</b>						
Living alone	3.9	4.5	1.1	3,848.1	10.1	1.0
Living with spouse only	19.0	10.2	5.4	17,240.1	30.2	2.0
Living with relatives	35.4	17.9	5.4	17,254.0	58.6	4.3
Living with unrelated people	0.4	0.4	0.2	292.1	1.0	2.6
<i>Total</i>	<i>58.7</i>	<i>33.0</i>	<i>8.3</i>	<i>29,420.0</i>	<i>100.0</i>	<i>3.3</i>

(Source: Saunders and Lujun, 2006: 143)

**Table 2. Income poverty rates among urban aged in 2000 (percentages)**

Living arrangement	Age			
	60-69	70-79	80+	Total
Males living alone	3.4	7.4	7.3	6.1
Females living alone	23.0	27.0	29.0	25.8
Couples - equal incomes	10.4	11.7	19.5	11.2
Couples - imputed incomes	9.4	8.1	28.7	10.4
Total - equal incomes	11.6	14.6	22.1	13.5
Total - imputed incomes	10.8	12.1	25.8	12.9

(Source: Saunders and Lujun, 2006: 144)

As has been discussed in the previous chapter, gender biases in China with regards income and access to health are rather prevalent. The above data makes it clear that elderly women face a greater incidence of poverty than elderly men in urban China. The social insurance plans in place make no provisions on the basis of gender. The average income of females is less than that of males in China, pension benefits continue to reflect this disparity. According to estimates made by Yan Hao (1997) utilizing data from National Survey on the Old-age Support System (NSOSS) in 1994, 92.6 per cent of male retired workers received pensions, this figure for women was only 54.5 per cent. While 36.5 per cent of male retirees required assistance from children, 55.8 per cent of female retirees sought assistance from children. Thus it would seem that the state of economic security of the elderly in urban china, females in particular, is precarious.

The data as extrapolated by Saunders and Lujun in their study is reproduced below in an attempt to provide an understanding of the general state of well-being among the elderly in China.

**Table 3. Multidimensional indicators of hardship**

Dimension/definition	Incidence (%) <sup>a</sup>	
	Males	Females
Economic insecurity		
Unable to borrow from a bank	80.3	90.0**
Has no saving for old age	66.5	77.6**
<u>Has no pension</u>	14.2	44.2**
Has some savings, but not enough	44.2	57.2**
Has no insurance cover <sup>b</sup>	95.9	97.5**
<i>Does not feel economically secure</i>	17.0	31.1**
<i>Not satisfied with having enough food and clothing</i>	6.7	3.7**
<i>'Very worried' about not having enough resources for basic living</i>	21.6	24.7**

Dimension/definition	Incidence (%) <sup>a</sup>	
	Males	Females
<b>Health status</b>		
Has a chronic illness	64.1	69.8**
<i>Assesses health conditions as 'rather bad' or 'fairly bad'</i>	16.7	25.4**
Not covered by a health insurance programme of any kind <sup>c</sup>	31.4	57.1**
<u><i>'Very worried' about having no money to see doctor when sick</i></u>	28.4	31.4**
<b>Social exclusion</b>		
'Never' visits the neighbours	46.7	37.6**
'Never' invited for dinner	67.0	75.2**
<u>Feels lonely 'often'</u>	67.4	73.0**
Has no one to confide in	24.1	27.3**
Does not usually take part in public security, voluntary labour, a voluntary group, mutual aid group or a teenagers' education programme	63.5	64.2
Does not have a telephone	25.4	31.0**
Has no one to care for them when needed	18.6	20.3*
Does not have private means of transportation <sup>d</sup>	80.0	79.0
<b>Relative social status</b>		
<u><i>Feels less economically secure than other retired workers</i></u>	22.2	37.0**
<u><i>Feels more and more falling behind the development of society</i></u>	67.4	73.0**
<u><i>Is unhappy compared with other old people</i></u>	4.1	6.9**
<b>Overall well-being</b>		
<u><i>Overall economic condition is 'very difficult'</i></u>	2.7	5.7**
<u><i>Is 'totally' or 'fairly' unsatisfied with life</i></u>	8.7	8.6

Notes: \*\*\*/\* indicates that the mean gender difference is statistically significant ( $p = 0.01/0.05$ ).

<sup>b</sup>Has none of the following: life insurance; medical insurance; accidental injury insurance; property insurance.

<sup>c</sup>Is not covered by any of the following programmes: public free medical care; commercial health insurance; cooperative health insurance; other forms of medical insurance.

<sup>d</sup>Does not own a motorcycle, tricycle, car or truck.

(Source: Saunders and Lujun, 2006: 144-145)

It is important to note that on almost all indicators of hardship, women fare worse than men. The two primary indicators of security that we are concerned with i.e., income and health, are the two where the differences are the largest. Thus security among the urban

elderly can be seen as being closely associated with the lack of regular pension and concerns over access to health (Saunders and Lujun, 2006: 152)

### **Social Security and the Elderly in Rural China**

Discussions about the state of social security provisions in rural China are usually conducted within the parameters of the belief that the 'family' as a social unit continues to provide care to the elderly. 'Filial piety' is seen as a belief system that would ensure continued care to the aged members of a family. A demand for greater role of the state in providing social security provisions is discounted on the assumption that state intervention would dilute the existing informal networks.

Prior to land reforms, land was owned by the head of the family. Examinations of intra-family relations (Baker, 1979; Leung and Nann, 1995) reveal that land was handed down to the eldest son on the understanding that he would care for his aged parents. With land reforms in 1950, this scenario changed. Studies (Davis-Friedmann, 1991; Xu, 2001) have detailed the change in family relations that came to be increasingly redefined along lines of equality. The head of the family lost his authority over land inheritance. Land was to be divided equally among members of the family regardless of age or gender. This implied that any member of the family could, if he so chose, live separately from the family.

Collectivization of agriculture further changed family dynamics. While restrictions on movement ensured that families were not dispersed, collectivization undermined the traditional role of the family. As land accumulation was done away with, the bargaining power of the elderly declined substantially. Since younger members earned more work points than the older members, their say over utilization of family resources and budget also increased. This gave the "young and women an unprecedented sense of importance in contrast to the traditional system of family property" (Yang, 1965: 178). Individuals came to rely on production teams rather than the family for immediate needs. The collective itself began to take responsibility for the needs of the elderly and the needy.



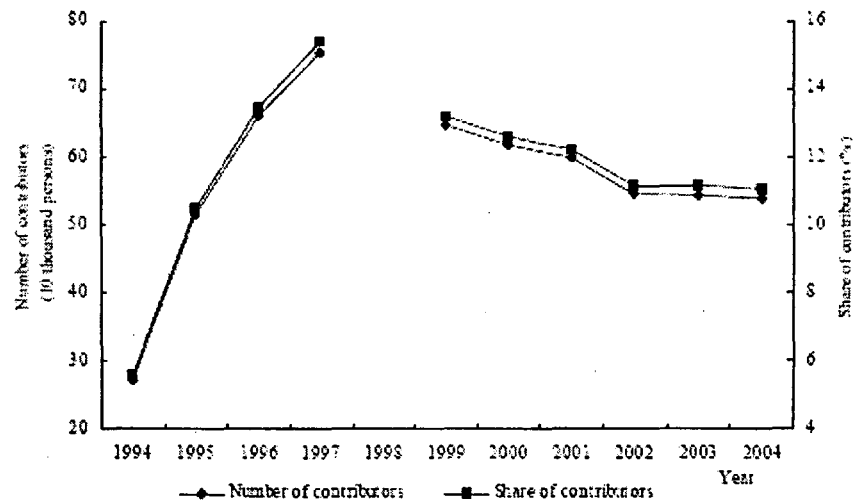
Scholars such as Davis-Friedmann (1991) have argued that under collectivization the position of the elderly was markedly improved. It is important to note that while the collective took care of the needs of the neglected elderly, the Marriage Law of 1950 emphasised the duty of the adult children to care for elderly parents. The Constitution of 1954 stated that it was the duty of the parents to rear and educate their minor children, while children who had come of age were responsible for supporting and assisting their parents. More recently, the Penal Code of 1980 established that children could be imprisoned for neglected elderly parents (Benjamin et al, 2000: 89-90). The legal responsibility for old-age support in rural China thus rested with the family.

With the reforms, the household responsibility system was introduced, dismantling the collective based security system in rural areas. A lack of fiscal and organizational inputs curtailed the ability of rural communities to effectively provide income security and medical care to residents after the dismantling of the collectives.

The state attempted to reform the old-age security system in rural areas in the 1980s. Pilot projects for establishing an old-age social insurance system were carried out in some developed rural areas in 1986. The *Basic Program for Rural Social Security Insurance at County Level*, promulgated by the Ministry of Civil Affairs in 1992 called for the establishment of a rural social old age insurance system at the county level. This system was to be funded primarily by individual contributions which would be supplemented by community and government contributions. By the end of 1997, 75.42 million farmers had participated in the insurance scheme. However, participation in the rural old age security system stagnated from then on. The Ministry of Labor and Social Security took over the running of the rural insurance system from the Ministry of Civil Affairs in 1998. In view of the immaturity of the system, the State Council proposed its transformation into a commercial insurance program in 1999. As this of the rural old-age social insurance system into a commercial insurance program took place, there occurred a steady decline in the number of participating farmers. According to data collected by Dewen Wang (2006) from official figures released by the Ministry of Civil Affairs, the National Statistics Bureau and the Ministry of Labor and Social Security,

over seven years from 1997 to 2004, the percentage of farmer participation dropped by 28.7 per cent. The percentage of farmers in the rural labour force who were insured fell from 15.4 per cent in 1997 to 11 per cent in 2004 (Wang, 2006: 110).

**Figure 3. Coverage of Rural Social Pension Insurance from 1994 to 2004**



Sources: Data from 1994 to 1997 comes from Ministry of Civil Affairs (1994–1997). Data from 1999 to 2003 comes from the NBS (2000–2004). Data for 2004 comes from the Ministry of Labor and Social Security (2004).

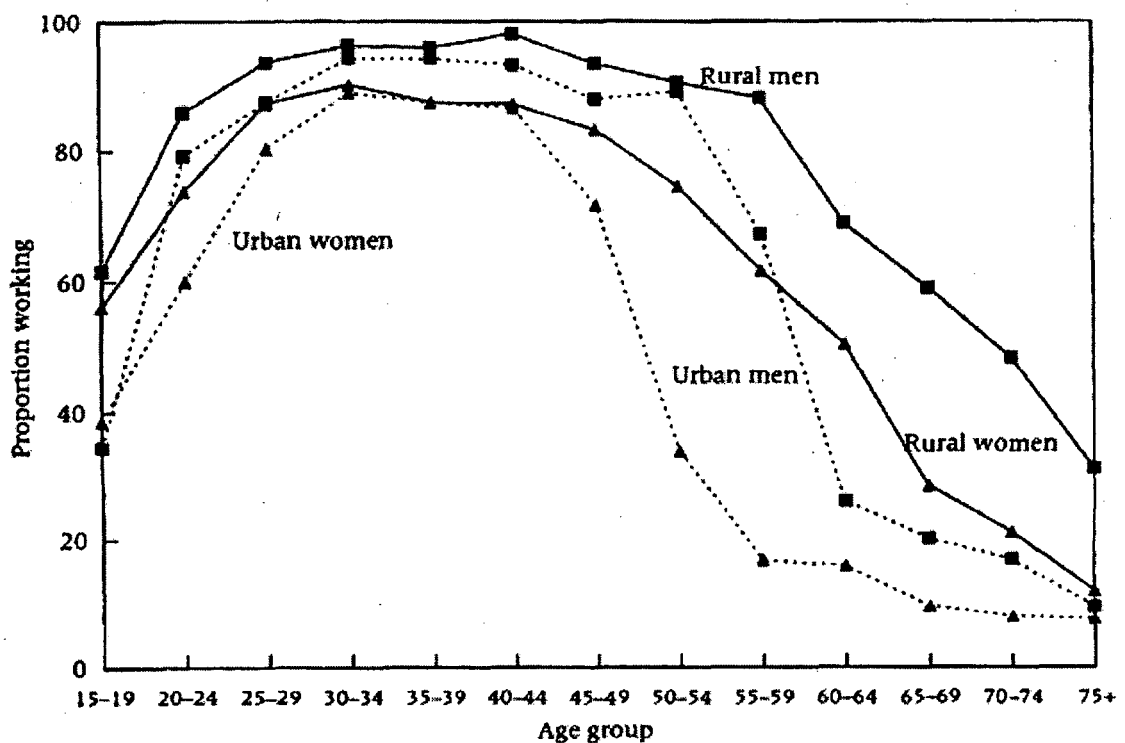
Note: Data for 1998 is not available.

(Source: Wang, 2006: 110)

Institutionalized care in the form of old-age homes is very primitive in China. According to data from the State Statistics Bureau, there were in 1995 only 1,264 social care homes for the elderly run by the state and 23, 301 run by rural communities (Hao, 1997: 205). Thus at present, rural elders mainly depend on family support. According to the *2000 Census* (NBS, 2000) labour participation rate of rural population aged 60 years and above is 43.4 percent. Of non-working rural elders, 8.2 percent have pension benefits, 86.2 percent have to rely on family support, and 5.7 percent rely on other means to support themselves. These figures are in keeping with studies that emphasise the futility of the concept of ‘retirement’ in rural China (Hao, 1997; Benjamin et al, 2000). Since the elderly have to sustain themselves by working the plots of land allotted to them, they continue to engage in economic activity as long as their health permits. This scenario is very different from the retirement age limits set at 55 for women and 60

for men in urban China. Limited insurance and pension cover in rural areas would invariably necessitate economic engagement for a longer period. The figure below compares the proportion of men and women working in urban and rural areas. According to data compiled by Dwayne Benjamin, Loren Brandt and Scott Rozelle, it is clear that the elderly in rural China work more years than those in urban China.

**Figure 4. Proportion of men and women currently working in urban versus rural areas, Northern China, 1989**



(Source : Benjamin et al, 2000: 98)

According to the *China Urban and Rural Elderly Survey in 2000* (China Research Center on Aging, 2002 as cited in Wang, 2006:110), 5.4 percent of rural elders aged 60 years and above received pension benefits and 1.5 percent relied on social old age insurance; the combination of these two groups totalled only 6.9 percent, whereas 85.0 percent relied on family support. Schultz (Schultz, 2004: 261-262) undertakes a comparison of urban and rural incomes with regard to the role pensions and assistance from children and other sources utilizing data from the survey on China's Support

System for the Elderly conducted by the China Research Center on Aging in 1992. His analysis makes it evident that pensions and insurance benefits play only a marginal role in security of the rural elderly.

**Table 4. Income of Elderly and its percentage composition by income source**

	<i>Urban</i>		<i>Rural</i>	
	<i>Men</i>	<i>Women</i>	<i>Men</i>	<i>Women</i>
Total income in yuans, including home production	2549	1416	1035	538
<i>Percentage of total:</i>				
Earned income	9.0	2.1	43.4	21.7
Interest and rents	2.5	4.5	1.6	1.4
Public transfers				
Pensions	49.9	27.9	7.1	0.5
Government subsidies	27.9	27.5	5.9	3.0
Community support	0.1	0.4	6.3	8.7
Total public transfers	(78.0)	(55.7)	(19.3)	(12.2)
Private transfers:				
From children	7.8	33.6	32.5	61.0
From other relatives	0.5	1.3	2.3	3.2
Total private transfer	(8.3)	(35.0)	(34.8)	(64.2)
Other income sources	2.2	2.6	0.9	0.5
Sample size	4742	4933	4822	5372

\*Derived from the survey on China's Support System for the Elderly conducted by the China Research Center on Aging. Elderly include those aged over 59 on January 1, 1992. The survey is a stratified, nationally representative sample of all provinces and municipalities of China, and is self-weighted according to the 1990 Census.

(Source: Schultz, 2004: 262)

A study of the data in the above table shows that elderly males in urban areas have incomes that are about 2.5 times those in rural areas; for women the income ratio is 2.6, although elderly women have only about half as much income as do men. The income of urban elderly is predominantly from public transfers, with pensions representing the largest share, particularly for men: half of the income of elderly urban males is from pensions and another quarter is from government and communities subsidies. In contrast, the much poorer rural elderly receive a quarter as much of their income from public transfers, and rely heavily on private transfers for a third of rural male incomes and two-thirds of rural female incomes. Also, the urban elderly earn less than a quarter as much of their income as do the rural elderly, whose extreme poverty could explain their continued work (Schultz, 2004: 261). The next generation of rural elderly could

well be the most hard hit in times to come because of few public pension programs, deteriorating health care and fewer children to support them (Ahmad and Hussain, 1989 as cited in Schultz, 2006: 262).

### **Problems in Rural Old Age Security**

The state continues to emphasize the role of the family in providing old-age security for the elderly especially in rural China. This becomes increasingly difficult in the face of rural socio-economic transformation. Stable incomes to maintain a standard of living and the social network necessary for elderly care are both in flux in rural China. As family structures change from extended to nuclear, the family network available to the elderly for support will diminish. The average population per household fell from 5.7 in 1978 to 4.1 in 2003, and is expected to decline further (Wang, 2006: 111). The urban migration from rural areas also poses its own problems. As farmers are unable to move their entire families to the cities due to the *hukou* system, what occurs is the movement of young adults to cities. According to the 2000 Census the elderly made up 7.5 percent of the rural population as compared to 6.4 percent of the urban population. As the youth migrate to the cities, the proportion of the elderly in the rural population will only rise. The economic security that land is supposed to provide the aged in rural China is steadily being eroded. There may be a shortfall in the labour available to cultivate land as the elderly become unable to engage in agricultural activity. Also, increasingly non-agricultural activities seem to be the primary source of income in rural households. The viability of land as the primary source of income security is therefore questionable.

As far as access to health is concerned, Chapter 3 brought out quite clearly the disparities in the health care institutions between urban and rural areas. The lack of specialised study of the impact of changing health policy on the elderly prevents us from making categorical statements. However, it only seems logical that the disparities inherent in the system would affect the elderly's access to health care. It has been estimated that only ten per cent of rural areas in China retain some sort of cooperative health care system (Cheung, 2001: 68). The pilot reforms in Zhenjiang and Jiujiang that

have become the model for health insurance in urban areas function on a three tier contributory schema with the enterprise and individual contributing to a social pooling system. The cost of out-patient treatments is sought to be shouldered by the individual whereas the more expensive in-patient treatments would utilize social funds.

While most health policy reforms focus on the urban working population, attempts were made from 1990 onwards (such as the Sichuan Rural Health Insurance Experiment) to re-organize rural healthcare. These too emphasized responsibility sharing between the individual and the community. "Societalization" of health care, implying shared responsibility in place of state responsibility, rather than privatisation per se is what is sought to be promoted (*Ibid: 75-77*).

The ability to participate in this insurance system would invariably depend on the contributory capacity of the individual. As has been discussed above, the economic position of the elderly, particularly in rural China is not secure. In such a situation, the participation of the rural elderly in schemes of health insurance cannot be ensured, thereby restricting their access to health care.

The rural elderly disadvantaged as they are when compared with their urban counterparts, may well face a crisis of subsistence if a comprehensive old-age social security system is not put in place. Substantially supplementing the family and kin networks available through institutional innovation would seem to be the way forward.

## CHAPTER 5 – CONCLUSION

The social security system of a state can be viewed as a reflection of its economic system. Not only in terms of public expenditure and supply of public goods but also as an embodiment of a process of public choice (reflected in decisions over public goods). At the same time it is a reflection also of changing class alliances and power equations within the state.

The Maoist social welfare policy took into account the need for industrial development. Incentives for workers in the form of welfare benefits were thus built into the production system. The work unit's role in providing social welfare was aimed at achieving equity as also ensuring worker loyalty. The basic transformation of social relations of production remained a popular goal but the pace of this transformation was tempered by the China's economic realities. The transfer of surplus from rural to urban areas in order to energize industrial growth resulted in the evolution of an economic system with a pronounced urban bias. Though rural China fuelled urban growth, state expenditure on welfare in rural areas remained limited. Social welfare policies emphasized self sufficiency in rural areas, though the *danwei* in urban China formulated a comprehensive system of social welfare for enterprise workers. This is not to suggest that the differences in the social welfare provisions in rural and urban areas were by design. In the absence of viable alternatives however, a policy promoting collective welfare in rural areas was promoted. It must also be remembered that the Maoist state had been exceptionally successful in providing basic levels of health care and education even in rural areas. Attempts at encouraging self sufficiency in both rural and urban areas through accelerated economic and industrial growth were not successful. "The support for socialism through political mobilization seemed to be ideologically exhausted after the failure of Mao's mass campaigns" (Smith, 1993: 55). As a consequence, the post-Mao Chinese state had to seek a fresh developmental framework in order to maintain its legitimacy.

With 'restructuring' and 'readjustment' of economic planning and expenditure under Deng, 'marketization' was adopted to ensure efficiency in production through cost reduction and profit maximization. The function of social welfare policy changed from redistribution of surplus to accommodating the imperatives of marketization. The reform of the social security network has focussed on containing the problems that have arisen with the demise of the work-unit based welfare system. The disbanding of collectives in rural areas implied a dismantling of the infrastructure for basic welfare as well. A system to provide the minimal assured welfare support in rural areas (a function fulfilled by the collectives) has not yet evolved. In such a situation, the differences in access to social security provisions as consequence of earlier policies is only exacerbated. The state has sought to reduce this gap by encouraging institutionalised welfare systems in rural areas. The success of these policies however, remains limited.

As has been discussed in Chapters three and four, the gaps in social welfare access in urban and rural areas are not negligible. There is a perpetuation of pre-reform biases in the structuring of welfare policy that distinguishes between the nature of employment to differentiate in the nature of welfare benefits available to the individual. Thus we see that the beneficiaries of pension insurance are largely the urban elderly, who continue to benefit from their past association with enterprise production. The rural elderly continue to seek assistance from non-formal kin and family networks and are actively engaged in economic activity well after their urban counterparts retire.

The profit-motive that governs industrial production has led to an exploitation of female labour in export oriented labour intensive industry, as discussed in chapter three. Rural women, by virtue of limited education and industrial experience, are routinely exploited as cheap labour. Although equality of the sexes is the articulated state policy, in the absence of stringent enforcement, wage differentials between men and women are substantial. This along with the differences in urban and rural wages, compounds the problems of rural women.



A review of health security has established that specialised health facilities are more accessible in urban areas than in the rural, where clinic and primary health care is readily available. The commoditization of health care facilities however underlines the economic dimension of welfare. Economic resources have begun to determine the quality of health care facilities available in China. This is in sharp contrast to the pre-reform period when the costs of health care were minimal.

The health insurance systems envisioned by the state function within the framework of economic distinctions – between the employed and the unemployed, worker and retiree and even the nature of employment i.e. – industrial and agricultural. Thus it is urban male workers who are most likely to be able to participate in health insurance schemes that require individual contributions.

The state has encouraged shared responsibility in providing welfare. In urban areas this has translated into social pooling schemes with division of contributions between the enterprise and the individual, augmented by state subsidies. In rural areas, community resources are sought to be developed so as to create a reliable health care network. The linkages between income and health, consequently between economic ability and utilization of healthcare come to be highlighted.

On the basis of our study, certain inferences about the access and utilization of social welfare in China can be made:

- Marketization has emphasised the importance of economic resources in determining access to welfare
- The differences between urban and rural welfare provisions has not decreased despite state policies to alleviate them
- The gender and age differences are significant (due to economic reasons) in determining access to public goods

Considering the current and future economic development level, the aging challenges arising from increasing demands for old age security is rather tremendous. Therefore, it

is urgent that China reform and adjust the urban and rural old age security system in accordance with demographic changes, to eliminate its vulnerability. Building up a new fully individual contribution system is a way out for China's old age security system, which will encourage savings for old-age security. The participation of rural migrants in urban insurance scheme would alleviate pressures on urban institutions. Individual insurance accounts and investing in high-return capital markets may go a long way in helping enterprises to finance welfare contributions. This arrangement will reduce the transition cost of the urban old age security system to the maximum extent. The rural insurance system as envisioned by the state, consists of voluntary beneficiary-financed individual pension accounts, supplemented with collective sponsored pensions. It is the implementation of this scheme that remains problematic. Providing an initial investment pool through various financial resources, including indirect agricultural subsidies, direct income subsidies and poverty alleviation funds could help jump-start this program without recurring costs to the government (Wang, 2006: 114-116). Such measures will enable the evolution of a comprehensive old-age security system that will be self-sustaining.

Women's welfare and security would have to be ensured by first ensuring the compliance with labour laws. An end of their economic exploitation by way of better wages and conditions of work along with increased emphasis on education facilitating better employment opportunities, will ensure greater economic security. As has already been discussed, there is a need for the development of health facilities that take into account gender specific problems. The development of women's health in the PRC has to a large extent been determined by the imperatives of the population policy. Concerns over women's health thus come to be limited to their reproductive functions. An effort must be made to evolve health systems that address women's health in more inclusive terms. Health awareness must be simultaneously encouraged to change attitudes towards health care utilization.

The need for a comprehensive social security system in China is acute. Balanced development becomes extremely important as the Chinese state attempts economic

integration at the national level. Disparities across social groups and regions would not only disrupt equitable growth but foster social instability. Rural to urban migration that has begun to seriously tax urban infrastructure is one manifestation of inequitable development. A sound welfare system that will help overcome the legacy of skewed economic development is thus central to achieving the ideal of an integrated Chinese nation.

## **Appendix 1**

### **Excerpts from White Paper on China's Social Security and its Policy**

The Information Office of China's State Council on Tuesday, September 7, 2004, issued a white paper titled "China's Social Security and Its Policy". The following are excerpts from the document:

#### **China's Social Security and Its Policy**

##### **Foreword**

Social security is one of the most important socio-economic systems for a country in modern times. To establish and improve a social security system corresponding to the level of economic development is a logical requirement for coordinated economic and social development. It is also an important guarantee for the social stability and the long-term political stability of a country.

China is the biggest developing country with a large population in the world, and its economic base is weak and the development between regions and between town and country is unbalanced. Establishing a sound social security system in China is an extremely arduous task.

In light of China's actual situation and adhering to the principle of "putting people first," the Chinese government attaches great importance and devotes every effort to establishing and improving its social security system. The Constitution of the People's Republic of China stipulates that the state shall establish and improve a social security system corresponding to the level of economic development. The Chinese government regards economic development as the basic prerequisite for improving people's livelihood and effecting social security.

For a long time before 1978, when China adopted the reform and opening-up policies, China had practiced a social security policy corresponding to its planned economic system, providing social security services to its people as best it could. Since China established and improved its socialist market economy system in the mid-1980s, a series of reforms have been introduced to change the old social security system practiced under the planned economy, and a basic framework of a social security system has been set up in China corresponding to the market economy system, with the central and local governments sharing specific responsibilities.

China's social security system includes social insurance, social welfare, the special care and placement system, social relief and housing services. As the core of the social security system, social insurance includes old-age insurance, unemployment insurance, medical insurance, work-related injury insurance and maternity insurance.

## **I. Old-age Insurance**

China is now an aging society. As the aging of the population quickens, the number of elderly people is becoming very large. This trend will reach its peak in the 2030s. To guarantee the basic living standards of the elderly and safeguard their legitimate rights and interests, the Chinese government has continuously improved the old-age insurance system and reformed the fund-raising mode in an attempt to establish a multi-level old-age insurance system marked by sustainable development.

### Promoting the Development of a Basic Old-age Insurance System for Employees in Urban Areas

Reforming the basic old-age insurance system for enterprise employees in urban areas. In 1997, the Chinese government unified the basic old-age insurance system for enterprise employees in urban areas across the country by implementing a social-pool-plus-personal-accounts scheme. Enterprise employees who have reached retirement age as provided by law (60 for male employees, 55 for female cadres and 50 for female workers) and who have paid their share of the premiums for 15 years or more shall be entitled to collect a basic old-age pension every month after retirement. The basic old-age pension consists of two parts: base pension and pension from personal account. The monthly sum of the base pension is tantamount to about 20 percent of an employee's average monthly wage in that area in the previous year. The monthly pension sum from the personal account is 1/120 of the total accumulated sum in the personal account (11 percent of an employee's wage being deposited every month in the pension section). The state adjusts the level of the basic old-age pension with reference to the price index of living expenses for urban residents and employees' pay increases. In 2003, the monthly basic pension for enterprise retirees covered by the basic old-age insurance scheme was 621 yuan on average.

Expanding the coverage of basic old-age insurance. Initially, China's basic old-age insurance covered only state-owned enterprises and collectively-owned enterprises in urban areas and their employees. In 1999, this coverage was expanded to include foreign-invested enterprises, private enterprises and other types of enterprises in urban areas, as well as their employees. All provinces, autonomous regions and municipalities directly under the Central Government can make provisions to include persons engaged in individual businesses of industry or commerce in the basic old-age insurance in accordance with the specific conditions in their localities. In 2002 China expanded its basic old-age insurance coverage to all those who were employed in a flexible manner in urban areas. In 2003, the number of people participating in the basic old-age insurance scheme across China reached 155.06 million, 116.46 million of whom were employees.

Undertaking experimental reforms in selected areas to improve the basic old-age insurance system. In 2001, the Chinese government began to carry out pilot projects along this line. The reform includes: gradually establishing personal accounts so that funds can be accumulated, and probing ways of preserving and increasing the value of the funds; changing the way the base pension is calculated and paid, whereby the amount of base pension is more closely linked to the length of time of the employee's

premium payment, and if an employee has participated in the basic old-age insurance program and paid the premiums for 15 years, he or she will be entitled to a higher rate of pension for every additional year of payment; unifying the procedures of premium payment by those who are employed in a flexible manner, whereby the base of their premium payment is uniformly set at 20 percent of the average wage of local employees. The pilot project was first conducted in Liaoning Province, and has been expanded to Jilin and Heilongjiang provinces in 2004.

Probing the reform of the retirement system of government agencies and public institutions. In China the retirement and pension system in government agencies and public institutions is different from that applied in enterprises. In 2003, there were 670,000 retirees who had joined the revolutionary ranks before October 1949 and 9,310,000 other retirees from these agencies and institutions. In the 1990s, some localities in China began to probe the procedures of reforming the retirement system in such agencies and institutions. Pilot projects were conducted to raise the retirement pension funds through the social pool program. By the end of 2003, some 11.99 million employees and 2.58 million retirees had participated in such pilot projects.

#### Raising Funds for Basic Old-age Insurance Through Multiple Channels

As the aging of the population quickens and the number of retirees increases steadily, the pressure on the payment of funds for basic old-age insurance is becoming ever greater. In order to make sure that basic pensions are paid in full and on time, the Chinese government is raising such funds through multiple channels.

Practicing joint premium payment by both enterprises and employees. Generally the premiums paid by enterprises will not exceed 20 percent of the total wage bill of the enterprise, with the specific proportion being determined by the people's governments of provinces, autonomous regions and municipalities directly under the Central Government. Individual employees pay eight percent of their wages as premiums, whereas self-employed individuals and those who are employed in a flexible manner in urban areas pay an amount equal to about 18 percent of the average wage in their locality. In 2003, the basic old-age insurance premium paid by enterprises nationwide totalled 259.5 billion yuan.

Increasing the subsidy outlay from the government financial budget for basic old-age insurance funds. The state has called upon governments at all levels to increase the momentum of restructuring their financial expenditure and raise their input into social security. In 2003, state budgets at all levels contributed 54.4 billion yuan toward basic old-age insurance funds, of which 47.4 billion yuan came from the central budget.

Establishing a national social security fund. In 2000, the Chinese government decided to create a national social security fund. Its sources include: funds acquired from reducing state shareholding, stock ownership assets, funds from the central budget, funds raised by other means approved by the State Council, and investment returns. The national social security fund is administered by the National Social Security Fund Executive Council, and is operated on market principles in accordance with the procedures and

requirements prescribed by the “Interim Measures for the Management of the Investment of the National Social Security Fund.” The national social security fund provides an important financial reserve for the implementation of old-age insurance and other social security programs. By the end of 2003, it had accumulated over 130 billion yuan.

#### Promoting the Socialization of Management and Services for Old-age Insurance

In the past, Chinese enterprises were responsible for both the issuance of basic pensions to their own retirees and the administration of those retirees. Now, to ensure that all retirees receive their basic pensions in full and on time, and lessen the burden of social affairs on enterprises, the government is actively practicing the delivery of basic pensions by social service institutions. At the end of 2003, the basic pensions of retirees from enterprises were all delivered by social service institutions, and 84.5 percent of those retirees were under the administration of such institutions.

In 2003, the Chinese government began to implement an information-based labor security project, or popularly called “golden social security project,” in order to raise the overall management level of social insurance and to meet the needs of the floating labor force to continue with their social insurance coverage once they change jobs. The goal of the project is to realize computer-based networking of social security information across the country. So far the networking of old-age insurance information between the Central Government and the provinces has been initially effected.

#### Establishing a Multi-Level Old-age Insurance System

In recent years, the Chinese government has made great efforts to build a multi-level old-age insurance system. In addition to participating in the compulsory basic old-age insurance, enterprises with suitable conditions may set up annuities for their employees. Both enterprises and individuals will contribute to this annuity, which will be accumulated wholly for that specific purpose and managed in the form of personal accounts. The enterprise annuity funds will be managed and operated in accordance with the market mechanism. In 2003, nearly seven million people participated in the enterprise annuity program. In addition, the state also encourages personal savings for old age.

The first two decades of the 21st century will be a critical period in the development of China’s old-age insurance. The state will further improve the basic old-age insurance system that combines social pool and personal accounts, and gradually consolidate the latter. Basic old-age insurance will extend to cover all eligible employees in urban areas, and at the provincial level the establishment and improvement of regulating funds for old-age insurance will be carried out. Social pool at the city level shall be improved and gradually raised to that at the provincial level.

### **III. Medical Insurance**

In 1998, on the basis of previous trials, the Chinese government promulgated the “Decision on Establishing a Basic Medical Insurance System for Urban Employees,” promoting a national reform of the basic medical insurance system for urban

employees. By the end of 2003, some 109.02 million people around China had participated in the basic medical insurance program, including 79.75 million employees and 29.27 million retirees.

#### Establishing a Basic Medical Insurance System for Urban Employees

China has adopted a basic medical insurance system for urban employees that combines social pool and personal accounts. In principle, the medical insurance is managed locally.

**Insurance scope and premium.** The basic medical insurance program covers all employers and employees in urban areas, including employees and retirees of all government agencies, public institutions, enterprises, mass organizations and private non-enterprise units. People employed in a flexible manner can also participate in the basic medical insurance program. The funds for basic medical insurance come mainly from premiums paid by both employers and employees: the premium paid by the employer is about six percent of the total wage bill, while that paid by the employee is two percent of his or her wage. Retirees are exempted from paying the premiums. The individuals' premiums and 30 percent of the premiums paid by the employers go to the personal accounts, and the remaining 70 percent of the premiums paid by the employers goes to the social pool program funds.

**Payment standards.** Medical expenses are shared by the medical insurance fund and the individual: Outpatient treatment fees (smaller amounts) are mainly paid from the personal account, while hospitalization expenses (larger amounts) are paid mainly from the social pool fund. The minimum and maximum payments from the social pool fund are clearly set out. The minimum payment is, in principle, about 10 percent of the average annual wage of local employees, and the maximum payment is about four times the average annual wage of local employees. The medical expenses between the minimum and maximum standards are mainly paid from the social pool fund, and the individual pays a certain proportion. Expenses paid by retirees for medical treatment and medicine are reasonably lower than those paid by people in employment.

#### Improving Medical Insurance Management and Services

To standardize medical services and reduce costs, the state simultaneously promotes the reform of the basic medical insurance system, medical and healthcare system, and pharmaceuticals production and circulation system. Catalogues have been made of medications, medical consultations and medical services and facilities covered by the national basic medical insurance scheme. Efforts have been made to ensure that the insured enjoy necessary medical services, to curb unreasonable medical expenses, and to enhance the utilization efficiency of the basic medical insurance fund. A management method of the designation of medical institutions and pharmacies allowed to provide services covered by medical insurance has been put into practice. A competitive mechanism has been established to select and designate medical institutions and pharmacies that operate in a standard manner and provide good services. Meanwhile, account settlement procedures have been formulated and steadily improved for medical insurance handling organizations and designated medical institutions.



### Improving the Multi-Level Medical Security System

While establishing the basic medical insurance system, to meet the medical demands of different types of people covered by the insurance, the state has established and improved a multi-level medical security system to reduce personal burdens on the insured individuals. In local areas, a system of subsidies for large medical expenses has been set up in accordance with actual conditions to settle medical expenses exceeding the maximum limit of the basic medical insurance payment, the funds for the subsidies being raised mainly from individuals or enterprises. The state encourages enterprises to establish supplementary medical insurance for their employees, mainly for settling medical expenses not covered by the enterprise employees' basic medical insurance. The part of the enterprise's supplementary medical insurance premiums that is within four percent of the total wage bill is booked as the production cost. A civil servants medical subsidy system has been established for civil servants and employees of public institutions who formerly enjoyed free medical services. The state is gradually establishing a social medical aid system mainly funded by the government to provide basic medical security for people with special difficulties.

The reform of China's medical insurance system faces many heavy tasks. In future, the state will further expand the coverage of medical insurance to steadily include eligible people in all kinds of employment in urban areas in the basic medical insurance scheme; strengthen and improve medical insurance management and services; curb the irrational increase of medical expenses, and provide better services for the insured; establish and improve a multi-level medical security system, gradually lessen personal burden on the insured, and realize the stable operation and sustainable development of the medical insurance system.

### **VI. Social Welfare**

The Chinese government actively promotes the development of social welfare, raising funds through various channels to provide social welfare benefits for the elderly, orphans and the disabled.

#### Social Welfare for the Elderly

In accordance with the "Law of the People's Republic of China on the Protection of Elderly People's Rights and Interests," the state and the society have adopted measures to improve conditions for such people's livelihood, health and participation in social development. Governments at all levels include services for elderly people in their socio-economic development plans, gradually increase investments in services for elderly people, and encourage investment from all sectors of society, so as to enable such services to grow in coordination with socio-economic development. In recent years, thanks to the promotion of the socialization of social welfare undertakings, a social service system for elderly people has gradually taken shape, with state- and collective-run social welfare organizations for elderly people as the backbone, those sponsored by various social sectors as a new growth point, community welfare services for elderly people as support, and services for elderly people living at home as the basis. Today, there are 38,000 social welfare organizations of various kinds for elderly people,

with 1.129 million beds, or 8.4 beds for every 1,000 people over the age of 60. In 2001, the state introduced the “Starlight Plan – National Community Welfare Service for Elderly People.” By June 2004, a total of 32,000 Starlight Homes for Elderly People had been built or rebuilt in urban and rural areas all over China, with a total investment of 13.49 billion yuan.

### **VIII. Social Relief**

Proceeding from the situation of national development, the Chinese government has made the greatest efforts to provide the minimum standard of living for the urban and rural poor, to provide relief to natural disaster victims and to urban vagrants and beggars, while promoting and encouraging all kinds of social mutual help activities.

#### Guarantee of the Minimum Standard of Living for Urban Residents

In 1999, the Chinese government promulgated the “Regulations on Guaranteeing Urban Residents’ Minimum Standard of Living,” which stipulates that urban residents with non-agricultural permanent residence permits whose family’s per capita income is lower than the local urban residents’ minimum standard of living can receive basic subsistence assistance from the local government; those with neither source of income nor working capability, nor legal guardian, supporter or fosterer can receive in full the minimum living allowance according to the minimum living standard of local urban residents. The minimum living standard is decided primarily on the basis of urban residents’ average income and consumption level per capita, the price level of the previous year, the consumption price index, the local cost necessary for maintaining the basic livelihood, other connected social security standards, the materials for the basic needs of food, clothing and housing, and the expenditure on under-age children’s compulsory education. Meanwhile, consideration must also be given to the level of local socio-economic development, the number of people eligible for receiving the minimum living allowance and the local government’s fiscal capacity. Funds for this purpose are included in the fiscal budgets of the local governments. For local governments that have very tight budgets, the Central Government will provide financial support. By the end of 2003, there were 22.47 million urbanites nationwide drawing the minimum living allowance, which was an average of 58 yuan per person per month. A total of 15.6 billion yuan for the minimum living allowance was allocated from government budgets at central and local levels in 2003, which included the 9.2 billion yuan of the Central Government’s subsidies to the disadvantaged central and western regions.

### **X. Social Security in Rural Areas**

The majority of the Chinese people live in rural areas, where the economic development level is comparatively low. In the rural areas the land, as a means of both production and livelihood, is owned collectively where the contractual household output-related responsibility system is practiced. Under the influence of China’s traditional culture, there is a time-honored tradition of provision by the family, security coming from self-reliance and help from the clan. In accordance with the characteristics of rural socio-economic development, the state’s social security measures in rural areas are different from those practiced in cities.

### Experimenting to Establish an Old-Age Insurance System in Rural Areas

The old-age security in China's rural areas is centered mostly on families. In the 1990s, China began to try out an old-age insurance system in some of the rural areas in accordance with the actual level of local socio-economic development. In light of the principle that "the premiums are paid mainly by individuals themselves, supplemented by collectively pooled subsidies and supported by government policies," an old-age insurance system with the accumulation of funds taking the form of personal accounts was established. By the end of 2003, the work of old-age social insurance had been carried out to various extents in the rural areas of 1,870 counties (cities, districts). Some 54.28 million people had underwritten the old-age insurance program, which had accumulated a fund running to 25.9 billion yuan, with 1.98 million farmers drawing old-age pension. In 2004, the Chinese government began to experiment with a system that supports and rewards households that practice family planning by having only one child or two girls in some of the rural areas. Each person of such couple may receive a minimum of 600 yuan a year from the age of 60 till the end of his or her life. This reward will be provided jointly by the central and local governments.

### Establishing a New Rural Cooperative Medical Service System

In order to guarantee that farmers' basic medical needs are satisfied, to alleviate their medical burdens and to address the problem of poverty caused by illness or prevent them from getting poor again because of illness, in 2002 the Chinese government began to set up a new rural cooperative medical service system based mainly on a financial-pool-against-serious-disease scheme. Farmers can participate freely in such a cooperative medical system, which is organized, led and supported by the government with funds coming from the government, collectives and the beneficiaries. At present, the system is being tried out in 310 counties (cities) in 30 provinces, autonomous regions and municipalities directly under the Central Government. By June 2004, the system had covered 95.04 million rural residents, with 68.99 million participants and 3.02 billion yuan in raised funds, of which 1.11 billion yuan was in the form of financial subsidies from local governments at various levels, and 390 million yuan was in the form of Central Government subsidies to the central and western regions.

### Practicing Rural Social Relief

The "five guarantees" system was initiated in China in the 1950s. In 1994, the State Council issued the "Regulations Concerning the Work of Providing the 'Five Guarantees' in the Rural Areas." It stipulates that elderly people, disabled people and minors meeting the following conditions in rural areas can enjoy the "five guarantees" of food, clothing, housing, medicare and burial expenses (compulsory education for minors): Those who have no legal guardian to provide for them, or whose legal guardians are unable to provide for them; those who have no working ability; and those who have no source of income. To take care of elderly people in the "five guarantees" category who cannot look after themselves alone, homes for the aged have been built, and have gradually become a major form of providing the "five guarantees" for the elderly. By the end of 2003, there were 2.545 million people covered by the "five guarantees," and 24,000 homes for the aged providing accommodation for 503,000 elderly people in this category.

In view of the uneven economic development and the large disparity in financial conditions between regions, the Chinese government encourages areas with adequate capacity to establish a system that guarantees the minimum standard of living for rural residents. In other areas, the basic subsistence relief system covering destitute households is practiced under the principle of "government relief, social mutual help, offspring support and stabilized land policy." Meanwhile, medical relief is provided for sick farmers who are in great difficulty. By the end of 2003, there were 12.57 million poverty-stricken people in rural China who enjoyed the minimum living allowance and subsistence relief for destitute households.

### **Conclusion**

After years of experiments and practice, a social security framework with Chinese characteristics has taken initial shape. However, China still has a long way to go to develop its social security services to a satisfactory level. The aging of the population will put more pressure on the old-age pension and medicare expenditure, while the progress of urbanization will make the establishment and improvement of a social security system covering both urban and rural areas more urgent. More employees of non-state-owned businesses and people employed in a flexible manner will be covered by the social insurance system as employment forms become more diversified. All this will raise new requirements for the smooth operation of China's social security system and for the establishment of a long-term mechanism which will ensure the sustainable development of the social security services.

To press ahead with the improvement of the social security system is an important task for the Chinese government in its efforts to build a moderately prosperous society in a comprehensive way. The increase in China's overall economic strength as a result of the sustained, rapid, coordinated and healthy development of China's national economy, the implementation of the scientific concept of overall, coordinated and sustainable development, and a social security system suited to China's national conditions and established after many years of exploration, will pave the way for China's social security system to develop continuously. In the years to come, the Chinese people will benefit more from the nation's development and progress, and enjoy more plentiful fruits of its material civilization.

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