THE CHANGING PATTERN OF POVERTY IN CHINA: ISSUES FOR RESEARCH AND POLICY

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SUMMARY

Under the Maoist regime, China was held up by many as a successful model of development, providing basic needs including primary health care and education to a large population at very low levels of income. Since reform, the country has again become a 'model' of poverty reduction through economic growth. Despite manifest achievements, however, the numbers remaining in poverty – 65 million according to the most conservative estimate – make poverty reduction in China a pressing development issue. Through a review of the evidence on the changing pattern of poverty in post-Mao China, this paper points towards 'new' forms of poverty which are emerging as a consequence of reform, but which are inadequately dealt with through current region-focused anti-poverty programmes. The core of extreme poverty is found in remote, often mountainous, interior regions which have been largely by-passed by recent economic growth. However, market reforms, despite raising many people out of poverty, also create new sources of risk and vulnerability, potentially creating poverty among new groups of people located outside the designated 'poor regions'. This trend is likely to be exacerbated by current enterprise reforms which may have a significant impact on rates of urban poverty. A new approach to poverty reduction policy is required which concentrates not only on poor regions, but also considers the more complex and dynamic nature of poverty which inevitably accompanies the diversification and marketisation of the economy.

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ABBREVIATIONS

ACFTU	All China Federation of Trade Unions
ACWF	All China Women's Federation
CCC	China Community Corps
DPF	Disabled Person's Federation
FAO	UN Food and Agricultural Organisation
FGH	"Five Guarantee Household"
FYP	Five year plan
IFAD	International Fund for Agricultural Development
IMR	Infant mortality rates
LGPR	Leading Group for Poverty Reduction
LI	Labour Insurance
MCA	Ministry of Civil Affairs
MCH	Maternal and child health
MMR	Maternal mortality rates
MOF	Ministry of Finance
MOFTEC	Ministry of Foreign Trade and Economic Co-operation
MOH	Ministry of Health
MOL	Ministry of Labour
MOP	Ministry of Personnel
MSF	Medicins Sans Frontières
PADO	Poor area Development Office
PHC	Primary Health Care
PHS	Public Health Services
PLA	Peoples Liberation Army
PRA	Participatory Rural Appraisal
SCF	Save the Children Fund
SSB	State Statistical Bureau
TVE	Town and Village Enterprises
UNDP	United Nations Development Programme
UNFPA	United Nations
UNICEF	United Nations Childrens Emergency Fund
WFP	World Food Programme

1 INTRODUCTION

China has attracted international attention since the early 1980s for unprecedented, sustained rates of economic growth which have delivered rising incomes and improved living standards to a majority of the population. In ways comparable to the other dynamic economies of East Asia, widely spread gains from rapid growth have brought about a dramatic reduction of poverty. Despite this signal success, however, a fundamental rethinking is now underway in China about the definition and measurement of poverty, its incidence and distribution, and the appropriate policy mechanisms for addressing the problem. For however one chooses to define poverty, the sheer numbers of poor people in China – over 65 million according to the most restrictive definition or 350 million taking a more generous poverty line – make poverty a major domestic and international concern.[1] Should current rates of economic growth falter, many existing problems would rapidly worsen while the capacity of the Chinese government to pursue its existing anti-poverty strategy would be compromised.

Until very recently, the main focus of government policy was on regions defined as poor, with the objective of policy being to raise average incomes in these regions above a set level, and hence to eliminate poverty, by the year 2000. This regional poverty focus emerged following the start of market oriented reforms in 1978 when the coastal economy boomed while rural, western and interior provinces grew more slowly or stagnated, leading to large regional income disparities. More recently, however, attention has increasingly turned to an alternative view which sees poverty as potentially a consequence of the process of economic reform, rather than arising from the lack of reform. This new approach looks at the country as a whole rather than at regions defined as 'poor', and concentrates at the level of the individual and household rather than the locality. We distinguish between these approaches which focus on 'old' and 'new' poverty.

While the 'old' poverty is rooted in regions which are ecologically deprived and structurally outside market development, the 'new' poverty stems from the insecurities and vulnerabilities which arise in part from market-oriented development and can be found in 'rich', 'medium' and 'poor' regions. An analysis of poverty in contemporary China must move beyond the narrow ecological view and explore more dynamic and elusive forms of poverty. Rapid transition since the early 1980s has exposed a large section of the population, particularly rural residents, to new risks associated with market liberalisation; at the same time, collective welfare services which had previously provided some minimum level of security, have been eroded. Growing regional and household level inequalities, together with demographic change (notably the ageing population) and mass population mobility are putting increasing pressure on previous mechanisms for the reduction of poverty. These changes are leading to the emergence of new groups who are increasingly at risk of short-term poverty, and potentially of falling into longer term poverty traps, but who may be located outside the regions of concentrated poverty and thus fall outside the scope of the government's current poverty reduction efforts. They are likely to demand increasing attention from agencies responsible for social assistance and relief, in turn requiring fresh thinking on the part of researchers and policy makers about how to identify and analyse poverty as an increasingly multi-dimensional phenomenon.

The purpose of this paper is to provide an overall profile of poverty and poverty reduction in China. This includes an examination of questions of definition and measurement, an analysis of patterns and trends in the incidence of poverty, and a description of current mechanisms for reducing poverty and social distress. On the latter, we review both targeted anti-poverty programmes and broader programmes of social welfare and assistance of the Chinese government, and the range of poverty programmes undertaken by international agencies. We conclude by suggesting ways in which researchers and policy analysts can come to terms with the changing realities of poverty in China. The paper is based on an extensive review of existing secondary literature and primary data sources, as well as interviews and field research in China undertaken by the authors over recent years.

2 A PROFILE OF POVERTY IN CHINA

2.1 Perceptions and Definitions of Poverty

A discussion of the changing nature and distribution of poverty in China must start with the definitions of poverty used by those responsible for collecting data and setting poverty lines. How poverty is conceptualised within China, and its implications for policy, can be illustrated through a brief review of approaches to poverty reduction in the pre- and post-Mao eras.

(i) Background

Eradication of absolute poverty was accepted as a central responsibility of the government in Maoist China (1949-1976). During this period, an egalitarian ideology lay behind the establishment of collective provision of basic welfare guarantees. Minimum standards of living were maintained through institutional arrangements to prevent extreme destitution. In the countryside, where the vast majority of the population lived, these arrangements involved the collective organisation of agricultural production with basic social services provided by the collective. The most severe deprivation of food was avoided, except during periods of widespread famine, by the transfer of grain to the poorest regions. Urban living standards were maintained through the ‘iron rice bowl’ system by which urban residents were guaranteed employment in state and collective work-units, access to housing, pensions, health and education, and rations for food and clothing. Although urban wages were restrained by a ‘low wage’ policy, living standards in the cities were far superior to those in the countryside. In addition to collective and work-unit provision, targeted interventions were designed to assist the most destitute in both rural and urban areas.

While the Maoist system has often been held up as a model for its achievement in reducing poverty, it had serious deficiencies. Institutionally enforced egalitarianism reduced the incentives necessary for promoting growth; whereas egalitarianism may have operated at the level of the work-unit or locality, mechanisms for redistribution between units or localities were inadequate; and, most tellingly, on the eve of the reforms in 1978 it is estimated that no less than 250 million people, or 30% of the rural population, lived in poverty.

Following the start of reform in 1978, the ideological commitment to the elimination of poverty remained, but views on the appropriate mechanisms for achieving this changed. Reducing poverty was now

regarded as a question of raising levels of productivity and growth, and allowing some people to 'get rich first' as a stimulus to greater economic competitiveness. In the early 1980s, when rural production boomed and per capita incomes rose rapidly, optimism about this path seemed fully justified. However, by the middle of the decade it was apparent that not only were rates of growth in rural areas slowing, but significant numbers of people in extensive regions of the country were not participating in the rapid rise in living standards. By the end of 1985, it was estimated that 102 million rural people (12.2% of the rural population) had an annual per capita income of under 200 *yuan* or 50% of the national average (Leading Group, 1989:38). It was also clear that the poorest people tended to be concentrated in remote, inland regions with poor natural resource endowments and limited infrastructure.

While the distributional impact of economic growth raised questions about the viability of a growth-mediated approach to poverty reduction, the political sensitivity of growing inequalities also increased, particularly following the upheavals of Tiananmen in 1989. The government has become increasingly concerned about the maintenance of social and political stability in the midst of rapid economic transformation, and the alleviation of mass poverty and the reduction of growing inter- and intra-regional disparities are regarded as essential for avoiding potential unrest which might threaten economic growth.

(ii) The official definition of poverty

To address these changing perceptions of the nature of poverty and how it should be addressed, a nation-wide poverty reduction programme was established in 1986. The Leading Group for the Economic Development of Poor Areas (LGPR) under the State Council, and its executive office – the Poor Area Development Office (PADO) – were set up with the task of reducing poverty, primarily through raising productivity, in designated poor regions. The geographic unit of targeting was to be the county[2], and a national poverty line was established for determining which counties would receive assistance.

Based on 1985 rural income and production data collected by the Ministry of Agriculture,[3] a county was designated 'poor' if (a) average annual rural per capita income was below 200 *yuan*; or (b) average per capita grain production was below 200 kg per year. According to these criteria, 328 counties became nationally designated poor counties eligible for government funding and preferential treatment; a further 368 counties were provincially designated poor counties based on poverty lines set by the province, which ranged from 200-500 *yuan*. Counties meeting the national criteria tend to be located in interior provinces with a poor natural resource endowment. In 1994, to reflect increases in the cost of living, the poverty line was revised to 500 *yuan* and, as of 1996, 592 counties (or 27.6% of China's 2142 counties) are targeted for assistance. These poor counties continue to form the domain of the central government's poverty reduction efforts with policy effectiveness assessed by success in raising the average incomes in these poor counties above the official poverty line.

China has continued to rely on the relatively narrow definition of income poverty embodied in the poverty lines described above for evaluating the incidence and trends in poverty, and for targeting poverty interventions. This conceptualisation of poverty is open to criticism on several grounds. First, the unit of aggregation – the county – obscures significant variations between households and communities. Second,

since county figures are based on household level data, they are unable to capture the uneven distribution of resources within the household and thus fail to provide an adequate description of intra-household poverty; individual differentials in well-being and capabilities are masked and gender differentials in poverty are hard to measure. Third, this definition ignores important non-income features of the poor, and conceals the increasingly complex nature of poverty in China's economic transition.

This last issue has been illuminated by the recent development of participatory approaches for researching poverty. Such work is illustrated by the study presented in Box 1 which describes alternative ways in which urban residents define poverty, and the implications for setting poverty lines.

Box 1: Alternative ways of looking at urban poverty

Tang (1996) used participatory methods to examine urban poverty in Changzhou City and Yancheng City, Jiangsu Province. Life style indicators of poor households were determined through consultation with various community members, and interviewees from sample households were then asked to select the indicators which they thought best represented poverty in their area. The findings were summarised by selecting five key poverty indicators for each city, including for example 'unable to eat any meat over two consecutive days', 'cost of clothing 60 *yuan* per year or below' and 'unable to pay primary school fees'. Further questions were designed to identify categories of living necessities, which were correlated to different levels of poverty. Based on the selection and ranking of responses, the following levels of poverty line were defined.

Levels of poverty line	**Categories of necessities**	**Frequency of Public Selection (%)**	
		Changzhou	**Yancheng**
Subsistence Line	1. Food	96	92
	2. Housing	91	89
	3. Daily incidentals	84	94
	4. Medication	83	79
Hand-to-mouth line	5. Clothing	73	71
	6. Education	54	67
Development line	7. Entertainment	45	39
	8. Others	43	24

Source: Tang 1996

Alternative approaches to the definition and measurement of poverty, which take into account the experiences and perceptions of those living at low levels of income, can assist in understanding key dimensions of change in the poverty process. These questions are of growing interest to policy makers and analysts concerned both with the well-being of the population and with the maintenance of social stability. For example, at a local level, alternative approaches to defining and measuring poverty or basic needs may inform initiatives to set 'minimum livelihood lines' on which entitlements to social relief are now being established.

2.2 Trends in Growth and Poverty

Rapid and widespread growth since the early 1980s has been the major factor leading to rising per capita incomes for large sections of the Chinese population and in the accompanying reduction in poverty. Major indicators of economic and social development up to the mid-1990s are summarised in Table 1. According to official figures, China's GDP growth rate averaged 10% per annum in real terms between 1981 and 1996 (SSB 1997)[4]. Assisted by low rates of population growth of 1.4% per annum over the same period, per capita income also increased at unprecedented rates, doubling first between 1978 and 1987 and again between 1987 and 1996 (World Bank 1997b: 4).

Table 1: Economic and social indicators for China

Area[1]		9,561,000 square km
Population (end 1995)		1,211 million
of which	% Urban[3]	29
	% Rural[3]	71
Annual Population Growth Rate[2]		1.2%
Exchange Rate in 1997		8.3 *yuan* = US$1
GNP per capita 1995[4]		US$ 620
Average Annual GNP growth 1985-1995[4]		8.3%
GDP per capita 1995[4]		US$ 581
Average Annual GDP growth 1990-1995[4]		12.8%
Household per capita income 1995:	Urban[3]	3,893 *yuan*
	Rural[3]	1,578 *yuan*
Average annual growth in household per capita income 1991-1995	Urban[3]	7.7%
	Rural[3]	4.5%
Life Expectancy at Birth[5]		68.9 years
	Male[5]	66.9 years
	Female[5]	71.1 years
Infant Mortality Rate[6]	Total	43 per 1000 live births
	Rural	41.6 per thousand
	Urban	14.2 per thousand
Maternal Mortality[6]	Rural	76 per hundred thousand
	Urban	39.2 per hundred thousand
Human Development Ranking[5]		108

Sources:
1. Economist Intelligence Unit 1997
2. World Bank 1996
3. State Statistical Bureau 1996
4. World Bank 1997b (1995 data)
5. UNDP 1997a (1994 data)
6. UNDP 1997b

The benefits of this rapid growth have been quite widely distributed, although with different sectors and regions benefitting at different times and to different degrees. The initial growth was driven by reforms in the agricultural sector, notably decollectivisation, the introduction of the Household Responsibility System and increases in prices for farm products leading to large productivity gains. The result was an average increase in rural per capita income of 14% per annum between 1978 and 1984 (World Bank 1997a:11).

Once the initial productivity gains had been exhausted, agricultural output slowed, resulting in per capita income growth of under 3% per annum until 1990. Further measures to liberalise prices and improve terms of trades for farm products led to some revival, with rural incomes growing at an average of 5% between 1991 and 1996, though still below the 7% growth rate for urban incomes (SSB 1997).

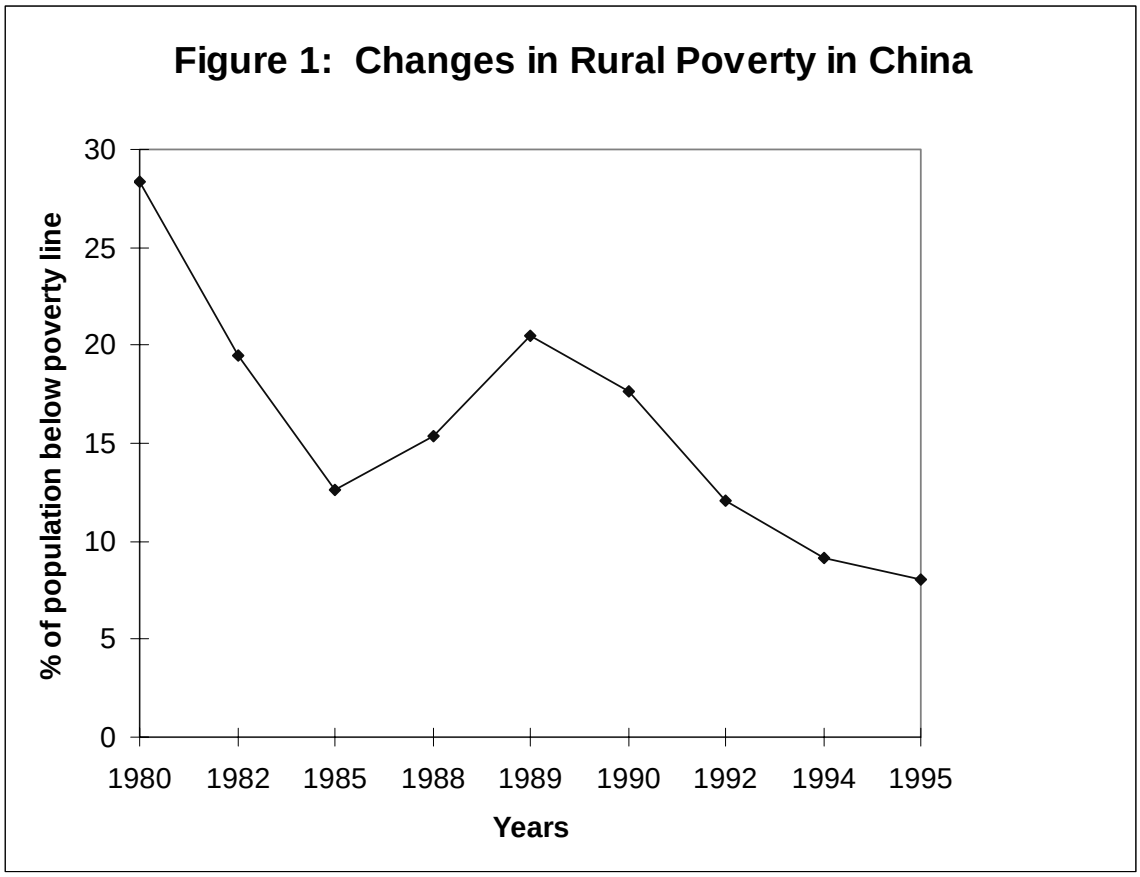
Changes in the pattern of poverty reduction closely mirror the trends in growth. Since the start of economic reforms, the general trend has been towards a reduction in poverty, but this has not been uniform over time, regionally or between rural and urban sectors. Problems of definition and measurement exacerbate the difficulty of establishing accurate national trends in the level and distribution of poverty, as illustrated by the measures and numbers presented in Table 2. Between 1978 and 1986, prior to the establishment of a national poverty line, the State Statistical Bureau estimated that rural poverty halved to 125 million or 14.8% of the rural population. As of 1995, official estimates of poverty in China based on the national poverty line were approximately 65 million. By contrast, the World Bank using an internationally comparable purchasing power parity (PPP) measure of $1 per person per day, estimates poverty to be as high as 350 million (World Bank, 1996). This compares with the previous measure which the World Bank used in its 1992 report on poverty in China – 60 cents per person per day – which projected poverty in 1993 at under 100 million. Using this 60 cent standard, approximately 90 million Chinese people are now in poverty (World Bank, 1996).

Table 2: Comparing poverty lines and numbers

Date	Source of estimate	Poverty Line	No. of poor / % population
1978	State Statistical Bureau estimate		250 million people or 30% of rural population.
1985	State Statistical Bureau estimate	2,100 k.calories a day	125 million people or 14.8% of population
1985	Leading Group for Poverty Reduction (1986)	Annual per capita income of 200 yuan or 200 kg of grain	102 million rural people or 12.2% of rural population in 328 national level and 368 provincially designated 'poor counties';
1993	World Bank (1992)	275 yuan at 1990 prices or 2150 k.cal per day (60 cent per day)	Approx. 100 million people
1994 1996	Leading Group for Poverty Reduction (National '8-7' Poverty Plan)	Annual per capita income of 500 yuan	592 poor counties; 1994 – 80 million people or 6.9% of population 1996 – 65 million people
1995	World Bank (1996)	International comparable PPP $1 per person per day at 1985 prices	350 million people or 26.9% of population
1995	World Bank (1996)	Using 1992 60 cent per day standard	90 million people

The large differences in numbers of people in poverty illustrate the arbitrariness often involved in characterisations of 'poverty'. A simple shift of measure can increase or decrease the incidence of poverty five-fold, and the reasons underlying the definitions and measures are likely to be political.

Based on State Statistical Bureau data, poverty reduction in rural areas – home to over 70% of the population and the vast majority of the poor – has fluctuated significantly over time as illustrated in Figure 1. The first major decline in poverty was associated with the early reforms in the countryside. This was followed in the mid-1980s by a period of stagnation in agriculture and an increase in the numbers in poverty. The rapid growth which occurred in the small rural industrial sector during this period appears to have had little impact on average rural incomes. The renewed decline in rural poverty in the 1990s is associated with a resumption of rapid overall economic growth.



Statistics on urban poverty have only been collected since the beginning of the 1990s and they show greater stability than the rural figures (see Table 3), a pattern which perhaps reflects both the buoyancy of the urban economy in the 1990s and the impact of government policies to reduce urban social problems, for example by restricting levels of open unemployment. However, as discussed further below, official figures are generally believed to underestimate the numbers of poor people residing in urban areas.

Table 3: Estimates of urban poverty

Years	Poverty Line (*yuan*)	% of population below poverty line	Number of poor (million people)
1989	642	-	-
1990	696	-	-
1991	752	5.8	14.15
1992	837	4.5	11.25
1993	993	5.1	13.26
1994	1300	5.7	15.26
1995	1547	4.4	12.42

Note: The data are based on 1996 SSB surveys which considered income thresholds in relation to a nutritional standard of 2160 calories per day.
Source: Ren and Chen 1996/Li 1996 cited in Zhu 1997.

The correlations between trends in growth and poverty reduction suggest that growth, rather than anti-poverty policy, has been the major determinant. This pattern suggests the need for caution about the prospects for continued poverty reduction as overall growth rates are likely to decline. It should also be emphasised, however, that institutional and political factors have generated the pattern of growth that has benefited a wide section of the population, both rural and urban. The lessons of China, and of other dynamic Asian economies, should not be taken as implying that poverty will be automatically reduced through rapid growth in other political and institutional contexts.

2.3 The Spatial Distribution of Poverty

(i) Rural poverty

The official definition of poverty, by focusing on people who reside in designated poor counties, highlights its regional dimensions. Chronic poverty tends to be concentrated in rural areas, particularly the remote, resource poor upland areas in the interior provinces of the north-west and south-west. Ethnic minorities constitute a high share of the residents of these regions, and thus a disproportionately high share of the population in poverty. Market reforms have to a large extent by-passed these core poverty areas. Figure 2 shows major regions of concentrated poverty at the time the poverty reduction programme was established in the mid-1980s.

While government policy is focused on these areas of chronic and intractable poverty, there is increasing evidence that large numbers of poor people reside in non-poor counties. An unpublished study of the northern province of Shanxi suggests that, in addition to the 3.81 million people living in 34 centrally-designated and 16 province-designated 'poor' counties, there are 1.46 million poor people living in 160 other townships. Moreover, based on evidence from four provinces, the World Bank finds that under 50% of the poor actually live in designated poor counties (see Table 4).

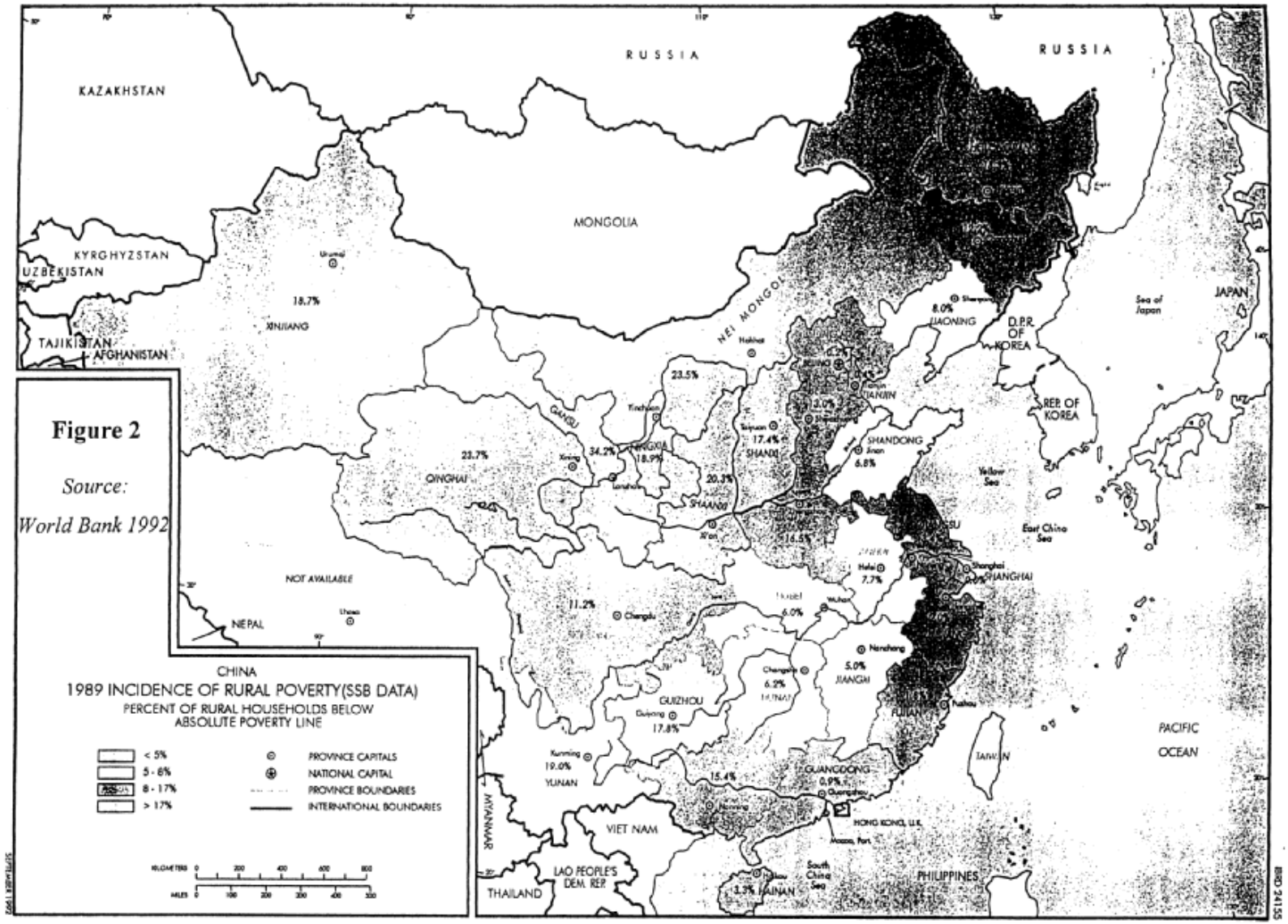

RUSSIA
RUSSIA
KAZAKHSTAN
MONGOLIA
KYRGHYZSTAN
UZBEKISTAN
TAJIKISTAN
AFGHANISTAN
XINJIANG
18.7%
NEI MONGOL
8.0%
LIAONING
D.P.R. OF KOREA
JAPAN
Sea of Japan
REP. OF KOREA
23.5%
3.0%
TIANJIN
17.4%
SHANXI
SHANDONG
6.8%
GANSU
23.7%
QINGHAI
34.2%
NINGXIA
18.9%
20.3%
SHAANXI
16.5%
Yellow Sea
East China Sea
SHANGHAI
7.7%
NOT AVAILABLE
NEPAL
11.2%
6.0%
5.0%
JIANGXI
6.2%
HUNAN
GUIZHOU
17.8%
FUJIAN
PACIFIC OCEAN
TAIWAN
Kunming
19.0%
YUNNAN
15.4%
GUANGDONG
0.9%
HONG KONG, U.K.
Macao, Port.
VIET NAM
MYANMAR
THAILAND
LAO PEOPLE'S DEM. REP.
South China Sea
3.3%
HAINAN
PHILIPPINES
BRD 24155
Figure 2
Source:
World Bank 1992
CHINA
1989 INCIDENCE OF RURAL POVERTY(SSB DATA)
PERCENT OF RURAL HOUSEHOLDS BELOW ABSOLUTE POVERTY LINE
< 5%
5 - 8%
8 - 17%
> 17%
PROVINCE CAPITALS
NATIONAL CAPITAL
PROVINCE BOUNDARIES
INTERNATIONAL BOUNDARIES
KILOMETERS 0 200 400 600 800
MILES 0 100 200 300 400 500

Table 4: Per cent of poor living in poor counties

Province	1985	1990
Guangdong	38.86	41.73
Guangxi	48.21	49.19
Guizhou	48.70	53.07
Yunnan	39.91	42.71
Total	**45.44**	**48.15**

Source: World Bank 1997b

These figures highlight the problems of reaching the poor when the notion of a 'poor county' is used for identification. Furthermore, while many poor people are excluded by virtue of their location from the benefits of anti-poverty programmes, there is evidence that within the designated poor counties, the better-off households and townships are the main beneficiaries of such programmes. A shift in the focus of poverty interventions from the county to smaller units such as the township, village or household would be a first step in addressing this problem.

Targeting poverty programmes at smaller units, such as the household, requires more refined mechanisms for identification of the poor. Unlike the situation in many low income countries, landlessness is not a major feature of poverty due to a system of land distribution which allocates collectively-owned land within the village on a per capita basis. This system is generally regarded as providing at least a minimum safety net for large numbers of poor households. Key characteristics of poor households are that they tend to have few productive assets, to be dependent on crop cultivation and to have limited opportunities for moving labour off the land or diversifying into activities with higher returns. Increasingly it is recognised that ill-health, with related direct expenses and loss of labour and thus of income, is a major cause of poverty among rural households.

(ii) Urban poverty

Urban poverty has received less attention from policy makers, and data are limited. This is in part because China has relatively low levels of urban poverty but is also due to the problems of establishing general poverty lines in the context of rapid changes in prices and large regional variations. According to recent Chinese data, in 1995 12.4 million people, or 4.4% of the urban population, lived below the urban poverty line set at an annual per capita income of 1547 *yuan* per capita (see Table 3 above). According to the World Bank (1997b), however, no urban residents have incomes below the absolute poverty line. In regional terms it has been claimed that much urban poverty is concentrated in regions where a high incidence of rural poverty exists. Zhu (1997:45) suggests that 85% of the urban poor are located in economically less developed urban areas in the central and western regions where per capita income levels are 30% of those for average urban residents.

It is also clear that many of the urban poor are not captured in official statistics and definitions so that government estimates of urban poverty probably represent a significant underestimation. As illustrated in Table 5, poor urban households tend to have more members and fewer income earners, are less likely to

work in state-owned enterprises (SOEs), and are more likely to be unemployed. Retired workers are less likely to fall into poverty due to the relatively generous pensions provided by enterprises. A major new cause of hardship among the urban population is labour shedding from SOEs although many redundant workers have been kept formally on the books to avoid open unemployment and destitution. Female workers are disproportionately likely to lose their jobs or be given 'early retirement'. Further research is needed to assess whether the enterprise reforms are escalating the problem of urban poverty. Moreover, most rural migrants in the cities have considerably lower living standards than urban residents but as they are officially registered as rural residents they are not included in the urban poverty figures.

Table 5: Characteristics of the urban poor (bottom 5% of households)

	Unit: 100 households		**Percent of household members**	
	Average	**Bottom 5%**	**Average**	**Bottom 5%**
No. of household members	321.7	383.1	100.0	100.0
No. of income earners in household	234.3	209.9	72.8	54.8
Male	118.6	113.9	36.9	29.7
Female	115.7	96.0	36.0	25.1
No. of employed in household	185.6	167.7	57.7	43.8
Male	96.6	93.1	30.0	24.3
Female	89.0	74.7	27.7	19.5
Average age of household members	35.0	33.0		
	Unit: 100 households		**Percent of household members**	
Employment Status:	**Average**	**Bottom 5%**	**Average**	**Bottom 5%**
No. of household members	321.7	383.1	100.0	100.0
State-owned	145.9	109.8	45.4	28.7
Collective-owned	26.9	43.8	8.4	11.4
Joint venture or foreign-owned	2.5	0.7	0.8	0.2
Private-owned, self-employed	2.8	8.9	0.9	2.3
Private-owned, employed	1.1	1.7	0.4	0.4
Retirees, re-employed	5.5	1.5	1.7	0.4
Other employment	0.8	1.5	0.2	0.4
Retirees	35.1	25.0	10.9	6.5
Disabled workers	0.7	2.2	0.2	0.6
Household workers	4.3	21.7	1.3	5.7
Waiting for jobs	5.6	21.7	1.7	5.7
Waiting for job assignments	0.4	2.2	0.1	0.6
Students	62.5	86.7	19.4	22.6
Waiting for entry into high education	0.1	.01	0.0	0.0
Other	27.4	55.8	8.5	14.6

Source: World Bank 1997b

2.4 The Demographic Distribution of Poverty

(i) Household structure and age

The incidence of poverty varies according to a range of demographic factors – particularly age and gender – which in turn affect household composition and dependency ratios. Owing at least in part to China's strict family planning policy, household size has declined steadily, particularly in urban areas. Between 1980 and 1996 the average size of urban households declined from 4.2 to 3.2 persons, and of rural households from 5.5 to 4.4 persons. In rural areas family structures may have been further weakened by large scale migration

of household members to cities and wealthier regions, generally involving the loss of the more productive, younger labour power. Household studies indicate that the dependency ratio is an important determinant of income levels, and that large households tend to be poorer. These findings together suggest that young families with children, especially if they are also supporting elderly parents, are more likely to be poor.

Older people, whether in rural or urban areas, are generally looked after by family members, and poverty amongst them has not yet emerged as a major problem. Only in the absence of family members do they become dependent on the state. In urban areas, moreover, retired workers are less likely to be poor due to a reasonably effective pension system, although pensions are vulnerable to rapid price rises, as seen during the inflationary period of the early 1990s. It is also becoming increasingly difficult for state owned firms to honour their pension commitments to former employees. Furthermore, increasing numbers of people who work in the private and collective sectors fall outside the formal social insurance system and over the longer term are likely to form a higher proportion of the urban poor.

Looking to the future, older people form a group of particular concern based on their increasing numbers. China's demographic profile has been rapidly ageing since the early 1980s. The population aged 60 and above is expected to increase from 76.64 million in 1982 to 127 million in 2000, with their proportion in the total population rising from 7.6% to 9.8 %. Discussions suggest that this number will increase to 229 million or 15.2% of the population by 2020, and that at the peak of the ageing process there will be 374 million older people making up 24.3 % of the total population (CRCOA, 1994:34 in Shang, 1997). Overall, the changing demographic profile presents serious challenges to China's social security system and is likely to exacerbate existing problems over the financing of social assistance, welfare payments and health care.

(ii) Gender

The gender dimensions of poverty and deprivation are not widely recognised or addressed within government policy and programmes, but certain elements are attracting more attention. A strong tradition of son-preference combines with family planning policies to adversely effect the survival and welfare of girl children.[5] While figures on the sex ratio vary, there is no doubt about the adverse ratio for girls. In 1994, official data showed a ratio of 116.3 males to 100 females at birth and 104 to 100 in the overall population. There is also evidence of dramatic increases in the ratio beyond the first birth; for example, a study of one county in Guizhou found the sex ratio of total births in 1995 to be 112.4; with 104.6 for first births, 119.3 for second births and 156.8 for additional births (SWB, 23/6/97).[6]

Standard income measures based on household data have been interpreted as evidence that women are not disproportionately represented among the poor (World Bank 1992), and thus that gender differences in the incidence and severity of poverty are not substantial (Zhu, 1997:44). This interpretation assumes an equitable distribution of income among household members, and fails to capture either intra-household allocation issues or how poverty may be experienced differently by individuals within the same household. Furthermore, the use of a large geographic unit – the county – as the category for identifying poor people obscures the possibility that some individuals within non-poor households are more likely to be poor. Other

indicators point to important gender differences in non-income indicators of poverty. The All China Women's Federation (ACWF), in a study which defines poverty in terms of lack of control over material resources and consumption of material goods, claims that poor women constitute over half of the absolute poor and experience a greater depth of poverty (Zhang 1995).

Some key indicators which point to gender differences in the experience of poverty are discussed below.

- Infant mortality rates (IMR) and under five mortality differ by gender. An MoH study in 1992 which found large differences in IMR, also found that differences existed in access to health services 24 hours prior to death which might in part account for the mortality differences: 60% of baby boys, but only 40% of girls received medical attention. Lack of access to medical care and unsanitary conditions for childbirth result in high rates of maternal as well as infant mortality.
- Clear differences exist in access to education at all levels. In rural areas girls comprise over 80% of children not attending primary school, and in some poor villages 50% of boys and almost 100% of girls do not attend school (World Bank 1997c). Moreover, women made up 70% of the 182 million adults who were illiterate in 1990 and account for 80% of the two million new illiterates emerging each year.
- Women have more precarious access to land and in certain regions their entitlements appear to be decreasing. In Hunan province, for example, a widely adopted system of land allocation is based on an assumption that daughters will marry outside the community. Females are thus allocated an amount of land which is reduced as they get older, and withdrawn totally by the age of 25. The allocation for boys increases to an amount capable of supporting a family over the same people. This system reinforces the dependence of women on their husband and his family.
- Women are generally disadvantaged in access to employment and receive lower wages than men. In urban enterprises, they are more vulnerable to being laid off or given early retirement under conditions of retrenchment. (Hershkovitz, 1996:15). In rural areas, women are increasingly taking on a larger burden of agricultural work in addition to supporting households as men migrate to urban areas on a short or longer term basis. With the spread of markets and the decline of institutional welfare provision, the family has taken on primary responsibility for care and other social services. The burden of this care falls disproportionately on women.

It is significant that many international NGOs and donor agencies recognise the gender dimension of poverty and target their interventions towards women. While important, these interventions are generally unable to address the structural issues which underlie gender differences in poverty, and greater scope remains for integrating gender concerns not merely into poverty reduction programmes but into a broader range of policy measures.

3 POVERTY AND WELL-BEING

3.1 Basic Living Standard Indicators

Several indicators of basic living standards can be identified which are highly correlated with poverty, particularly as it is defined on a regional basis. A summary of selected indicators of basic quality of life are presented in Table 6. The general profile of the poor is that they are more likely to be illiterate, in bad health, and lacking skills, to be members of large families, or to have no family for support; the rural poor, while having access to land, have limited access to other services including basic health care and education; the urban poor are often unemployed and lack productive assets. Poor households on average have a higher dependency ratio and lower education levels.

Table 6: Indicators of basic living standards

Population with access to safe water (1994/5)[1]	83%
Rural (1993)[2]	56%
Urban (1993)[2]	97%
Population with access to health services	
Rural[2]	89%
Urban[2]	100%
Population with access to sanitation	
Rural[2]	7%
Urban[2]	74%
Daily calorie supply per capita	2,729
Prevalence of malnutrition among under 5's (%)[1]	17%

Sources: 1. World Bank 1997c 2. UNDP 1997a (1994 data)

Some of the key dimensions of quality of life are as follows:

- **Land:** Due to the system of allocating land on a per capita basis, landlessness is not currently a major feature of poverty. However, the quality of land in poor regions, and increasing sub-division in all regions, are becoming a problem for rural areas with few non-agricultural sources of income.
- **Food consumption:** Per capita consumption of all non-staple food (particularly pork, fish, poultry and eggs) increased rapidly during the reform period, although meat consumption remains low by international standards. The rural poor are more likely to engage in subsistence production of staple foods and to consume lower quality grain products and few high protein foods, thereby affecting the nutritional status especially of children in these areas.
- **Child malnutrition:** Evidence suggests that large numbers of people in poor areas are malnourished. A 1992 survey in nine provinces found 19% of rural children and 6% of urban children to be moderately or severely under-nourished. Stunting and low weight for age remain problems in the countryside, with stunting reported to affect 45% of children in households below the poverty line in 1987.
- **Water and sanitation:** China has a good record of achievement in the provision of safe water. According to a World Bank report, more than 70% of the population, and almost 68% in rural areas, had access to safe water in the early 1990s (1995:72). Other sources give a lower figure of 56% for rural

areas (see Table 6) which may in part arise from different definitions of rural and urban. From 1978 to 1992, the number of urban households with tap water increased from 81% to 93% and those with access to gas for cooking increased from 14% to 52% (SSB 1993:627).

- **Housing:** China's pre-reform housing system reduced homelessness and urban slums, but urban housing remained seriously overcrowded at the start of the reforms, with 36% of urban families estimated to live in less than two square metres per person. Following a boom in housing construction, by 1994 average living space had increased to eight square metres per person in cities and from eight to twenty square metres in the countryside (SSB, 1996:312). By the mid-1990s, however, over 10% of urban families were still classified as lacking minimum living space or totally without accommodation (Yang and Wang, 1992). At the same time, greater migration into the cities has led to new problems of homelessness and the development of urban slums.

3.2 Health and Education

(i) Health

In the years following the Communist revolution, a broad-based, publicly financed health system made primary care widely available and emphasised prevention and control of infectious diseases, investment in health education, sanitation and improved nutrition (see Table 7 for selected indicators). The result was a steadily declining crude death rate, from 20 per 1000 in 1949 to 6.25 per 1000 in 1978, and a dramatic increase in life expectancy from 40 to 65.

Table 7: Selected indicators of basic health care, 1994

Items	Urban Areas (%)	Rural Areas (%)	Poor Areas[1] (%)	National Average (%)
Residents with access to tap water	94.4	21.8	15	43.2
People with free medical care	53.5	2.7	1.1	15.5
Maternal mortality	50 in 10,000	85 in 10,000	200 in 10,000	100 in 100,000
Infant mortality rate	-[2]	-	80 in 1,000	40 in 10,000
Young couple with a health check-up before marriage	49.2	14.1	1.8	23.2
Home births	10.7	76.7	92.7	59.6
Women receiving gynecological checks and treatment	44.5	12.9	2.6	-

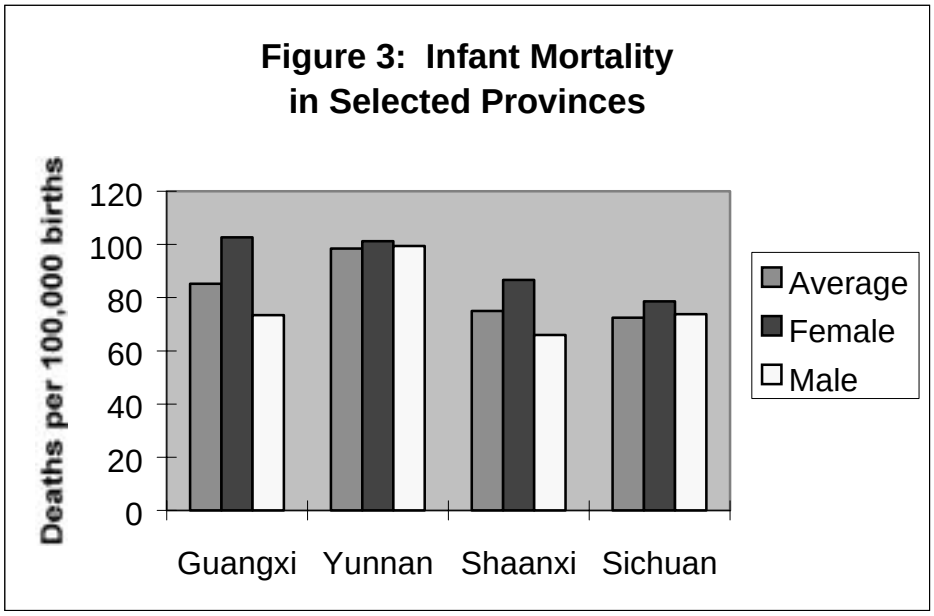
Source: Yin 1994 cited in Zhu 1997

1. Poor areas are those designated by the state and provinces as poor.
2. '–' denotes data is not available.

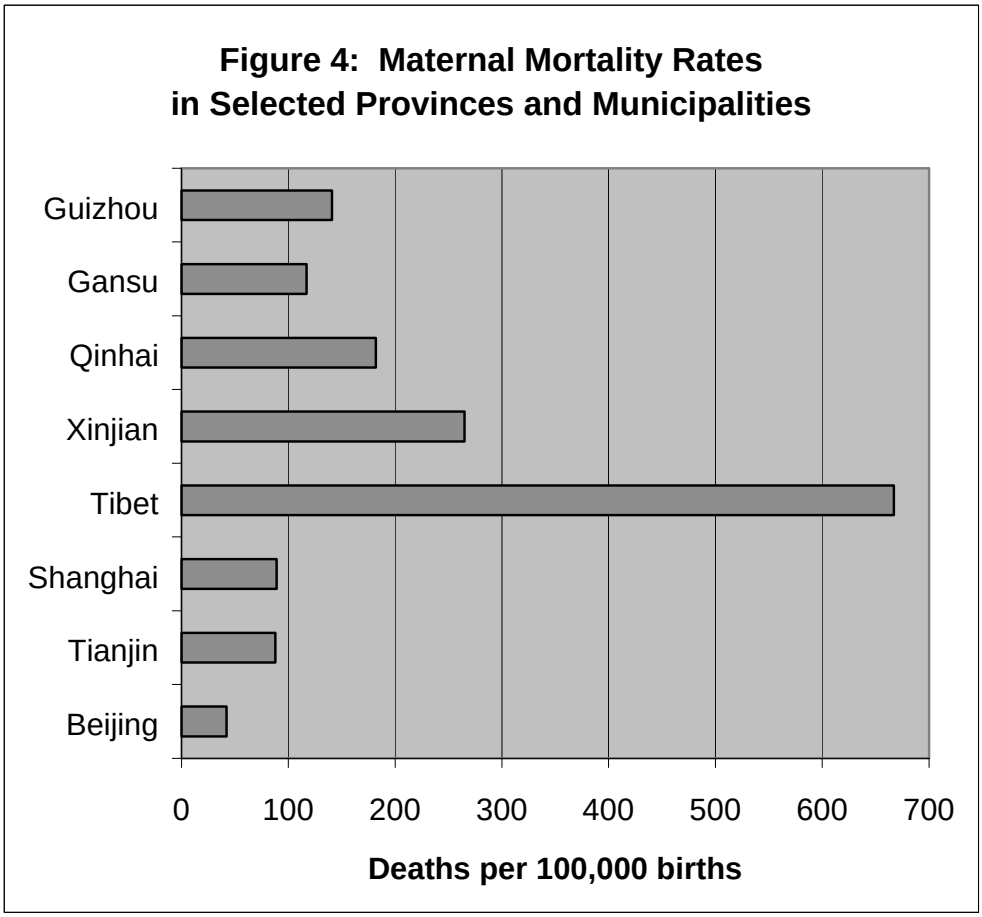
Resources for health care have continued to increase during the 1980s and 1990s, but this increase has been smaller in rural than urban areas and costs have risen. In general, public subsidies have fallen, there has been an increase in user fees and emphasis has shifted to curative care. On the eve of rural reforms in 1979, the rural cooperative health care system covered about 85% of the population; by 1985 less than 5% of villages maintained the system. The absolute poor never had adequate access to health services. Poor households are less likely to have any insurance, and a Ministry of Health survey in 1988 found that one fifth of rural households could not afford health care when ill. As a result of problems in the availability and

quality of services, ill-health is increasingly identified as a major cause of poverty. According to MCA data, about 30% of households become poor because of the illness of a household member (Tang 1995: 65).

There was a slight deterioration in certain health indicators in the early years of reform, though this was generally reversed by the 1990s. Life expectancy may have declined slightly in the early 1980s but remains high at 69 years.[7] Similarly, there is some evidence that infant mortality rates (IMR) increased in the early 1980s but over the period from 1975-1990 the rate has declined. However, the aggregate trend masks large regional differences in IMR, with urban centres having rates below 14/1000 while some rural counties exceed 100/1000 (see Figure 3 for IMR in selected poor provinces). Maternal mortality rates (MMR) are relatively low by developing country standards, although again estimates vary. In the early 1990s, according to Chinese statistics the rate was 5 per 10,000 while UNICEF placed the figure at 9.5 (Lu 1996:24). Like IMR, MMR in poor rural areas are 50-100% above the national average (see Figure 4 for selected provinces and municipalities).



Source – Zhang 1995: 103



Source – Zhang 1995: 108

While preventive health care has reduced the incidence of infectious disease, according to the World Bank up to one-fifth of the population, mostly in rural areas, suffer from unacceptably high levels of illnesses such as acute respiratory infection, tuberculosis, pneumonia, dysentery, parasitic diseases and micronutrient deficiencies. In certain mountain areas, such as parts of Anhui and Shaanxi provinces, iodine deficiency is a major problem and a cause of mental illness. Other new issues have emerged in the past decade including HIV-AIDS which, while still relatively uncommon[8], has implications for the health care system and is likely to impoverish the families of those affected.

(ii) Education

China has achieved an impressive national enrolment rate for primary school age children of almost 99% (see Table 8). However, this does not provide accurate information about drop-out rates, repetition and actual graduation; nor does this figure represent the situation in poor regions. A World Bank survey in poor townships in the South-West China Poverty Reduction Programme found an average enrolment of children aged 6-12 of 65% for boys and 45% for girls. Adult illiteracy in the same counties was 35%; 70% of illiterates reside in the poorest, most remote minority areas and 78% of them are women (see Figure 5).

Table 8: Educational indicators

Literacy rate[1]

Adult Literacy Rate	Total	80.9%
	Male	89.6%
	Female	70.9%

Enrollments (as % of age group)[2]

	Male		**Female**	
	1980	**1993**	**1980**	**1993**
Primary School enrollments*	121	120	103	116
Secondary School enrollments*	54	60	37	51

* These figures also include children and adults of all age groups who attend primary and secondary schools. No supporting data on the drop-out rate is available.

Distribution of primary school pupils (1995)[3]

Urban	13.0%
Counties and Towns	16.5%
Rural	70.5%

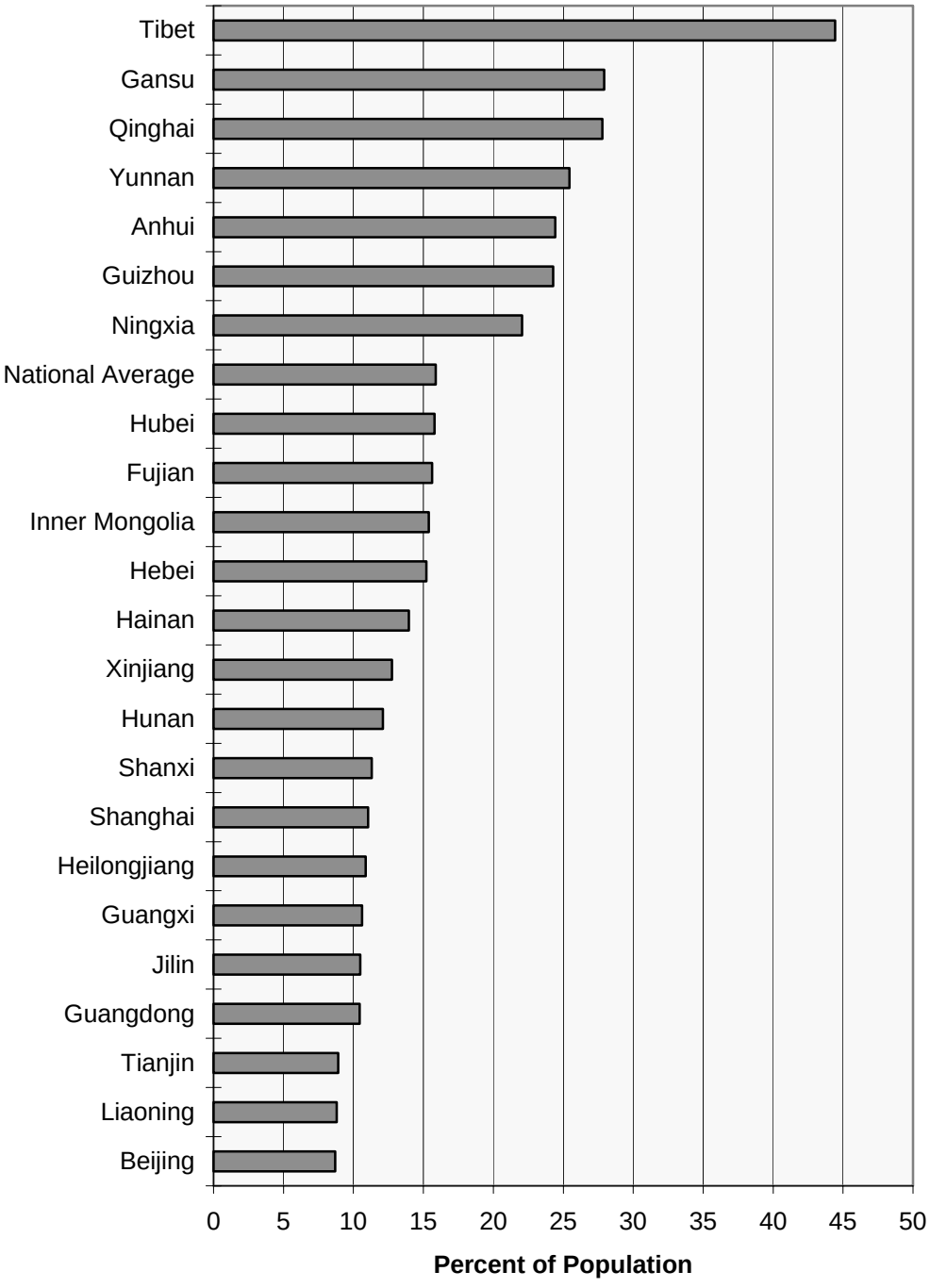
Male	52.7%
Female	47.3%

Sources:
1. UNDP 1997a (1994 data)
2. World Bank 1997b (1995 data)
3. State Statisical Bureau 1996 (1995 data)

Due to the decentralisation of the fiscal system, poor areas have inadequate resources to finance education, teachers are frequently under-qualified and under-paid, and school facilities and equipment are inadequate (Piazza and Liang, 1997:15-6). To finance education, local governments levy fees which may be between 5 and 25% of the annual per capita income of poor households; in poor areas of the south west, annual school fees of 80-100 *yuan* are a major barrier to poor children's, and particularly girls', access to schooling. The deterioration in access and quality of education in poor regions has serious implications for their future development while the low enrolment rate for girls may further exacerbate the problem, given the evidence from other low-income countries of the high rate of return to female schooling.

Both education and health care are being increasingly emphasised as components of the government's poverty reduction programmes, while additional resources for education in poor regions are also being sought through voluntary contributions from people in wealthier regions.

Figure 5: Provincial Illiteracy Rates 1990



SSB 1990 cited in Seifman 1991[9]

3.3 The 'New Poor' and Vulnerable Groups

The focus of the Chinese government's poverty reduction interventions to date has been on populations in areas of chronic poverty who were traditionally vulnerable to poverty. However, while the market reforms provide new economic opportunities for people to emerge from poverty, they are also leading to the emergence of poverty among groups who were not traditionally considered poor or vulnerable. Changes include the following:

- the weakening or dismantling of rural collective welfare and the introduction of user fees for basic services
- greater dependence on markets and hence exposure to market volatility, particularly for agricultural products
- migration and labour force mobility
- reduction of state urban employment guarantees and associated benefits, such as housing, education and health care
- resettlement of populations due to infrastructure and development projects
- new health problems such as those related to environmental pollution and the spread of HIV-AIDS.

There is also increasing concern over the numbers of people who experience short spells of poverty. Although further research is necessary to understand whether this is a problem and who these people are, transitory poverty is likely to effect in particular the large group of 'nearly' poor, living close to the poverty line and vulnerable to slight income fluctuations.

Groups who are increasingly recognised as poor and vulnerable include the following:

- **children**: orphans, disabled and abandoned babies, and those children, particularly females, who are subject to discrimination in access to health and education.
- **elderly, sick and disabled** who lack family support and who are particularly vulnerable to the decline in collective welfare provision; disabled children are a group for whom little provision is currently made.
- **migrants**, particularly from poor regions. While many migrants are not the poorest in their places of out-migration, and the latter benefit from their remittances, migrants themselves are generally insecure in their urban places of work. Frequently without legal registration in the city and lacking social support networks or access to government services, they are vulnerable to victimisation or may turn to illegal activities to support themselves. The vulnerability of young, female migrants to victimisation is a particular concern.
- **urban unemployed**: while this group is not yet a major poverty concern, this may change as the rate of redundancy increases and if the pace of economic growth falters.
- **resettled populations:** People moved to make way for infrastructural or industrial development (roads, railways, dams, factories), often receive inadequate compensation and suffer from the disruption of their former community and family networks.[10]

Resettlement is also suggested as a solution to the chronic poverty problems of some of China's poorest areas in the north west. Limited land endowments, however, mean that resettled populations have to compete for scarce resources with the local inhabitants.

In all the above groups of emerging poor, females tend to be more at risk of poverty or particular forms of deprivation than males – in infancy and childhood, as workers and in their reproductive roles. They have less job security and access to employment; their health status, particularly in rural areas, is adversely affected by the family planning policy; as primary carers in the home, they face a greater burden as social provision deteriorates.

Some of the above groups may be covered by existing welfare or anti-poverty programmes, but the latter may be strained if their numbers increase. Many are currently excluded from such programmes and alternative mechanisms are required to identify and redress their problems. In particular, in order for most of these 'non-traditional' groups of poor people to benefit from poverty reduction interventions, the scope of such programmes needs to expand from the current focus on geographic areas.

4 DOMESTIC POVERTY REDUCTION PROGRAMMES

Chinese government programmes for the reduction and elimination of poverty fall into two main categories: specifically targeted programmes to reduce poverty and general systems of social assistance and insurance which aim to address wider problems of insecurity and distress.

4.1 Poverty Reduction Programmes

(i) The institutional framework

Following the growing recognition that large numbers were not sharing in the benefits of rapid economic growth in the early 1980s, the government established the Leading Group for Economic Development in Poor Areas (LGPR) in 1986 to coordinate poverty reduction efforts. An executive body of the LGPR, the Poor Areas Development Office (PADO) reports directly to the State Council. Many provinces, prefectures and even counties have also established their own local PADO and Leading Group. In addition, distinct poverty reduction programmes are scattered through other central agencies and ministries, provincial and local governments. Key central government organisations include the Ministry of Civil Affairs (MCA) which provides disaster relief and income support, coordinates the distribution of relief grain and is the main body responsible for rural social welfare; the State Education Commission and Ministry of Health which are responsible for education and health programmes for the poor; and the Regional Office of the State Planning Commission which implements Food for Work Programmes and rural capital projects in poor areas.

The above framework exists to address poverty in rural areas. There is no equivalent institutional framework for urban poverty reduction, largely due to the extensive livelihood security guaranteed through the urban enterprise or work-unit. With the increasing numbers falling outside this system, new interventions are being established particularly to assist unemployed workers. The Ministry of Labour has responsibility

for the welfare of poor workers; the MCA provides urban social assistance; and the All China Federation of Trade Unions (ACFTU) provides retraining programmes for unemployed urban workers.

In addition, the All China Women's Federation (ACWF) with its extensive local networks plays an important role in the reduction of female poverty, for example, through training, the establishment of cash crop production bases to assist female producers, and provision of credit and farm inputs (Hershkovitz 1996:17-18). The Disabled Person's Federation (DPF) provides various forms of support to disabled people, including income support, job advice and training, and medical assistance.

(ii) Poverty reduction programmes

A major feature of the government's regional poverty reduction strategy is its focus on the development of rural production capacity rather than on welfare provision. The main components of this strategy were laid out in the 7th Five Year Plan (FYP) (1986-90) and included:

- assistance for income generating activities based on local resources
- preferential tax and pricing measures to stimulate economic development
- targeting of assistance to poor regions.

The 8th FYP (1991-1995) continued this general focus, emphasising three main aspects of poverty work:

- continued emphasis on subsidised loans
- grants and Food for Work to improve agriculture in poor areas
- better targeting of assistance to poor people in the most degraded physical environments.

In 1994 the government announced an ambitious '8-7' Poverty Reduction Plan[11], to be implemented by the LGPR, with the objective of 'solving food and clothing (*wenbao)* problems for the 80 million stricken by poverty by the end of this century'. This programme retains the former emphasis on income-generation through production and infrastructure development but adds new elements, specifically, improved access to education and health services, and labour export. Both the '8-7' plan and other recent government policy statements also recognise the need for a more precise focus on individuals and households in efforts to reduce poverty. However, there is as yet limited technical and institutional capacity to operationalise this shift.

The implementation of poverty reduction plans has had mixed success. According to a UNDP report, Chinese practitioners estimate that 55-70 per cent of poverty reduction funds have not reached poor households. County officials are relatively free to determine expenditures at the local level, and poverty reduction may be one of many competing priorities and objectives (UNDP, 1997c:5).

4.2 Social Welfare and Assistance

(i) Rural social welfare

In addition to direct poverty interventions, a wide range of institutions are involved in welfare provision through a number of programmes in rural China broadly referred to as social security (*shehui baozhang*). Under the pre-reform collective system, Chinese welfare provision was in principle comprehensive, but in practice stark differences existed in levels of provision between regions. The rural population (approximately 80% of the total) were effectively excluded, through a variety of institutional measures, from access to the relatively comprehensive urban systems of employment and welfare. Rural welfare provision was minimal, with individuals depending primarily on family and community economic resources. Nonetheless, basic guarantees did exist, including public provision of services such as health and education, while farmers were isolated from market risks.

Following decollectivisation, the government redefined its responsibilities to the very poor and destitute, to specific needy groups, and to those affected by natural disasters. The financing of social support is now regarded as the responsibility of 'society' as well as the state (Caireng 1995:229), a view which in part arises from the declining availability of funds[12] and in part from a broader policy shift from pure relief to an integration of relief and support for production (Zhu and Pan, 1994). Rural welfare coverage by formal governmental and collective institutions is limited and the quality of services is deteriorating. According to Zhu (1997), social security coverage is only 2.4 % and 16 *yuan* per capita compared to 90% coverage and 514 *yuan* per capita in urban areas. In restricting rural social security to minimum levels of assistance, the assumption is that the main sources of livelihood protection can be self-provided. One consequence of this shift has been the emergence of significant local variation in the types and levels of provision, and their financing and organisation. The major programmes are summarised in Table 9.

The main government ministry responsible for the provision of social welfare in rural areas is the Ministry of Civil affairs (MCA). Social relief (*shehui jiuji*) programmes include payments in cash or kind to vulnerable and poor households, and material assistance to victims of natural disasters. Programmes target two types of household: ‘five guarantee households’ (*wubao hu*) which include people with disabilities, orphans, and elderly people who are unable to support themselves and have no person legally responsible for looking after them; and ‘poor’ or ‘destitute’ households (*pinkun hu, kunnan hu* or *tekun hu*). Disaster relief (*ziran zaihai jiuji*), primarily in the form of grain, is provided to inhabitants of localities affected by natural disasters. Another major social security category is ‘social preference’ groups (*shehui youfu*) – primarily disabled or retired veterans and the dependents of soldiers; this category accounts for the major share of the social welfare budget.

Table 9: Major rural social welfare programmes

	Type of programme	Main programmes
i	social relief and assistance (*shehui jiuzhu*)	• payments in cash or kind to vulnerable and poor households • material assistance to victims of natural disaster
ii	social welfare (*shehui fuli*)	• institutional care for particular groups such as the aged, disabled and orphans • welfare factories providing employment for the disabled or poor
iii	social insurance (*shehui baoxian*)	• pension schemes • community health insurance schemes • insurance against disasters • insurance for employees of TVEs • insurance for public employees
iv	social preference (*shehui youfu*)	• special payments to disabled soldiers, dependants of soldiers, members of the Red Army, children of people killed in the revolution or army, demobilised and retired soldiers
v	medical security (*yiliao baozhang*)	• provision of curative health services through a three-tiered referral system • provision of preventive (immunisation and MCH) services • immunisation and MCH insurance schemes • medical fee exemptions
vi	other	• mutual savings/credit societies

Efforts are now being made on the part of government agencies, namely the Ministries of Civil Affairs and Health, to extend formal programmes of social insurance for health and retirement to the rural areas. However, these programmes are in their early stages and in many cases are operating only at an experimental level. The Ministry of Civil Affairs is also pioneering attempts to extend to the rural areas the principle of establishing local 'minimum livelihood lines' (z*ui di shenghuo baozhang xian)* as a mechanism for determining entitlement to social assistance, a scheme which is at present being developed in selected cities.

As the reforms have brought greater fiscal decentralisation, the level and quality of service provision have become more uneven across localities. Finance is dependent on the capacity of specific townships and villages, through their control over local industrial enterprises, to generate a financial surplus which can be diverted to welfare purposes. Such funds are used for assistance to poor households, support for education and health care, the provision of homes for disabled or elderly people without families and even the establishment of insurance programmes such as pensions. Poor regions without rural enterprises have limited capacity to raise additional funds for welfare except through levies on already poor households or through transfers from higher levels of government or external agencies.

(ii) Urban welfare

Urban welfare is financed and organised primarily through state and collective enterprises and public institutions. A wide range of benefits are provided including housing, health care, education, pensions and childcare. Table 10 provides an overview of the categories of urban welfare and agencies responsible for

their provision. This relatively generous urban welfare system reinforces China's dualistic structure by which the rural majority have been largely excluded from access to welfare benefits.

Prior to reform, the minority of urban residents falling outside this system qualified for state social assistance on a means-tested basis. Major issues arising in the current reform context are the growing number of people who fall outside this system and the erosion of the former level of entitlements. Although the gradual pace of enterprise reform has limited the numbers of workers made redundant, these are now rapidly increasing and an economic downturn or the acceleration of reform could lead to a rapid rise in the numbers made redundant at the same time as alternative opportunities in the non-state sector are likely to contract. The implications of such changes for welfare and poverty in urban areas are potentially serious in the absence of the development of alternative channels of welfare provision. Policy makers are thus currently faced with urgent strategic decisions concerning the longer term reform of the social welfare system.

(iii) Community and individual welfare provision

While the above discussion has focused on the role of formal state and collective institutions in providing social welfare support in both rural and urban areas, there is a growing emphasis on 'community' (*shequ)* institutions for delivering welfare services, as well as on household and individual provision through insurance programmes. This trend is largely a response to the weakening of previous collective institutions and to the reduction of government funding. The main 'community' organisations are residents' committees in urban areas and villagers' committees in rural areas in addition to local branches of government controlled 'NGOs' such as the Women's Federation and Disabled Person's Federation. The capacity of these agencies to provide social assistance is dependent largely on local economic conditions which determine the availability of funding. Since growing reliance on markets has placed the onus on households to provide welfare services, some have turned to commercial insurance schemes to provide for their security while the importance of broader kinship and friendship networks remains strong.

5 EXTERNAL DONOR AND NGO POVERTY REDUCTION ACTIVITIES

Although the main programmes to reduce poverty and insecurity are domestically generated and organised, external agencies have played a supplementary role since the mid- 1980s, with international assistance to poor regions being encouraged since the early 1990s as the government opened up regions previously closed to foreigners. Since then a range of initiatives have been launched. This section sets out different types of poverty reduction activity and identifies patterns and trends in external donor and NGO interventions.[13] It also identifies some of the domestic channels for external interventions, and discusses the possibilities and problems of organising productive partnerships with Chinese government agencies and 'NGOs'.

Table 10 : The urban social security system

Department	Social Insurance	Social Relief	Social Welfare Services	Preferential Treatment	Mutual Help	Individual Savings
MCA	pension benefits and PHS for special categories of rural pensions	disaster relief poverty relief TNs relief FGHs relief	social welfare units; welfare factories; community services; welfare lottery	preferential treatment for special categories	donations mutual help in neighbourhoods or units	-
MOL	LI unemployment insurance	hardship relief for employees and dependants in enterprises	welfare in enterprises	-	-	-
MOP	pension insurance for public servants	hardship relief for public servants	welfare for public servants	arrangements for the former servicemen	-	-
MOH	rural health insurance collective health services PHS for public servants	-	-	-	-	-
MOF	supervising social insurance funds tax concessions for pension contributions	financial arrangements for social assistance; tax concessions for welfare factories	policy subsidies for urban residents tax concessions for welfare/ community services	special treatment funds	-	-
Organisational Department (Party)	pension insurance and PHS for senior cadres and public servants	hardship relief for public servants	welfare for public servants	arrangement for former servicemen	-	-
ACFTU	management of LI	hardship relief for enterprise employees	management of enterprise welfare and trade union welfare units welfare for servicemen	-	employees mutual help funds	Supplementary pension fund

General Political Department and Logistics' Department of PLA	PHS for servicemen	hardship relief for servicemen	welfare for servicemen	-	-	-
11 state companies	pension pooling insurance	-	-	-	-	-
Commercial insurance companies	pension insurance for COEs, TVEs, and FIEs	-	-	-	-	personal pension insurance in urban and rural areas
NGOs	-	donations provide services	donations provide services	-	volunteers donations	-
Enterprises	pensions; health insurance; sickness and work-related injury insurance; maternity, etc.	subsidies for employees and dependants	collective services	-	-	-

Abbreviations:

ACFTU - All China Federation of Trade Unions
FGH - "Five Guarantee Household"
LI - Labour Insurance
MOF - Ministry of Finance
MOH - Ministry of Health
MOL - Ministry of Labour
MOP - Ministry of Personnel
PHS - Public Health Services
PLA - People's Liberation Army
TN - "Three Nos"

5.1 Multisectoral Programmes

In line with the Chinese government's strategy, the largest and most high-profile activities of external agencies – particularly the World Bank – are integrated rural development programmes for poverty reduction in the poor regions of north-west and south-west China. **The South-west China Poverty Reduction Project** of the World Bank works closely with the State Council's Leading Group on Poverty Reduction and aims to provide a model for development of poor counties; its core components are: i) land and farmer development, ii) health and education, and iii) labour mobility. The land and farmer development component involves promotion of marketable cash crops, in principle on a participatory basis, through farmer selection from a 'menu of investment options'. This is complemented by land rehabilitation (terracing), promotion of seeds and fertiliser and training of extension workers to concentrate on 'demonstration households'. These projects also involves construction of roads, water supply, low-cost irrigation, power transmission lines, and provision of bio-gas stoves to reduce fuelwood use.

The health and education components involve the construction and equipping of health posts, improvement of township hospitals, salary supplements for health workers, and training of one village health worker per village. Education is being developed by upgrading and equipping schools and the training of staff. Direct assistance for these components is provided for the first five years; after that their sustainability hinges on village levies and revolving funds.

The third component, labour mobility, involves creating jobs through the development of local township and village enterprises, principally in agro-processing, the creation of a 'poverty reduction enterprise zone' in Guangxi (labour-intensive industry, agriculture and mariculture) and facilitation of migration to jobs in the Pearl River delta and Shanghai.

The Qinba Mountains Poverty Reduction Project is located on upland and loess areas of the North-West (Sichuan, Shaanxi, and Ningxia). It is designed along similar lines, and focuses on 'environmentally sound and farmer-determined technologies', TVE development, education, road and other infrastructure provision.

A variety of NGOs are also pursuing integrated rural development projects. CARE's Qinghai Poverty Alleviation Project involves income generation through microcredit provided in conjunction with the Agricultural Bank of China and infrastructure (rural roads and drinking water supply). CARE also runs several programmes in Guangxi which focus primarily on women through revolving credit schemes and promotion of animal husbandry and fruit trees as a basis for income generation. Oxfam Hong Kong has poverty reduction projects in Yunnan and Guizhou provinces, again involving income generation through technical training, a participatory process involving training county based extension workers, provision of drinking water and electricity at the village level, and veterinary care, animal breeding and housing. They also operate a low-interest loan scheme targeted at grain deficit households, with repayment channelled back into the community. World Vision International has an integrated rural development project with a microcredit component in Guizhou province, which focuses on agriculture and animal husbandry. Participants must cooperate with village agreed projects such as contributing labour to a drinking water project, or sending girls to school.

5.2 Sectoral Approaches

A large number of external interventions tackle poverty on a sectoral basis. The principal areas are health, education, welfare and rehabilitation, and agriculture and the environment.

(i) Health

Poverty related activities in the health sector include public health measures, the building of clinics, primary health care (PHC) training and maternal and child health (MCH) programmes. Many programmes concentrating on poor women have a distinct health emphasis.

- **Public Health measures**

Considerable international activity has focused on the prevention of infectious diseases as both a cause and an effect of poverty. The World Bank has supported two projects in this area – the Infectious Diseases Project focusing on tuberculosis and schistosomiasis, and the Disease Prevention Project promoting immunisation coverage and health access. Given the increasing awareness of and danger posed by AIDS-HIV, particularly in the southern provinces, organisations such as Medicins Sans Frontières (MSF) have put substantial resources into AIDS awareness and treatment. Work sponsored by UNDP and SIDA has focused on iodine deficiency which is a major cause of mental disability, and hence of poverty, in the poor central and western provinces. Agencies have also concentrated on the construction of basic public services in poor areas for improved sanitation and on sponsoring health awareness and training programmes dealing with problems such as intravenous drug use and sex work.

- **Rehabilitation and financing of rural health services**

International donors have sought to complement Chinese government efforts to improve the quality and availability of health services and to establish health insurance programmes in poor areas. Specific activities to improve services include the training of county, township and village doctors, the establishment of revolving drug funds, and the establishment or rehabilitation of health facilities in poor counties. The World Bank, UNICEF and other agencies have supported major programmes to re-establish cooperative medical schemes. While these programmes are intended to make up for the lack of local resources and to provide an institutional successor for the previous system of collective provision, they are also meant to be sustainable over the longer term and applicable to poor as well as wealthier areas.

- **Maternal and child health**

Several agencies include MCH interventions and more broadly reproductive health as an integral component of poverty programmes. For example, the World Bank has a Comprehensive Maternal and Child Health Project tackling malnutrition and epidemic disease and high maternal and infant mortality rates among the absolute poor. UNFPA has carried out its family planning activities through micro-credit projects in which a

5% levy on loans was put into a social development fund for training, village clinics and contraceptive supply. The Ford Foundation and UNDP fund work on reproductive health, both alongside a wider set of programmes for women such as literacy and basic education, the development of income generation activities, health education training and in-service training for health workers. These programmes are particularly apposite given our earlier emphasis on the gender dimension of poverty and in the the light of generally high rates of infant and maternal mortality among the poor population.

(ii) Education

There are a range of activities going on in the education sector that are either directly or implicitly poverty focused. The World Bank has projects for Education Development in Poor Provinces, and also Basic Education in Poor and Minority Areas, aimed at improving primary and secondary schools in poor counties and villages. Given the concentration of ethnic minority peoples in poor regions, improving education for these groups has important poverty implications. Agencies such as NORAD and Save the Children have been working with minorities in Yunnan improving educational access for those from remote areas, and exploring approaches to bilingual education. SCF has also been improving facilities and engaging in teacher training in Lhasa municipality, in addition to pre-school and adult literacy work. One approach has been to link education to income generation. SCF has been providing seeds, tools and fertiliser to village schools in Tibet. CARE has been running a school lunch project in a minority county of Guangxi province with endemic malnutrition in which pupils manage school farms to produce food and income.

(iii) Welfare and rehabilitation

Rehabilitation and social welfare projects play a particular role in addressing the problems of specific vulnerable groups. SCF works with the MCA in Anhui province in devising alternatives to institutional care for orphans centred on family-based fostering. It also has a community-based rehabilitation programme for disabled children which aims at integrating physically disabled children and children with mild learning disabilities into mainstream education. The NGO Amity has several rehabilitation projects in Jiangsu province including a rehabilitation centre for mentally handicapped children in the city of Nanjing which reaches out to rural areas where mental handicap due to iodine deficiency is a serious problem. Given the current inadequacy of institutional facilities for groups of this nature in China, and the lack of fiscal resources properly to fund them, external activities of this kind make an important contribution to addressing the special needs of groups which are not accorded high priority in conventional anti-poverty programmes.

(iv) Agriculture, rural development and the environment

Interventions geared at rural development, improving agricultural productivity and environmental rehabilitation often have a strong poverty reduction rationale, and often form a core component of multi-sectoral projects. Key activities include:

- Provision of rural infrastructure, such as rural water and sanitation projects, roads and railways, and hydro-power plants.
- Agricultural intensification and diversification through improved production and marketing and the development of new activities such as fruit production, livestock and other income generating activities.
- Improved methods of natural resource management, in particular social and community forestry projects which are a growing area of rural poverty reduction. The Ford Foundation is promoting a participatory approach to forestry through the Yunnan Uplands Management Project and a project in Sichuan aims at improving the viability of traditional practices through training and marketing.
- Changing patterns of energy use, for example, efforts to substitute natural gas for wood and coal cooking fuels and to provide fuel-saving stoves.

(v) Urban poverty

As is apparent from the above summary most external programmes are overwhelmingly directed at rural poverty. There is far less work on urban poverty though areas of need are emerging, such as working with migrant populations. Some rehabilitation programmes concentrate on particular facets of urban poverty around disability, but these remain the exception. New developments are emerging among agencies, for example, SCF has proposed working with street children in Xian.

5.3 Microcredit

Microredit programmes have dramatically expanded in recent years, and are increasingly regarded as the most effective route towards poverty reduction. While the funds involved are still a small share of the total funds to poverty reduction activities, they are growing rapidly. Microcredit programmes are often one component of a larger project, but are frequently the major focus of activity; they are also used as the mechanism for achieving other objectives, as was the case with their use in UNFPA's family planning programmes. The majority of programmes are rural, but credit might be a useful vehicle for urban poverty work. It is also amenable to a degree of targeting not achievable through many of the other widely used interventions; many projects concentrate on women, or grain deficit households, for example.

The UNDP has a substantial microcredit programme which stands at the centre of its poverty reduction work. It operates on a multisectoral basis in close conjunction with other agencies, such as IFAD, UNICEF and the WFP, emulating a Grameen style approach involving loans at near commercial interest rates and obligatory group savings. A project in Yunnan involves the formation of rural credit co-operatives based on small groups, training of extension workers for new income generating activities, development of micro-enterprises in agro-processing, high-value cash crops and handicrafts. Other multi-sectoral demonstration projects exist in Sichuan, Tibet, and Gansu where the emphasis is on water harvesting, revolving funds for agricultural inputs and funds for training in health and literacy especially for women. Similar projects are planned for or have recently started in Xinjiang, Guangxi, Guizhou, Qinghai, Hunan, and Inner Mongolia.

UNFPA provides funds for an FAO executed revolving fund. Seventy per cent of funds go into revolving credit funds and the remainder is used for the formation of women's groups, skills training and literacy programmes. Loans go to enterprises, generally in agro-processing, and repayments are used to set up women's groups to manage revolving funds and disperse smaller loans to individuals, again primarily for agricultural production and small-scale agricultural processing. Five per cent of what is borrowed goes into social development funds for training, village clinics and contraceptive supply. UNICEF has provided US$ 7.8 million over five years for women's groups and microcredit. Counties provide counterpart funds from local sources or from provincial poverty reduction funds. UNICEF's Social Development Programme for Poor Areas involves training and microcredit for poor women and aims at local capacity building for planning and budgeting in social services. Twenty four participating counties and townships have developed their own plans for social development using UNICEF suggested targets, for example improvements in social indicators such as girls' school enrolment rates, or infant mortality rates. Repayments go into a village social development fund and a group-based revolving fund.

Other microcredit programmes include a WFP project in Ningxia targeted at women with incomes below the poverty line, and in Henan where the Chinese government funds a credit scheme from savings on grain relief due to WFP provision of food aid. Other WFP and IFAD projects target low income and low grain producing households. CIDA funds a Women's Income Generation Project involving credit and training in Xinjiang; GTZ has a poverty reduction project with a microcredit component in Yunnan, and FINNIDA funds a UNDP-implemented project in Tibet.

5.4 Institutional Capacity Building

Capacity building is increasingly a theme in donor and NGO poverty reduction programmes. UNDP has prioritised institutional capacity building among government agencies with responsibility implementation of the government's 8-7 poverty reduction strategy. It provides policy advice to the LGPR, and works with a range of government agencies to providing training in participatory methodologies. The aim of its microcredit programme is to build provincial and county level capacity to pursue a Grameen style approach. Part of this has involved training Chinese experts to train village level workers – a China Community Corps (CCC) – in the development of Grameen groups. To support these activities, UNDP is currently developing Chinese materials and capacity in gender training for development work.

The Ford Foundation's development of PRA skills in Yunnan has been important in promoting new approaches to looking at poverty and an important network of local trainers has been created. This work aims at improving the capacity of local government and research organisations to work with the poor through multidisciplinary and collaborative approaches.

5.5 Chinese Organisational Channels for External Poverty Reduction Activities

Donors and NGOs working in poverty reduction work with a range of Chinese counterparts. Most sectoral projects tend to link to relevant line ministries: the Ministry of Agriculture, the State Education Commission,

and the Ministry of Public Health, and their regional bureaux. For multilateral multisectoral projects the official connection is either the LGPR or, in the case of many UN agencies, the Ministry for Foreign Trade and Economic Cooperation (MOFTEC). At the regional and local levels, projects are generally implemented through provincial and county poverty reduction offices. One problem for external agencies is that the Chinese governmental system has a heavily 'vertical' character, with bureaucratic rivalry between agencies. This often means that an external agent must choose a bureaucratic counterpart, but is then constrained within the operational ambit of that institution so that organising inter-sectoral cooperation is difficult.

Some domestic 'NGOs', such as the All China Women's Federation, are emerging as important counterpart organisations for particular types of projects, for example income generation and microcredit. The definition of 'NGOs' needs to be clarified in the Chinese context. It is probably true to say that there are no 'NGOs' in China in the pure sense of the term. Most are attached to and regulated by a government agency of some kind and are sometimes no more than an extension of that agency. Futhermore, the big 'mass organisations' such as the Women's Federation and the official trade unions, have close links with the Communist Party and are politically dependent on it. Nonetheless, there is a range of variation in the organisational, financial and operational autonomy of these organisations, with perhaps a majority operating as 'semi-popular, semi-governmental' organisations (*banmin banguan*). This variation provides scope for potentially productive cooperation with external agencies. The Old People's Federation for example is generally seen as a weak and dependent organisation which may benefit from closer foreign ties, while the Disabled People's Federation has a relatively high degree of autonomy from regular government agencies due to its powerful patron in the son of Deng Xiaoping. It should be noted, however, that while foreign interventions may support and strengthen Chinese 'NGOs' and give them some degree of financial autonomy, there may be a point at which this process can become counter-productive because it incurs bureaucratic suspicion and resistance.

Organisations which more closely resemble conventional NGOs are emerging, often affiliated with other bodies, such as Chinese research and academic institutes which may also provide alternative counterparts for external agencies. For example, a range of institutions now have experience of using participatory methodologies for poverty reduction activities, including the Beijing Agricultural University Centre for Integrated Agricultural Development, and the Chinese Academy of Sciences in Yunnan. In Yunnan, where there has been substantial international NGO activity, local NGO activity has increased; the Yunnan Reproductive Health Research Association is one such organisation with links to international PRA networks. There are also several national-level 'NGOs' which focus specifically on poverty reduction, such as the China Charity Foundation and the Foundation for Underdeveloped Regions. Recent reports suggest that these two organisations are well organised and led, and are gaining in assertiveness and influence.

CONCLUSION

The above profile of poverty in China and the review of interventions to address poverty, highlights three sets of issues for further analysis and research.

First, it is clear that a certain view of poverty has informed the way in which poor people are officially identified and targeted in China. We have argued in this paper that poverty in China is becoming more complex than the official definition suggests. We must not only consider the 'old' poverty of the structurally deprived areas, but forms of 'new' poverty arising under the impact of economic reforms in non-poor areas. Thus an approach based on regional targeting of poor counties fails to capture significant numbers of poor people. Current thinking within the government has shifted in favour of smaller units for the identification and targeting of poverty – small communities or households within localities, for example. This raises practical problems about how to operationalise this shift, and design more appropriate programmes to address these more diverse forms of poverty.

Related to this issue of identification and targeting are measurement questions. Poverty debates are frequently driven by reliance on particular sets of numbers, and the urgency or otherwise of a situation may swiftly shift in response to a new poverty line or measurement approach. Our new view of poverty demands a more informed interpretation of the diverse and shifting nature of poverty among different groups, which requires disaggregated household and intra-household data, using more qualitative and participatory methods in addition to quantitative analysis for understanding the changing experience of poverty.

In particular, if we wish to capture the more dynamic aspects of poverty two complementary methods suggest themselves. First, the quantitative analysis of longitudinal data can provide information on movements in and out of poverty at the household level. Second, the use of qualitative methods such as family histories to understand how people adjust to changes in their economic circumstances will enable us to interpret the behavioural dynamics which lie behind the broader movements observed through quantitative analysis.

The second set of issues which fundamentally affect the implementation of anti-poverty interventions concerns the complex institutional and political process through which poverty is perceived and addressed in China. As we have seen, the poverty policy process involves a wide range of actors and agencies, both domestic and external. The effectiveness of action to reduce poverty is heavily determined by the perceptions of bureaucratic and political elites and by the behaviour of complex bureaucratic institutions which involves both vertical and horizontal competition between levels of government and specific administrative agencies. This process influences precise definitions of 'poverty' and the ways in which resources for poverty reduction get allocated. The extent to which the views of beneficiaries are incorporated into the design and implementation of programmes also influences their appropriateness and impact.

On-going research to illuminate these processes includes the following two approaches. First, a study which explores the ways in which official 'minimum livelihood lines' are currently being defined in both rural and urban areas will inform our understanding of the process of negotiation between different agencies and interests at the local level. Second, research on the impact of specific programmes using participatory methods will illuminate in particular the relationship between the programmes objectives and their relevance to the needs and priorities of intended beneficiaries.

A third set of systemic issues deals with broader structural trends – political, administrative, economic and social – which lie at the heart of the transition process in China. These set the context for direct poverty

reduction efforts, and may influence the effectiveness of such programmes in positive or negative ways. We are referring here to the operation of key certain key variables: For example, substantial political, administrative and fiscal decentralisation, and the impact of a potentially unstable and over-exposed banking system on flows of investment to richer and poorer areas.

Poverty reduction needs to be situated within the overall growth process. China's success in poverty reduction has largely been explained by rapid growth with relatively well-distributed benefits, leading to its use as an example of 'pro-poor' growth. An assessment of this argument requires consideration of broader comparative questions about the relationship between growth and poverty reduction. First, it would be necessary to identify the poverty reduction impact of a given level of growth and how this differs across countries. Second, if the growth process is in fact poverty-reducing, the mechanisms which create 'pro-poor' growth need to be identified. In particular, is this due to the specific economic development strategy pursued by the government, and therefore amenable to policy intervention? Or does it arise from prior historical and institutional factors and the emergence of deep structural factors of political economy which determine how the benefits of growth are distributed in spite of targeted redistributive programmes? These questions are pertinent to understanding whether China's growth strategy has in fact been 'pro-poor', what the impact of a likely slow-down in economic growth will be on poverty, and what implications can be drawn for future growth and anti-poverty policies.

NOTES

[1] While the numbers of China's poor have fallen during the past two decades, they make up an increasing share (76% in 1985 and 78% in 1995) of the poor in selected economies examined in the recent study of poverty and inequality in East Asia (World Bank 1997a: 13).

[2] The county is an administrative unit intermediate between the province or municipality above and the township below. As of 1996 there were 2142 counties in China.

[3] In 1992 a switch was made to using State Statistical Bureau (SSB) household survey data instead of Ministry of Agriculture data for setting poverty lines.

[4] See World Bank (1997d:3) for a discussion of the appropriate deflator; using alternative price indices they estimate growth rates to be one or more per cent lower than official estimates.

[5] The 'one-child policy', enforced in urban areas, has never been widely implemented in rural areas. Instead, families are generally given permission to have a second child if the first child is a girl. Additional births are outside the plan and may bring serious penalties. The rising sex ratios suggest that the desire for a son is a major cause for families to have births outside the plan.

[6] The effects of this policy is feeding through into the adult population. In 1992 there were 51.66 million more males than females, pointing to potential problems of high numbers of unmarried men without families who are then more likely to become dependent on the welfare system (Shang, 1997).

[7] Disagreement among scholars about whether there was a decline in life expectancy in the early 1980s probably hinges on changes in the data sources for crude death rates (Bannister, 1987; Hussain and Stern 1990).

[8] Current estimates are of approximately 200,000 cases.

[9] The literacy standard is taken as able to read at least 1,500 characters for rural residents and able to read at least 2,000 characters for state-owned factory workers, office workers and urban residents

[10] For example, the Three Gorges Dam Project has made the relocation of over one million people necessary, with many being resettled on marginal and ecologically fragile upland areas around the reservoir (Chau, 1995).

[11] The title '8-7' refers to the plan to reduce the numbers of poor by 80 million in 7 years.

[12] The 1980s saw a decline in overall funding for rural relief of 50% in real terms.

[13] A comprehensive review of such activities can be found in UNDP (1997c).

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