

**AFTER THE IRON RICE BOWL:
EXTENDING THE SAFETY NET IN CHINA***

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SUMMARY

This paper examines new forms of risk, vulnerability and exclusion arising in the process of China's transition, the (changing) needs of different groups, how (if at all) they are being met through socially provided forms of welfare, and the response of government to these changes. It also explores the wide range of activities and interventions which form an incomplete and relatively uncoordinated web within which people attempt to meet their economic and social needs – including the coping strategies, resources, and informal support systems of individuals and households, and the activities of a growing range of intermediate, community and charitable organisations.

To the extent that safety nets are part of the policy discourse in China, they are viewed principally as an extension of the formal system of welfare provision. At the same time, the government has been transferring back to society and the family many welfare functions for which it had previously taken responsibility. China is thus faced with the simultaneous tasks of scaling down existing programmes while developing new mechanisms for extending some level of benefits to the previously excluded.

While safety net provision is often considered principally in terms of immediate consumption, asset protection and economic security, the emphasis here is, in addition, on broad based mechanisms for social protection and on the complementary roles of state, market and society in reducing risk and enhancing security. We argue for a focus on the developmental potential of safety nets, and on investments in social and human resources (including health and education) as a mechanism for social protection. At the same time, we recognise the complexity of people's livelihoods and the institutional structures and constraints which mediate access to livelihood resources – complexity which adds to the difficulties of designing interventions to meet the diverse needs of poor people in a large and increasingly unequal population.

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1. INTRODUCTION

Unlike many countries of East and South East Asia, China has not experienced a sudden crisis or major economic shock in recent years; on the contrary, maintenance of its exchange rate during the Asian financial crisis of the late 1990s reinforced a view of China as a stabilising force in the regional economy. Throughout two decades of reform and liberalisation starting in the late 1970s China has been widely regarded as a model for its rapid and relatively widely shared growth, its notable successes in poverty reduction, and the maintenance of social stability during its transition from a planned to market economy. Such achievements, it may be argued, were in large part due to institutional mechanisms in place at the start of the reform process which enabled many to share in the benefits of growth, while also providing basic levels of social protection to some of the most vulnerable groups in society.

Concerns about social security and ‘safety nets’ in China arise, therefore, less from the need to mitigate the social impact of short term shocks than to deal with new forms of vulnerability which have emerged or been intensified during more gradual processes of economic and social change. The transition from a closed, centrally-planned economy to a dynamic and increasingly open market system, smooth as it has been in comparison to some countries, presents significant challenges to the political, economic and social structures and institutions which underpinned the centrally planned system for 30 years. While many have benefited from new economic opportunities and higher incomes, new forms of risk and vulnerability now face certain population groups, particularly those falling outside the urban employment-based welfare system. At the same time, a significant number of people remain in chronic and absolute poverty, marginalised from the processes of growth and market development.

This report aims to provide an assessment of current welfare needs, and of the policy approaches and challenges to meeting the needs of poor and vulnerable groups during China’s on-going reforms. In doing so, it explores the new forms of risk, vulnerability and exclusion arising in the process of reform, the response of government to these processes, the (changing) needs of different groups, and how (if at all) they are being met through socially provided forms of welfare provision; and the coping strategies and resources on which people rely to meet their welfare needs in the context of these changes.

The paper starts with a brief overview of the current state of poverty and vulnerability in China, highlighting those groups which have been marginalised from or adversely affected by market transition, and who are particularly vulnerable to shocks to their incomes or livelihoods. This is followed in Section 3 by a discussion of China’s formal system of social security and welfare, and of on-going reforms in this area. Unlike many countries in the region which have limited systems of social protection, China has developed institutionalised mechanisms of social protection over half a century. Part of the challenge faced by the current government is to reform and dismantle certain structures, thus reducing entitlements for some, while replacing and extending others. The paper goes on to explore a broader range of activities and interventions which form part of the ‘social safety net’ in providing support for the chronically poor or vulnerable. These include the informal support systems of individuals and households, the activities of a growing range of intermediate, community and charitable organisations, and the role of social investments for example in

health and education. The concluding section assesses the current situation, levels of need and provision, and identifies areas for further research and development.

2. POVERTY, INSECURITY AND THE NEED FOR SAFETY NETS

2.1 Rural poverty and vulnerability

Poverty in China has declined dramatically since the start of the reform period – from 250 million people (or 30 per cent) in 1978 to 42 million (4.6 per cent) in 1998 according to official Chinese statistics.¹ Rapid growth rates averaging 9 per cent helped drive these achievements. Combined with low population growth (of under 1.4 per cent per year) per capita GDP almost quadrupled (Khan 1999). However, this process has been uneven over time and across regions. The most rapid growth and poverty reduction occurred in the early to mid-1980s with growth rates reaching a peak of about 14 per cent before declining to under 8 per cent per annum by 1998. The decline in rural poverty slowed to a more disappointing level, partly due to the uneven geographic pattern of growth. Absolute poverty is concentrated in interior provinces which are less well-integrated into markets and have been marginalised from the development process. The result has been a rapid increase in inequality particularly on a regional basis.²

At an individual and household level, poverty is strongly related to the labour endowment and other productive resources of individuals. The majority of those remaining in chronic poverty are located in resource poor, interior regions, with limited access to infrastructure and markets. Correlates of poverty among the rural poor are low education and skills levels, poor health status, and few productive assets – often limited to labour and land. Households that have been able to raise their income above the poverty line are vulnerable to falling back into poverty due to preventable symptoms of human poverty such as illness or illiteracy. The marketisation of even basic education and health services formerly provided by the collective reduces access to these services, which in turn compromises the income generating capabilities of the poor and threatens to erode the gains that have been made in overcoming income poverty. There is increasing evidence, for instance, that ill-health has emerged as a major cause of poverty among vulnerable populations – either due to excessive health expenditures or through the loss of labour as a result of illness. Indeed, rather than a steady reduction in non-income aspects of poverty, there is evidence of worsening indicators during the reform period and a marked decline in access to resources for basic human development such as health and education. Household level poverty may further exacerbate inequalities arising from existing social and cultural norms, with the unequal distribution of resources among household members reinforcing other forms of disadvantage. This is seen particularly starkly in unbalanced sex ratios at birth (with fewer female higher order births), the abandonment of baby girls and growing gender disparities in levels of school attendance in poor regions.

¹ Applying the \$1-a-day PPP poverty measure, 124 million people remained in poverty at the end of 1997. The current exchange rate is 8.26 yuan = US\$1.

² See for example World Bank 1997.

The Chinese government's poverty reduction policies for poor regions target households principally on the basis of their productive capacity with the objective being to increase economic activity and productivity. While the majority of poor people may be assisted by measures which improve access to productive assets (e.g. through micro-credit programmes) or which increase the productivity of existing assets (improvements in infrastructure, for instance), these measures inevitably fail to reach those who lack labour – for example due to age, ill-health or disability – or other productive resources. Such groups, particularly the elderly and disabled, will need to rely on or be supported by direct transfers or safety nets, whether from family, community or the state.

In addition to the 'traditional' regional based forms of poverty which have been the main focus of policy efforts, new forms of poverty and vulnerability have arisen in the context of transition, as a result of reform rather than of its absence (Cook and White 1998). In rural areas, decollectivisation, market liberalisation and the effective privatisation of health and education services have eroded the collective safety net. Higher dependence on markets brings with it exposure to market and price volatility, particularly in agricultural products. There are fears that this will be exacerbated with further moves towards integration into the global economy. Some preliminary work on the possible implications of WTO accession suggests that farmers in certain crops (such as soy bean production) which are unlikely to be globally competitive have limited options – diversifying into other crops, returning to more subsistence based farming, or moving out of agriculture.³ Significant numbers of people have been resettled due to infrastructure and development projects, often losing their social networks and local knowledge which contributed to their livelihood strategies. New social problems related to poverty have become increasingly widespread such as those linked with environmental pollution, drug use and HIV-AIDS. These new forms of vulnerability mean that poverty is no longer concentrated in particular geographic regions, or among readily identifiable and easily targeted population groups, highlighting the need for a wider range of more flexible interventions to protect poor and vulnerable groups.

2.2 Labour market restructuring and urban insecurity

At the beginning of the reform period, traditional poverty was almost entirely a rural phenomenon. For most urban residents economic security was guaranteed through their employment. Subsequently however labour market adjustment and state enterprise restructuring lagged behind the changes in other sectors of the economy, with rapid rural development and the growth of township and village enterprises (TVEs) during the 1980s allowing the government to postpone the more difficult task of state enterprise reform. Since the early 1990s, the major source of insecurity – particularly for urban workers, but also for those in rural off-farm employment and for migrant workers – has been associated with the loss of jobs and (for urban state sector workers) the erosion of generous welfare benefits accompanying state enterprise restructuring. The slow down in the growth of rural and urban collective industrial sectors further limits the capacity to absorb the unemployed, new labour force entrants and migrant workers, leading to the emergence of a new category

³ Interview: Zhang Xiaoshan.

of 'vulnerable' population – those with the ability to work but who are unable to find employment. This group has never previously been the target of government relief and social assistance. The emergence of widespread unemployment as a major urban phenomenon has prompted a serious rethinking of appropriate mechanisms for social security and assistance.

Data on unemployed and laid-off (*xiagang*) workers provide some indication of the trends and scale of urban insecurity. The number of officially registered urban unemployed workers rose from 4.2 million in 1993 to 5.7 million in 1998, a growth of 36 per cent. Official unemployment accounts for a small share of the total unemployed; including laid-off and migrant workers raises the total numbers, although statistics are variable. In 1998, the registered unemployed and laid-off workers together were estimated to have reached 14 million people. Combining data on the official urban unemployed, laid-off workers, and estimates of unemployment among the migrant rural labour force in urban areas, Hu (1999) estimates that these three categories for 1998 would bring the number of unemployed to approximately 15.4–16.4 million giving a real unemployment rate of 7.9–8.5 per cent. While this increase in urban insecurity is widespread, the areas most severely affected by unemployment are the heavy industrial bases in the north-east and poor interior provinces such as Gansu, Shaanxi and Guizhou.

The increase in job insecurity has led to a growing concern with urban poverty. There is however a lack of systematic data on either the scale or nature of urban poverty.⁴ While unemployment and urban poverty are likely to be correlated, a direct relationship cannot be assumed. Other evidence on changing income levels by quintile points to an increase in insecurity among low-income urban residents. According to urban price and living standards survey data, 37.5 per cent of urban households experienced a drop in income in 1996, with 54 per cent of households in the lowest income quintile experiencing such a decline, as against only 3.8 per cent in the top quintile. In 1997 60 per cent of households in the lowest quintile experienced a decline in income, compared to 20 per cent in the top quintile (SSB and MOLSS 1997; 1998). Similarly, Khan (1999) finds not only an increase in the number of urban poor between 1988 and 1995, but that the average income shortfall of the urban poor increased by as much as 40 per cent and their average living standard declined. Given the slower growth and rise in unemployment since 1997 these trends may well have worsened. There also appears to be a correlation between regional and urban poverty – the urban poor are disproportionately located in cities in poor regions where per capita income levels may be as low as 30 per cent of the average for urban residents; these areas may account for as much as 85 per cent of the urban poor. In a context where welfare services are locally financed, this distribution has implications for the provision of social welfare or safety nets.

Associated with changes in the labour market is greater population mobility and a dramatic rise in migration starting in the 1980s. This movement has challenged the institutional structures which provided different levels of services and support on the basis of residence and employment. It has also left the large number of migrants in urban areas basically excluded from access to many social services and support, including health care, housing and education for their children. At the same time, the mobility of (former)

⁴ See Cook (1999a) for a more detailed discussion of urban poverty.

urban state sector employees – and thus their ability to respond to the changing economic environment and seek employment elsewhere – remains restricted by the non-portability of social security benefits. The development of alternative approaches towards social protection, particularly in urban China, must take into account both the existing rigidities and the rapid changes which characterise China's system of labour allocation.

2.3 Demographic change

Other major forces interact with the process of economic reform to heighten the need for attention to the social consequences of transition. China is undergoing a period of rapid change in its demographic structure – a combination of a rapidly ageing population and the one-child policy – which poses long term issues for the funding and care of a potentially vulnerable group of elderly and has recently become a major concern among Chinese policy makers. Population ageing is driven both by the long term trends associated with the health gains of the pre-reform era which reduced infant and child mortality and increased life expectancy, as well as the more immediate effects of China's family planning regime. The proportion of the population aged over 60 now stands at 10 per cent with projections for this to reach 12.5 per cent by 2025 (Zhan 1999). Currently only about 25 per cent of the elderly receive pensions with the majority, particularly in rural areas, supported by their families. There is a growing concern for the sustainability of the pension burden, the rising costs of medical care for the fastest growing category of 'old old', as well as the growing demands placed on the younger generation (and particularly women) in caring for the elderly (Xiong 1999).⁵

It is important however to see ageing within the context of broader demographic trends. Hussain (1999), for example, points out that '.. the rise in the numbers of the elderly in absolute and relative terms... is not the only consequence of the demographic transition.. Generating employment for a growing labour force would still remain the biggest problem over the next two or so decades..' (pp. 6–8). The dependency ratio is a combination of both child and elderly dependence, and the problem of how the costs of care – whether support for the elderly or the care and education of children – are shared out among households, society and the state, and the role of the social security system in this, is the critical issue. Priority is currently being given to establishing more sustainable systems of pensions and health care within the reform of the social security system, although major concerns remain over whether entitlements can be met, and how far even a basic safety net for the elderly can be extended. A collapse in entitlements for some, associated with enterprise restructuring, has already shifted some of the burden of costs (especially for health care) on to individuals and families. At the same time, there is a tendency among officials to adopt a stance about the 'moral decline' of the younger generation who do not fulfil their responsibilities for looking after elderly family members. The result is additional uncertainty and pressure on urban households who are pushed onto further reliance on their own – increasingly insecure – resources.

⁵ This is also giving rise to a new political force, described by Shang Xiaoyuan as the 'politics of ageing'.

2.4 Poverty, dependence and vulnerability

The impact of the economic and demographic processes outlined above affect different groups – migrants, the elderly, agricultural producers and urban workers, for example – in very different ways. Here we can distinguish three broad (but overlapping) categories of ‘need’ which are addressed through different policy responses:

- **Poverty** generally refers to the state of the chronically or absolute rural poor who are the main target of the government’s productivity-enhancing poverty alleviation programmes in poor regions, although increasingly new types of transitional poverty are recognised.
- **Dependence** essentially describes the state of those who lack labour power, such as children, the elderly and disabled. In the absence of family support, these are the traditional recipients of relief through the Civil Affairs system and are recognised as legitimate recipients of state support.
- **Vulnerability** is less easily defined. While it is part of the condition of being poor (Kabeer 2000) it also describes the state of significant numbers of ‘near-poor’ who may be pushed into poverty by shocks to their livelihoods. Markers of vulnerability – such as gender, ethnicity and age – cut across and interact with other characteristics. Certain groups can be identified as particularly vulnerable in times of stress to the livelihoods of their families or those on whom they depend. These may include the chronically sick or disabled, girl children, orphans and abandoned babies (predominantly the disabled or girls). Vulnerability is perhaps best understood by examining the processes which generate insecurity (Devereux 1999). These can be *gradual* – the long term erosion of security, entitlements and resources (human, environmental etc.), or the changing market environment (which affects those who lose employment, the elderly who lose previously guaranteed pensions, the disabled who lose access to care and health services, for instance) or *sudden* shocks – either co-variate as with economic crisis and natural disaster, or idiosyncratic – affecting only the individual or household. In the Chinese context, the gradual process of transition has generated insecurity for some groups, leaving them in turn less able to cope with sudden shocks. *Ex post* transfers do little to address the root problem. Instead the primary focus needs to be on creating the conditions to reduce risk and vulnerability *ex ante*, supplemented by income and consumption support measures in response to shocks.

3. MEETING NEEDS: THE CHANGING SYSTEM OF PROVISION

3.1 Terminology and concepts

Safety nets are widely used to refer to the public provision of a minimum level of entitlement to social support or assistance, generally concerned with the maintenance of immediate consumption. While the term is not widely used in China, the literal translation of social safety nets (*shehui anquan wang*) is usually taken to refer to the provision of basic forms of social protection by the government, and in particular to relief for those who fall outside the main systems of social security and insurance (Tang 1998; Zhu 1999). Irrespective

of the specific terminology, however, some of the debates around safety nets in the development literature are reflected in current discussions of social welfare provision in China.

Safety nets became common currency in the development literature from the 1980s, and were popularised in the 1990s as the third prong – alongside labour-intensive growth and basic social service provision – of the World Bank’s new poverty agenda (World Bank 1990). The focus on safety nets emerged largely in recognition that programmes of adjustment and stabilisation were imposing unacceptable costs on certain population groups, and that compensatory mechanisms were needed to protect the vulnerable. Safety nets thus came to be identified with a range of interventions, from short term job creation, investment in essential services through public works programmes, social assistance and transfers to vulnerable groups, introduced in response to shocks, and in many cases representing a shift from universal benefits (subsidies and broad investments in health and education) to targeted measures (Cook and Devereux 1999). An evolution both in the types of programmes and in their objectives can also be traced through demand-led social funds⁶ to a greater focus on productivity-enhancing and developmental (rather than pure relief) objectives, to the current emphasis by the World Bank on social risk management as a new approach to social protection.⁷

Safety net programmes as defined above have limitations. They are usually designed to absorb the shock of entitlement collapse (for example, loss of employment); to deliver relief rather than development; to support consumption in the short term rather than reduce poverty or vulnerability in the long term; and to deal with symptoms rather than causes. These limitations have been identified in China and elsewhere in the Asian region,⁸ where the dominant concern is less with short term *ex post* responses to crisis than with establishing *ex ante* more sustainable and stable mechanisms of social protection which are integrated into broader economic processes. This is reflected in the Asian Development Bank’s adoption of ‘social protection’ as a broader concept, including targeted safety net programmes but emphasising a wider ‘set of policies and programs designed to promote efficient and effective labor markets, protect individuals from the risks inherent in earning a living ... and provide a floor of support to individuals when market-based approaches for supporting themselves fail’ (ADB 2000).⁹ The measures embodied in this approach include those which are *promotional* (improving real incomes and capabilities) and *preventive* (seeking to avert deprivation or reduce risk) as well as the narrower *protective* or compensatory measures which tend to be the principal focus of safety net interventions (Kabeer 2000).

In addition to describing specific interventions, the term ‘safety nets’ is used to describe the range of informal mechanisms and support systems on which poor households rely to cope with adversity.

⁶ Social funds support local initiatives using community inputs, are intended to be demand-driven, participatory and decentralised, and to provide an efficient alternative to government delivery mechanisms (Narayan and Ebbe 1997). Reviews of these funds particularly in Latin America however are cautious about their effectiveness (e.g. Tandler 1998; Stewart and van der Geest 1995).

⁷ Social risk management is defined as ‘public measures intended to assist individuals, households, and communities in managing income risks in order to reduce vulnerability, improve consumption smoothing, and enhance equity while contributing to economic development in a participatory manner’ (Holzmann and Jorgensen 1999:3). See also Siegel and Alwang (1999).

⁸ See papers by Suwannarat and Kabeer.

⁹ See Norton *et al.* (2000) for a more comprehensive review of social protection approaches and concepts.

TDRI (1999) in a study of the social consequences of the Asian crisis writes ‘Generally these Asian countries have not developed formal “Western-style” social safety nets. Mostly there is limited mandatory compensation ... Thus, the vulnerable groups in these Asian countries tend to rely primarily on informal and traditional safety nets provided through the family and/or community. The question then is how well these traditional safety nets have been performing and how vulnerable they will be to a steadily worsening economic and social situation and declining family resources’ (p. 10). The relationship between these informal mechanisms and publicly provided programmes, raises further questions, some of which – such as the extent to which public transfers ‘crowd out’ private ones – are a concern in the literature. These issues will be returned to in the following sections.

To the extent that safety nets are part of the policy discourse in China, they are described principally as an extension of the formal system of welfare provision. The overall direction of reform is towards an expansion in coverage of the formal social insurance system, supplemented by a means-tested, non-contributory social assistance programme. This approach to social protection and safety nets as a function of government policy may be viewed as a legacy of a planned economy in which welfare provision was structurally embedded within broader economic policy. At the same time, the government has been transferring back to society and the family many welfare functions for which it previously had taken responsibility. While many countries in the region are trying to construct new protective measures, China is faced with the simultaneous tasks of scaling down existing programmes while extending some level of benefits to the previously excluded. From this standpoint, understanding the legacy of the previous welfare system is a useful precursor to exploring the challenges to reforming and extending the system in order to provide security and meet basic needs.

3.2 The pre-reform legacy

China’s formal system of welfare provision has developed since the 1950s, and to some extent underpinned the country’s success in providing a basic level of welfare to its population and dramatically improving indicators of social development, such as literacy and life-expectancy. The pre-reform welfare system was integrated into the organisation of the economy through an egalitarian system of income distribution, collective organisation of production and distribution, combined with an institutional system of relief which acted as a guarantee of minimal economic and social needs for much of the population. Social welfare was thus an integral part of economic policy and planning, rather than a separate, residual sector. Many existing programmes of social welfare and assistance are the legacy of this pre-reform system.

Despite providing some level of social protection, the pre-reform system institutionalised forms of exclusion and established clear lines of demarcation between population groups with different entitlements, in particular between rural and urban residents, and between state sector and other employees. A major feature of the system was the division between the ‘iron rice bowl’ (and arm-chair) security provided to urban state workers (and officials) and much less generous programmes of relief and social assistance for the remainder of the population – the minority of urban residents who fell outside the work unit system and the majority of the rural population. While this distinction has been partially eroded by transition, it still serves to

exclude certain groups from access to entitlements. Current initiatives to reform the social security system and extend safety nets thus have to take into consideration the costs (financial and political) of dismantling existing structures, and reallocating entitlements away from relatively advantaged groups.

The establishment of China's urban welfare system after 1949 was premised on the decommodification of labour through a guarantee of full and lifelong employment for the urban population. Benefits of state sector employment included education, health care, housing and pensions, programmes which helped win political support for the new Communist state in the 1950s and to underpin the stability of the regime. From 1951 to 1966 a basic legislative framework for social security for state enterprise employees was established, covering benefits for disease, injury, maternity and pensions and implemented by the Ministry of Labour, the Trade Unions and enterprises. By the start of the Cultural Revolution in 1966 almost 40 million government and enterprise employees were covered by this social security system. The following decade however saw the suspension of the work of the Ministry of Labour and the trade unions, and social insurance programmes became the responsibility of the enterprise. Since the initiation of reforms there has been a gradual transfer of social security functions away from the enterprise – a process which has accelerated in recent years as the generous and comprehensive employment based welfare guarantees prove increasingly unsustainable. Table 1 provides an overview of the urban welfare system and major agencies responsible for finance and provision. This is evolving in the light of on-going reforms described in the next section.

Outside the security of guaranteed state employment, welfare provision was always limited and fell into two basic categories – regular social welfare (*shehui fuli*) provision for particular categories of people, and *ad hoc* or temporary relief (*shehui jiuji*) for households in difficulty. Regulations first established in the 1950s provided for those lacking the ability to work, such as orphans, the elderly and disabled who lack family or other sources of income or support (the ‘Three Nos’) in theory up to the average standard of living in the locality through the Civil Affairs System.¹⁰ Households locally identified as in poverty or extreme poverty (*pinkun hu* and *tekun hu*) may receive assistance, in cash or kind, on an irregular basis. Both rural and urban residents within these categories may receive relief and social assistance. In urban areas this was a residual system covering a small minority of people without a work unit. For the rural population it was – and remains – the principal source of assistance from the state, although additional programmes of the collective rural economy included access to basic health and education, and preventive and public health interventions – programmes which made a crucial contribution to improving rural welfare and security.

In summary a well-defined framework of social security (*shehui baozhang*) was developed throughout this period which forms the basis of the current system (see Table 2). This includes social insurance (*shehui baoxian*), social welfare (*shehui fuli*), social assistance (*shehui jiuji*), and ‘social preference’ (*shehui youfu*) which provides benefits for specific groups who have made a contribution to the nation, such as war veterans and families of martyrs of the revolution. There is also a well-organised and effective system of disaster relief. These separate programmes ‘target’ distinct groups of intended beneficiaries, deal with different types of contingencies, operate through different mechanisms, and may be implemented by different agencies. They

¹⁰ Regulations for assistance to ‘Five Guarantee Households’ were revised in 1995.

are also clearly distinguishable from anti-poverty interventions, although the beneficiaries may sometimes overlap.

3.3 The reform of social security provision

The reform process since the late 1970s has had very different impacts and implications for the welfare and security of rural and urban residents. The dismantling of the commune system in the early eighties forced farmers to adapt rapidly to a nascent market economy, and to the marketisation of social goods such as health and education. By contrast, the 'iron rice bowl' in urban areas was left largely in tact, with only limited and piecemeal reforms to the system of labour allocation and related benefits during the 1980s. More recently, however, significant government effort has been devoted to reforming the latter system, again at the expense of the relatively neglected rural welfare sector.

Current initiatives to restructure formal systems of social security and to expand basic 'safety nets' and social relief programmes are driven by a combination of factors – a commitment to basic levels of well-being among the population, a recognition of the relationship between social and economic development, but perhaps more importantly, the recognition that social stability and perhaps ultimately the legitimacy of the regime depend on addressing the negative social consequences of transition. The concern with social stability (*shehui wending*) has received particular emphasis during the past year and appears to have been the main motivation for a large increase in wage, pension and relief levels announced by the central government in September 1999 in advance of the 50th anniversary National Day celebrations.

3.3.1 Urban reform – 'perfecting' the system

Reform of the state sector was given new impetus in 1997, when an ambitious enterprise restructuring plan was initiated. The drive towards a more efficient and globally competitive enterprise system is, however, causing major transitional upheaval in terms of loss of entitlements to employment and related welfare provisions (including pensions, housing, health care and education) among large numbers of people. The implications for social stability of rapidly rising open unemployment, combined with a growing number of retirees dependent on an unfunded pension system, and an increasingly mobile migrant labour force has made necessary the rapid and fundamental restructuring of social security provision. Since the mid-1990s there has therefore been a concerted effort to transfer obligations from the enterprise to social insurance agencies, society and in some cases the state.

Key areas of reform aimed at establishing a comprehensive social security system, as well as dealing with short term transitional costs include:

- Development of an unemployment insurance system separate from the enterprise
- Provision of labour market services, training and support to unemployed and laid-off workers
- Health sector reform and the establishment of a health insurance system
- Development of a funded pension system
- A relief system in the form of a minimum living standard guarantee.

The framework for urban security which has emerged over the past few years – and which is still in the process of development – now includes the following three tiers, although with the intention that these be reduced in future to two:

- **Social insurance schemes:** covering pensions, health care and unemployment. Starting with pilot schemes for pension reform in the mid-1980s, the objective has been to separate the economic and social functions of the enterprise, shifting responsibility for these programmes to ‘society’ or social insurance schemes in a process referred to as ‘socialisation’ (*shehuihua*) with contributions made by employers and employees and paid into pooled and individual accounts.¹¹ Social insurance programmes also cover areas such as work related injury and maternity benefits. These programmes are managed by MOLSS.
- **Assistance for laid off (*xiagang*) workers:** this includes a basic living allowance and payment of pensions, health and unemployment insurance contributions funded in principle from a combination of central government, enterprise and social insurance contributions, and implemented by Reemployment Service Centres established within enterprises. In practice however the numbers of eligible workers actually receiving benefits appears to be very low, although no reliable data is available. This support for laid off workers is seen as a transitional measure during the most critical period of restructuring (1998–2001) with the intention being to phase it out over the next couple of years. *Xiagang* workers will then become unemployed (i.e. break their links with their work unit) and receive unemployment benefits (if eligible) or relief. This transitional process is also linked to intensive efforts to develop labour market services, provide vocational training and assistance in job creation and reemployment. The MOLSS is the principal ministry responsible for these activities, although other relevant government agencies are also charged with the task of creating employment.
- The third tier of the new system involves **means-tested (non-contributory) social assistance** which provides a basic living allowance to those whose per capita household income falls below a locally determined minimum living standard (*zuidi shenghuo baozhang xian*). This programme began experimentally in Shanghai in 1993, was extended nationally in urban areas starting in 1996, and the government has now indicated an intention to expand it to rural areas. Funding is primarily from local budgets with some allocations from the central government primarily to assist cities in poor regions and the industrial north-east which have been hard hit by enterprise restructuring. Regulations concerning the Subsistence Security for Urban Citizens took effect on October 1 1999. Despite claims to universal operation in all cities and towns,¹² problems in implementation can be seen from the official data on recipients – in 1999

¹¹ The reform of pension and health systems have received high priority by the government with a number of models and experiments being explored. However, the financing and administration of the schemes remain problematic. In the case of pensions, there are high costs of transition from an essentially PAYG to a funded scheme, while in health the use of insurance mechanisms does not address some of the fundamental problems on the supply side of the health system.

¹² Reported by Li Bengong, Director of Department of Relief and Social Assistance, MOCA (China Daily 4/4/2000). It was admitted that some areas were unable to provide allowances to all eligible applicants due to funding shortages.

only 2.81 million urban residents received subsistence allowances from the government, worth 1.969 billion yuan.

The present reemployment efforts and minimum living expense guarantee program are thought by many officials and researchers to represent the most important short run response of the Chinese government to the growth in urban insecurity and poverty.¹³ In particular, the ‘final safety net’ of the basic living allowance is acknowledged as a critical first step in providing greater security to the most vulnerable urban residents. Unlike the more generous and administratively complex social insurance programmes, it is also regarded as having the potential for expansion to rural areas. There are currently a large number of experiments being undertaken so that the implementation of programmes varies significantly in terms of eligibility requirements, methods of assessment of beneficiaries and sources of funding.¹⁴ While the main constraint to expansion and increased effectiveness of the programme is generally believed to be lack of funding, in a recent study of experiences in several cities, Tang *et al.* (2000) argue that organisational and management issues are critical constraints. They highlight a range of issues of targeting and administration raised by the programme. Findings from Shanghai, Wuhan and Tianjin suggested that the level at which the standard was initially set was too low;¹⁵ variations in the type of benefits received (in cash, kind, vouchers etc.) added too much complexity; coverage – although in principle universal for those falling below a particular income – is in practice restricted and fails to incorporate groups who should be eligible. Increasingly access to benefits is linked to reemployment through a ‘work-fare’ style approach, with the objective being to reduce dependence (a concern which seems to be grounded in the legacy of the ‘iron rice bowl’) as well as to introduce some degree of self-targeting. Tang *et al.* also suggest that insufficient training has been given to officials to deal with the complexity of the system or with the needs of clients. Those eligible to receive benefits claim to face difficulties in gaining access to relevant information, while one study in Yunnan suggests that, outside major cities, people are largely unaware of the programme and their entitlements (Peng 1999).

Despite current teething problems in implementing the programme, there appears to be considerable optimism about its potential to develop into an effective safety net, and to form a basis from which other programmes of assistance can be developed. Ideas include extending the current income and consumption support to cover education and health benefits.¹⁶ The intention has been expressed of expanding the system to rural areas although recognising that local resources will be a major constraint. At present a few cities have also included long term migrant workers within the system, although in general migrants as a group remain excluded from many of the benefits of urban residence, including housing and schooling for children.

¹³ Interviews: Ding Yuanzhu, Yang Tuan, Tang Jun.

¹⁴ See Tang *et al.* (2000) and Wang and Cook (2000) for details and an evaluation.

¹⁵ Prior to the September 1999 increase of 30 per cent. Motivated by political reasons, and with no basis in analysis of living standards, this rise may have been too high and thus (given local budget constraints) may restrict expansion of the programme in terms of beneficiaries.

¹⁶ Yang Tuan, interview.

3.3.2 Welfare and safety nets for the rural population

The rural population is largely unaffected by the above reforms in the formal welfare system, most of which do not extend to the countryside. The priority given to urban areas perhaps reflects a combination of historical biases and a stronger political presence, the urgency of enterprise reform, as well as the entrenched notion that land provides a basic safety net for the rural population. Policy makers frequently refer to land in this way, in comparison with the 'iron rice bowl' of state enterprise employment. Despite the vast difference in the level of protection provided by these two systems, the entitlement to land provides a justification for placing less emphasis on alternative safety nets either for the rural population or for rural migrant workers in cities.

For the majority of rural Chinese, land remains a basic entitlement and the main resource on which they depend, in conjunction with labour, for their livelihood security. Even where off-farm employment and migration have become important sources of income, the maintenance of ties with the land – usually through family members who continue to farm – remains a basic consumption guarantee for many non-agricultural workers with rural residence permits. However, although land remains crucial as a minimal safety net in the context of the withdrawal of the state and collective from most welfare functions, its limitations need to be recognised. In land scarce regions, where redistribution is infrequent, allocations have become increasingly unequal as family size changes over time, so that some families are unable to obtain even a subsistence livelihood from the land.¹⁷ Elsewhere, the downward trend in agricultural prices without equivalent reductions in burden of taxes and collective levies makes farming increasingly unremunerative, a situation which is likely to be exacerbated with greater liberalisation. Many rural areas have limited capacity to absorb additional surplus labour if the growth in rural enterprises slows further and urban unemployment places migrants under pressure to return to the countryside.

The major programmes of relief and social assistance (described above, Table 2) remain essentially unchanged and are principally the responsibility of the Civil Affairs system. These interventions are relatively fragmented, limited in scope and coverage, and rely for funding on local resources from collective (township and village) enterprises or on fees raised from rural households (see Cook 1999b). Locally generated 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. Rural welfare provision by formal governmental and collective institutions is limited to only 2.4 per cent of the rural population and averages 16 yuan per capita compared to 90 per cent coverage and 514 yuan per capita in urban areas. In restricting rural welfare coverage to minimum levels of assistance, the assumption is that the main sources of livelihood protection can be self-provided.

Fiscal decentralisation and dependence on local resources mean that the level and quality of even basic service provision are extremely uneven across localities. Local governments in some areas have found innovative mechanisms for supporting and subsidising local welfare provision – often using the profits from township and village enterprises, or allowing welfare institutions to run their own businesses to generate

¹⁷ Author's research – Hubei and Guizhou (1998).

revenue. Wealthier rural areas now provide a range of social security programmes including the minimum living guarantee (described above), medical prepayment schemes and pensions. By contrast, governments in poor regions or areas without such opportunities for entrepreneurial activity have limited capacity to raise additional funds except through levies on already poor households or through transfers from higher levels of government or external agencies (Cook 1999b). In the absence of redistributive mechanisms between regions and levels of government, inequalities induced by processes of market development will be further exacerbated as even basic social investments are threatened.

A separate set of interventions, funded in part by central and provincial governments, fall under the rubric of poverty reduction or alleviation programmes. These tend to be defined geographically, to focus on enhancing productivity, and are targeted at the county or township level (through the construction of infrastructure for example), rather than at the household – although this has been changing in recent years. These programmes are the responsibility of Poverty Alleviation Office (*fupinban*) under the State Council, and are entirely separate from Civil Affairs' welfare and relief programmes. Specific interventions include subsidised credit and agricultural inputs, training, micro-credit and public works (*yigong daizhen*) programmes.¹⁸ While not considered part of China's social security system, they clearly have a 'welfare-enhancing' function and in some cases are similar to productivity-enhancing or promotional safety nets. However, a major criticism of many of the programmes is precisely their failure to target at the household level (the exception being micro-credit schemes) and the diversion of funds from the poorest villages and households (Huang 1999). Thus, while they may in principle provide a better environment for economic development, they are not necessarily assisting poor households to participate in or reap the benefits of development. Furthermore, they appear not to respond to demand or the preferences of the intended beneficiaries. A recent evaluation of the multi-sectoral poverty reduction programme suggested a clear preference by participants for education projects as a key component; however, this has received a lower priority by the government which prefers to focus on activities considered to be directly productive.

Perhaps precisely because rural areas fall largely outside formal social security structures, and do not have to dismantle a previously entrenched system, innovative experiments have occurred particularly with insurance schemes in rural areas. These schemes have generally been government-led, particularly by MOCA, and include experiments in pensions and crop insurance schemes, as well as efforts (under the Ministry of Health) to reintroduce health prepayment schemes along the lines of the earlier co-operative medical schemes. Pilot projects to introduce a form of pension or old age insurance for farmers spread in the 1990s under the guidance of MOCA before being transferred to the newly established MOLSS in 1998. As early as 1986 the State Council decided to launch pilot projects for rural social security, with priority given to pension schemes in developed areas. In January 1991 MOCA launched pilot projects in a number of counties based on existing experience and issued a document on the 'Basic scheme for the rural pensions system.' Contributions were paid either by the individual or out of collective funds. By the end of 1997 2008 counties had introduced the scheme, with 82.8 million contributors (9.6 per cent of rural population) and accumulated

¹⁸ Studies and evaluations of these programmes exist and will not be discussed in detail here, but see in particular Zhu and Jiang (1995; 1996) on public works and Zhang and Rozelle (1999) on micro-credit.

funds amounted to over 14 billion yuan. By 1997 557,900 rural elderly had started to receive pensions with payments in that year totalling 315 million yuan (MOCA, cited by Zhang 1998). As with other rural insurance schemes, including those for crop, disaster and medical prepayment, the pension scheme appears to work relatively well in more developed areas, particularly where payments are made directly from collective funds rather than being a direct cost to farmers. Among the poorest, ability to pay may be a problem. More frequently it appears that the problem is one of willingness to pay: in poor areas there is frequently a lack of understanding about the nature of insurance schemes and a distrust of the implementing institutions, whether the government or the People's Insurance Company.¹⁹

3.3.3 Summary of emerging issues

A number of issues emerge from the above review of institutions and actors involved in the provision of social welfare goods and services. These are summarised briefly here and will be returned to for further discussion in section 7.

The government's concern is with 'perfecting' the social security system, principally as a means to smooth the reform of the state enterprise sector, maintain social stability and reduce the costs on the state. A trade-off exists between reducing the standard of security for the minority who are currently covered in order to expand coverage at a basic level, particularly in urban areas but also (more gradually) to the rural population. In doing so, central and local governments face funding constraints and competing demands for resources. This provides a motivation for identifying alternative funding mechanisms and for bringing a range of other 'social' actors into the provision of welfare services.

As with all social welfare interventions, in the context of limited resources, issues of targeting – and the trade-off between targeted and universal interventions – arise. Related to this are questions of redistribution and equity – whether resources should be redistributed to localities where need is greatest, or whether local governments should rely on their own resources to achieve a level of provision consonant with their level of economic development. Currently the latter approach dominates. Not surprisingly, those who are most marginalised from the processes of economic reform and restructuring (rural populations and those outside the labour force) also tend to be excluded from social security coverage. The challenge of expanding coverage to the rural population does appear to be moving up the government's agenda, perhaps largely in response to the escalation of unrest in rural areas driven by high levels of fees and levies, coupled with low agricultural prices – problems which could be exacerbated at least for some producers with further liberalisation and WTO accession.²⁰ However, this is not yet accompanied by any commitment to central budget allocations for such programmes.

While a range of need can be identified among different groups, it is rare for government policy analysts or academic researchers to approach questions of welfare provision from the perspective of the needs and demands of the poor and vulnerable. The focus is principally on the system and mechanisms of provision,

¹⁹ Author's field research (1998; 2000) and discussions with researchers at the National Health Economics Institute, Beijing.

²⁰ Interviews – Zhang Xiaoshan, Ding Yuanzhu.

often irrespective of how these relate to the broader livelihood strategies and constraints of the intended recipients. This is illustrated by recent studies of the new urban relief programme, as well as by evaluations of poverty alleviation interventions and the experience of rural insurance programmes. A better understanding of the livelihood strategies of poor households, and of the mechanisms through which they cope with crisis or adjust to economic transition, can provide a useful basis for the design of safety net and social protection programmes which better meet the needs of the poor.

4. INFORMAL SAFETY NETS AND SOCIAL PROTECTION

While the Chinese state has taken on a significant role in welfare provision, coverage is unbalanced and the 'safety net' incomplete. Instead, the majority of the rural poor, migrants and many of the newly unemployed depend on their own resources, networks and strategies to cope with crisis. Research on the effectiveness and resilience of informal safety nets and systems of social support among different population groups is limited, but recent work includes anthropological studies of gift-giving and personal relations, economic and sociological analyses of patterns of borrowing, lending and mutual support organisations, and of coping strategies in response to economic shocks such as unemployment.²¹

Studies and casual observation leave no doubt as to the enduring importance of social support networks. Feuchtwang (1995) in a study of social support arrangements among rural households highlights their importance, arguing that 'poverty is often temporary for a household with a good network so long as the whole region is not destitute. But other households without such a network, even if they are not so poor, are in a more desperate situation if village government does not have the funds or the policy or the inclination to help them' (p. 157). In urban areas, laid-off workers appear to rely first on family and close friends or school mates for support. However, as one interviewee observed, people with good connections do not lose their jobs, or are easily able to find another. Those with the weakest social networks are most vulnerable to unemployment. A number of studies have found that immediate and extended family, friends – particularly old school friends – and neighbours provide different types of assistance in the event of economic or other difficulties. In rural areas, borrowing from such networks is a major source of support in the event of illness or for paying school fees. Such networks also provide help in finding work both locally and particularly among migrants, and for exchange of labour or practical assistance at certain times of year. Activities undertaken by households for the purpose of reducing risk, and for income or consumption smoothing purposes – including diversification of income sources and migration – have been documented as important mechanisms contributing to 'self-insurance' in the absence of informal or formal insurance mechanisms (Morduch and Sicular 1999). In addition, in some areas informal lending and savings associations (for money or grain), burial societies and other mutual support organisations provide more regular mechanisms for saving, insurance or consumption smoothing.

²¹ See for example Yan (1994) on gift giving, Feuchtwang (1995), on social support networks and Xiang (1996) on social networks in migrant communities.

Unsurprisingly, it appears that in wealthier areas where markets are more developed there is an increased reliance on more formal institutions for borrowing, saving and insurance, although the rich also engage in social networks from which they may borrow, for example, for weddings and house construction. In poorer areas or among poorer population groups, assistance comes primarily from immediate kin and close neighbours. While such informal networks may be reasonably effective against many idiosyncratic shocks, they are unlikely to withstand co-variate crises which simultaneously affect multiple members of such networks. This may be the case with risks arising from adjustment and transition – a fall in the price of major crops, laying off large numbers from a particular enterprise, for example, as well as with natural disasters. Further research is necessary before clear conclusions can be drawn as to whether responses to such shocks lead to a long-term deterioration of social capital and networks as the more vulnerable individuals and families are forced to rely principally on their own resources just when these are most under pressure. As Feuchtwang (1995) also observes ‘The dishonour attached to the lost capacity to reciprocate in the social exchanges which constitute a network of resource mobilisation becomes a poverty trap. Only some other source of credit ... can help a household break out of poverty and escape this trap by re-building the means to re-enter the social exchanges which are an informal safety net’ (p. 158).

It is frequently suggested that, as the nature of risks change, the resilience of informal mechanisms may be weakened. This is illustrated in China by reports on the impact of restructuring and the breakdown of the work unit system in urban areas. Stress on families and their wider social networks appears to be increasing with the breakdown of the social structures and functions of the work unit. Change in housing – from courtyards to high rise flats – is frequently mentioned as enhancing the isolation particularly of the elderly (although no empirical research was identified). The psychological stress of unemployment appears to be leading to increased rates of marital or family breakdown and new forms of vulnerability for example among single mothers. Housing and other welfare policies have not yet adapted to these changes, so that individuals or groups may be stigmatised socially while their needs are not yet recognised in policy.²²

Evidence of the sequencing of different types of coping mechanisms suggests that, while some short term responses have few lasting implications, others may affect the longer term development and resilience of the household e.g. shifting to less nutritious diets (especially for children); withdrawing children from school; or engaging in higher risk or socially disruptive activities (prostitution, crime). A distinction can be drawn between the former coping strategies, and the latter which are better regarded as a failure to cope in that they erode or undermine future livelihood resources (Devereux 1999).

Informal safety nets, coping strategies or insurance mechanisms cannot be viewed in isolation from the broader institutional and public policy environment. Examples include the impact of the one child policy on the capacity of families to care for elderly family members; the marketisation of health services and the decreasing ability of poor households to cope with catastrophic health expenditures or with chronic ill-health; and the reduced resilience of poor families to respond to economic opportunities as basic education provision is compromised. Furthermore, as Morduch (1999) suggests, informal insurance mechanisms may

²² Interview – Li Hongtao and Qi Xiaoyu, China Women’s College.

themselves be a relatively costly and inefficient way for households to self-insure or deal with risks; in many cases it may be more efficient for formal mechanisms to be promoted by government or for the government to provide a public policy environment to encourage market or non-governmental provision. Public policy concerns with ‘crowding out’ (the replacement of informal transfers when formal ones are made available) should be less an issue for policy makers concerned with promoting secure livelihoods among the poor than understanding how the effectiveness and resilience of informal mechanisms can be enhanced – or at a minimum not undermined – by policy. This requires particular attention to alternative mechanisms for dealing with covariate shocks against which informal support mechanisms are least effective.

In general, informal networks provide a much needed security system for the vulnerable, but one which may exclude the most vulnerable and be rendered ineffective when most needed. It is also possible that intra-household vulnerability exists, with relatively weaker (or less ‘productive’) household members – the young, females, the elderly or sick – disproportionately bearing the costs of shocks. Information appears particularly limited on the resources, networks and strategies of those population groups which fall outside existing safety nets but which may have specific and often acute needs – examples might include migrant workers or casual labourers, sufferers from and carers of people with HIV/AIDS, and single mothers. Based on this brief review, there is a need for more systematic understanding and assessment of informal safety nets, how households cope with crisis, and more generally household consumption, saving and insurance behaviour, as a prelude to considering appropriate support mechanisms or safety net interventions, or the organisation of associations to represent the interests of such groups.²³

5. BETWEEN STATE AND HOUSEHOLD – INTERMEDIATE LEVELS OF SOCIAL PROTECTION

Between the formal state welfare system on the one hand, and households with their informal support networks on the other, exists an increasingly diverse set of actors and organisations engaged in various ways in providing assistance and protection to vulnerable groups. The past decade has seen the emergence of an array of non-governmental, non-profit or charitable organisations, more or less closely associated with the government, which play a role – or have the potential to do so – in the provision and financing of social welfare, social services and safety nets. In addition, local governments at the ‘community’ level are undertaking an innovative range of initiatives which, while outside the scope of the formal welfare system, nonetheless remain closely associated with the state. The range of local government, community and non-governmental organisations operating in this intermediate space raises important issues around the role of non-state agencies in the funding and delivery of welfare provision, and related questions about governance, participation and accountability which will be returned to subsequently.

²³ Park (1999) also points to this gap when he writes ‘Chinese micro-finance programmes are not well-informed by empirical evidence on the nature of credit, savings, and insurance needs of households in poor areas’ (p.9).

5.1 ‘Constructing community’ – local government and community welfare²⁴

The local level of government in China provides a sphere of activity relatively distant from the central state with a significant degree of autonomy over its own affairs.²⁵ At the most basic level the (elected) village committee in rural areas and the residents’ committee in cities,²⁶ and the township or street office above that, are adapting to the dismantling of communes and the changing structure and role of the work unit (*danwei*). This is particularly true in urban areas where recent innovations may have interesting implications for the design and targeting of safety net interventions as well as for the development of demand-led and participatory approaches to the identification of social need.

The decline of the *danwei* as the main unit of social organisation in urban areas has led to new initiatives designed to transfer some of its functions to the residents’ committee (RC). Traditionally, only urban residents without a work unit attachment were the responsibility of the RC. As the number of people whose work unit attachment is either attenuated or completely broken increases, the responsibilities of the RC correspondingly expand. Pilot projects were initiated under the guidance of MOCA in the late 1980s to deliver ‘community’ welfare and services (*shequ fuwu*) to assist ‘traditional’ recipients of relief and assistance (the ‘Three No’s) as well as laid-off workers and the unemployed, as part of the process of transferring responsibility for welfare to society (*shehuihua*).²⁷ These experiments expanded into the provision of non-welfare services, motivated in part by the underdeveloped service sector and in part by the need to raise resources to finance welfare provision, and have evolved to the current focus on ‘community construction’ (*shequ jianshe*). The result has been some confusion between the social and economic activities and objectives of the ‘community’ in service provision. More recently, in response to the growing number of laid-off workers, employment generation has also become an increasingly important motivation for the type of activities undertaken.

The ‘community’ in this context is defined administratively or geographically and usually consists of one, or a combination of two or more, RCs. It is therefore located somewhere between the RC and the street office. New or expanded functions of this level of administration include the implementation of relief and welfare programmes (under the Civil Affairs bureau), and the provision of services including domestic and household help, legal advice, mediation services, cultural centres, organisation of volunteer activities, security, employment creation, and maintaining the environment. Whereas in the early stages community services were the responsibility of Civil Affairs, there is now greater co-ordination between a number of relevant agencies at the community level – health, education, culture, sports, and public security. At the same time, efforts are being made to upgrade personnel, facilities and resources to provide more effective services.

²⁴ The discussion of ‘community construction’ and community service provision is based on interviews with several people, including Ding Yuanzhu, Yang Tuan, Lu Yiyi, and Zhu Yong, and on visits to several experimental ‘community’ projects in Shanghai, Nanjing and Hangzhou. See also Choate (1998).

²⁵ Although often described as decentralised, ‘deconcentrated’ may be a more appropriate term (Tendler 1998).

²⁶ RCs are usually indirectly elected but direct elections are now being organised in some cities such as Beijing which introduced direct elections from June 2000 (AFP 24 May 2000).

²⁷ The notion of ‘socialisation’ (*shehuihua*) is used in slightly different ways by MOLSS and MOCA: in the former case it refers principally to the removal from the enterprise of social insurance programmes, while in the latter case it refers to bringing in resources and the inclusion of a wider range of ‘social’ organisations in welfare provision.

While the initial idea was for communities to play a role in social services and welfare provision, some researchers see problems with the conceptualisation of community services and the confusion between market and welfare activities. The development of community services to address the lack of service provision in the context of underdeveloped markets diverts attention from the more important functions of social welfare or support. Another concern relates to the resource base of the 'community'. Similar to the process in rural areas, the lack of guaranteed government revenue at the level of the street office and RC led many street offices to start collective enterprises to generate resources with which to become an effective level of administration. This was part of the process of developing community services many of which are principally revenue rather than welfare generating. As in rural areas, this leads to wide variability in the nature and quality of services that can be provided. It is therefore unlikely that the success of pilot projects in wealthier cities can be replicated in poor areas without significant financial redistribution.

Despite these reservations, it is worth considering the implications of these experiments for social protection and safety nets. First, the 'community' may provide a locus and structure for demand-led initiatives involving greater articulation of social need, along the lines intended within Social Funds. In interviews, community officials emphasised the demand-driven nature of the services being provided and a degree of accountability embodied in direct or indirect elections to the RC.²⁸ While the emphasis on social stability and order, as well as the nature of Chinese government and Party structures, inevitably constrains genuine participation, nonetheless the 'community' may provide space for greater involvement and accountability.²⁹ Second, these processes may have implications for the strengthening of social capital and community level support structures, drawing on volunteers and local resources, and possibly providing an environment within which new social protection schemes, such as insurance or credit programmes, could be developed. The community structure may also strengthen the local level capacity to identify the poor and vulnerable and thus to better target relief and social assistance. Finally, this may provide a sphere in which greater trust and co-operation can be developed between government and non-governmental or non-profit organisations in the provision of social services and social protection.

5.2 Non-governmental organisations³⁰

The role of 'non-governmental' or non-profit organisations (NGO/NPO) is growing rapidly in China,³¹ although it remains relatively small and circumscribed, and the demarcation between state and many of these 'non-state' organisations (whether economic or welfare oriented) is frequently blurred. Such organisations do appear to play an increasingly important role as both fund raisers and providers of welfare services and safety nets for the most vulnerable who fall outside the formal system. The status and position of the more genuinely non-governmental agencies is shaky, and their relationship with the state complex. The largest and

²⁸ Interviews: Hangzhou and Nanjing April 2000.

²⁹ It should be noted however that a function of the RC is to monitor suspicious activities or violation of regulations such as the family planning, activities which are sometimes criticised as 'spying' (Gong 2000; AFP, May 24th 2000).

³⁰ This section draws in particular on discussions with Nick Young, Ding Yuanzhu and Lu Yiyi.

³¹ See for example Young and Woo (2000); Raab (1997). Chinabrief provides regular updates on the activities of NGOs. There is also a growing literature on civil society but this is not discussed here, except as it relates to social protection and safety nets.

most successful maintain close ties with government and are effectively semi-official. The success of some initiatives or organisations such as Project Hope and the China Charity Federation (both essentially state-led) in mobilising resources may provide space for further organisations to play a larger role as the government hopes their success in raising funds can be replicated. Government initiatives such as those described above at the community level may be instrumental in creating further space for more genuine non-governmental activity.

China's mass organisations and other new charitable, non-governmental and volunteer agencies are becoming increasingly prominent in poverty and welfare related activities. For example, the All China Federation of Trade Unions (ACFTU) provides retraining programmes for unemployed urban workers as well as a 'deliver warmth' (*song wennuan*) programme of relief to workers in hardship; the All China Women's Federation (ACWF) with its extensive local networks plays an important role in the reduction of female poverty through support for laid-off workers, training and reemployment programmes, the establishment of cash crop production bases to assist female producers, and provision of credit and farm inputs. Some poverty alleviation loans are channelled through the Disabled Person's Federation, which provides various forms of support to disabled people, including income support, job advice and training, and medical assistance.

There remains a dearth of genuine community-led and popular initiatives although some are emerging. For example, a growing number of localised NGOs run small projects such as telephone hotlines for single mothers and victims of domestic violence, and support or information centres for migrant workers or laid-off women. These initiatives assist in providing essential support for specific groups. They are often limited by dependence on a specific (often foreign) source of funding, or on the charisma or connections of a particular individual; they tend to be focused on a single issue in a particular locality, with little potential for expansion. Nonetheless, their existence and work serves a critical function in highlighting issues which may otherwise go unnoticed by government officials and by society more generally.

In assessing the development potential of the NGO/NPO sector, there does appear to be increasing recognition of its role in the social protection field, although precisely how this will evolve, and in what relationship to the state, is still being negotiated. From the government's perspective, the main contribution of such organisations is their capacity to raise resources – for example through charitable activities, donations and from the international development community – and to use these funds to provide services which complement or fill gaps in the formal system. NGOs are able to mobilise volunteer participation in their activities, while there is increasing involvement of the small business community in non-profit activities such as establishing homes for the elderly. While these are valuable functions, the relatively limited view of the sector as a source of additional resources fails to capitalise on some of its key advantages – notably its capacity for flexibility and innovation. The view of MOCA officials is that the government should provide models (e.g. for welfare homes) which set the standards which NGOs/NPOs can replicate in order to expand coverage.

In terms of the sector itself, researchers raised concerns about the lack of capacity of the sector to evaluate its objectives, work and effectiveness. At present most support and finance is directed towards large,

high profile organisations, usually with a close relationship with the state such as the CCF. It is questionable how responsive these organisations can be to local demands and needs, and how effectively resources are being used. Smaller scale local and community initiatives may be more flexible in responding to actual needs. In order to realise the potential to complement both government and informal safety nets, a better understanding of what they currently do and the key obstacles to achieving their objectives is needed, while the organisations themselves require a more stable environment and clear policy guidelines as a basis for a more co-operative relationship with government.

6. SOCIAL PROTECTION THROUGH SOCIAL INVESTMENT: THE CASE FOR HEALTH AND EDUCATION

A general argument of this paper is in favour of a focus on the developmental potential of safety nets, and relatedly on social investment for social protection. In China, poverty interventions tend to focus on productivity enhancing activities; investment in human resources through health and education are rarely considered a core element of such programmes. In moving from a universal, free system of access to one where services are essentially privatised and in which access to health and education, as well as the quality of the services obtained, depends on ability to pay, serious concerns arise over a process of disinvestment in human resources which is likely to have long term economic as well as social costs. A close link exists between the provision, financing and quality of services and the insecurity of individuals and households. This relationship runs in both directions: ill-health and high medical expenses are acknowledged to be a major cause of poverty, while lack of education inhibits employment opportunities; in the other direction, withdrawing children from school, or foregoing medical treatment or preventive care may be coping strategies in response to other economic difficulties.

6.1 Health

In the case of health, the capacity to cope with serious illness is beyond the resources of many households and individuals. Ill-health is a major cause of poverty particularly in poor areas – either through loss of labour due to illness or through catastrophic health expenditure. In urban areas, health care has become a major concern (along with the loss of pensions) among laid-off workers, and is cited as a reason for reduced domestic demand as households limit consumption to save against such contingencies. Concerns about health expenditures are also marked among the elderly on fixed and insecure pensions. An effective system of insurance, pre-payment mechanisms or subsidised provision is a necessary part of any system of basic social protection. Currently, for those not covered by health insurance, minimal support may be provided on an *ad hoc* basis through the Civil Affairs' system to members of households in particular difficulties. Alternatively, in some cities organisations such as the China Charity Federation may provide limited assistance. However such relief or charity does little to remove the insecurity associated with current health care provision.

In addition to difficulties of access associated with the high private costs of health care, further problems arise from the public goods nature of many health interventions. The decline in public health

services – due to incentives to generate revenues rather than undertake poorly remunerated preventive activities – has implications for the spread of infectious disease and micro-nutrient deficiencies which affect the longer term well-being and productivity of individuals in poor areas.³² The privatisation of services increasingly shifts the most urgent demands from *ex ante* risk reduction to *ex post* coping strategies. Initiatives to reduce health risks through preventive care, as well as basic provision funded through some kind of social insurance system, could have significant impacts on the capacity of households to cope with other contingencies.

New initiatives are underway to reform the health insurance system in urban areas, and to revive and expand the Cooperative Medical Schemes (CMS) in rural areas. The latter in particular pose problems which may have lessons for thinking about insurance programmes as potential safety net mechanisms.³³ Problems identified include a lack of willingness (rather than inability) to pay, arising from a lack of trust in institutions to deliver as well as from the structure of the insurance system. Some schemes compensate only for small medical expenditures which households can generally meet themselves, and not for hospitalisation. Schemes which cover catastrophic expenditures require levels of contributions which may be beyond the ability of the poor to pay, while wealthier community members have little incentive to participate. As with other rural insurance schemes (described above) wealthier areas with collective resources often have well-functioning systems. More research needs to be done to assess whether such schemes are viable and sustainable in poor areas, and at what level pooling should take place, as well as to understand the attitudes and preferences of the targeted population groups to the schemes.³⁴

6.2 Education

The focus on safety nets in the development literature has been principally as a transitional mechanism to cope with the social costs of adjustment, with an assumption that adjustment will lead to greater efficiency, growth and widespread benefits. The ability to gain from market liberalisation however is premised on the workforce being able to take advantage of new opportunities in an increasingly competitive and open economy. This capacity requires a better educated population, flexibility in moving between jobs, and the capacity to retrain and adapt to the changing demands of the market. Instead, however, problems of access to even basic education among poor and marginalised sections of the population seem to be increasing, exacerbating existing problems of vulnerability and exclusion particularly along the lines of ethnicity and gender.

The emphasis placed on education by families is illustrated by the high share of expenditures in household budgets.³⁵ Despite this willingness to pay, rising costs – including fees, uniforms, books and

³² The spread of drug resistant TB as sufferers are unable to afford the full course of treatment is one frequently cited example.

³³ The government has experimented with a range of rural insurance schemes – including crop insurance, rural pensions, and community medical schemes. These generally appear most successful in areas with stronger collective enterprises which often subsidise the programmes.

³⁴ Some work in this area is being undertaken by the National Health Economics Institute under the World Bank Health VIII programme. See also Wilkes (2000) for an example of a functioning scheme in a poor village.

³⁵ A number of household surveys place this between 10 and 20 per cent of household income.

materials, and a range of other activity fees – make withdrawal of children from school a quick and effective way of dramatically reducing household expenditures in the short term, and thus a natural response to other economic shocks. The actual situation of drop-outs is hard to assess from the official data which report initial enrolment figures, but survey evidence from poor areas indicates high rates particularly among girls. For households in difficulties some relief may be available through the local Civil Affairs office – this will often cover (partially or in full) the actual school fees, but not the additional fees and costs which are often significantly higher. Other support comes again from semi-official, non-government and charitable organisations – the most well-known being Project Hope (organised by the Communist Youth League) which has raised over 1.6 billion yuan, financed over 7000 primary schools and assisted over 2 million drop-outs to return to school.

As with basic health, there are strong arguments for emphasising the developmental role of education as a key economic investment, as well as part of a wider approach to social protection. When viewed as ‘consumption’, the social sectors are usually the first to be cut back in time of retrenchment or crisis. The costs of this longer term *disinvestment* are rarely assessed. Under-investment in human capital increases vulnerability to future shocks and undermines the capacity of households to cope with risk. As the focus of the discourse around safety nets shifts from relief to development, and from crisis response to managing and reducing risk, space should be created for a renewed discussion of the role of social sector investments as an *ex ante* risk reduction and social protection mechanism.

7. CHALLENGES TO SOCIAL PROTECTION IN CHINA

The preceding review of social security and safety nets in China has identified the needs of poor and vulnerable groups, on the one hand, and a range of actors, formal programmes and non-formal activities which together form an incomplete and relatively uncoordinated web within which people attempt to meet their economic and social needs, on the other. The complexity of people’s livelihoods – particularly those of rural populations who rely on multiple activities and sources of income – adds to the difficulty of designing interventions that can meet diverse needs. Nonetheless, lessons can be drawn from the preceding discussion which may inform the development of more secure safety nets or social protection mechanisms in China.

7.1 Level versus coverage

From the government’s perspective, the main framework for social security is now in place and the on-going objective is to ‘complete and perfect’ the system and to expand coverage. Looked at from the perspective of the vast majority outside the system, this task of expansion might appear unrealistic. It is generally acknowledged that the level of benefits provided to urban workers is unsustainable and a barrier to broader coverage. There seems to be an emerging consensus both among policy makers and researchers that the high level of entitlements will need to be reduced or withdrawn (e.g. through lower pensions or a later retirement age) as coverage of more basic provision is extended. There is broad agreement about the importance of providing a basic level of protection – through a targeted, non-contributory relief or safety net programme – for vulnerable individuals and households who fall outside the social insurance system. The rapid extension

of the minimum livelihood security programme in cities and some rural areas is the main example of this in practice. The major focus of government attention and resources, however, remains on the programmes which benefit the relatively privileged – funded social insurance schemes for pensions, health and unemployment benefits – and on urban areas. Voices urging greater attention to rural welfare are weak. A small number of researchers are arguing for resources to be devoted to basic social protection, and even for ‘social development’ to be placed alongside environmental protection as a basic pillar of development,³⁶ which would represent an important reversal of the current trend in which the government plays an increasingly residual role in social protection, and individuals rely on the market for insurance and services.

In expanding the system the strategy is to move towards a minimal, universal non-contributory programme, with strict eligibility requirements in terms both of income level (through means-testing) and work-fare style conditions. This programme is designed to supplement other social security programmes, with an even more basic safety net (outside the formal system) provided through *ad hoc* relief from a range of non-governmental organisations. The means-tested system raises the usual trade-offs and problems – identification of eligible beneficiaries, targeting errors and administrative costs, as well as the stigma often attached to participation in such programmes. China’s institutional structures down to the level of village and resident’s committee potentially provide relatively good targeting mechanisms. The more pressing issue perhaps is the availability of finance at the local level to meet identified needs. A related problem (particularly in the context of constrained resources) is the potential for diversion of resources or for other eligibility criteria to be applied. These may include political and personal connections or compliance in other areas of policy – for example, violating the family planning policy may lead to exclusion from benefits.

7.2 Relief versus development

The development of means-tested or narrowly targeted benefits reflects an emphasis on short-term compensatory social assistance and relief. In rural areas in particular, this approach may be less appropriate than ‘developmental’ activities, productivity-enhancing interventions (such as micro-credit) and ‘social investments’ (such as health and education). This paper has argued for more attention to directly productive investments based on evidence concerning their positive externalities and the high social (as well as private) returns. In China, health and education are identified in numerous recent studies as a major concern and source of insecurity or catalyst for poverty among the poor, leading to strong arguments for viewing investments in these areas as a legitimate element of *ex ante* measures for promoting security and enabling people to cope better with other economic difficulties. It is also important to recognise those categories of people who will not benefit from productivity enhancing interventions or human and social capital investments. Complementary support mechanisms – through transfers or care – are required for those who are dependent on others for their livelihoods, while the need for compensatory mechanisms to help households or individuals through periods of crisis or livelihood shock will also remain important, particularly in countries experiencing on-going adjustment and transition.

³⁶ For example, Ding Yuanzhu (interview).

7.3 State, market, society – allies or adversaries?

In contrast to many countries where safety nets have been implemented largely by donors or external agencies, and where the capacity of the state is limited, China has relatively strong state capacity to take the lead in the development of social protection measures. The withdrawal of the state from many of its previous social security functions, and the greater reliance on the market and on ‘society’ for provision and financing of services, is shifting the costs and benefits among different actors and social groups, and redistributing the responsibilities for financing, producing and delivering welfare goods and services.

Contradictions exist in moving towards greater reliance on the market in the struggle for security and higher levels of welfare. Market liberalisation may bring net gains, but the distribution of gains and costs is uneven. Outcomes depend on initial endowments – physical, human and social; they also depend on access to markets which, particularly in poor rural areas, are imperfect, incomplete, and often inaccessible to the poor. Nor do efficient insurance mechanisms arise in such areas which would enable the poor to smooth income and consumption and deal with contingencies. Institutions thus need to be created or supported to redistribute endowments and enhance the assets of those who start in a more vulnerable and less well-endowed position to enable them to participate in and benefit from market liberalisation. This places the emphasis on *ex ante* interventions rather than targeted *ex post* safety nets and compensatory mechanisms. While both are necessary to protect the poorest and most vulnerable, the ‘orthodoxy’ of residual, targeted and compensatory measures needs to be challenged and the state ‘brought back in’ to perform a greater role in social protection through measures which are embedded in and complementary to, rather than separate from, wider economic processes and structures.

Specific areas where the state might play a role in strengthening market institutions to enhance the security of vulnerable groups include insurance and credit markets. Interesting examples of informal insurance mechanisms for health, pensions, and crops, promoted by the state, have been mentioned above. Despite facing a range of problems, these experiments are nonetheless worth exploring or evaluating further, possibly in comparison with experiments in other countries. Credit markets also tend to be undeveloped in poor areas. China has adopted the experience of other countries (particularly the Grameen Bank model) but with modifications. The potential for expansion to urban areas, and for diversification from credit to a wider range of financial services (savings and even insurance) warrants further consideration.

In addition to the market, there is space opening up in China for greater alliances between the state and a range of non-state organisations in welfare provision. These relationships need to be developed in a co-operative and complementary way, based on and taking advantage of the comparative strengths of different types of organisation in particular spheres of activity. Positive experiences from other countries in the region, with their generally more vibrant and innovative NGO sectors, may provide useful lessons for China in this process.

7.4 Who pays for security?

Severe resource constraints exist in developing even a minimal government-funded safety net. Under China’s current system of fiscal decentralisation, local budgets will almost certainly contribute the lion’s share of

funding for welfare for the foreseeable future, resulting in huge variation in eligibility criteria, coverage and level of benefits. Decentralisation and the devolution of responsibility for revenue raising and financing threatens even basic levels of social assistance and service provision in some regions, placing a particularly heavy burden on the poorest regions with few revenue generating opportunities. One way in which local governments are attempting to fill the resource gap is to generate additional resources from 'society' – through revenue generating enterprises, charitable activities and donations, lotteries and other fund raising activities, as well as by using other organisations (NGOs and NPOs) and volunteers in the production and delivery of services. The more fundamental priority – which is beyond the scope of this study to explore – is the need to address anomalies in the fiscal system, and particularly the regressive nature of the tax system, especially in rural areas.³⁷ Commitment to some degree of redistribution through the central budget is needed.

In addition, the 'costs' of informal provision need to be accounted for. How are costs allocated between household, community and the state? Within the household, and among individuals, who bears what costs – either financial or in terms of time or other non-financial resources? The changing demographic structure and ageing of the population, and the greater reliance of some sectors of the population on their social support networks – in the event of unemployment, for example – represent a redistribution of costs from the state to society, between different social groups, and even among different household members. There has been little attempt at analysis – whether in China or elsewhere – of the costs and benefits of these dimensions of existing safety net provision.

Some researchers have suggested that problems of co-ordination among the system as a whole compromises the current safety net arrangements leading to differences in design, finance and implementation of safety net programmes by local governments (Zhu 2000). This raises an important question concerning the trade-off between a nationally uniform system, with a high degree of co-ordination from the centre, and a more flexible system which allows for greater local initiative but also leads to differentiation in types and levels of support provided. Nonetheless, there are probably benefits to be gained from greater co-ordination among the range of agencies with welfare related functions operating at the local level. In addition to Civil Affairs (which is responsible for the distribution of relief and other programmes of social assistance and support) these include the State Education Commission and Ministry of Health, and in urban areas the Ministry of Labour and Social Security which has responsibility for the welfare of poor workers. These are in addition to the mass organisations and other new charitable, non-governmental and volunteer agencies already mentioned.

7.5 Who decides?

The identification and articulation of needs, and the design of relevant programmes for meeting needs, is an area where there is frequently a disarticulation between the top-down provision of services, and local conditions and needs. These issues have been discussed elsewhere in the context of safety nets leading to

³⁷ See UNDP (1999) and Wong (1997) for more detailed discussions of the fiscal capacity of the state.

experimentation with demand-led social funds in which the objective was to allow communities to identify their own priorities and to participate in the design and implementation of solutions. The community initiatives described above may provide a basis in China for creating greater responsiveness to local demand. There is however a strong element of social mobilisation and control, rather than genuine participation, in the way these activities are carried out. Drawing on experiences with social funds elsewhere, and on China's experience in using participatory methodologies (particularly through the PRA network in the south west), there may be scope for strengthening mechanisms for the articulation of local needs and priorities.

Mechanisms for participation may lead to improved governance and accountability. In the context of administrative and fiscal decentralisation, stronger mechanisms of accountability and 'voice' for the relatively disempowered may help both to reduce the uncertainties surrounding their livelihoods – for example, the negative impact of corruption or of unauthorised fees and levies which impose a heavy burden on the rural poor – and to make policy more appropriate to their needs. A related aspect of governance is the basis of entitlements. A major difference between many compensatory mechanisms and poverty reduction programmes on the one hand, and social security programmes on the other, is the extent to which the latter may be legally enforceable whereas the former rarely have a basis in law. The latter are also more likely to be funded through guaranteed budgetary processes. Studies of the Employment Guarantee Scheme in Maharashtra have argued that its success as a safety net lies largely in the legally defined 'right' to work (Moore and Joshi 1999). Similarly in China, central government regulations specify the entitlements to certain programmes of assistance including the 'Five Guarantees' and social preference programmes. In theory, this legal basis gives people recourse to the authorities when their entitlements are violated. To be effective, channels of information about entitlements, and complaint or appeal if entitlements are not received, need to be strengthened.

7.6 Concluding remarks: issues for research and policy

Chinese policy makers and researchers have not engaged with the terminology of safety nets introduced elsewhere in the context of adjustment and transition. Instead, the concern has been primarily with the development of appropriate and sustainable long term social security or social protection programmes. In some other countries in the region a similar focus away from (and sometimes critical of) the narrow view of targeted safety nets as post-crisis responses or transitional mechanisms has been identified (Suwannarat 2000). This paper has also argued for a need to strengthen the developmental rather than relief nature of social protection mechanisms and interventions; to recognise the institutional structures and constraints which mediate access to resources which determine livelihood security, particularly among vulnerable groups; and to emphasise investments in social and human resources (including health and education) which cannot be achieved solely through the market. In conclusion, we summarise some key issues for research and policy highlighted by this review.

The objective of safety net and social protection activities is to enhance livelihood security, reduce risk and enable households to cope better with shocks. To achieve these objectives in the context of China requires a clearer understanding of the *assets and resources* on which poor or vulnerable households depend to

protect themselves against, cope with, and recover from shocks in different circumstances. These may include, for example, physical, economic, natural, human, social and institutional resources.³⁸ Developing an appropriate framework which enables better analysis of household livelihood strategies might facilitate the design of safety nets and social security mechanisms which are more relevant to the needs and constraints of poor and vulnerable groups. A significant body of evidence points to the importance to households of *human and social capital* both in protecting themselves against shocks, and in enabling them to cope with or recover from economic difficulties. Levels of education, skills, and personal connections, for example, are instrumental in facilitating movement between employment and may also provide access to financial or other resources. Convincing policy makers of the returns to social investments in education and health however requires better empirical evidence and a stronger basis in theory.

Related to household livelihoods and resources, and particularly to their social capital, is the nature and resilience of *informal safety nets*. To what extent have they been eroded in the context of transition or crisis? How efficient are they, and can they be supported through public action? Do the responses and strategies of households in the event of difficulties undermine the longer term resilience of these social networks? Again, research on these questions is needed to inform the design of interventions. The key source of security remains the labour market and employment. Access to employment is increasingly precarious for some groups, while security of employment and associated benefits may increasingly be threatened in more open economies. In China, rural residents and migrants have few guarantees of security, while the ‘informal sector’ is likely to expand as an unprotected sector excluded from current formal systems. As noted above, large sectors of the population (including informal sector and agricultural workers and migrant labour) remain excluded from formal social security and insurance programmes. As micro-finance programmes expand, there may be a basis for exploring *informal, group- or community-based insurance mechanisms*. This might involve building on existing informal, mutual insurance or mutual aid associations, drawing lessons and parallels from existing micro finance interventions, as well as from existing rural insurance programmes (including pensions and co-operative medical schemes) in China and elsewhere.

The *nature of vulnerability*, and thus people identified as vulnerable, is continually changing with changes in the economy and society. In particular, the changing demographic structure of Asian societies, and in particular the ageing of the population, poses new challenges across the region. The responses and solutions being developed in different countries could fruitfully be compared and lessons derived for the region as a whole. Some groups will remain vulnerable to risk and uncertainties due to their marginalisation from mainstream institutions and their initial endowments and capacities. In different countries and cultural contexts, those identified as vulnerable differ. While a general initiative on safety nets may not be the place to provide a detailed analysis of interventions for such groups, there may be value in examining how groups whose vulnerability is not recognised, or is in some way stigmatised, in one context are being dealt with in another (this might apply for example to widows, sex-workers, AIDs sufferers, single mothers). The

³⁸ Rural livelihood frameworks have been developed in the context of work on environmental sustainability and could be developed in this context – see Scoones (1998).

examination of experiences in other countries thus serves as an entry point for examining notions of need and vulnerability in different contexts.

While safety net provision is often considered principally in terms of the above concerns with economic security, asset protection and immediate consumption, the emphasis here has also been on broad based mechanisms for social protection, with a greater need for social investments in health and education. This focus raises a set of questions about the relationship between state, market and society, and the changing role of each in reducing risk or enhancing security – issues which are essentially governance and public policy concerns. China's experimentation with *community service provision* may provide one area for further observation and possible comparison with experiences elsewhere. The approach taken, although described by officials as responsive to demand, remains essentially top down, with non-governmental organisations drawn in to undertake certain tasks.

Community service provision relates closely to moves towards further *decentralisation*. Although the nature of decentralisation varies significantly in different contexts, there appear to be commonly held assumptions about the links between decentralisation, improved governance, greater accountability and transparency, a reduction in corruption, and consequently better social outcomes. It is unclear to what extent empirical findings support these links and what interventions might enhance positive linkages, but further research should consider more carefully the implications of decentralisation for social protection.

Finally, the role of *non-government organisations* and their relationship with the state remains a sensitive issue in China, but the focus on social service provision provides an entry point for exploring this further. Examining the role of NGOs in other countries in the delivery, financing or design of social safety nets, and in advocacy work for vulnerable or marginalised groups, may provide positive models for extending the role and space of NGO activity in the welfare field in China.

Table 1: The urban social security system

Department	Social or occupational insurance	Social relief	Social welfare services	Preferential treatment	Mutual help/community
MOCA	Pension and health benefits for special categories	disaster and poverty relief, minimum living standard relief programme	Welfare homes for elderly, disabled etc.; welfare factories; community services; welfare lottery	preferential treatment for special categories (veterans, disabled servicemen etc.)	donations; mutual help in neighbourhoods or units
MOLSS	Unemployment insurance; pensions, occupational health and related benefits	hardship relief for employees and laid-off workers	welfare in enterprises; reemployment and training programmes; labour market services	–	–
MOP	Pension insurance for public servants	hardship relief for public servants	welfare for public servants	arrangements for former servicemen	–
MOH	Health insurance; health services for public servants	–	–	–	–
MOF	Supervising social insurance; tax concessions for pension contributions	financial arrangements for social assistance; tax concessions for welfare factories	subsidies for urban residents; tax concessions for welfare and community services	special treatment funds	–
Organisational Department (Party)	Pension insurance and health care for senior cadres	hardship relief for public servants	welfare for public servants	arrangement for former servicemen	–
ACFTU		hardship relief for enterprise employees	management of enterprise welfare and trade union welfare units	–	employees mutual help funds
Commercial insurance companies	Pension insurance for collective and foreign invested enterprises	–	–	–	–

Public and charity organisations, NGOs	–	provide assistance through donations, volunteer or state financing	provide assistance through donations, volunteer or state financing	–	Volunteer activities and donations
Enterprises	Pensions; health insurance; sickness and work-related injury insurance; maternity, etc.	Subsidies or assistance for employees, dependants and laid-off workers	collective welfare services	–	–

(Adapted from Cook and White 1998)

Abbreviations:

ACFTU	All China Federation of Trade Unions	MOLSS	Ministry of Labour and Social Security
MOP	Ministry of Personnel	MOH	Ministry of Health
MOCA	Ministry of Civil Affairs	MOF	Ministry of Finance

Table 2: Rural social security programmes

Programme	Interventions	Source of finance
social relief and assistance <i>(shehui jiuqzhu)</i>	<ul style="list-style-type: none"> • payments in cash or kind to poor households • material assistance to victims of natural disaster 	<ul style="list-style-type: none"> • collective welfare funds • Civil Affairs budget, 'society', donations
social welfare <i>(shehui fuli)</i>	<ul style="list-style-type: none"> • Institutional care e.g., for the aged, disabled and orphans • Welfare factories providing employment for the disabled 	<ul style="list-style-type: none"> • collective welfare funds • self-funding activities • local government subsidies
social insurance <i>(shehui baoxian)</i>	<ul style="list-style-type: none"> • pension schemes • community health insurance schemes • insurance against disasters • insurance for employees of TVEs • insurance for public employees 	<ul style="list-style-type: none"> • individual contributions • collective welfare funds • employer provision • government budget
social preference <i>(shehui youfu)</i>	<ul style="list-style-type: none"> • special payments to veterans, disabled soldiers, dependants of soldiers, demobilised and retired soldiers etc. 	<ul style="list-style-type: none"> • Civil Affairs and collective welfare funds
medical security <i>(yiliao baozhang)</i>	<ul style="list-style-type: none"> • curative health services • preventive services (immunisation and MCH) • Immunisation and MCH insurance schemes • medical fee exemptions 	<ul style="list-style-type: none"> • Ministry of Health / budget allocations • user fees • collective welfare funds
Other	<ul style="list-style-type: none"> • mutual savings/credit societies • minimum living standard guarantee • other e.g. childcare, activities for elderly. 	<ul style="list-style-type: none"> • individual contributions • county budget and collective welfare funds • collective funds

ANNEX 1: LIST OF PEOPLE INTERVIEWED – MARCH 16–23RD, BEIJING

Name	Organisation
Professor Ding Yuanzhu	NGO Research Centre of Tsinghua University and State Development Planning Commission
Mr He Jin	Assistant Resident Representative, UNDP
Ms Li Hongtao	Director, Dept of Social Work, Chinese Women’s College
Professor Li Weiping	National Health Economics Institute, Beijing Medical University
Ms Liu Minglu	Dept of Unemployment Insurance, Ministry of Labour
Ms Lu Yiyi	Save the Children Fund
Mr Ma Xueli, President	Association of Social Work, Ministry of Civil Affairs
Ms Qi Xiaoyu	Dept of Social Work, Chinese Women’s College
Mr Qiao Jian, Associate Professor	Dept of Trade Union Studies, China Labour College
Dr Shang Xiaoyuan	University of Melbourne and Institute of Public Policy and Social Development, Beijing Normal University
Ms Shen Hong	Institute of Sociology, CASS
Mr Tang Jun	Social Policy Research Dept, Institute of Sociology, CASS
Professor Wang Sibin	Dean, Dept of Sociology, Peking University
Dr Xiong Yuegen	Dept of Sociology, Beijing University
Ms Yang Tuan, Assistant Professor	Director of Social Policy Research Dept. Chinese Academy of Social Sciences
Mr Yue Song Dong, Deputy Director	Development Research Centre for The State Council of PRC
Mr Nick Young	Chinabrief
Ms Zhao Wei	Dept of Trade Union Studies, China Labour College
Professor Zhang Lixi, Vice President	China Women’s College
Professor Zhang Xiaoshan, Director	Institute of Rural Development, Chinese Academy of Social Sciences
Professor Zhang Xiulan	Institute of Public Policy and Social Development, Beijing Normal University
Professor Zhu Ling	Institute of Economics, Chinese Academy of Social Science
Mr Zhu Yong	Institute of Policy Research, Ministry of Civil Affairs

ABBREVIATIONS

ACFTU	All China Federation of Trade Unions
ACWF	All China Women's Federation
CASS	Chinese Academy of Social Sciences
CCF	China Charity Federation
CMS	Community Medical Schemes
GDP	Gross Domestic Product
MOCA	Ministry of Civil Affairs
MOLSS	Ministry of Labour and Social Security
NGO	Non-governmental Organisation
NPO	Non-profit Organisation
PAYG	Pay as you go
PRA	Participatory Rural Appraisal
RC	Residents Committee
SSB	State Statistical Bureau
TVEs	Town and Village Enterprises
WTO	World Trade Organization

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Chinabrief (English and Chinese)

MOCA **China Civil Affairs** (*Zhongguo minzheng*)

MOCA **China Civil Affairs Statistical Yearbook** Beijing: Civil Affairs

MOCA **China Social Work** (*Zhongguo shehui gongzuo*)

MOLSS **China Labor**

MOLSS **China Social Insurance** (*Zhongguo shehui baoxian*)

Poverty Research Centre **Microfinance to the poor** (Newsletter) CASS

SSB **China Statistical Yearbook** China Statistical Publishing House

SSB and MoLSS **China Labour Statistical Yearbook** China Statistical Publishing House