

TOWARDS A CHINESE WELFARE STATE? TAGGING THE CONCEPT OF SOCIAL SECURITY IN CHINA*

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In the face of mounting challenges and a growing potential for social unrest and instability the Chinese government has in recent years repeatedly amended its productivism-based social policy line towards the establishment of a "harmonious society". While scholars have thoroughly addressed the question of whether or not China does and will develop along the lines of Western Welfare states, few attempts have been made to identify the Chinese conception of welfare and the values underlying the recent developments. This is however crucial in order to assess the features and impact of a possible new "Chinese Welfare Regime". This paper reviews the existing literature to tag the development of social security related values in China since 1949. The main research questions subsequently are: what is the Chinese conception of welfare and how is it reflected in social policy? We argue, that while the Chinese perception of welfare has changed since the "iron rice bowl" system, embracing new groups and trying to meet new needs, its main rationale and underlying norms persist.

Keywords: Chinese social policy; welfare state; East Asian welfare model; harmonious society; confucianism; reforms.

EM DIREÇÃO A UM ESTADO DE BEM-ESTAR SOCIAL CHINÊS? QUALIFICANDO O CONCEITO DE SEGURIDADE SOCIAL NA CHINA

Em vista dos desafios acumulados e do potencial crescente de intranquilidade e instabilidade social, o governo chinês aditou repetidamente, nos anos recentes, a sua linha de política social baseada no produtivismo para o estabelecimento de uma sociedade harmoniosa. Embora os estudiosos tenham discutido amplamente se a China se desenvolverá ou não seguindo a linha dos Estados de bem-estar social dos países ocidentais, poucas foram as tentativas para identificar a concepção chinesa de bem-estar social e os valores subjacentes aos últimos desenvolvimentos. Contudo, isto é crucial para avaliar as características e o impacto de um possível novo regime de bem-estar social chinês. Este trabalho revê a literatura existente para rotular os valores relacionados ao desenvolvimento da seguridade social na China desde 1949. As questões principais da pesquisa, subsequentemente, são: qual é a concepção chinesa de bem-estar social e como esta se reflete na política social?

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Argumenta-se que, embora a percepção chinesa de bem-estar social tenha mudado desde o sistema de “empregos vitalícios” (*iron rice bowl*), englobando novos grupos e tentando satisfazer novas necessidades, persistem a sua lógica principal e as normas subjacentes.

Palavras-chave: política social chinesa; Estado de bem-estar social; modelo de bem-estar do Leste Asiático; sociedade harmoniosa; confucionismo; reformas.

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1 INTRODUCTION

Over the past three decades China has emerged as one of the leading economic powers and crucial global political players, surpassing Germany as the world export champion and displacing Japan as the number two economic power. Its crucial role and contribution to the world economy – which is even likely to increase within the coming three to five years – was highlighted by the ongoing global financial and economic crisis, despite which China was able to maintain a substantial gross domestic product (GDP) growth. Yet, the crisis has also exposed some of China’s most prevalent problems and challenges such as the widening gap between rich and poor regions and a lack of adequate (even basic) social protection for a large proportion of its 1.3 billion population.

Chinese social policy has undergone immense changes during the transition from a highly centralized communist “iron-rice-bowl” regime into a socialist market economy whose distinct features are much more complex. During transition, competitiveness and flexibility have become the crucial parameters of Chinese policy, immanent not only in economic opening up and enterprise reforms but also in the transformation of State welfare. While welfare in urban areas was originally guaranteed by the State Owned Enterprises (SOEs) which provided their *danwei* (working units) with a cradle-to-grave social security system, the rural population was provided with a minimum of security through the public ownership of land. The urban and rural entitlements respectively were secured by the household registration (*Hukou*) system which – enacted under Mao in the late 1950s – served as a means of control through strict rural-urban segregation. The gradual separation of welfare from SOEs and the exclusion of large proportions of the population (rural migrants, informal workers, unemployed, laid-off workers) from basic social security provisions now amount to significant social and political problems. Since the 1980s, and much more actively since the early 2000s, the Chinese government has thus sought to address this challenge through a wide range of reforms in all fields of social policy. More recently the central government has under president Hu Jintao increasingly moved away from the rationale of mere economic output orientation and has under the concept of a “harmonious society” emphasized the need for more redistribution and equality as well

as for a sustainable social agenda; aiming at the equalization of basic social services by 2020. This goal has been re-emphasized by the 12th five year plan for the period 2011-2015.

While the economic transition took an incredibly quick pace and has been monitored closely by scholars worldwide (and from a variety of disciplines), systematic knowledge of Chinese welfare and social security scheme(s) is scarce, particularly concerning its development over time. Research on East Asian welfare and social policy in general is of rather recent date and did not start until the 1970s. Most importantly – and despite the rapidly increasing scholarly interest particularly in developments in China – it has proven difficult to conceptualize and analyse developments in East Asia along the lines of (Western) frameworks and theories. While scholars agree that China does not fit into any of the classical welfare State typologies, developments in China have still constantly been monitored along the lines of developments in European welfare States. Few attempts have been made so far to identify the Chinese conception of welfare and the values and ideas underlying this concept. This is, however, crucial in order to assess the features and impact of a possible new “Chinese welfare regime”.

In this paper we seek to identify core features and ideas of welfare in China, asking what the Chinese concept of welfare is and (how/if) it has changed since Maoism. Did the open door policy pave the way for true policy change or is what we have witnessed over the past decades merely an attempt to adjust pre-reform ideology to new challenges and a changing context? We will outline how the respective ideas are reflected in social policy and try to map changes over time, trying to delineate them from Western theories and typologies of the welfare state. We will argue that, while the Chinese perception of welfare has changed significantly since the “iron rice bowl” system, embracing new groups and trying to meet new needs, its main rationale as a means to legitimize the Chinese Communist Party (CCP) rule persists.

We will first give an overview of social policy developments since the foundation of the People`s Republic in 1949 and until the post-2003 approach to establish a “harmonious society” by 2020. We shall highlight the most significant reforms in a broad range of policy fields as well as summarize structural and ideological changes. Based on this, in the second part we will discuss which ideas shaped these social policy developments and try to identify continuities and changes, drawing on the existing literature. The analysis will focus on the question of whether (and if so how) Chinese ideas of welfare are in line with Western ideas; thus contributing to the ongoing scholarly debate on what kind of welfare regime is emerging in China.

2 FROM MAO TO HARMONIOUS SOCIETY – OVERVIEW OF SOCIAL POLICY DEVELOPMENT IN CHINA (1949-2010)

Over the past three decades, China has undergone immense changes, developing from a highly centralized communist “iron-rice-bowl” regime into a socialist market economy whose distinct features are much more complex. During transition, competitiveness and flexibility have become the crucial parameters of Chinese policy, immanent not only in economic opening up and enterprise reforms but also in the transformation of State welfare. While welfare in urban areas was originally guaranteed by the SOEs which provided their *danwei* (working units) with cradle-to-grave social security, the rural population was provided with a minimum of security through the public ownership of land. The urban and rural entitlements respectively were secured by the household registration (*Hukou*) system which acted as a means of control through strict rural-urban segregation (Zhu, 2003; Chan and Zhang, 1999). In the course of economic transition, the importance of the *Hukou* was gradually decreased in order to meet the increasing demand for cheap labour in the emerging economic centres along the East Coast. Yet, economic transition has posed huge challenges for China, with millions of people left unemployed or laid-off by the decay of SOEs. In rural areas, the land reform led to massive rural to urban labour migration, without including migrants into urban social security schemes and thus making them a huge, vulnerable group. Even though precise figures are difficult to come by, both the Chinese Academy of Social Sciences (CASS) as well as the International Labour Organisation (ILO) estimate the “floating population” at 150 million (Tunón, 2006).

Any stylized analysis as short as the one to be presented here, has to employ a high level of simplification and will not do justice to the actual complexity of the historical developments. Bearing in mind these inherent limitations, it is useful to roughly distinguish three broad historical phases of social policy development since the foundation of the People’s Republic of China (PRC). The first phase, which can be dubbed the Maoist period, lasted from the founding of the PRC until the beginning of economic opening up and reforms initiated by Deng-Xiaoping in 1979. It was characterized by work-unit based provision of comprehensive social services (organized around SOEs in urban areas and around agricultural communes in rural areas) in the setting of a communist planned economy that relied on universal lifetime employment. The second period lasted from the initial steps of economic reform in 1979 approximately up until the late 1990s or the early 2000s and witnessed a far-reaching erosion of the previous welfare arrangements and a strong focus on market-oriented flexibility, competitiveness, and cost-containment that largely ignored considerations of social security and equity. The third phase, which started in the late 1990s, and more explicitly after President Hu Jintao’s assumption of office in 2003, has been characterized by a considerable shift of attention from purely GDP-growth oriented policies towards a more balanced,

sustainable and socially equitable approach to development subsumed under the motto of a “harmonious society”.

Table 1 gives a simplified overview of developments in major social policy fields throughout these phases.

TABLE 1
Overview of social policy developments in China: pre-reform – present (simplified)

Policy Field	Phase 1) Pre-Reform (-1979)		Phase 2) Economic opening-up – late 1980s		Late 1980s – 2002		Phase 3) 2003 – present	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
Labour	“Cradle-to-grave provision” through enterprises; full-employment policy / “iron rice bowl”	Full-employment policy based on public ownership of land	“three in-one” policy; SOE reform; open recruitment; contract-based employment; dismantling of “danwei”; unemployment insurance 1986	Land reform and rural surplus labour	Labour Law (1994) and acknowledgment of unemployment/active employment policy; re-employment policy (adjustments in 1993 and 1999)	Massive rural to urban labour migration	Labour Contract Law (2008); Admission of migrant workers into Trade Union /2004); local responsibility for unemployment	Partly integration of labour migrants in urban schemes
Pensions	Non-contributory “labour insurance” in state enterprises	Provision based on public ownership of land; individual accounts in some communes	-	Responsibility for protection with families	1991: three-pillar system (compulsory for SOEs); 1997 uniform scheme for all enterprises	1991: rural pensions scheme; funded by individuals; low coverage	2005: pension scheme for urban workers	Several adjustments to 1991 scheme
Health	Free medical care for state workers (three-tier-system)	cooperative medical care system	Dismantling of scheme due to privatization	Dismantling of scheme due to privatization	Introduction of Basic Medical Insurance (BMI), contributory system (1998)	-	BMI, but coverage still limited in many cities; subsidized pilot schemes for different groups	New Rural Cooperative Medical Scheme 2003; immunisation costs covered by government (as of 2005)
Social Assistance	Cash benefits for the “three No’s”; ¹ narrow coverage	Wu Bao Hu system ² (Five Guarantee Households) for elderly, disabled and orphans	Cash benefits for the “three No’s”; narrow coverage	Wu Bao Hu	Minimum Standard of Living Scheme (MSLS) ; local responsibility; central government as “last resort”	Wu Bao Hu system	MSLS	MSLS introduction announced in 2006 + Five Guarantees
Education	Financed through government and state enterprises	Financed by rural collectives, subsidized by government	Focus on competitiveness; reform in 1985; fee-charging principle introduced; decentralization and localization	Nation-wide nine-year compulsory education (locally-funded); rural-urban disparities	Continuing reform “two-basics” plan launched to combat illiteracy	Persisting disparities; high drop-out rates in rural areas	Increase in illiteracy; educational inequality addressed under “harmonious society” guideline /2003	Gender inequality and persisting disparities compared to urban areas

Elaborated by the authors.

Notes:¹Refers to those with: no working ability, no family, no income.

²Equivalent to three no’s scheme”, guarantees for provision with food, clothing, housing, medical care and funeral expense/education for young orphans.

As can be seen from the above, the process of transition and economic opening up was characterized by a gradual separation of welfare from SOEs. This resulted in the exclusion of large proportions of the population (rural migrants, informal workers, unemployed, laid-off workers) from basic social security provisions, which has inflicted a significant problem on the Chinese government. Since the 1980s and much more actively since the early 2000s the central government has thus sought to address this challenge through a wide range of reforms in all fields of social policy.

Reforms have gradually led to a system of social insurance with additional welfare provision. A stance towards greater inclusion has in recent years gradually been taken by the government. Still, the strong urban bias, the localization of provisions, regional disparities and rural-urban inequalities persist. While urban industrial workers were the main target group for social insurance related policy, the rural population and the growing share of informal workers still lack access to even basic social security provisions. The government has recognized and addressed these issues, moving away from its rationale of mere economic output orientation. This move from an economic focus to social issues has been emphasized in a government dedication to sustainable development aiming at the equalization of basic social services until 2020.

The social policy field that reflects these challenges and changes most vividly is the labour market, where various new policies have been launched in recent years to tackle some of the most prevalent challenges. Yet, unemployment and growing informalization have led to the development of a two-tier labour market and pose major threats to social stability. However, the gap between economic growth and social security provision also shapes other social policy fields such as health, education and pensions. The main future challenge for China thus, is to attain a balance between a flexible market economy and adequate social security provision. This is closely linked to the question of whether this will eventually lead to the emergence of a new welfare regime.

The following gives a condensed overview of the major policy-shifts and developments in the field of social policy since the establishment of the PRC. We will focus on the crucial policy-areas of health care, old-age pensions, and unemployment/social assistance. For each of these social policy fields, we will discuss developments in both urban and rural areas, since there are typically profound differences in general policies and specific schemes between these two spheres, which means that the urban-rural disparities in and for themselves constitute one of the major social policy challenges the Chinese authorities have to address.

2.1 The Maoist Period

Generally speaking, the Maoist period was characterized by a twofold welfare system organized around individual work-units (*danwei*) in SOEs in urban and agricultural communes in rural areas. While the *danwei* provided their respective members with rather comprehensive cradle-to-grave-services in a context of lifetime-employment in the Communist economic system, the rural population was provided for on the basis of the collective ownership of land. A restrictive household registration system (*Hukou*) denied rural dwellers access to urban areas.

In terms of health-care, the pre-reform stage was characterized by a highly unified system of government-run health care provision that covered nearly the entire population, both in urban and rural areas. As mentioned, work-units acted as a sort of mini-welfare State and played a key role in providing health services. In urban areas, the organization of health-care provision followed a three-tier structure, with street clinics providing outpatient services, district hospitals that provided more sophisticated treatment, and city hospitals at the top to which the most complicated cases would be transferred. The health care professionals were state-employees and services were provided largely for free or at heavily subsidized, centrally imposed rates, which meant that nearly all urban residents enjoyed comprehensive health-services (Ngok, Chan and Phillips, 2008, p. 115-117; Saich, 2009, p. 268-274, Gu and Zhang, 2006, p. 49-51). The three-tier organizational structure also existed in rural areas, where the members of the communes, i.e. the collectivist agricultural work-units, were covered by the so called rural Cooperative Medical Scheme (CMS). The central providers of health services were the so-called barefoot-doctors in commune-based village clinics. More complicated cases would be treated in township health centers and county hospitals respectively. The CMS was financed through village collective funds from collective agriculture, individual households' contributions that amounted to a maximum of 2% of a farmer's annual income, and complementary central government subsidies (Carrin *et al.*, 1999, p. 62; Ngok, Chan and Phillips, 2008, p. 115-117; Liu and Yi, 2004, p. 5-8). In 1976, around 90% of the villages in rural China participated in this type of welfare scheme that provided nearly universal coverage to the rural population (Carrin *et al.*, 1999, p. 962). It is widely acknowledged, for example by official WHO reports, that, given the general backwardness of rural China in terms of economic development, the system provided a remarkably high quality of medical services that was clearly superior to the levels found in comparable developing countries (Ngok, Chan and Phillips, 2008, p. 117; Saich, 2004, p. 273).

The responsibility for the provision of old-age pensions in urban areas lay exclusively with the SOEs (Frazier, 2004, p. 101). Enterprises had to pay the pensions of their retired employees out of their current revenues in a system that had neither a funded nor a pay-as-you-go element of employee-contributions

(Salditt, *et al.*, 2007, p. 15-17). The system combined generous eligibility criteria with high benefit levels offering replacement rates as high as 80% and therefore imposed considerable costs on enterprises (Whiteford, 2003, p. 47-49). In rural areas, there was virtually no formal, state-run rural pension scheme and rural residents had to rely completely on extended family support for the provision of old age security (Shi, 2006, p. 791-793). Only very few, minimal welfare programs and facilities for the elderly existed in individual villages and these welfare measures depended entirely on the discretion of individual communes rather than on a unified, rights-based policy framework (Treas, 1979, p. 36). The only standardized element of institutional assistance available for the elderly were the so-called Five Guarantees established in 1956 that provided a minimum level of material benefits in the form of food, clothes, shelter, medical assistance, and funeral expenses and was strictly restricted to elderly without children, income, and working ability (Ngok, Chan and Phillips, 2008, p. 62-71).

During the Maoist era of universal lifetime SOE-employment, virtually all urban residents were provided with wage labor in the state-run economy. Wage levels and standards of living in the highly inefficient economy, characterized by substantially overstaffed and technically backwards industrial facilities, were often very low, but unemployment was not officially acknowledged as a major social problem. For the few individuals without working ability, the government provided minimal levels of material relief via cash payments targeted at the so-called “three no’s”, i.e. households without dependants, without any sources of income, and without working ability (Ngok, Chan and Phillips, 2008, p. 61-68; Saich, 2009, p. 23).

In rural areas, where universal employment and the distribution of all daily necessities were provided by the collectivist agricultural work-units, the central government obliged the communes from 1956 onwards to use collective funds to assist the most marginalized and impoverished rural residents. This minimal level of material relief mainly applied to orphans and old people that lacked family support, income and working ability and was designed to provide them with food, clothes, shelter, medical assistance, and funeral expenses within the “Five Guarantees”-framework.

2.2 The Era of reforms and economic transition

The economic reforms initiated by Deng Xiaoping who became the de facto leader of the CCP in 1979 gradually transformed China’s centrally planned economy into a more liberal, commodity-based market economy, albeit high levels of State ownership of key industries have persisted until today. The process of economic liberalization gained pace with the emergence of the first free economic zones along the East coast whose cities became the booming centres of production and economic progress. At the same time, the collectivist People’s Communes in rural

areas were gradually superseded in the early 1980s by the household responsibility system that allocated farmland and the entitlement to profits resulting from its cultivation to individual families to generate incentives for increased productivity (Yifu Lin, 1992, p. 34-40). Against the background of the large agricultural productivity and output increases triggered by the introduction of the household responsibility system, the central government strived for adopting similar reforms in urban industries. Starting in the early 1980s, it therefore adopted several steps of urban enterprise reform that endowed urban industries with substantially increased autonomy in management decisions and eventually acknowledged the economic potential of privately owned enterprises, by legalizing private ownership of businesses (Wei, 1997, p. 1080-1084; Ngok, Chan and Phillips, 2008, p. 27-32).

The gradual steps of economic reform and liberalization sketched above had a profound impact on the existing structures of welfare and social security provision. A welfare system organized around individual work-units, i.e. SOEs and agricultural communes that were expected to provide cradle-to-grave-services for its employees or members proved to be not compatible with a competition-based, market-oriented economy. Generally speaking, the government adopted an approach that was characterized by a clear priority on economic growth and a strengthening of flexibility and competitiveness. In many respects, this implied state withdrawal from welfare provision and a focus on cost containment at the expense of those that did not benefit from the unleashed dynamics of free markets.

Accordingly, the central government decided to delegate the responsibility for urban health care provision to the level of local authorities and adopted a management reform that transformed hospitals into profit-oriented entities endowed with substantial autonomy. As a result of this health strategy shift, government health-spending declined dramatically. Overall health care spending as a proportion of overall government expenditure dropped from 3,1% in 1985 to 2,3% in 1995 and the government's share in total national health expenditure fell from 28% in 1978 to 14% in 1993 (Ngok, Chan and Phillips, 2008, p. 119). The overall trend was characterized by state-withdrawal and increased out-of-pocket payments by workers for health services to fee-charging, increasingly privately-run facilities. At the same time there was a profound shift towards health care provision by hospitals while the former basis of the system, the primary care street clinics, eroded substantially and in some regions even ceased to exist. (Saich, 2004, p. 284-287).

China's rural areas witnessed a similar process of deterioration of health care due to the collapse of the Cooperative Medical Schemes. The village collective funds virtually disappeared, suddenly leaving 900 million rural residents without health insurance coverage (Ngok, Chan and Phillips, 2008, p. 126). Health care was increasingly provided by private, profit-oriented facilities and large parts of the population could not afford even basic medical treatment (Saich, 2004, p. 291-297).

In the years after the economic reforms, due to increasing financial pressures, evasion and non-compliance with pension obligations in SOEs became a serious problem (Saich, 2004, p. 278). The government reacted to the pressures by introducing employee contributions to pension schemes in 1986 to be pooled in new social insurance agencies that were founded at the city or county level, thereby replacing the tradition of enterprise-based pension provision. To further reduce financial pressures on SOEs and to smoothen the process of economic transition, the central government in 1991 issued a state council document that paved the way for a three-tier pension system based on a contribution-funded basic old age insurance, complementary enterprise benefits, and individual savings. Furthermore, pooling should be lifted from the local to the provincial level (Salditt *et al.*, 2007, p. 16-19). However, the new system only applied to the privileged group of SOE workers and excluded large parts of the population that were occupied in the private sector (Ngok, Chan and Phillips, 2008, p. 62-64). Thus, the government's measures can be seen as an attempt to reduce the financial burden of SOEs and to ensure their smooth transformation and competitiveness in the market, while many employees in the private sector were not covered by any old-age pension system.

In rural areas, given the absence of pension-schemes, the solidarity of the extended family had traditionally been the most important source of support for the elderly. However, the rapid ageing of the population triggered through an increase in life expectancy and the one child policy adopted in 1979 coupled with the exodus of young, productive migrant workers moving to the prosperous, industrialized cities have profoundly undermined the viability of traditional structures of extended family support for the elderly (Shi, 2008, p. 4-11). Only in the late 1980s did the central government begin to display some interest in the issue by overseeing some local experimental schemes. Some rather ambitious projects initiated by the Ministry of Civil Affairs (MCA) that intended to establish a unified, nationwide rural pension system were gradually reduced and undermined by the State Council (SC), which in 1999 decided to completely abandon and effectively terminate the pilot projects successfully established in several provinces (Shi, 2006, p. 796-800). As a consequence, participation in the now privatized schemes dropped even further, from 82 million insurants in 1998 to 54 million in 2004 (Shi, 2006, p. 799-801).

The economic reforms also implied profound changes for the nature of work in urban China, since the traditional notion of lifetime employment was superseded by a more flexible labour market policy (Ngok, Chan and Phillips, 2008, p. 30-32). In the new economic environment characterized by enterprise competition, flexible employment contracts, and mass layoffs resulting from enterprise bankruptcies, unemployment became a major social problem. Reliable estimates are difficult to obtain, but experts agree that unemployment figures soared in the 1980s

(Ngok, Chan and Phillips, 2008, p. 97-99). To preserve social stability and to facilitate the transformation of overstuffed SOEs to modern corporations by allowing them to get rid of redundant workers, the government set up an unemployment insurance system for SOE-employees in 1986. It was funded by enterprise contributions and would provide benefits for a maximum of two years. More importantly, the government established a system of Re-employment Service Centers (RSCs) in 1995 that would provide re-employment services and material benefits to "laid-off" workers from SOEs. In Chinese terminology, these "laid-off" workers were not seen as unemployed but retained formal links with their respective SOEs. The RSCs could therefore be seen as a buffer that helped maintaining social stability among SOE-workers, since redundant workers were taken care of in RSCs for a period of up to three years before they became eligible for unemployment benefits (Ngok, Chan and Phillips, 2008 p. 97-104). However, these policies were heavily biased towards meeting the welfare needs of redundant SOE-workers, whereas other groups were not covered by the unemployment insurance. Most importantly, the massive group of surplus rural workers, which was estimated to comprise between 100 million and 200 million people in the 1990s, was not covered by the schemes sketched above and these peasants often faced severe poverty (Tunón, 2006).

2.3 Towards a "harmonious society"?

The far reaching economic reforms sketched above and the concomitant focus on reducing welfare costs for the government and enterprises has triggered rapidly increasing inequalities in the Chinese society. The most severe source of income inequality in today's China certainly lies in the striking urban-rural disparities. At the end of 2008, per capita disposable income for urban households was 15,781 Yuan while per capita net income for rural households was only 4,761 Yuan (Saich, 2009, p. 14). Starting in the late 1990s, the Chinese government increasingly came to realize the destabilizing potentials of the severe income disparities and the highly unequal distribution of the aggregate welfare gains from growth. "The seeds of widespread social unrest are sown as most of the farming population cannot share in the benefits from the country's growing economy" (Cheng, 2007, p. 49).

Against the background of threatening social instability and unrest fuelled by social inequalities, the government gradually shifted from its initial purely growth based development strategy towards a more sustainable and equitable approach to growth that would pay more attention to the welfare needs of those social groups that had so far been marginalized and neglected in the process of rapid economic liberalization.

This strategy shift which started in the 1990s was increasingly formalized and made explicit in the years after 2003, when president Hu Jintao introduced the ideological concepts of a "harmonious society" and "scientific development"

embodying the new strategy into the government's rhetoric and managed to incorporate the new ideas into key policy documents and medium-term strategy plans, such as the government's eleventh five year plan (Cheng, 2007, p. 47-56; Saich, 2009, p. 4-10). The gradual reorientation towards more equitable and balanced growth triggered several social policy changes.

In 1998, the central government issued a document which established a unified urban health care scheme compulsory for all urban employees, regardless of the type of enterprise. It has a component of social pooling and an individual account and requires both employers and employees to pay payroll-based contributions. There are pre-defined caps on per capita health expenditure and workers have to make individual payments to contribute to costs of treatment. To address the problem of health care services for those urban residents not covered by the employment based scheme, the central government has introduced a pilot program in 2007, establishing a voluntary Basic Urban Resident Medical Insurance Scheme targeted at including those without work and flexible work patterns, the large group of uninsured migrant workers, and impoverished children.

In rural health care, the State Council in 2002 explicitly acknowledged the shortcomings of a purely market-based approach and embraced the notion of government responsibility for providing health services in rural areas (Saich, 2009, p. 22) and subsequently adopted a framework for a renewed Rural Cooperative Medical Scheme. The voluntary insurance scheme is financed through contributions paid by individual farmers and by the central and local government which are collected in Rural Cooperative Medical Funds (Ngok, Chan and Phillips, 2008, p. 127-129). In spite of remaining severe difficulties, the scheme has expanded massively and by 2007 covered 20 out of 31 Chinese provinces (Saich, 2009, p. 21-23). In 2006, the central government further increased its health efforts for the countryside when it decided to substantially increase expenditure for the construction of health facilities and the purchase of medical equipment within a broader framework of measures to promote the welfare of peasants and rural residents (Cheng, 2007, p. 52-53; Saich, 2009, p. 14-16; 22-23). In spite of the existing shortcomings, the establishment of a unified and government-run scheme and the government's new interest in rural health care mark a major step towards better social protection in rural China.

The development of the urban pension system in the late 1990s and early 2000s was characterized by a gradual transformation from a purely SOE-focused system into an increasingly universal scheme. Coverage was extended from SOE workers, the pension system's traditional constituency, to all urban workers, irrespective of the company's ownership structure, by the SC's decisions of 1995 and 1997 (Salditt *et al.*, 2007, p. 17; Zhao, Xu, 2002, p. 397-400). Shortly after that, the increasingly unified and standardized pension schemes were made ac-

cessible to the self-employed and also to workers with flexible working patterns (Ngok, Chan and Phillips, 2008, p. 62-64, Salditt *et al.*, 2007, p. 35). A further very important step in expanding coverage has been the incorporation of migrant workers that account for 40% of the urban workforce and form the backbone of China's rapid growth, especially in the manufacturing and construction sector (Shi, 2008, p. 4-5). Although ongoing administrative difficulties in ensuring the transferability of accumulated contributions and entitlements across provinces in fact represent a huge obstacle for migrant workers to actually participate in the urban pension systems (Salditt *et al.*, 2007, p. 38-40), observers agree that "MOLSS has made it a national priority to extend social insurance to rural migrants in urban jobs" (Salditt *et al.*, 2007, p. 22). Although compliance is still low and the government has difficulties in implementing the system, the urban scheme now applies to around 48% of (formal) urban employees and coverage keeps rising (Salditt *et al.*, 2007, p. 26; Whiteford, 2003, p. 55).

However, in contrast to the progress made in the urban sphere, there still is no unified pension system for rural areas which are therefore characterized by voluntary, poorly funded, largely privatized and locally fragmented schemes with a very low coverage of the population (Saich, 2009, p. 21). Given the lack of any stable, coherent public option, only 54 million rural residents are currently insured in a pension scheme, which corresponds to only 11% of the rural workforce. According to official estimates, only 7% of rural people aged 60 or older receive any pension benefits (Salditt *et al.*, 2007, p. 22-23).

In terms of social assistance schemes, experimentation and policy innovation first started on the local level. The Minimum Standard of Living Scheme (MSLS), pioneered by Shanghai in 1993 (Leung, 2002, p. 25-26), provided basic living support to urban households that fell below a predefined poverty threshold. In 1999, the central government extended the scheme to the entire country and also started to contribute substantially to the financing of the program. The scheme marked a major move towards means-tested welfare provision, since it targeted not only the traditional three no's but all urban households that fell below the locally determined poverty thresholds. Thus, the practice of conditionality on working inability was abandoned and the level of household income became the sole criterion for eligibility, which meant that the MSLS became an effective tool for tackling poverty resulting from long term unemployment and insufficient pensions (Ngok, Chan and Phillips, 2008, p. 67-68; Saich, 2009, p. 23-25). When the central government promoted the nationwide adoption of the program and accepted financial responsibility, the scope of the scheme expanded rapidly. The number of recipients rose from 2.81 million to 22 million between 1999 and 2004 and the central government's spending on the scheme increased accordingly, from 4 million to 105 million yuan (Ngok, Chan and Phillips, 2008, p. 68).

In 2006, the government announced its intention to establish the MSLS in the countryside for rural residents and also decided to support the local authorities charged with running the scheme by contributing to its funding. In 2007, 15 million rural residents received benefits within the MSLS-framework. Full coverage of the rural population however, turns out to be extremely difficult to achieve for a variety of administrative, economic and financial reasons and rural benefit-levels remain extremely low (Ngok, Chan and Phillips, 2008, p. 70; Saich, 2009, p. 25-27). Nevertheless, constructing a unified, nationwide system of basic social assistance by strengthening the MSLS remains one of the government's key social policy goals (Saich, 2009, p. 26).

3 WESTERN *VERSUS* CHINESE IDEAS OF WELFARE?

3.1 The current debate and State of the art

As we can see from the above overview the Chinese government has – following its 1979 open-door policy - made competitiveness and flexibility in the labour market its core rationale to achieve economic growth and increase welfare. In this early economic reform period it thus focussed its social policy agenda on those segments of the population who, supposedly, were most needed to achieve these goals, i.e. urban industrial workers.

From 2003 onwards the social policy agenda has shifted towards the inclusion of larger proportions of the population and the most vulnerable groups, i.e. rural residents, unemployed, migrant workers. With the newly launched concept of a “harmonious society” (Chi, 2007; Lou and Wang, 2008), the Chinese government under president Hu has made the attainment of a balance between adequate social security and labour market flexibility its rationale. This has been closely followed also by researchers around the globe and has initiated an ongoing debate among scholars about the future of social security in China; focussing on the question whether and what kind of welfare regime is emerging.

Traditionally, academic research on welfare States and their emergence and development has been strongly informed by three major approaches: socioeconomic functionalism, conflict theory and institutionalist approaches (Amenta, 2003). Starting from there a variety of scholars has tried to typologize different welfare States. The most influential and widely acknowledged – even though criticized and self-criticized – typology having been provided by Esping-Andersen (1990; 1999).

None of these classical theories can however easily be applied to social policy development in China due to, for instance, the lack of democratic institutions and an organized labour movement (Lin, 1999).

Scholars have thus often evaded the problem by subsuming East Asian welfare systems under the label of a “Confucian welfare State” (Jones, 1990; 1993). While research on social security and welfare in East Asia is still rather new and scarce, with a considerable increase in research interest in the context of the region’s economic miracle (Peng and Wong, 2010), scholars have mainly focussed on the East Asian exceptionalism (Midgley, 1986; White and Goodman, 1998; Walker and Wong, 2005). This usually resulted in eroding national distinctions and – in the case of China – in often excluding it from analyses altogether.

In general specific “East Asian values” such as Confucianism and the central role of family and kinship ties are held responsible for constraining a development more in line with Western welfare patterns (Jones, 1993; Goodman *et al.*, 1998). The strong Western bias in social policy research which resulted in a neglect of Asian Pacific perspectives and an exclusion of East Asia from the Western concept of a welfare State has been criticised by a number of scholars (Jones, 1993; Jones and Finer, 2001; 2003; Walker and Wong, 1996). Claims are made to reformulate Western welfare regime theory to include East Asian regimes (Walker and Wong, 2005). Yet, even these claims for a “Confucian model” remain vague, given a substantial lack of analysis concerning its underlying cultural context and social norms. This holds to a large extent also true for the Western logic of welfare State emergence and maturation (Titmuss, 1973; Taylor-Gooby, 1980; Chow, 1996).

Scholars widely agree that the process of economic modernization that followed Deng Xiaoping’s reforms is an attempt by China’s leadership to attain output legitimacy based on economic growth and an increase of overall wealth and prosperity (Ngok, Chan and Phillips, 2008). The focus on flexibility and economic competition as the main rationale behind Chinese social policy is also outlined (Hebel and Schucher, 2008; Mok, 2009). Schucher (2009) subsequently considers the recent boost in social security spending as a means to cope with the challenge of vulnerable groups (unemployed, migrant workers and the rural population), while Solinger (2005) analyses welfare development along the lines of path dependency and a “changed State mission from class conflict to economic modernization” (2005, p. 85).

But what is so specific about welfare in China? While welfare State theory widely argues that social policy and its underlying institutions are characterized by a certain “institutional stickiness” and path dependency (Pierson, 2001), the question of to what extent policy-making in China is bound to and shaped by past decisions and established paths remains unanswered. Pierson argues that centralized institutions are an important precondition to maintain stability, but does this hold true for China and its need to cope with new social challenges? Did the economic opening-up pave the way for true policy change or is what we have witnessed over the past decades merely an attempt to adjust pre-reform ideology to new challenges and a changing context?

This brings us back to the necessity of taking a closer look at Chinese welfare-related values and their impact on social policy.

3.2 Social policy related values in China: back to the roots or towards a new welfare regime?

Maybe rather surprisingly, several welfare provisions were introduced earlier in China compared to Western Europe (Wong, 2008) and do not positively correlate with the level of democracy. Early and rather comprehensive provisions of poor relief regarding water control, food supply, famine relief and education were introduced as early as the 18th century in China - at a time when state makers in Europe were still busy with nation building. Based on Confucian political ideology, the emperor was considered as the provider of social order, as a benevolent father. Hort and Kuhnle (2000) have tested the historical European trajectory on Southeast, East Asian social policy developments, i.e. to what extent there has been a similar pattern of correlation between indicators of modernization and economic growth and the introduction and expansion of social security provisions. They found that the first Southeast, East Asian social insurance legislation generally came earlier in “developmental time” than in Europe, which was a pioneer in chronological time.

Research on welfare state emergence and development in the West has typically followed the logic of industrialization and democratization. Based on the Christian (universal) belief of love and kindness as a precondition to earn ones place in heaven, poor relief was first granted by the churches and charities. The notion of civil rights being followed by political rights which finally lead to social rights, dominates the Western approaches (Marshall, 1963). In China, Confucianism stresses a moral obligation to help but not in a universal sense but rather linked to the family. Support should be offered in relation to closeness, with strong clan or community networks serving as the basic units to ensure society’s stability. Social norms and rules were set according to kinship. These reflected the traditional Confucian virtues of strong family bonds, benevolent paternalism, social harmony, discipline and strong work ethics. The belief that inequality between people is normal and that those who work hard to uphold a harmonious society should be rewarded accordingly led to the exclusion of poor people and in turn often to an aversion to seek State support. The government is considered a moral and benevolent authority which grants social security not as an obligation or based on specific rights (White and Goodman, 1998).

This different understanding of welfare becomes obvious also in considering the different meanings of the word “welfare” itself. While “welfare” in Europe goes back to the old Norse “*Velferd*” (fare well) and German “*Wohlfahrt*” (well-being), the Chinese “*oruzhi*” translates into happiness sent from heaven or a benevolent superior (Lin, 1999).

In sum, while the Western idea of social welfare is based on religious (Christian) ideals that eventually gave way to civil rights and social justice as major concepts; collective welfare in China was introduced earlier mostly in the form of material relief that came as an act of favour through the emperor (holding a mandate from heaven) and was not rights-based (Chow, 1987) but served as a crucial means to unite, pacify and control a vast and multifaceted territory.

3.3 Confucius meets Marx: egalitarian social policy under Mao

After years of political instability, invasion and civil war in which social order could not be secured through a central authority, the victorious Communist party government led by Mao was again confronted with the need to rule a unified but multifaceted territory. Modelled on its Soviet neighbour, the Communist government introduced a planned economy based on an egalitarian ideology with (quasi-) universal work-related social security provisions (Deacon, 1983; 1993). While this emphasis on equality and solidarity clearly shattered the Confucian order and is even interpreted as a break with Confucian ideas by some, at least part of the features introduced under the centralised CCP rule resembled those of the mid 18th century. Confucian norms persisted and shaped social policy but

“had been redefined according to a new pyramid of social stratification (...). The groups in the lowest positions had no right to claim welfare assistance (...). At the same time, many privileges had been granted to the senior cadres, for instance through a system of preferential treatment to entitle pension benefits and health care” (Lin, 1999, p. 174-75).

This is for instance obvious in the continued reliance on family networks and support, particularly in rural areas. Even though formally replaced by the communes, families still played the key role in providing basic social security. Moreover, the Confucian idea that social stability depends on a specific hierarchy persisted – with poor peasants, workers taking over the place of landlords in terms of socio-economic status and thus turning the pyramid of social stratification upside down (Unger, 2002).

Officially based on the ideal of equality and solidarity, Maoist social policy was designed to reflect the superiority of socialism, which also afflicted the highly centralized and authoritarian institutions. This becomes particularly obvious regarding the idea of welfare under Mao. Comprehensive cradle to grave social security provision – considered by some as generous even by Western standards (Mok, n.d.) – was granted to all (urban) workers. These served as the backbone of the socialist State and welfare was thus considered an award for the working class. The image of an “iron rice bowl” or, “one pot” which provides for all, became the key notion of welfare, guaranteed through the respective *danwei*. Yet, while the State took over responsibility for the workers entire life (including their social life), no social security scheme to universally cover the entire population existed.

The focus on a “Stalinist forced-draft heavy industrialization” (Walder, 1989, p. 408) included strong discriminatory elements as well; excluding enemies of the socialist idea – the so-called “four bad elements” – from welfare benefits altogether (Mok, n.d.). Life chances and thereby access to social security thus largely depended on the political categorization, based on political affiliations of father, grandfather in 1949, with preferential treatment of formerly exploited groups such as Red Army soldiers and their offspring.

Peasants formed another huge share of the population that was systematically excluded from State welfare. Cared for – after 1958 – by the Peoples` communes through the collective ownership of land, the rural population was controlled by a strict household registration system (*Hukou*) which denied them access to urban jobs and accordingly to social security.

While China under Mao performed considerably well in terms of income distribution and equality compared to other developing countries and particularly compared to other socialist countries, “the flat urban income distribution was greatly facilitated by its ability to keep out the rural poor” (Walder, 1989, p. 414). This eventually resulted in widening income gaps between rural and urban population.

The socialist egalitarian idea of welfare linked to work was dismantled in the course of economic opening up and reform and was replaced by (neo)liberal ideas, justified by the State`s claim to create a socialist market or socialism with Chinese characteristics.

In sum, welfare under Mao can be described as a system rooted partly in Chinese traditional culture and partly modelled on Soviet influences (Leung 1994). The State tradition to provide social welfare with a strong patriarchal notion and as a means to maintain (social) control goes back to way before Mao and the founding of the People`s Republic (Croll, 1999).

Shattered by marketization, Chinese leaders as well as scholars have recently – and in the light of new challenges – increasingly promoted a return to a more collective approach to welfare, most prominently reflected in the aim to install a harmonious society, as we shall outline below.

3.4 Building a harmonious society: Confucius revisited

With a high level of coverage the *danwei*-based system under Mao was considered as superior and interpreted as a proof of the success of socialist ideals. This underlying ideal as well as the institutional framework deriving from it did not significantly change after Deng`s open-door policy and until well into the 1990s (Gu, 2001). The residual cradle to grave notion of welfare confined to specific entitled (urban) groups persisted and is reflected by social policy reforms such as the introduction of

an urban unemployment insurance scheme and the mid-nineties pension reform.

However, this rationale was gradually altered and partly abandoned due to a number of reasons. First, the financial burden of the former SOE based system and the costs to take care of unemployed workers or those made redundant in the process of privatization boosted. Welfare demand increased and left the government unable to provide even for those formerly covered. Reforms were thus to a large extent guided by pragmatism and fundamental ramifications for the Mao system. Secondly, along with this the gradual loosening of *Hukou* restrictions to attract cheap rural labour into the booming economic centres as well as the land reform led to rural to urban labour migration on an unprecedented scale. This floating population was excluded entirely from entitlements to social security benefits, which inflicted a huge social challenge on the government, as social unrest increased.

This thirdly led to a re-definition of responsibilities and of state-market-civil-society-relations as well as to gradual institutional restructuring. Dominated by decentralization and privatization in order to maximize efficiency, the central government started to partly outsource responsibilities for welfare to non-governmental organization (NGOs), charities and private providers (Leung, 2005). Along with this the State-responsibility model was traded for a model involving more actors in welfare distribution in order to establish the balance between equality and economic growth. The shift towards a fee-based educational system and the introduction of private health care are examples for this.

Responsibility for the well-being of the population was thus shifted from the State to the community and individual; to remain with health, this has, however, further boosted social problems: a 2005 survey of seven big cities revealed that more than 65% of respondents were not covered by any medical insurance, with people not being able to afford contributions.

The mounting demand for welfare and social security spurred by rapid economic transition that led to increasing inequalities and the exclusion of large shares of the population from even basic services, resulted in a decline of party credibility (Chan and Yu, 2005). The central government particularly under president Hu has subsequently adopted a back to the roots approach, bringing traditional Chinese values and norms back in: “in order to promote social cohesion and strengthen the communist rule, the Chinese government has recently tried to re-associate itself with Confucianism” (Chan and Yu, 2005, p. 35).

Under Deng and later under Jiang Zemin slogans like “to get rich is glorious” and “some have to get rich first” had been employed to justify the cutbacks in welfare. During the nineties however, the potential of increasing social unrest to hamper reform became profound, making it necessary for the government

to find a means to maintain both economic growth and social stability (Croll, 1999). Starting from the late 1990s and more prominently since the early 2000s, Confucian values have thus been re-employed and have dominated the debate about welfare in China.

Despite the original attempt to break with Confucianism under Mao, Chinese leaders have constantly – and throughout the transition period – referred to traditional values, such as Jiang describing Confucianism as a “fine national tradition” (Leung, 2005), partly using Confucianism to maintain and justify restrictive social policies (Walker and Wong, 2005).

However, recent attempts to establish a harmonious society and to move towards a more people oriented development, including marginalized groups (such as migrant labour) go a step further. Social justice and equality, sustainable development and making welfare a top priority have shaped the recent discourse.

A particular focus has been on the countryside, e.g. through the introduction of rural health cooperatives in 2008, attempts to better integrate migrants into existing insurance schemes, combat of illegal land seizures, advocacy of farmers rights and the aim to introduce a universal means-tested minimum support system. The move towards a means-test marks a radical turn in itself, superseding the previous test for working ability as a precondition for entitlement to benefits.

Yet, the reason for this shift back to more traditional Chinese values is rather pragmatic. While the introduction of harmonious society as a policy vision marks a policy rethink under Hu (Zheng and Tok, 2007), the clear focus on maintaining economic growth as the key rationale persists. Spurred by the emerging new challenges as well as the potential for social unrest, the discourse about a harmonious society is part of a legitimacy building process for both Hu and the CCP. The 2007 Property Rights Bill is one example, deriving from the rationale of building a harmonious society through capitalistic development (Xinhua News, 26.03.2007).

Saich (2004; 2009) has thus labelled the recent policy as “populist authoritarianism”, implying that the more people-centred approach is aimed at preserving social stability which is in turn considered the main precondition for continued and stable economic growth. The 2005 “Campaign to Maintain the Advanced Nature of the Party” designed to strengthen the socialist ideology and the leading role of the CCP calls for a “socialist core value system (...) to underpin the policies to build a harmonious society” (Saich, 2009, p. 9). One can subsequently argue that the return to Confucian values basically serves two purposes. First, it serves as an important means to legitimize party rule, based on a social contract which trades social security in return for government support. Secondly, traditional virtues, norms and customs – most prominently reliance on family, kinship and networks – were increasingly stressed to free the government from escalating costs –

particularly during the early years of reform (White 1998). This went along with the diversification of welfare providers, developing a policy framework which separated welfare from the basis of the enterprise and re-emphasised kinship along with minimal universal provisions.

4 CONCLUSION

In sum, the changes in Chinese social policy since Maoist times and the early phases of transition have – as we have seen – been quite profound. Turning away from the logic of class struggle and “one pot”, Chinese social policy after 1978 has been characterized by efficiency and economic output. While a rational model of spending was virtually non-existent under Mao, the legitimacy of opening-up (and thereby of the CCP) “became that of improving the living standards of people and building a stronger nation State” (Jones Finer, 2003, p. 38). This went along with neglecting the goal of (working class) equality, justifying *that some have to get rich sooner than others*.

All this is not to say that the party-State abandoned its underlying ideological logic. While the changes have over time significantly affected both the policy process and the institutional set-up, with the ideal of communism becoming more blurred, the original rationale of employing certain welfare-related values in order to maintain and stabilize CCP rule throughout the transition process, persists. The combination of socialist ideals and Confucian values was – as we have tried to show – maintained throughout the history of the PRC, with socialism (influenced by Confucian values) being the dominant logic during Mao times and a recent shift towards emphasizing Confucian norms without abandoning communist ideals entirely.

Opposed to Western systems of State welfare (based on the norms of citizenship and related social rights), the Chinese welfare system has often been labelled as characterized by collectivism (Deacon, 1983; Leung, 1994) and a strong reliance on family bonds. This value based on traditional Confucianism has become particularly vivid during the early years of reform, when family bonds were increasingly advertised as a means of providing welfare. This logic persists until today especially in rural areas – due to the absence of other social protection schemes – and in the field of old age care.

The party government has however clearly outlined its will and dedication to establish basic provisions for all in the future.

It is still too early to assess the success of these attempts. Pilot projects in the fields of health care protection and pensions have highlighted significant implementation problems. Yet, political stability in China is closely linked to maintaining a balance between productivity and continuous growth and social protection. This has become

obvious in migrant labour upheavals and strikes – eventually resulting in attempts to at least partly include this huge but marginalised group into existing social security schemes (and allowing them to join the trade union). Reactions to disasters like the 2008 Sichuan earthquake and the 2003 severe acute respiratory syndrome (SARS) epidemic illustrate this as well.

Getting back to the original question of assessing Chinese developments along Western patterns of welfare State emergence, it becomes clear that, while in terms of privatization and decentralization there is evidence of convergence of Chinese and Western patterns, the underlying values and the understanding of welfare differs significantly.

In order to characterize the emerging new welfare regime in China, it will thus be necessary to conduct further in depth research, including a thorough analysis of these differing values. Such research should foremost focus on the analysis of institutional change in the field of social policies and the norms, logic and mechanisms underlying these restructuring processes. For that purpose, the implementation of the current five-year-plan and a close monitoring of CCP approaches to tackle the impact of the global financial and economic crisis can yield important insights that will be crucial for identifying, understanding and explaining specific developmental paths.

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