

INTERNATIONAL CONFERENCE NEWS:

ASIAN SOCIAL PROTECTION IN COMPARATIVE PERSPECTIVE

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Asia's expanding economic and geopolitical importance has generated worldwide interest in its social protection and social welfare programs. How are the diverse countries that comprise Asia addressing the persistent 21st century challenges of aging, disability, changing family structures, rising health care costs, education for emerging industries, and poverty among both working people and those without jobs? What lessons can be learned from recent policy developments, and how can they be applied to improve social outcomes in the future? More than 100 scholars and practitioners from 18 countries met in Singapore in 2009 to explore these questions under the auspices of the Association for Public Policy Analysis and Management (APPAM), the National University of Singapore's Lee Kuan Yew School of Public Policy, and the University of Maryland's School of Public Policy. The conference, titled "Asian Social Protection in Comparative Perspective," featured both single-country and multicountry comparison studies addressing issues of aging and pensions, disability, long-term care, assets and entrepreneurship, health care, poverty, family formation, labor markets, outsourcing of services, education, public assistance, social insurance, and the political economy of welfare regimes. All of the conference papers can be found at http://umdcipe.org/conferences/policy_exchanges/conf_papers/index.shtml.

One of the most striking streams of research at the conference focused on social policies undertaken by the People's Republic of China in the 1990s and 2000s to manage its epic-scale economic and demographic transitions. Taken together, these papers paint a fascinating portrait of pragmatic, incremental, trial-and-error policymaking in response to dislocations caused by the opening of China's economy to market forces, the massive migration of workers and their families from rural to urban areas, and the already rapid aging of the Chinese population. An edited volume of selected papers, *Chinese Social Policy in a Time of Transition*, is available from Oxford University Press (Besharov & Baehler, 2013).

China's embrace of market mechanisms in the late 1970s inexorably disrupted the social welfare arrangements of the communist period, many of which had depended heavily on guarantees of lifetime employment and access to social services provided by state-owned enterprises. As state-owned enterprises were downsized and privatized, the old workplace-based system of social protection withered. In the early days of the market reforms, downsized enterprises were expected to provide their laid-off workers with basic living allowances, but this practice became financially unsustainable as the number of layoffs grew rapidly. From the mid-1980s to the mid-1990s, the burden of financing not only unemployment benefits, but also education, health care, pensions, child care, maternity and sick leave, industrial injury, and other public benefits was transferred in fits and starts from workplaces to various combinations of individual, employer, and state contributions at local, provincial, and national levels. At the same time, benefit generosity predictably diminished as policymakers focused greater resources and attention on economic development than social protection.

The evolution of new social protection arrangements in the post-market-reform era was further complicated by three additional factors: (1) historically large discrepancies in levels of social protection available in rural versus urban areas, which reflected an assumption that rural families and communities would make do and take care of their own; (2) the *hukou* system of household registration, which entitled people to receive public benefits only in the localities where they were born and registered; and (3) the fact that jobs in the new economy were concentrated almost exclusively in urban coastal areas. For the 130 million rural-to-urban migrants who made China's economic miracle possible, this combination of factors added up to significant social and economic vulnerability.

As evidence of post-reform hardships and inequities accumulated throughout the 1980s and into the 1990s, pressure on government ratcheted up. In response, the pace of policymaking quickened from the mid-1990s to the mid-2000s, with major developments including adoption of a single national pension plan for urban areas (later extended with a version for rural areas), standardization of unemployment insurance, expansion of the minimum livelihood guarantee (basic income support) to all rural areas, (re)establishment of nationwide rural health care coverage, continued loosening of restrictions on worker mobility, improved access for children of migrants to urban education, expansion of college enrolment nationwide, and equalization of social welfare spending across provinces. This wave of reforms expanded access to many programs and went a long way toward consolidating the social policy framework that had gradually emerged in piecemeal fashion during the 1980s. It laid the foundation upon which all future reforms of Chinese social policy will build.

Various papers from the Singapore conference further developed these themes.

THE PATH FROM STATE SOCIALISM AND IMPLICATIONS FOR SOCIAL SECURITY

China and Vietnam offer fruitful opportunities for comparison. As Jonathan London explains in his paper "Welfare Regimes in the Wake of State Socialism: China and Vietnam Compared," both countries' governments prioritized economic development over social protection, and as a result, both countries experienced lags between the retreat of communist welfare provision and the emergence of new forms of social protection. These lags allowed out-of-pocket costs for health, housing, education, and other services to increase, which led to inequalities in access, take-up, and outcomes. At the same time, the two countries' exit paths from state socialism are distinct in important respects: Subtle differences in underlying political culture and bureaucratic styles have led to relatively significant differences in social impact. In particular, Vietnam's broader coalitions of ruling elites appear more responsive, on the whole, to the welfare needs of their populations than their Chinese counterparts do, and this helps explain Vietnam's more redistributive pattern of fiscal transfers.

In their paper, "Social Benefits and Income Inequality in Post-Socialist China and Vietnam," Qin Gao, Martin Evans, and Irwin Garfinkel used national household survey data from the early 2000s in China and Vietnam to analyze these redistributive spending patterns. The authors conclude that social security arrangements in both countries have an overall regressive effect, meaning that they channel more resources to higher income rather than lower income residents and families. Vietnam's system appears to be less regressive and more redistributive than China's largely because Vietnam allocates a larger share of its overall social spending to social welfare transfers. Both countries' welfare packages were dominated by pensions—a highly charged policy topic in post-market-reform China due to the dual pressures posed by rapid demographic aging and worker redundancies on a massive scale.

In “China’s Social Security Policy in the Context of Its Evolving Employment Policy,” Barry Friedman describes how pension policies have been used at various stages in the market reform process to facilitate China’s move away from guaranteed jobs. For example, pensions have helped reduce the number of redundant workers through early retirements, and separate pension funds have been established for contract workers to help encourage flexible forms of employment. Although pooling of pension contributions probably helped salvage benefits by spreading the financing risk across enterprises, Friedman’s analysis suggests that post-market-reform employment policies had adverse effects on retirees, particularly those at the lower end of the income distribution.

The effects of pension policies were likely to vary depending on the type of enterprise that one worked for in the post-reform period, according to Juan Chen and Mary Gallagher’s paper, “Social Insurance Provision in Urban China: Region and Ownership Variation.” Based on household surveys conducted in four Chinese cities, Chen and Gallagher find that access to social insurance covering old age, health care, and unemployment was highest for workers in majority state-owned enterprises and foreign-owned private enterprises, and lowest for the self-employed and workers in domestically owned private collectives. Chen and Gallagher’s research into social attitudes reveals majority support for the idea of social insurance provided as a matter of right with contributions from employers, employees, and government.

Drilling deeper into the question of social attitudes, Yanwei Chai and Zhilin Liu find high levels of enthusiasm for the informal social supports provided through pre-reform socialist workplaces, at least among the urban elderly. In their paper, “*Danwei*, Family Ties, and Residential Mobility of Urban Elderly in Beijing From a Life History Perspective,” Chai and Liu describe *danwei* as workplace-based communities that provided housing, medical care, child care, kindergartens, sports teams, bathhouses, dining halls, and other services in the pre-reform socialist era. In the new Chinese economy, the employment and production niche once occupied by *danwei* has ostensibly been filled by market-based mechanisms, while the social functions of *danwei* have continued to evolve to meet the needs of contemporary retirees. In-depth interviews with elderly Beijing residents in 2005 to 2006 revealed strong bonds of attachment to these living arrangements.

RURAL–URBAN DISPARITIES

Social benefits in rural China have always been minimal and were far below the levels available to urban residents—even in the era of state socialism. Cutbacks in urban public services associated with market-opening reforms may have shrunk the gap a bit, but they did so without improving standards of living for rural dwellers. The persistence of this rural–urban gap was a major theme of the conference’s China papers.

In “The Quest for Welfare Spending Equalization: A Fiscal Federalism Perspective,” Xin Zhang addresses the problem of place-based disparities in social outputs and outcomes at a macro level. Zhang finds some good news: Regional disparities in overall per capita spending appear to have shrunk between 1998 and 2006. Still, a region’s level of economic development continues to be a major determining factor in its per capita welfare spending. Central government transfers have not eliminated these kinds of inequities.

The New Rural Cooperative Medical Scheme (NCMS), established in 2002, is at the forefront of efforts to raise rural standards of living. In “An Empirical Analysis of China’s Recent Waves of Cooperative Medical Insurance,” Song Gao and Xiangyi Meng report that the scheme succeeded in closing some of the large gaps in health

services found in the Chinese countryside after the collapse of the agricultural communes and the dismantling of related health care co-ops in the post-reform period. The insurance-market phenomenon known as adverse selection—in which premiums rise steeply because sicker people who need more services are more likely to buy insurance than healthy people—threatened the financial sustainability of the NCMS for a time, but that problem was solved by the achievement of nearly universal coverage as of 2011.

Although the odds of attending college increased modestly for rural residents in the 1990s and early 2000s, rural/urban origin continues to be the best predictor of who will go to college, with rural youth attending at only 9 percent the rate of urban youth. This is one of several equity gaps explored by Wei-Jun Jean Yeung and Fang Lai in “Assessing the Impact of College Enrolment Policy in China.” Yeung and Lai’s paper examines the Chinese government’s policy of expanding college enrolment, with particular attention to the impact on selected population groups’ access to higher education. Results of the multivariate analysis indicate a threefold increase in the overall odds of attending college after the policy was implemented in 1999 and a possible spillover effect on high school completion: The improved chances of gaining college admission appear to have helped motivate higher graduation rates from secondary schools. In terms of equity impacts, the picture is mixed. The odds of attending college increased dramatically for females, but decreased for non-Han, ethnic minorities. Family background characteristics such as rural/urban origin, household income, parents’ education, and parents’ party membership played a prominent role in determining college attendance both before and after the college expansion policy, with no significant change in the later period.

With huge numbers of rural workers attracted to job opportunities in cities, one might expect the college prospects of children with rural origins to improve. Until very recently, however, China’s longstanding household registration policy, known as *hukou*, prevented most children of rural migrants from enjoying the full benefits of the urban education systems in their new home districts. Although all Chinese children under the age of 14 are entitled by law to receive nine years of state-funded education, education financing is decentralized and tied to household registration. Migrant children fell between the cracks in this system. They were included in the budgets of their rural home districts, where they were registered but did not use services. They were excluded from the budgets of their actual areas of residence, where they needed services but could not register. Some migrant-receiving urban districts addressed this mismatch by charging fees for migrant children to attend their schools. This practice caused severe material hardship for many migrant families and led others to use substandard schools that catered to migrant children.

In “Financing of Education: A Missing Dimension of Migrant Child Education Policy in China,” Jing Guo explores how two local jurisdictions have implemented national policies established in 2003 to address this problem. The policies tied responsibility for education delivery to the receiving jurisdiction rather than the district of origin and forbade the imposition of differential school fees based on household registration status. The policies did not address local governments’ financing concerns, however, and did not offer fiscal relief for local and municipal jurisdictions faced with large numbers of migrant students. As a result, Guo finds that differences in local-provincial financing arrangements led to substantial differences between Beijing and Zhejiang in their approaches to migrant child education.

Hukou has been blamed not only for the dilemmas over financing education for migrant children, but also for a range of vulnerabilities experienced by migrants and their families due to differential access to social protection. Consequently, many experts have called for a relaxation of *hukou* on the grounds that it hinders both the optimal functioning of labor markets and the provision of social protection for migrants and their families. In “Labor Migration, Citizenship, and Social Welfare

in China and India,” Josephine Smart, Reeta Chowdari Tremblay, and Mosteem Billah explore the alternative view that China’s household registration system has contributed positively to the modernization and economic viability of the Chinese countryside by ensuring that migrants maintain strong ties with their rural home districts and will eventually return to those districts to apply the skills and knowledge learned in the cities. Evidence gathered in the authors’ field visits since 1987 suggest that migrants’ ongoing ties to their rural homelands have positive impacts for rural China through injections of cash (via remittances), knowledge, material culture, and technology to support economic revitalization and diversification.

The purported positive impacts of China’s registration system pose a sharp contrast to the realities of internal migration in India, where migrants are free to go where they like and social benefits are not tied to place of birth. In India, the authors’ preliminary analysis suggests little if any net positive economic impacts for migrant-sending areas generally. As with the papers comparing China with Vietnam, the work of Smart et al. on China and India underscores the value of inter-country comparisons for illuminating social policy complexities.

CONCLUSION

Chinese social protection programs may have access to more resources in the coming decade as a result of large infusions of new funding for pensions, education, health care, and farm subsidies that began in 2010. The new spending appears to reflect the beginning of an attempt to rebalance the government’s economic growth strategy away from a historically heavy emphasis on capital-intensive investments and toward more human resource oriented investments designed not only to improve worker productivity but also to boost domestic consumption and thereby create jobs in a more diverse economy. Commentators have been urging such a shift for some time, but it is difficult to predict how far the government will go down that policy road in today’s highly uncertain global economic environment.

Looking ahead, difficult questions need to be addressed by scholars and policy practitioners who want to help China move forward while also drawing lessons from China’s experience for other middle-income and developing countries seeking to mitigate the social disruptions associated with economic transformation, mass migration, and rapid aging. Alongside continued research on China, substantially more comparative policy research is needed to identify the types of policies that seem to work best in a dynamic context of formidable economic, demographic, cultural, and industrial transitions.

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