

Economic Security in China

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September 2014

Abstract

This research examines the form of economic insecurity generated in China in recent years, and how the state's response to this can be characterised, particularly focusing on how the problem is addressed at the local level.

The research begins with a broad discussion explaining the background and reviewing the existing literature on economic security in a global context. It then takes a broad look at the general economic security context and related literature in China. It found that China is shifting away from the old types of economic and social structure, which are merging into a new system. However, during the transition period, neoliberalism has influenced the welfare system in China, and welfare provision by the state has been dramatically reduced.

This thesis further explores and examines the characteristics of recent social security system reforms in China by exploring developments in both the social and economic systems from a historical perspective. It argues that social security should not only aim to prevent and alleviate poverty, but should also take into account a wider perspective that accepts that all citizens, not only those who are impoverished, need a certain degree of security.

A case study was undertaken based on data from interviews and a questionnaire collected in a local secondary city in China. The thesis makes an important contribution to the study of welfare policy development and implementation in China. It finds that one of the main reasons for economic insecurity is China's welfare development contains a large degree of informality. This informality not only generates economic insecurity in the labour market, but also in the way government institutions provide services. Local government has failed to take enough responsibility for implementing social policies and guaranteeing basic income security.

Based on the discussions of welfare state models in Esping-Andersen (1996, 1999) and Ringen and Ngok (2013) merged with the characteristics of social development in China, this study also proposes a new dimension for the classification of the welfare state in China as a decentralised socialist-market liberal-conservative welfare model.

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Acknowledgements

I would like to thank my supervisors for their expertise and advice over the last four years: Louise Haagh who has been supervising me for the whole thesis and Matt Matravers who has been my second supervisor and has given me a lot of good advice.

I also like to thank my parents, especially my mother Fengqin Wang, and also my wife Yun Li for supporting me throughout my PhD.

Author's declaration

This work is all the author's own; this thesis is a presentation of my original research work and has not been submitted for examination at this or any other institution for another award. Wherever contributions of others are involved, every effort is made to indicate this clearly, with due reference to the literature and research participants.

Chapter 1 - Introduction

1.0 Introduction

This thesis is about economic security in the People's Republic of China and the role of the emergent welfare state in addressing it. China has had to work with the problem of economic insecurity and many impoverished people in China now live in a state of economic insecurity. This thesis asks how far neoliberalisation has generated economic insecurity in China in recent years and assesses the state's responses with a particular focus on how the problem is addressed at the local level. It does not seek to determine what kind of welfare state China is, but it does attempt to contribute to the on-going debate around this question by researching income, housing and the effect on the labour market at secondary local level in China. Through this, it is hoped to gain a better understanding of the dynamics of contemporary inequality and especially how it is dynamically shaped through the evolving interaction between the development of labour market rule and the practices and institutions of the state.

Economic insecurity is not a phenomenon peculiar to modern capitalism, but in the recent phase of neoliberal globalisation, insecurity has become more institutionally endemic within different markets ranging from labour to finance. Many people are threatened by economic insecurity throughout their lives. People face uncertainties including homelessness, unemployment, illness and lack of food, all of which are related to social and economic insecurity. However, we are living in a period of transition, in particular, human society has dramatically changed since the onset of globalisation. This research examines the problem of living and working conditions of insecurity in its analyses of income security and housing security. The thesis should be seen in the context of insecurity as a global phenomenon driven by the nature of globalisation, examining and analysing economic security in terms of income security and housing security in China. For example, if looking at income security support, economic and social issues also need to be considered.

The International Labour Organisation ILO (2004) examines basic ideas about economic security. This report defines the meaning of 'Economic Security' and considers a broad range of policies and institutional changes. It is argued that basic economic security is a human right (ILO, 2004, pp5,15). Further the report outlines ways that globalization and liberalization are linked to more economic instability and insecurity. In addition, through globalization and

liberalization, informal economic activities, flexible labour markets and income insecurity, the global economy is in danger. This chapter explores the whole structure and explains briefly how the research examines economic security in China. The chapter has organised the sections as follows: Section 1.1 discusses the impact of globalisation on economic security. Section 1.2 discusses the importance of the welfare state to economic security. Sections 1.3 and 1.4 introduce economic security in China. Section 1.5 presents the research questions examined in this thesis. Section 1.6 gives the thesis outline with a brief introduction to each chapter. Section 1.7 concludes this chapter.

1.1 Impact of globalisation on economic security

In the social and economic development of Western countries, the insecurities that people suffered in the past are different from today, because of policy changes following globalisation in the 1980s. Standing (2010, p.37) argues that we are in the great transformation of globalization, “Neo-liberal Globalization – or the ‘second great transformation’ – is marked by the end of state welfare capitalism.” According to Standing, the welfare state is based on changes in class structures, between the working class and the capitalist class (Standing, 2010, p.98). He asserts that more and more workers are becoming members of a new precarious class as their work relations became insecure, unstable and disappear completely after neo-liberal globalization. He maintains that “the deregulation of labour markets is one of the stupidest terms that was come into popularity in 1980s, this deregulation is productive efficiency retrogression” (Standing, 2010, p. 10). The discussion of the additional changes seen in China as a result of deregulatory changes, are the same as Standing’s ideas about the new dangerous class (the precariat) and reregulation in the labour market. Standing’s ideas are used in this research to examine changes in the labour market in China and the effects on economic security.

Chang (2007, p.26) sees globalisation as having a long history. The early post-World War 2 (WW2) period is portrayed as a period of incomplete globalization. Chang (2003, p.5) highlights that after the 1980s, neo-liberalism generated social and economic failure, especially in developing countries. Although there was a high degree of integration after the 1980s when developing countries joined globalisation, Chang (2007, p.26-31) argues that neoliberal globalization has had a poor growth record since the 1980s and has not supplied economic growth, equality or stability. In contrast to Standing, Chang (2007, p. 28) contends that increased state intervention might be the most suitable path to the successful delivery of

social security. Given that the shift in the prevailing economic orthodoxy has had a considerable impact on people's living security, recent approaches to improving social welfare systems have stressed the need to consider the roles that both economic and social development play in guaranteeing income and housing security. Standing's analytical method considers regulation as important in generating the new insecurity. However, this research, in line with Chang, sees new reforms in the development of the welfare state and new forms of regulation as important in addressing insecurity. To understand the role of regulation and state institutions in relation to the labour market and the provision of welfare it is useful to review and draw on the literature on the development of different welfare states. The next section looks at the history of welfare states, including decommodification and stratification.

1.2 Welfare states (decommodification and stratification) and economic security

Esping-Andersen (1996) states that welfare states in European countries have changed rapidly, and the developing countries in places such as Asia and Latin America have also positively developed their welfare systems since the WW2. Due to economic development, the problems facing welfare states have also changed. Disruptions in the economy and economic structure put welfare systems at risk. Esping-Andersen also argues that due to economic changes Western countries are now struggling to afford contemporary welfare systems. He found that after the War most European countries had a heavy increase in the unskilled rural population. Welfare problems at that time were about how to secure the market to keep high wages and job growth, and "the chief task of welfare policy was to secure families during the passive stages of the male breadwinner's life cycle, particularly in old age" (Esping-Andersen, 1996, p.75). Esping-Andersen asserts that following the appearance of neo-liberalism after the 1980s, welfare state decay was accompanied by market decay and private coverage in health and pensions declined steadily, particularly among young and low-wage workers (Esping-Andersen, 1996, p.16). The changing structure of the economy has generated new security problems today, such as rising unemployment, growing income inequality and increasing poverty.

Esping-Andersen discusses social security in relation to two key issues, de-commodification and stratification. The first concerns the de-commodification of labour. Labour commodification is harmful to workers' income security because "as commodities, workers are replaceable, easily redundant and atomized" (Esping-Andersen, 1990, p.37). Esping-Andersen proposes that discussions of de-commodification should focus on eligibility

conditions and the coverage rate of unemployment benefits, pensions and other social benefits. The second issue is stratification. Esping-Andersen (1990, pp.55-58) argues that the welfare state is itself an instrument of social stratification, but the essential problem of income distribution is hidden behind the high public support expenditures of the welfare state:

That the welfare state as an agent of stratification is well recognized, but, unfortunately, usually in a narrow and often mis-specified way. It is an aspect that has remained severely neglected, both theoretically and empirically...income alone provides too narrow a basis for portraying the structure of opportunities and inequality.

Esping-Andersen (1990) also argues that the welfare state regime has produced a raft of classifications. He divides regimes into three categories, liberal, conservative and social democratic, discussed in more detail in Chapter 2. However, the Chinese regime and the way that social welfare is distributed in China do not fit easily into any of these categories.

1.3 Historical economic security in China

Welfare state development in Europe and OECD countries has had a different pattern from China. The European welfare states developed after the WW2, but the current Chinese welfare system only changed after the economic reform in 1978. This change was impacted on by neo-liberalisation. The previous section looks at Esping-Andersen's discussion of European welfare states developing after the war; however, the Chinese welfare system developed in a different way, merging ideas of neo-liberalism with changing socialist forms of welfare.

In order to understand the current reforms, it is necessary to understand the history of China's economic and social development after WW2. China had similar social and economic insecurity patterns to Western countries during the period from 1949 to 1978. Chan et al (2008, pp.28,29,62) discuss the large amount of unskilled and poor population flow in China after WW2, when the state was trying to get people back to work and providing income and housing security, just as Europe was doing with their labour population. However, the methods used in achieving this were very different.

After the founding of People's Republic of China in 1949, China had a welfare system which could be called state socialism (Chan et al, 2008, pp.28; Finer, 2003, pp.28-32). During the period from the 1950s to the late 1970s, the state was responsible for the development of the economic and social sectors. Both sectors were organised by the government rather than by private institutions. Economic activities were promoted entirely by the organized efforts of

government institutions. Those activities were directed by state planning, based on the model of the Soviet Union (Chan et al, 2008, p.28). The state did not allow a capitalist market system to exist in China. All privately owned and most free market activity were eliminated (Riskin et al, 2000, p.20). The state played the role of business manager and allocated resources. All economic and social activity was under the direct supervision of state and local government. The socialist welfare system was also based on the same high degree of government intervention. Under the socialist welfare system, people's income, housing and the labour market were highly secured by the state. For example, jobs were guaranteed by state owned enterprises. For urban workers (including civil servants), social benefits were at a very high level, with guaranteed income, housing, pension and child benefits (Gang et al, 1998, p.31). In rural areas during the state socialist period, rural collectives were responsible for social welfare provisions for the rural population and provided guaranteed living necessities such as food, clothes, medical care and education. Chan et al (2008, p.62) assert that those guarantees provided a safety net for poor people.

Before the economic reforms of 1978, China tried to build a more equal society and had a full-employment policy in urban areas to protect social security. The state had the main role in the social and economic system in China. However, since the economic reform, the state is better disposed to the capitalist free market system and the economic and social system has changed. This change was heavily influenced by neo-liberalization. This includes the impact on the welfare system, as it is closely related to the economic system. State guaranteed provisions were gradually replaced by a market-based system, such as workers having to go and find jobs instead of having them allocated by the government. Housing provision also changed and workers needed to buy houses in the market. Chan et al (2008, p.31) argue that after the 1978 economic reform, China like other countries was affected by neo-liberal policies. New employment problems emerged as a result of the introduction of the private sector and changes to the operation of state-owned enterprises. Midgley and Tang (2010, pp.48,49) argue that in the three decades after the economic reform, new social risks have been created by the new economic and social structures, such as widening income and regional inequalities, rising unemployment and the emergence of urban poverty.

1.4 Current economic security in China

Currently, China's social security provision in terms of income and housing policy is facing the challenges of the country's large population and income gap. According to the

International Labour Office (ILO) (2004, p.v) much economic insecurity can be avoided and protected against. During the last two decades in China, a series of income and housing policies have been announced that are now well established, such as the Minimum Standard of Living Scheme (MSLS) and the Low Rent Housing (LRH) payment. However, there are still considerable barriers to the successful implementation of these schemes.

In recent research, Ringen and Ngok (2013, p.6) suggest a new dimension in welfare state classification, 'order versus fragmentation'. They argue that there are degrees of order or fragmentation within any policy design. They describe fragmentation as part of the process that explains why and how this pattern of development occurs in the specific context of economic liberalization. In turn, this impacts on social policy formation and effectiveness. China can be seen as a "fragmented, liberal-conservative hybrid model" (Ringen and Ngok, 2013, pp.14-16) which is limited and defensive in both ambition and practice. They assert that co-ordination between central and local authorities is poor and often conflicted and that welfare services are providing minimal and inequitable support to citizens. This research looks at this idea in more depth, examining social policy structure and design in China.

Ringen and Ngok (2013, pp.14-16) also argue that the emerging welfare state in China is developing in response to economic necessity. The welfare system is not traditional, not socialist, and not developmental. Although China aims to provide social security, the implementation services are of poor quality, only providing minimal support. In addition migrant and irregular workers do not have many rights in the social system. This thesis will extend their discussion to a more specific case by investigating the local government level and the benefit recipient level in China. It also examines the degree of informality in policy implementation and the labour market, which can influence economic security in China.

1.5 Research Question

In Western countries, social security has been widely introduced and analysed. Social security systems and theories have therefore become more and more improved making them more suitable to deal with contemporary problems. China has specific problems because it is a very big country; it has a huge population and also has complex economic and social systems. China has experienced a lot of new challenges in its provision of economic security in recent decades. This raises many questions:

1. How far do neo-liberalist ideas influence Chinese policy on economic security?
2. What are the new problems of economic security in China?
3. How is China's social security system developing? Why is China developing in this way?
4. How is China implementing social security policies? What kind of welfare state is China producing? Is that more liberal or more conservative?
5. Is there stratification within China? If so, what kind of stratification is it?
6. How does the degree of informality (an aspect of fragmentation) influence economic security in China?

The main research question therefore follows from the above questions and links the issues as a whole:

What is the form of economic insecurity generated in China in recent years, and how can we characterise the state's response, particularly focusing on how the problem is addressed at the local level?

The above questions are very important in examining the new challenges of economic security for China. This thesis will analyse, examine those questions and consider how to help China improve social and economic security. It will look at the related sectors of income and housing and make a comparison to the experiences of social security in other countries.

In order to conduct an in depth investigation, it is necessary to carry out research at the local level in China and find out how policies and implementation affect local people. Therefore, this research does not attempt to look at the big developed areas in China. Rather it concentrates on a small secondary city where people's experiences are more typical of life in China, as there are not many big first level cities such as Beijing or Shanghai, most cities are secondary level.

1.6 Thesis outline

The thesis structure will focus in from a broad view to specific issues. The thesis begins with a broad international economic security discussion. It then takes a broad look at economic security issues in China. Following the methodology, an in-depth discussion of the findings on income and housing security in China is given, also presenting a case study that supports

the analysis. Each chapter is organised in the same way, starting with a brief introduction with the chapter's claim and contents, the main discussions follows, and there is a conclusion at the end. A brief summary of the contents in each chapter is given below.

Chapter 2 sets out basic and general theories about economic security and discusses how the structure of economic insecurity has evolved under globalisation and liberalisation, with a focus on income security. Global integration and liberalisation have proceeded at an accelerated pace in the last 30 years (Chang, 2007, pp.4-10). Although market economies and global integration have been around since the colonial period of the late 19th and early 20th century, neoliberalism can be seen as a distinct phase of globalisation, happening in the last 30-40 years. It is particularly characterised by greater financial opening, and also deregulatory reforms in developing (deregulation, privatisation) countries and greater ties in terms of investment and trade. Through the influence of the ideology of neoliberalisation and the fast growth of techniques of communication, the world has become more and more flat. However, in terms of concentration of income and wealth it has become more hierarchical, especially within countries. In only a few seconds you can communicate between China and America, goods prices in Asia can influence the market in Europe and market failure may lead to a financial crisis like the one in 2008. However, the transformations happening under globalisation are not finished, and we are still in the process of global transformation. This chapter discusses globalisation as one of the most important structural transformation in human history and through it most of the old types of economic systems and regulations have been challenged. It also examines the nature of neo-liberalism within globalisation and its effects on reforming institutions, organisation of work and welfare states.

The forces of liberalization and technological change have the potential to increase the standard of living. But they have also made societies and economies unstable and insecure. For example, the financial crisis which occurred in 2008 was a painful lesson for many people. Financial bubbles that burst quickly cause great problems for the global economy and this crisis heavily reduced international economic growth and increased the unemployment rate significantly. The impact that followed for economic security was huge. This has caused a backlash of criticism in the literature against the reforms of neo-liberalization.

This chapter looks at how for economic security, it is not only the problem of the welfare system being liberalised, but also the problem of the labour market becoming liberalized and

changing towards greater flexibility. In the foundation of the market economy, there is only a weak response from the state to this new challenge. Flexibility translates into greater insecurity in housing and income for workers. People who lose their jobs or face a lack of income security can become a serious problem for social stability. Thus, the background to and types of income security are also discussed.

Chapter 3 considers economic security issues in China. It provides a historical background of welfare system development in China and discusses how globalization and liberalization have evolved in China. China was partially liberalizing after the late 1970s, when economic reform began to drive the 'ship of China' into the international sea. This was at the same time as the free market ideology appeared and China, like most other countries, was affected by it. The old types of economic structure merged into the new system. The state owned enterprises experienced substantial restructuring during the decade of 1990s prior to and immediately after China's entry to the WTO. The state owned enterprises sector has emerged as thoroughly restructured but still the pillar of China's national industry. The absolute state controlled economy was destroyed and state owned enterprises began to exit the market. The public and private sectors were merging quickly and small private firms and self-employed workers started to play a part in the market.

The old systems of regulation and old types of distribution and social protection were slowly dismantled. A competitive market system began to be set up. China was set to move toward a new system. After 30 years, China has achieved phenomenal economic growth, but the new system is not completed. The policies that led to China's economic revolution are a success for the market economy system and have changed China, giving it a new modern face, but the impact on the welfare system has not been very significant. Inequality levels in China in the past were not very great. The Gini coefficient was around 0.30 in 1960s and 1970s (Adelmen and Sunding, 1987, p.454). However, in 2005, the Gini coefficient reached 0.415 (National Bureau of Statistics of China, 2011b). China's sustained growth rate for the past 2 decades at least above 8% per year on average, and China's total GDP reaches the 2nd place in the world exceeding Japan in 2010 to just below the USA. However, in terms of per capita GDP, China is still lower-middle income country. Thus this claim that China is 'rich' is inaccurate and the whole statement substantially simplifies a very complex picture of China's growth. This chapter compares these measures between other countries (e.g. Japan and South Korea) that have caught up with China through fast growth. China's record "in reducing extreme poverty

has been remarkable, between 1981 and 2004 the fraction of the population consuming less than a dollar-a-day fell from 65% to 10%, and more than half a billion people were lifted out of poverty” (World Bank, 2009, p. iii). However, there are still a considerable number of poverty-stricken areas and the number of poor people remains high with insecurity due to poverty widespread in China. This chapter looks at income security policies such as unemployment insurance and the minimum income policy.

The fast growth of income inequality problems was a result of the process of global transformation. The global timing of China’s high growth period paralleled the second (neoliberal) globalisation, whereas Japan’s and Korean’s later periods of catch-up occurred during more state interventionist phases of capitalist development. In China, income inequality affected income security, with wider wage differentials, most of the capital moving only around the highest class of people and lower income people losing. Income inequality has risen significantly due to the developing gap between urban and rural areas and also within both urban and rural areas as well. Because income is more related to the cost of health, housing and education than before, the pressure of access to health, housing and education for the poor has particularly increased. Privatization and liberalization have broken the welfare protection system. The new system of social protection still has many challenges, and China’s ability to develop a new type of social security system has become more and more important.

Housing security is another very important economic security issue in China. This chapter provides more details about the change in housing welfare policies during the period of transition. According to the Chinese State Council (2007a,p1), the government has enacted some housing provision policies to help poor people to find accommodations such as a housing provident fund system, affordable housing and low rent housing policies. However, those policies do not go far enough to solve the new housing insecurity today in China.

Chapter 4 is the methodology chapter. It covers data gathering and data analysis design. This chapter covers data gathering at three different levels, the national level, the local government level and the recipient level.

At the national level, the investigation is divided into three parts, using triangulation to give a more complete view of the issues by examining the viewpoints of central government officials, academics and the ILO. Interviews were conducted with a number of participants to

gather data on issues of social security policies. Participants at this level were recruited from various state level government departments, such as the Ministry of Human Resources and Social Security, academic staff from Renmin University and officials representing the ILO.

At the local government level, the research focuses on Tangshan city in China. Tangshan is a big, industrial coastal city close to Beijing. It mixes a large middle-income class, a lower income class and rural migrants. As most places in China are not that developed, being still under development, Tangshan, as a secondary city is closest to the actual situation in many parts of China. The researcher is familiar with this city, and this was helpful in recruiting participants for the interview study. Participants were recruited from relevant government departments in Tangshan, including the Bureau of Human Resources and Social Security, the Bureau of Civil Affairs and Housing and Urban-Rural Development, and the Bureau Development and Reform Commission in Tangshan. The interview participants also included a local District Judge to represent official opinions.

The third stage involves participants from the recipients level in Tangshan city. This level is divided into three different groups, the lower-middle income class, low income class and migrant workers. It examines how current policies affect the different levels. Over 150 people responded to a questionnaire (50 in each group) and some also gave short informal interviews. The recipients' answers are the most convincing statement about the social security situation in China. The questionnaire questions are located in Appendix C.

Chapter 5 contains the analysis of the national level data. This section analyses the key principles guiding social security policies, as well as examining the international and literature views that underpin them. The aim here is not just to provide a view of the situation and examine the details of policy development, but also to provide a view of how the state can design policies so the new form of social security system can be clearly defined. By considering social policy implementation, this chapter also focuses on whether central government takes a centralised or decentralised function in the social system. In the economic and political system, central government is definitely the main commander. However, in the current social system, local government has the ability to modify state policies and even set up its own payment standard. This decentralization in the social welfare system has given more powers to local government. In practice, the social payment standard has been set at a minimum level which is not sufficient to cover people's living expenditure.

This chapter also considers where the current social security system in China came from. The current system has learned from other countries' experiences, combined with its own political and economic development characteristics. This chapter also considers possible ways to help China improve the system and lead it in a more efficient direction.

Chapter 6 analyses the data from the local government level, and Tangshan City is given as a case study in this chapter. This chapter first introduces the government system in China, showing how local government in China is responsible for implementation. It deals directly with citizens, so efficiently implementing social policies is very important. However, as decentralization has become important in China, local government does not just implement policy, but it also has certain rights to modify policy and set up its own local social payment standard. Many critics have questioned whether having decentralised authorities will generate social security provision problems, as local governments might set a low standard and not give quality support. Decentralised systems may give a lower level of welfare provision than centralised ones (Castles, 1999, Swank, 2002 and Cameron, 1978). Also, this decentralization makes local government less responsive to local people. In recent decades, China's main target has been economic growth, with the GDP figure being very important. Local government has to pay a large amount towards social support, but the payment to social support does not help GDP figures, which are judged by central government. Therefore, local government is more focused on GDP growth and less on social payments, causing local government to reduce the support rate.

In addition, insecurity problems do not only come from the low payment level, but other factors are also involved, such as satisfaction with services and facilities. An example can be seen in the recent siting of social houses, which have been located in isolated areas on the edge of cities, far from jobs and amenities, which people find unhelpful. This was done in order to reduce budget costs. Local government built social houses in places that were less expensive. Thus, local government considers costs and how many social houses it has built, but nothing else. The argument is that a lot of social housing only focuses on the quantity, but not the quality. Many people in China complain that social houses have been built in an out-of-the-way area without enough services and public facilities. Because of this, some people might even choose not to take up housing in this area. Peppercorn and Taffin (2013, p.79) also state that low-rent housing is almost always built in isolated city boundary areas. In

addition, social isolation is a problem, caused by social houses being in “special” areas that put poor homeless people together and away from the rest of the population. This might cause more insecurity issues.

Chapter 7 analyses the recipient level. The data was collected from the case study questionnaires and some informal interviews. There were 150 participants at this level (50 in each group). The groups are low-income, lower-middle income and poor migrants. This chapter focuses on living conditions, recipient feelings and in particular earning level and housing. It also examines the arguments from previous chapters, examining whether people are feeling the same way as argued in Chapter 5 that most of people are actually feeling bad about the government services and social support payment.

Compared to other countries, population is a big issue in China. It is very difficult for local government to administrate and manage individual income status, and maintain good services for each recipient. Therefore, it is important to examine whether urban and rural recipients receive all the benefits they claim, and how much income support they obtain. The Minimum Standard of Living Scheme (MSLS) is the main factor that guarantees people’s basic living income, and it directly influences the amount of security people might feel. This chapter shows that the recipients see MSLS as not performing well in the social security system. People think that the MSLS payment is not high enough, and they are not satisfied with the services or the benefits they receive from the local authorities.

The low rent housing (LRH) scheme is another important security policy that secures housing needs. Chapter 5 shows that problems with social housing mean that it does not always satisfy people’s needs, which generates more insecurity issues. This chapter looks at the findings on how recipients feel about this policy. For example, the case study in Tangshan city found that people felt socially isolated and that social amenities available to others in the city were not available to them.

In addition, it examines rural migrant workers’ living security problems. As the household registration system in China has separated rural and urban residents, this means there are two ways to treat people. In general, rural residents are entitled to much lower benefits than urban residents. In addition, rural migrants are in an even worse situation. Because they have moved into an urban area, but remain rural residents, they cannot get any urban support. If they need

anything, they have to go back to their rural home area. However, rural benefits will not cover what they need to live in urban cities. The rural government could not provide unemployment insurance to migrants to work in urban cities, because those migrant workers' jobs are registered as urban.

Chapter 8 discusses in greater depth the barriers to policy improvement in the area of social development. It combines data from all levels of discussion in Chapters 5, 6 and 7. It looks specifically at the impact of informality on income and housing security policies that have been implemented. It also explains why China's economic security system is developing in the way that it is. It will show that the barriers have also actively shaped the way in which social security policy has been created and implemented. This chapter also extends the discussion in the literature about how to situate China, looking at what can be used and learned from the work of Esping-Andersen (1990, 1996) and Ringen and Ngok (2013) on decommodification/stratification and order/fragmentation. In Esping-Andersen's discussion of social security in relation to the two key issues of de-commodification and stratification, welfare states are classified into three categories: the liberal regime, the conservatism regime and the social democratic regime. This chapter sees China as unlike other countries, with new different kinds of stratification emerging in this developing country.

In addition, it examines the structural division of China, including the rural-urban, public-private and formal-informal divisions that are influenced by marketization. The 'fragmented liberal conservative' model put forward by Ringen and Ngok (2013) is a good way to discuss informality and the role this plays in policy formation within this setting. This chapter extends earlier work by looking at more specific details from the findings, focusing on informality and the labour market.

Chapter 9 presents the conclusions from the thesis about social policy reforms in China. It summarises the main arguments of the thesis concerning income security and housing insecurity issues in relation to neo-liberalisation. Based on the arguments made in the literature review (Chapters 2 and 3), this chapter highlights the arguments on the effect of neo-liberalism. It discusses the answers to the main research question on how neo-liberalism has generated a heavy impact on China's current welfare system.

This chapter also defines the economic security development model in China. During the history of the welfare system development, China has been developing towards a near universal protection type, but not a fully universal one. Policies such as the MSLS still benefit the extremely poor more than other citizens. Also, due to the household registration system the main excluded groups are rural migrants and informal workers. Regarding economic development, local government has focused more attention on economic growth than social development and this has resulted in serious insecurity problems, such as insufficient funds for social support and an increase in the amount of informality. During economic development in China, issues regarding employment informality have greatly increased in the labour market and even in the implementation of policies by local government. The high degree of informality has put people in a more insecure situation, which in turn has affected how the state operates. Therefore, China's social development model contains unique barriers such as informality and the household registration system.

1.7 Conclusion

This chapter provides a general background on what the thesis is about. It introduces the key literature and ideas in the research. Firstly it presents an empirical grounding discussion on the different regimes of welfare states: the liberal, conservative and social democratic (Esping-Andersen, 1990, 1996, 1999). It also introduces Esping-Andersen's ideas about decommodification and stratification, followed by a brief discussion of this in relation to social security arrangements in China. It then presents more recent research on 'order versus fragmentation' (Ringen and Ngok, 2013) in the design of social policies. Ringen and Ngok (2013) define China as a fragmented liberal-conservative hybrid model, in which the state is mainly responding to economic necessity and the social welfare system is related to economic activities.

This chapter also gives an outline of the thesis structure, as follows. Chapters 2 and 3 are literature reviews from an overview of the international economic security context to general views of China's economic security. Chapter 4 defines the methodology used in the thesis. Chapter 5 discusses economic security in China at the national level. Chapter 6 discusses the local government level using a case study in Tangshan and Chapter 7 discusses economic security issues at the recipient level. Chapter 8 gives more details on the main economic security issues and combines the discussions from previous chapters. Chapter 9 summarises the thesis arguments.

In order to have a deeper understanding and discussion, the next chapter provides a general discussion of the phenomenon of economic security and discusses how the structure of social and economic security has evolved under globalization and liberalization. Then leads to a discussion of economic security in China.

Chapter 2 – Economic security in the international context

2.0 Introduction

This chapter examines the literature on the international issue of economic security in the context of the globalisation process. It provides an overview of general ideas about economic security, its characteristics and the factors that influence it. It also identifies further issues of contemporary concern in both Western countries and developing countries in the areas of income security and welfare. The literature explored in this chapter contributes to the later analysis and discussion and indicates the theoretical underpinnings of many discussions on international economic insecurity issues.

The consequences of economic insecurity can be serious, as they affect people's lives, individual wellbeing and labour market behaviour. Economic security includes many aspects, such as income security, housing security, health security and so on. Income security is one of the most important aspects of people's lives. Since nearly all living necessities and commodities in a market economic system are ascribed a monetary or price value, people's perception of their own economic insecurity is heavily dependent on their purchasing power. Maintaining a certain level of income is a crucial security issue for an individual's wellbeing. What, then, is income security? The International Labour Office (ILO) (2004, p.56) states that "a person's income security depends on what income he or she retains, not what he or she earns; the assurance of that income lasting beyond today; the prospect of receiving adequate income in the future." Although both collectives and individuals tend to regard high income as indicative of income security, the importance of maintaining a stable income is less recognised. The view in this thesis is that economic insecurity has been paid insufficient attention, especially in developing countries and among the working class. One problem is that neo-liberal globalisation economic policies have been increasing international economic insecurity since the 1980s.

This chapter will view the changes in economic security in recent decades. Currently, economic insecurity haunts many working people. Every year, around one third of workers in OECD countries change jobs and in America about 45% of workers leave their employment annually (Standing, 2011a, p.36). The ILO asserts that "globalisation has been associated with an increase in economic instability and a greater incidence of economic crises" (ILO, 2004, p.

xviii). However, the factors that contribute to economic insecurity remain largely unanalysed, especially in developing countries. Before discussing details of economic security and how neoliberal ideology has influenced security in the past three decades, an understanding of the process of globalisation is necessary.

The opening sections of this chapter, 2.1 and 2.2 give an historical review on how the changing nature of globalisation over time has affected social systems. Section 2.3 discusses how changes due to globalisation generated insecurity. Section 2.4 explains how globalisation affects labour markets. Section 2.5 examines the impact of the globalisation process on developing countries. Section 2.6 considers whether globalisation leads to income inequality. Section 2.7 defines at the meaning of economic security. Section 2.8 gives the background to income security as the main factor in economic security. Section 2.9 shows the different types of income insecurity. Section 2.10 discusses contemporary general income security policies and Section 2.11 concludes this chapter.

2.1 What effects has globalisation had on economics and social welfare?

The shift towards globalisation over the past thirty years has had a considerable influence on economic and social welfare systems worldwide. It is the subject of extensive discussion, especially in the field of social security, where it has caused great controversy. In order to understand this phenomenon, it is necessary to know where the current form of globalisation comes from. Although the process of globalisation can take different forms, it commonly includes the integration of economics, businesses, culture and other social factors.

Globalisation is not new. It can be dated back more than a hundred years to the nineteenth-century British Empire (Ferguson, 2003, pp.xxiv-xxv; Chang, 2007, p.21) which governed around 25% of the world and adopted free trade and free market policies within its territory. According to Chang (2007, pp.21–22), Britain's economic success led to other countries opening up trade and deregulating their economies and "this liberal world order was perfected around 1870 under British hegemony." The opening up of sea-lanes led to an increase in worldwide trade, significant migration of labour, and movement of capital. Furthermore, developments in communication technologies increased the rate at which information could be transmitted. By the early 1900s, oceanic telegraph cables connected distant countries. Prior to the invention of the telegraph, sending information from America to Asia, for example, could take months, but after the late 1800s it could be done in a day. States began to develop a network of relationships that could be considered global. In the past, globalisation had been

founded on the international movement of labour, resources and capital. From 1500 to 1820 the annual average rate of growth of world GDP per capita remained steady at around 0.05, but between 1820 and 1913, the annual average rate of growth of world GDP per capita increased significantly and reached 1.30 (Maddison, 2007, p.265). In this period, many countries started to deregulate their domestic economies and liberalise trade policies. The barriers to the international trade market were lowered, which allowed countries to trade more easily with each other. The significant growth in GDP led to a massive population shift from agriculture to industry, from rural to urban and from country to country. The world entered a stage of mass migration, with huge numbers of people emigrating to America and population shifts to and from the British colonies and the colonies of other European countries. Between 1850 and 1914, five million Germans, 4 million Italians and Austro-Hungarians, 3.5 million British and 3.2 million Russians crossed the Atlantic to work (Khoudour-Casteras, 2008, p.213). This mass migration led many European countries to take a greater interest in providing welfare support for their population and in the building of rudimentary social insurance systems. For example, the country with the highest number of emigrants from Europe, Germany, adopted a new insurance law for its workers in 1883. Which stated that all industrial workers would benefit from the insurance, with two-thirds of the cost born by the workers and one-third by the employers. "Sick workers were covered for medical treatment for up to 13 weeks and received financial support equivalent to three-quarters of their average wage. If workers were permanently disabled, they could receive a regular pension equivalent to two-thirds of their annual earnings" (Khoudour-Casteras, 2008, p. 218). While welcome, such advances did not amount to the establishment of a fully-fledged welfare state system. Statistics for a group of 18 countries show that between 1870 and 1913, the average ratio of government spending to GDP was very low, with average public spending standing at 11%-13% of GDP for over 43 years (Tanzi, 2002, p.116). Government expenditure on health, pensions and unemployment programmes at this time was insignificant.

Following the First World War (WW1), Europe emerged economically and politically weakened. Millions had died in the trenches and the world economy suffered serious instability during the 1920s and 1930s. In the inter-war period, unemployment averaged 10.5%, whereas before 1914 it had averaged about 4.5% (Matthews, 1968, p.555). Investment in economic and social welfare was low in the inter-war period because of the economic slump and war damage. Political and economic players throughout the world were desperate for new policies to aid recovery and development. In an effort to deal with the instability in

the world economy, countries again started to introduce trade barriers. Western countries such as Germany and the USA abandoned their liberal policies and began employing high trade barriers to protect their domestic economies. The free trade system effectively ended in 1932 due to many countries re-introducing tariffs on trade (Chang, 2007, p.30), thus opening the way for new forms of protectionism that shielded both established and nascent industries from foreign competition. This new form of protectionism was especially prominent in the USA and Great Britain.

After WW2, Western states again began to take more interest in the concept of a globalised economy as they had in the 19th century. In the period after WW2, the international economic and political environment changed and became increasingly influenced by the ideology of economic liberalism and globalisation. The proponents of this form of liberalism championed the principle of free trade and believed that the private sector should play an important role in the economic system. The form that globalised liberalism took in this period consisted of the belief that an open and liberal international economic system should be established worldwide and that regulations should be set to govern and manage the economic system. After the late 1940s, this liberal globalisation model exerted a strong influence on countries with open economies and led to a greater integration of production, distribution and consumption of commodities within both developed and developing countries. The world not only globalised in economic areas, but also in the political arena, as evidenced by the establishment of the Bretton Woods system and global institutions such as the World Bank (established in 1944) and the International Monetary Fund (IMF), established in 1945 to regulate the world economy. This period can therefore be thought of as the age of liberal globalisation.

Throughout the post-war economic boom period during the 1950s, 1960s and early 1970s the effects of capitalism on the economies and social welfare systems of Western nations increased further. In this period, while liberalism dominated the economy and free trade, it had less influence in the area of social welfare, with most people relying on government social security protection. Many countries, especially those in Europe, developed formal, government-financed social protection systems that aimed to protect people against economic insecurity. The welfare system covered a wide range of areas that included unemployment, old age, illness and so on. Social protection systems also emerged in many developing countries, especially in the communist nations. In Eastern Europe, people received state support to secure their standard of living, including the provision of highly subsidised pricing

for housing, food and basic needs, guaranteed employment, and comprehensive health and education provision (Deacon, 2000, p.147). Tanzi (2002, p.117) argues that the effects of globalisation on social protection after WW2 worked mainly through three instruments: regulation, public spending and tax expenditure. In most countries, all three instruments were jointly used. Although liberals of this period expected less government intervention and a greater role for the market in global economics, this did not mean that they abandoned government intervention altogether. Ruggie (1982, p.381) asserts that:

In the organization of a liberal order, pride of place is given to market rationality. This is not to say that authority is absent from such an order. It is to say that authority relations are constructed in such a way as to give maximum scope to market forces rather than to constrain them.

During the 1980s, the situation worldwide began to change as Western countries started implementing neo-liberal programmes. Neo-liberal globalisation requires a free market, deregulation and privatisation. Some countries deliberately adopted deregulatory economic strategies and actively pursued a neo-liberal route. The world economy thus entered a new and heightened stage of liberal development as the neo-liberal ideology quickly influenced the world economic and social systems. This new globalisation process has driven the contemporary progress of social and economic change in most countries, and as much of the literature argues, the neo-liberal route is raising inequality, poverty and economic insecurity worldwide. The effects of neo-liberalisation on welfare systems will be explored in more detail in later sections.

2.2 How has neo-liberalism affected the post-war welfare state?

Most Western countries began to set up welfare states in the wake of WW2. In the traditional welfare state of this period, the state played a key role in social protection and economic growth, and gave “social meaning and equal worth to the formal juridical and political rights of all citizens” (Nash, 2000, p.238). Britain introduced a welfare state in the 1940s. The approach adopted by the British was characterised by three tenets: a rational basis grounded in empirical social science, social planning, and the active involvement of the state (Tang, 2000, p.119). Chang (2003, p.47) argues that the welfare economics approach of this period saw state intervention as necessary because of the inability of decentralised self-interested agents to coordinate comprehensive economic and welfare strategies.

The welfare state in this period typically addressed economic security problems arising from unemployment. It provided working class people with social support and general social benefits. While this maintained job growth, it also reduced the incentive to work (Esping-Andersen, 1996, p.8). The regulated market, pricing and public production improved the market structure, increased the employment rate and generated economic growth in the short run. In the long run, however, the regulated market ultimately led to the stagnation of economic growth, and as Esping-Andersen (1996, p.7) argues, it was this slowdown in economic growth and the menace of deindustrialisation that led to increasing challenges to the established economic order. Chang (2003) claims that the rise of neoliberalism challenged the regulated system's lack of exclusive property rights and the discrepancies that existed between private and social costs and benefits.

The effect of deregulated globalisation on the world economic system has been profound. The General Agreement on Trade and Tariffs (GATT) that resulted from the post-war drive towards trade liberalisation led to the eventual establishment of the World Trade Organization (WTO) in 1995. Following the rise of neo-liberalism in the late 1970s and early 1980s, the globalised world economy has come to be dominated by free trade, the free market, and the transfer of economic activity from the public sector to the private sector. Similarly, the new age of globalisation has affected welfare systems around the world, with the state's role in welfare provision having reduced significantly and private or market sectors taking over large sections of the public welfare system in many countries. This is described by (Beck, 2000, p.1) as follows:

The premises of the welfare state and pension system, of income support, local government and infrastructural policies, the power of organized labour, industry wide free collective bargaining, state expenditure, the fiscal system and 'fair' taxation – all this melts under the withering sun of globalization and becomes susceptible to (demands for) political moulding.

Political frameworks such as the Washington Consensus came to play a significant role in establishing this new economic order. The Washington Consensus can be seen as setting out the guiding principles for the process of neo-liberal globalisation. The policy prescriptions contained in the Washington Consensus were designed by Washington based neo-liberal economists and international institutions such as the IMF and the World Bank. A key policy proposal from the Washington Consensus is: "A reduction in the size and role of the public sector, including privatization of publicly owned productive assets and an end to managed trade and industrial policies" (ILO, 2004, p.20). This is characteristic of the neo-liberal

approach to economic matters in its emphasis on the private sector over the public sector. The Washington Consensus had an enormous impact on the economic world and international institutions such as the IMF, the World Bank, the WTO and other associations came to play an increasingly powerful role in influencing national policies. In many cases, these institutions and associations exerted enormous pressure on individual countries to adopt privatisation and liberalisation policies.

The results of these policies have not always been consistent with the predictions made by their proponents. Standing (2010), for example, notes how new kinds of inequalities and insecurities have emerged as a result of changes in class structure due to neo-liberal globalisation. Standing argues that the current form of globalisation has led to the emergence of a new social class, the precariat, a new class of workers “flitting between jobs, unsure of their occupational title, with little labour security, few enterprise benefits and tenuous access to state benefits” (Standing, 2010, p.109). He argues that traditional working class labour institutions such as industrial unions tended to stabilise workers’ incomes in the past. With the declining influence of such institutions in the globalised neo-liberal world, however, income insecurity has increasingly become a fact of life for many workers. The labour market has become increasingly commoditised and flexible and workers are often paid only for the exact hours worked, with no other work-based benefits.

The argument about the commodification of labour is long established, and there is considerable academic discussion on the increasing commodification of labour in 21st century. Vosko (2000, p15) argues that:

labour power is inevitably a commodity under capitalism, and the decline of security and freedom in the wage relation accentuates its commodity status.

The argument about the commodification of labour is long established and there is considerable academic discussion on the increasing commodification of labour in the 21st century. Vosko (2000, p.15) argues that “labour power is inevitably a commodity under capitalism, and the decline of security and freedom in the wage relation accentuates its commodity status.” She contends that under the current neo-liberal consensus, the deregulated labour market has increased informal and temporary employment, thus increasing the commoditised nature of labour. Certainly, the absolute number of informal and temporary workers has grown quickly since the beginnings of neo-liberalisation in the 1980s (Campbell

and Burgess, 2001, p.172; OECD, 2002.) These informal jobs tend to offer insecure working hours and pay. In addition, Esping-Andersen (1990, p.37) argues that workers are increasingly seen as commodities: they are viewed as replaceable, are easily made redundant and are atomised. These factors have clear implications for the economic security of workers. Given this, various commentators have developed theories and proposed potential solutions to the issue of increasing labour insecurity.

Esping-Anderson (1990) introduces the decommodification and stratification approach to social security. In this thesis, decommodification should be understood in terms of people's degree of insulation from market dependency, and stratification should be understood as the way welfare states function in maintaining or breaking down social stratification. All countries apply these principles in different ways and to varying degrees. According to the ILO (2004, 2012), empirical evidence indicates that since the 1990s, people in almost all European welfare states have had much better economic security than people living in China. The Scandinavian countries in particular provide a modern, formal, targeted and efficient way of protecting their citizens with social security, especially in income and housing provisions. Given the disparity in protections afforded by different welfare systems, an exploration of the various welfare state models might shed light on ways to improve economic security.

Since the end of WW2, the welfare state has become regarded as an integral part of the political, social and economic solutions to the promotion of both economic development and social stability (Esping-Andersen, 1990). Welfare systems play a critical role in providing a minimum level of social security, wellbeing and social support for citizens, and the welfare state provides a more efficient means of guaranteeing social security. Since different countries have different patterns of development, the type of welfare state differs between countries and there is considerable debate on which welfare state model is most suitable for a given country. Esping-Andersen (1990), one of the most influential theorists on the welfare state, has produced a three-world welfare regime typology comparing capitalist welfare states. He divides existing welfare states into three dominant regime types: the liberal, the conservative and the social democratic models. For Esping-Andersen, the liberal regime type is the favoured welfare model in nations such as the United States, Canada and Australia. This regime incorporates means-tested assistance and modest universal transfers. It mainly benefits those with a low-income, usually the working class. The conservative regime is an updated and upgraded form of the historical corporatist-statist welfare strategy and aims to cater to the

new 'post-industrial' class structure. Examples of this welfare model are the welfare systems used in Austria, France, Germany and Italy. The social democratic regime draws heavily on the concept of social democracy as a means of bringing about social reform. It addresses both market and family, attempts to maximise capacities for individual independence and has a heavy social service burden. This model is most in evidence in the Scandinavian countries (Esping-Andersen, 1990, pp. 26-28). In this system, social protection is provided more through decommodification than through stratification. By contrast, liberal welfare regime countries such as the US provide social protection more through stratification than through decommodification, and their social policy is generally less protective than that in Scandinavian countries. Corporatist welfare regime countries such as Germany and France give almost equal weight to decommodification and stratification. For example, since the financial crash in 2008, Germany and France have introduced a system that provides partial unemployment benefit coverage to workers in cases where working hours have been reduced due to specific economic conditions (ILO, 2011, p.107). The social security measures in countries operating a corporatist welfare regime are not just targeted at the poor, but provide protection for the individual against reliance on the market.

Compared to the welfare state in Western countries, the modern East Asian welfare state model has been characterised as a 'productive welfare model' or 'development welfare model' (Goodman and White, 1998; Gough, 2001; Kwon, 2005). Holliday (2000) argues that there is a distinct relationship between social and economic policy in East Asia, a relationship that he terms 'productivist welfare capitalism' and which involves a high degree of state intervention in both the economic and social policy arenas and the subordination of social policies to economic or industrial objectives (Holliday, 2000, p.709). In addition, Esping-Andersen (1997) notes that a 'core component' of the welfare regime in Japan is the unique conception of culture and family held in the country, which has led to the development of a universalist welfare regime type to protect all citizens (Esping-Andersen, 1997, p.182).

From the above discussion, it is clear that the forms that economic and welfare regimes take are not independent of one another: shifts in the economic sphere affect the welfare arena, and vice-versa. Social policy therefore responds to regime shifts in the economic realm, and the social security concerns that individuals have are directly related to these shifts. To what extent, then, does globalisation generate insecurity? The next section will explore this issue.

2.3 How does globalisation generate insecurity?

Globalisation and liberalisation have been associated with an increase in economic instability and insecurity, although opinions differ as to where the major problems are to be found.

Scheve and Slaughter (2004) argue that foreign direct investment and multinational enterprises are directly implicated in increasing labour insecurity. They contend (2004, p.3):

foreign direct investment (FDI) by multinational enterprises (MNEs) is the key aspect of integration generating risk. FDI by MNEs increases firms' elasticity of demand for labor. More-elastic labor demands, in turn, raise the volatility of wages and employment, all of which tends to make workers feel less secure.

Stiglitz (2002, p.56) believes that globalisation has been pursued almost as an end in itself and without concern for equitability and that liberalisation has been sanctioned in too many areas – in the financial, trade and regulatory realms – simultaneously (Stiglitz, 2002, p.56). He also argues that in some cases, the drive for globalisation has been based on an incorrect economic analysis. In terms of the financial sector, Demirguc-Kunt and Detragiache (1998, pp. 5–31) analyse the empirical relation between the banking crisis and financial liberalisation for 53 countries from 1980 to 1995. The results reveal that countries sanctioning liberalisation in financial areas are more likely to have a banking crisis and that financial liberalisation exerts an independent negative effect on the stability of banking sectors. Radelet et al (1998, pp.1-83) examine the 1998 East Asian financial crisis and demonstrate that the hardest hit countries were the ones that had mostly closely followed the IMF's policy prescriptions, Indonesia, Korea and Thailand. Moreover, the IMF worsened the situation in Indonesia and Korea by forcing those countries to adopt its own agenda for financial reform.

While supporting many of the overall aims of globalisation and liberalisation, Chang (2002) claims that the problem with the current globalised-neoliberal orthodoxy is not only that it has spread too quickly, but also that it has spread too far into too many areas and that an absolutely free market economy is impossible. He also argues (2002, pp. 539–559) that

as far as the neoliberals acknowledge the existence of market failure, the only alternative they will seriously contemplate is state intervention, because no intermediate institutions or organisations have a place in their scheme.

He further maintains that “neoclassical economics does, really give us a wrong perspective in the sense that we lose sight of a large chunk of the economic system and concentrate on one,

albeit important, part only” (ibid). While Chang suggests that globalisation and liberalisation have to continue, he believes that their excesses need to be restrained by limitations and institutional regulations. Some of the policies that Chang recommends include a return to state interventionism, adding that indirect government intervention would make both the market and society more secure and that the society and the market should not be fully liberalised. For critics of the current neoliberal orthodoxy such as Chang, greater state intervention is needed in order to monitor and regulate the globalised market and develop effective welfare systems. Expecting the market to regulate itself is unlikely to achieve economic optimisation and governments have an important role to play in the economic arena.

2.4 How does globalisation affect the labour market?

Recent developments in political economy and social welfare have been marked by debate concerning the degree to which neoliberal globalisation is a driving force in the creation and growth of labour market insecurity. Among those who argue that neoliberal globalisation has contributed significantly to labour market insecurity, the ILO (2004, p.135) maintains that labour market insecurity is a feature of the era of globalisation. Scheve and Slaughter (2004, p.7) argue that globalisation increases worker insecurity and Standing (2011a, p.1) claims that as neoliberal policies increase labour market flexibility, there has been a transfer of risks and insecurity onto workers. How, then, can the level of labour market security be measured? According to the ILO (2004, p.113) “labour market security arises from an environment in which there are ample opportunities for adequate income-earning activities.” Given that unemployment is the most well known indicator of labour market insecurity and is “reasonably reliable as an overall and cyclical indicator” (ILO, 2004, p.118), an examination of unemployment trends since the 1980s can provide evidence of the impact of neoliberal globalisation on economic security.

Globally, unemployment has been on the rise since the 1980s. In particular, European labour markets have experienced consistently high unemployment rates. Table 2.1 shows the unemployment rate as a percentage of the total labour force in a range of European countries during the 1980s and 1990s.

Table 2.1 Unemployment rate as a percentage of the total labour force

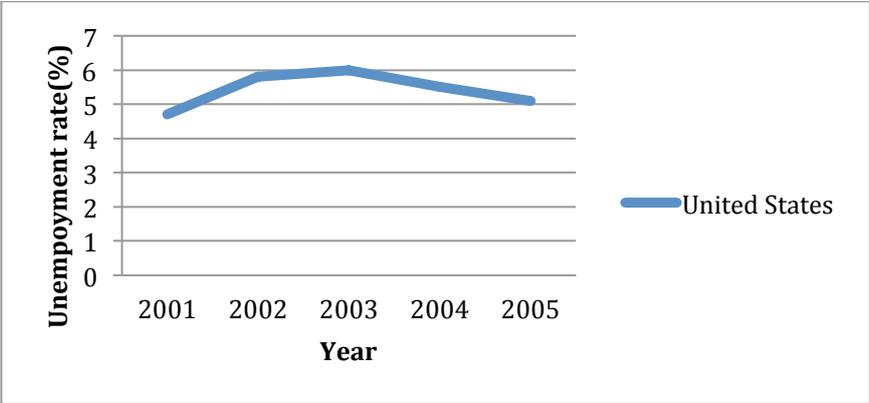
	Denmark	France	Greece	Ireland	Italy	United Kingdom	Germany
1986	6	10.2	7.4	18	10.6	11.2	
1987	6.1	10.7	7.4	18.1	10.7	10.8	
1988	6.5	10.2	7.7	17.4	11	8.8	
1989	8.1	9.6	7.5	16.1	11	7.2	
1990	8.3	9.4	7	14.1	9.8	6.8	
1991	9.1	9.1	7.7	15.8	10.1	8.4	5.6
1992	9	10.2	7.8	15	9.3	9.7	6.6
1993	10.7	11.3	9	15.6	10.2	10.3	7.9
1994	8	12.6	8.9	14.6	11.1	9.6	8.4
1995	7	11.8	9.1	12	11.7	8.6	8.1

Source: calculated from World Bank Data, 2011a.

As can be seen in Table 2.1, the unemployment rates in European countries show persistently high levels. Across all European countries in Table 2.1, an average of over 9.5% of the official workforce was unemployed in 1995. By 2003, the unemployment figure in the European Union as a whole stood at around 8% (ILO, 2004, p.118).

In comparison, the unemployment situation in the United States appears somewhat better. Figure 2.1 shows that the average unemployment rate between 2001 and 2005 was around 5%. It should be noted that there were significant job losses between 2000 and 2003, there were over 9 million of worker have lost their jobs, and 4.8 million of people were working in part-time jobs (ILO, 2004, p.118).

Figure 2.1 Unemployment Rate in the United States

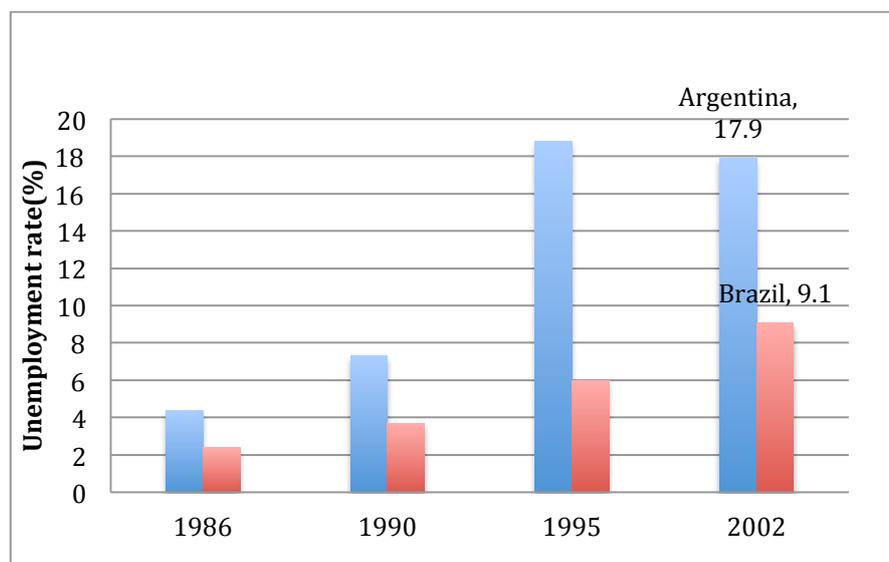


Source: calculated from World Bank Data, 2011a.

However, the US average unemployment rate of 5% has been questioned. The ILO (2004, pp.118-119) claims that this left out many people who had stopped searching for employment and also part-time workers who wanted full time jobs.

The unemployment rate in developing countries is also increasing. For example, the unemployment rates in Brazil and Argentina have increased significantly since the 1980s (see figure 2.2).

Figure 2.2 Unemployment rate in Brazil and Argentina



Source: calculated from World Bank Data, 2011a.

During the late 1990s and early 2000s, Argentina fell into a deep economic recession and millions of people lost their jobs. The impact of globalisation on Argentina's economy and unemployment rate in this period is clear: a series of adverse external shocks, including unusually low prices for their agricultural goods, recession in Brazil and the appreciation of the American dollar, has a serious impact on the health of the Argentinian economy (The Economist, 1999, p.1).

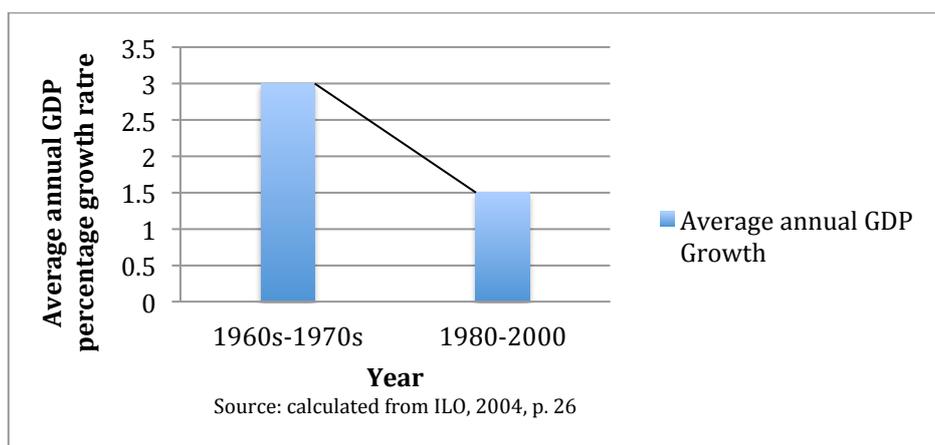
From the evidence on unemployment rates presented above, it appears that there is a close link between globalisation and labour market insecurity. The next section discusses the effects of globalisation and liberalisation on developing countries.

2.5 How do globalisation and liberalisation impact developing countries?

Since the 1980s, the processes of privatisation and liberalisation have been introduced to many low and middle-income countries, and from the 1990s in particular, these practices have spread all over the world. According to the ILO (2004, p. 35), in the 1990s, more than 130 low-income and middle-income countries privatised their infrastructure and sold off state-owned companies making more than US\$600 billion. The IMF and the World Bank imposed globalisation policies on developing countries through their structural adjustment programme. These included trade liberalisation, privatisation, deregulation and openness to foreign investment. Under these principles, developing low and middle-income countries were encouraged to move towards privatisation of their social welfare services by reducing state participation, even though this necessitated costs in transferring the ownership of the social welfare system from a public to a private system. For example, in Chile, almost all of the social benefits and services were taken over by the private sector. The ILO reports that “the switch to a private pension system has cost the Chilean government about five per cent of GDP during the last 20 years (much more than it would have cost to eradicate poverty altogether)” (ILO, 2004, p.36). Since it is necessarily true that profit is central to private ownership of the social welfare system, this raises further issues. Firstly, the cost of transferring social welfare systems from public ownership to private ownership not only falls on the state, but also on the individual citizen, since the individual is likely to face higher costs when health insurance, pensions and other welfare areas are privatised. Secondly, the pursuit of profit by private sector welfare providers may mean that beneficiaries are offered lower benefits than they would receive under a publicly owned system.

Looking at the performance of neo-liberal policies in developing countries, excluding China and India, the average GDP per capita growth rate in developing countries using protectionist policies in the 1960s and 1970s was higher than after they adopted neoliberal policies. Figure 2.3 shows that developing countries in the 1960s and 1970s experienced an average annual growth of about 3% in GDP per capita. However, from 1980 to 2000, after the implementation of neo-liberal free market policies, the average annual GDP per capita growth was half that of the previous rate (ILO, 2004, p.26). Latin America had the largest decline in growth for these periods, from a figure of 3% to just 0.4% (ibid.).

Figure 2.3 Average annual GDP Growth per capita in the world (excluding China and India)



In the East Asian economies that also posted lower per capita GDP growth between 1980 and 2000, such as the Philippines and Indonesia, growth ranged from 6% to 4%. China's economic reforms started in late 1978. Table 2.2 shows China's GDP per capita and population from 1980 to 2009.

Table 2.2: China's GDP per capita and population

Country: China

	1980	1990	2000	2009
GDP per capita (current US\$)	193	314	949	3744
GDP per capita growth (annual %)	6	2	8	8.5
Population, total	981,235,000	1,135,185,000	1,262,645,000	1,331,460,000
Population growth (annual %)	1.3	1.5	0.8	0.5

Source: Source: calculated from World Bank Data, 2011b.

In 1980, when the country was just beginning to introduce liberal market policies, China's GDP per capita growth rate was 6%. By 1990, it stood at only 2%. However, unlike other countries that underwent liberal market reforms, China's economy is only partially liberalised. It mixes the public and private sectors and the state still plays an important role. Since the late 1990s, China has achieved a stable GDP growth rate of around 8%, while the population growth rate has decreased from 1.3% in 1980 to 0.5% in 2009. China thus continues to combine high GDP growth rate and low population growth. On the positive side, the fact that China has controlled its population growth may reduce the pressure on its food supply. Furthermore, since population control affects the surplus labour force and given that the country already has a huge population of 1.3 billion people, China's population control should

assist in preventing an oversupply of labour and the consequent downward pressure on wages. For example, if a population is large, the labour surplus will be high, and the wage rate will then decrease as a result of the large population.

Nevertheless, despite the fact that the Chinese state takes population control more seriously than other countries and despite China's apparent control over its population growth, there remains an oversupply of labour because the country has huge surplus labour in rural areas. Ultimately, this means that there are still too many low-skilled workers among the Chinese workforce. Large numbers of people leave rural areas to compete for industrial or service jobs because the majority of jobs in these sectors are only available in certain regions. Since there are too many people competing for the same jobs, it is likely that employers will offer low wages. As a result of the competition for low-skilled jobs, the wages of these workers do not increase, and the income security risks for low-skilled workers are increasing. As a result, the benefit of control over population growth is not yet being felt in the labour market.

As the world's economy becomes more globalised and integrated, state regulation becomes less influential and the effects of globalisation can be seen in areas geographically distinct from one another. This is particularly evident when it comes to recent economic crises. This is shown in the Mexican 'tequila crisis' in 1994, the East Asian financial crisis of 1997 to 1998, the bankruptcy of Enron in the early 2000s (the world's biggest corporate collapse) the UK's Northern Rock crisis in 2007 and the world financial crisis in 2008, the factors behind each crisis lay in the increasingly globalised and deregulated world economic system. These crises led to many people losing their jobs and houses and plunged millions of people into economic insecurity. Globalisation and liberalisation placed large numbers of low skilled workers and informal sector workers into an unstable and precarious situation, and the gap between the rich and the poor became increasingly bigger. The emotions that arise from such inequality may result in social unrest, leading to yet another potential social risk.

2.6 How does neo-liberalisation affect income inequality?

There seems to be little doubt that neo-liberalisation is connected to the problem of social inequality. Certainly, in the distribution of income sector, there is currently a high degree of international inequality, and this inequality has grown over time. Table 2.3 shows an estimate of the range of per capita world incomes between 1960 and 1989.

Table 2.3: The distribution of world income, 1960-1989

	Real GDP (PPP) per capita	Real GDP (PPP) per capita
Year	Gini Coefficient	Ratio of top 20% to bottom 20%
1960	0.44	11.1
1970	0.50	13.9
1980	0.53	16.0
1988/9	0.55	17.1

Source: (Griffin and Khan, 1992, p.4)

As Table 2.5 shows, the Gini coefficient increased every decade, from 0.44 to 0.55. The second measure in the table, the ratio of top 20% to bottom 20%, is a calculation of the 20 per cent of richest group of people divided by 20 per cent of poorest group of people. As can be seen, this ratio also increased every decade. In 1960, the richest 20% of the population enjoyed 11.1 times more income than the poorest 20%, but by 1988, this had increased to 17.1 times.

Since the 1990s, Latin American countries have been strengthening the role of market mechanisms and weakening the role of government, including its role in the social arena. This approach has been called into question because Latin America had already experienced significant increases in income inequality during the 1980s. For example, after Mexico joined GATT in 1985, average tariff rates fell dramatically from 23.5% in 1985 to 11.8% 1987 (Hanson and Harrison, 1999, p.275). Alongside this opening up of the Mexican markets, white-collar real hourly wages increased by 13% between 1984 and 1990, while blue-collar wages decreased by 14% (Kremer and Maskin, 2002, p.3). What caused this inequality? After Mexico joined GATT, the introduction of foreign investments greatly increased; the foreign companies involved exhibited more competitive behaviour than local companies and white-collar workers, such as those employed by foreign companies, correspondingly received higher wage increases. Blue-collar workers, largely working for local companies, experienced a decrease in their wage rate. This was due to local companies being less competitive and not being able to match the profit margins of the foreign companies, which increased income inequality in Mexico. Income inequality problems also increased in Argentina (Robbins et al., 1995) and Chile (Robbins, 1995), among other countries in this region.

This increase in wage inequality is not limited to Latin America. The wage gap between skilled workers and unskilled workers throughout the world increased after the introduction of further free trade and free market policies. Hanson (2003, p.6) estimates wage regressions between 1990 and 2000, and his reports show that there was a significant increase in the salaries of highly skilled workers living in regions with good access to foreign markets. Inter-regional inequality in North America, for example, went from 443% to 489% of the world's average.

The growth in inter-regional inequality has continued across the world (ILO, 2004, p.58). One reason for the growth in inter-regional inequality is due to new foreign corporations having their own requirements and following their own protocols. Owing to neo-liberal free market policies, there is little or no state involvement in a multinational company's setting up of operations in a country and no constraints on what the companies can do. Another reason is that states have freely allowed foreign companies to set up and establish new businesses in the most developed and wealthy areas rather than setting conditions on the locations in which they can operate. In the case of China, the result has been that globalisation and liberalisation have proceeded further in coastal regions than in inland regions, in urban areas more than rural areas. Income inequality is increasing significantly, with the income gap between rural and urban areas increasing by around 6% from the 1980s to the 1990s. In the same period, the income gap between coastal and hinterland areas increased very sharply, standing at 23% throughout this period (Fan et al, 2009, pp.21,22).

2.7 The ILO definition of economic security

Well-being, a good work life and good housing conditions are things most people would like to have. Economic security forms an important part of a person's well-being. Without economic security, "people lose all sense of having control over their lives" (ILO 2004, p. 5) Economic security involves a wide range of protections to secure people's living conditions in order to provide a fair social environment and a good opportunity to live a decent life. Given that guaranteeing economic security for citizens is a desirable objective for governments, it is necessary for policy makers to have an understanding of which factors contribute to economic insecurity. Briefly put, economic insecurity consists of several forms of economic uncertainty and risk. It should be noted that risk and uncertainty not synonymous here. Risk refers to when people are aware of the fact that they are engaged in risky behaviour. In such instances, those engaged in risky behaviour are usually able to calculate the degree of risk. Lupton (1999,

p.12) therefore defines risk in neutral terms: it is concerned merely with probabilities, or with losses and gains. North (1995, p.914) defines risk in broader terms as “the probability of occurrence of an adverse outcome and the severity of its consequences.” Since risky behaviour is a conscious and calculated action, people should be able to measure how much risk is involved in a given circumstance and protect themselves from the most damaging potential outcomes. For example, a business investment necessarily involves taking risks, but if the businessperson correctly calculates the probability of loss and gain, provided that they have a good investment strategy, the risks can be reduced or even avoided.

Uncertainty differs fundamentally from risk in that it cannot be seen and anticipated. Epstein (1999, p.579) maintains “uncertainty refers to situations where the information available to the decision maker is too imprecise to be summarised by a probability measure.” The sheer unpredictability of life means that it is necessarily subject to some degree of uncertainty. For instance, accident, illness or other issues might end a person’s life unpredictably. While unpredictable events cannot, by definition, be anticipated, a person’s behaviour is constrained in situations where there is the fear of uncertainty. Standing (2010, P.294) argues that uncertainty drives people into a more risk situation than risks, because of people never know which outcome will occur, it could be catastrophic. Without a protection, uncertainty could push people into a serious economic insecurity. Risk is therefore a little more secure than uncertainty because people can measure the risk probability. Therefore, in an attempt to bring about economic security, security policies must be designed to deal with shocks, risks and uncertainties.

People who are living in poverty suffer more from insecurity. “Notions of poverty overlap with notions of insecurity, one could have one without the other” (ILO, 2004, p.3). Those living in poverty are considered one of the most vulnerable groups in society as a whole because they lack both basic rights and finances. The ILO notes that “[p]eople suffering from impoverishment are likely to be among the most insecure” (2004, p.56). While people with an income below the official poverty threshold are usually thought of as living in poverty, the situation is in fact more complex. For example, according to the World Development Report (WDR) (2001), poverty is pronounced deprivation in wellbeing. Furthermore, it is important to be aware that poverty is not the same as insecurity. Some people are feel serious insecurity, but they are not poor. Others may feel relatively secure, even though they are have little money and do not own a house. Poverty is ultimately a relative concept. In China, a person

with no bicycle would be thought poor, but a person with a car would be rich, whereas a person without a car in the United States would be considered poor. Some very poor people living in mountain areas in China are without TV, fridges and cars. They have few possessions compared with people living in modern urban areas, but it cannot be said that they face insecurity.

There are two main measures of poverty. The first is the relative poverty line, which relates to overall distribution of income in a country, so that the poverty line could be set at one-third or one-half of a country's mean income, depending on how much income is considered to mark poverty in that country. The second is the absolute poverty line, which identifies the absolute standards of what a household requires to meet their basic needs. The latest World Bank estimate of the extreme poverty line is US\$1.25 a day (in 2005 PPP \$). Chen and Ravallion (2008, p.18) state that about 1.4 billion people worldwide in 2005 fell within the World Bank's measure for extreme poverty (or around a quarter of the global population), and 1.751 billion people were earning between US\$1.25 and US\$2.5 a day. "Between 1987 and 1998, the number of people in sub-Saharan Africa living on less than US\$1 a day increased from 217 million to 291 million" (ILO, 2004, p.56). This means that about half of the total population of the region were living in poverty. From the 1970s to the 1990s, Africa accounted for an increasing proportion of the world's poor, rising from 15% to 28% during these years, and this makes consideration of the sub-Saharan African experience particularly important. The ILO (2004, p.56) reports that in South Africa, a third of people felt their household income was too low to buy enough food and some said that it was insufficient for rent and medical costs. In Ethiopia, "78% of men and 83% of women said their household income was inadequate for basic needs, while in Tanzania and Ghana most people said their household income fluctuated from month to month" (ILO, 2004, pp.82-87). Such poverty can quickly cause economic insecurity because it makes it difficult for the poor to defend themselves against possible misfortune and to cope with misfortune when they do encounter it. There is clearly a link between levels of extreme poverty and economic insecurity, especially since much of the population in poverty has either no employment, short-term employment or an informal contract with employers. In Africa, most workers are employed informally. Furthermore, many people also suffer from health problems such as HIV/AIDS and many do not live long enough or have good enough health for long-term jobs (ILO, 2004, p.58). The employment instability of such people means that they live under a cloud of uncertainty. Another issue concerns non-payment of wages, where poor workers cannot obtain full or part

payment for the work they have done. Furthermore, low wage rates in an economic system in which income inequality is growing compounds the issue of uncertainty. All these issues contribute to a person's overall economic insecurity.

It should be borne in mind, however, that poverty and low income are relative terms. Being poor in itself does not necessarily mean that one suffers economic insecurity; rather, a lack of stable employment or the possibility of job loss means that a household faces the threat of economic insecurity. In this way, economic insecurity threatens not only the poor but also the more affluent. Despite this, international statistics do not contain an 'insecurity threshold', because such a threshold is not as easy to measure as absolute poverty. It is relatively simple to ascribe a monetary value to the poverty line (for example, the World Bank's income of US\$ 1.25 per day), but insecurity is a more complex concept and includes various factors such as food insecurity, job insecurity, income insecurity and other relevant insecurity factors (ILO, 2004, p.14). At present, there is no reliable statistical data on the relationship between poverty and the wider concept of economic insecurity.

Therefore, it is necessary for policy makers to consider the uncertainty and risks that people face and to understand the complex relationship between poverty and insecurity. The next section discusses the most important aspect of economic security, which is income security.

2.8 Background to income security

Before considering the background to income security, it may be useful to define income security in general terms. In the prevailing economic form, almost all countries are market economies. This means that goods are traded via the markets and people have to buy according to their needs. To satisfy his or her needs, a person first must have a stable income. Income security therefore aims to guarantee that people have sufficient income to cover basic living costs, pay for health care and housing, and can afford to eat healthily. The ILO (2004, p.55) defines income security as follows:

Income security consists of an adequate level of income, a reasonable assurance that such an income will continue, a sense that the income is fair, relative to actual and perceived "needs" and relative to the income of others, and the assurance of compensation or support in the eventuality of a shock or crisis affecting income.

For the ILO, income inequality is part of economic insecurity, as “[p]eople who are living in a highly unequal society will feel more vulnerable, anxious and resentful” (ILO, 2004, p.58). In highly unequal societies with a free-market system, income security measures themselves can perpetuate income insecurity. For instance, higher income earners are more likely to receive high benefits because they are able to afford to meet the costs of a variety of private forms of insurance in order to protect their levels of income. Under such private insurance schemes, the level of benefits paid is directly proportional to the level of contributions paid (Crosby and Stephens, 1987, pp.405-407). In such highly unequal societies, the disparities in income levels persist beyond people’s working lives. Those who earn large salaries during their working lives are likely to receive significantly higher benefit rates after retirement than those who earned lower incomes. For example, “senior executives of many US corporations are provided with retirement funds guaranteed a high rate of return” (ILO, 2004, p.61).

The origins of modern income security systems lie in the immediate aftermath of WW2. Many countries in Western Europe based their income security policies on the British approach to income security, which included notions of “jobs for all” and “social insurance against a rainy day” (Craig, 1975, pp. 124, 125, 130). These developments marked a significant victory in the fight against income insecurity. After the 1970s, however, when there was a significant economic transition towards globalisation, the service sector developed rapidly, the speed of industrialisation slowed down, and traditional family patterns began to change. In many countries more and more women joined the labour force and it became very difficult to maintain full employment. For European governments, the increasingly heavy outlay on social expenditure became problematic and the existing social protection system could no longer be maintained. To cope with the increasing problems, a new policy of welfare state retrenchment was established in Europe. This abandoned a full employment policy, increased labour market flexibility and aimed to reduce the size of government expenditure on social welfare. Under this new system, people began to bear the brunt of the risk of losing their jobs. However, Pierson (1996, p.173) argues that the retrenchment policy was not an attempt to weaken the political foundations of the welfare state. He claims:

Economic, political, and social pressures have fostered an image of welfare states under siege. Yet if one turns from abstract discussions of social transformation to an examination of actual policy, it becomes difficult to sustain the proposition that these strains have generated fundamental shifts.

The era of retrenchment represented an effort to rein in the range and extent of social entitlements. One notable example is the social insurance net replacement rate in the UK. The UK saw the net replacement rate fall from 60%-70% in 1975 to 20%-24% in 1995 (Korpi and Palme, 2003, p.433). This low replacement rate has increased income insecurity, especially for unemployed people.

The unemployment rate is one of the most important indicators of income security. Although European countries introduced various forms of unemployment insurance to protect the income security of citizens, it is still the case that “unemployment is the least covered of the standard forms of contingency risk” (ILO, 2004, p.76). Although unemployment insurance is a crucial component in protecting individuals against labour market risks, it fails to cover all individual income risks. Furthermore, the unemployment insurance payment may not be sufficient for people who are at risk of long-term unemployment. In general, developing countries do not pay enough attention to income security and many of them lack unemployment insurance policies entirely. Most developing countries have changed the structure of their economies in order to facilitate their entry into the global capitalist economy. In so doing, however, traditional forms of welfare provision have been undermined and problems such as job insecurity, lower wage rates and high unemployment rates have become more prominent. Even in countries that have unemployment insurance policies, unemployment benefits cover only a small proportion of unemployed workers. For instance, in “Latin America, some countries have a scheme, but coverage is very low. In Argentina, unemployment benefits reached just 6% of the unemployed in 1999, which was less than in previous years” (ILO, 2004, p.77).

2.9 What are the different types of income security?

Income security is a difficult concept to define because there are both different types of income and income security programmes. As to the differing forms of income, an individual citizen’s income might take the form of a personal salary or other material benefits obtained from work. Sometimes, however, non-monetary wealth can also be transformed into a means of physical income; owned property or land can be the source of a monetary income through people selling or leasing these assets via the market. The reason that there are different types of income security programme is due to people’s differing needs. Therefore, in order to simplify the issue, a starting point might be to consider whether the income security programme provides monetary or non-monetary benefits.

The ILO (2004, p.56) claims since there are various forms of income:

Income does not come only in direct payments. A very important form of income consists of public goods, which are often provided for the whole community and are seen as one means of reducing the inequalities that arise in market economies.

This kind of security is important to rural-urban welfare provision and in the developing world. Furthermore, people may sometimes need support in the form of material objects rather than cash. For example, a homeless person would need to solve their housing problem before tackling other problems. Housing provision can be considered as the most effective policy to deal with this particular insecurity problem.

As regards income security programmes that provide monetary benefits, one type involves fixed-income cash transfer; for example, retired people might obtain a fixed-income pension from the state or other organisation once a month. This pension income remains fixed and does not vary between periods. People living under conditions of extreme poverty might also obtain state support in the form of cash transfers once a month or once a year. This fixed income could guarantee a degree of income security for those people. Such fixed-income transfers afford poorer people or pensioners a degree of living security.

In recent years, cash transfer schemes have been used as a means of reducing poverty and economic insecurity in developing countries. These schemes directly transfer cash to the poor and aim to satisfy people's needs in the short term. Such schemes are generally composed of two distinct but complementary parts. The first part entails an unconditional cash transfer, which means that the beneficiaries can spend the money at their own discretion. The other part is a conditional cash transfer, which means that the money has to be used for a specific purpose. For example, the most well-known conditional cash transfer is "the requirement that recipients should send their children to school" (Standing, 2008, p.10). Many countries in Latin American have adopted a conditional cash transfer scheme in order to promote social development. In such schemes, the national government typically sets a nationally defined income standard against which households are measured and establishes the conditions that must be met for receipt of the benefit. The eligible low-income households then have money transferred into their accounts.

One popular form of conditional cash transfer comes from Standing (2008, p.10):

A monthly sum of money paid to poor families, or more usually to mothers, on condition that their children attend school. The main claim is that incomes for school attendance lower the poverty and economic insecurity of women and lower child poverty

Brazil's Bolsa Familia programme is among the most well-established conditional cash transfer schemes in Latin America and has reduced poverty levels and increased school attendance (Standing, 2008, p.14).

Another type of income security measure involves social insurance in various forms (for example, unemployment insurance and health insurance). When workers lose their jobs or those in poverty need medical attention, people who cannot afford the cost will be covered by such social insurances. The range of insurances on offer depends on the specific social insurance policy model that a country chooses to adopt. This issue is of particular relevance to countries that are in the process of developing social welfare systems.

2.10 What form do policies on economic security take in the present day?

Income insecurity most severely affects poorly educated and low-skilled people, who face the problems of unstable and irregular income, periodic unemployment, and a lack of available unemployment. At the present time, the effort to tackle income security is being undermined by growing income inequality, the political failure to collect information and allocate resources to tackle the problems faced by the most disadvantaged people in society, and the unequal access to the political decision-making process. For example, highly unequal societies tend not to keep accurate records on the living conditions of their most disadvantaged citizens (that is, the homeless and slum dwellers). In addition, many developing countries have weak taxation policies, which means that these societies do not have the money to help their poor. Compounding these problems is the fact that urban middle-class groups are more visible politically than poorer people because they are able to appeal to the state via political and media representatives. Poor people often do not have similar access to representation in politics or the media because they tend not to belong to a recognised organisation that exerts pressure on or reports directly to the state. In such circumstances, therefore, the lack of information available to policy makers hinders the design and implementation of effective income security policies for poorer citizens.

Globalisation and liberalisation have led to significant changes in the nature of work. The types of job available today have changed from the industrial jobs previously available, and manufacturing jobs are increasingly unlikely to be the main source of employment in many countries. The ILO (2004, p.116) notes “a clear trend of the globalisation era is that manufacturing jobs have been shrinking in much of the industrialized world”. Throughout the world, large parts of the global labour market work in an increasingly informal way. Particularly in developing countries, huge numbers of workers continue to enter the informal labour market. It has been estimated that “50% to 70% of the developing countries’ labour force is in informal work” (ILO, 2004, p.115). However, parts of the social security system are often inaccessible to informal workers because they were designed for those in formal employment.

The ILO (2004, p.55) asserts that there are various ways to protect income, including “minimum wages, wage indexing, comprehensive social security and progressive taxation to reduce inequality and to supplement those with low incomes.” Many countries use a minimum wage to protect income and reduce the gap between rich and poor. In the United Kingdom, the USA, most Latin American countries, and many EU and Asian countries minimum wage legislation sets a minimum national standard for workers’ pay. Countries such as Denmark, Iceland and Switzerland have not introduced a minimum wage law but apply a minimum wage through negotiations between unions and employer associations. The introduction of rules on the minimum wage has increased the standard of living for many poor people. Many countries have also introduced job protection laws that help people to have more stable employment and income by reducing the risk of them losing their jobs. When viewed within the wider province of living security, however, it is clear that these methods alone cannot address the complex problems that arise from unemployment, housing issues and being unable to pay for medical treatment.

Insurance is one method of helping to reduce income insecurity. It has become an increasingly popular method of providing income security, and most world governments are aware of the importance of unemployment insurance policies for social security. In developing countries, unemployed workers may face greater risks and insecurities than their counterparts in developed countries because the welfare systems in developed countries are comparatively less developed. Therefore, as a means to providing income security,

unemployment insurance has been paid much more attention in developing countries in recent years. Haagh (2006, p.386) claims that “unemployment insurance has emerged as a mainstream source of income support in developing countries” In East Asian countries in particular, unemployment insurance also has come to be treated much more seriously. As Kwon (2005, p. 5) notes:

Some social programmes, such as unemployment insurance, which had been regarded as hampering economic development, were now understood as developmental as economic restructuring took place.

Nevertheless, although insurance has contributed significantly to improvements in income security, it is sometimes overlooked when the achievements of anti-poverty schemes are assessed.

Unfortunately, the dogma of liberalisation does not contain provisions for the development of comprehensive unemployment insurance systems. For the advocates of neoliberal globalisation, employment insurance is a private matter, independent of society. Many governments, however, still treat employment insurance as a public matter. The ILO (2004, p.77) reports that “[r]ich-country governments have not adopted plans to privatise unemployment insurance, as proposed by some ultra-liberal commentators.” In most East Asian countries, the state still plays a strategic role in economic welfare development. However, since unemployment insurance is focused on formal workers, it does not cover everyone and is available only for a limited time. It primarily covers those formal workers who have recently become unemployed and who have a stable work history. Mazza (2000, p.6) sums up the situation well “a very common aim for unemployment insurance is to cushion workers in the short-term transition to new employment.”

2.11 Conclusion

This chapter introduce the idea of economic security in terms of globalisation and discusses the literature in this area. Many countries have begun to experience social security problems as the influence of capitalism, privatisation and neo-liberalism over the welfare system has increased. Where once the state provided comprehensive protection, there has been an economic security policy shift towards welfare provision by the private sector. In general, poorer people and people living in poverty are receiving increasingly less social security. Of particular importance to people are changes brought about by the neoliberal globalisation project since the 1980s that have affected their income security, access to welfare provision

and quality of life. Neoliberal globalisation has affected the nature of employment and increased the role of competition in the labour market. This has had a follow-on impact on welfare provision and economic security. The world's economy after the 2008 financial crisis remains in an unstable condition, and the unemployment rates worldwide are of great concern. Given the fundamental changes brought by neoliberal globalisation to the economic security of people in developing countries, the governments of developing countries must ensure that their economic security measures are appropriately designed so as to reduce the risk and uncertainty faced by citizens. Owing to its enormous population, high levels of poverty and its socialist market economic system, China's efforts to deal with the issues of living insecurity are worthy of particular attention. An analysis of the extent to which free-market ideology has been used in China's welfare system, its ability to address China's particular issues, and its effects will be discussed in later chapters.

Chapter 3 - The background to Economic Security in China

3.0 Introduction

Chapter 2 introduces the background and general context of economic security on a global level as a way into the topic of this research on the current economic security problems experienced by people in China. This chapter provides an overview of economic insecurity issues in China, tracing the historical changes to social policies, reviewing the relevant literature and discussing current issues in this area.

China has experienced enormous economic and social changes over the past thirty years. The changes brought about by the economic reform in 1978 ultimately led to China's adoption of an open market economy and consequently to changes in the social system as well. China's strategy of economic liberalisation led to the substitution of market mechanisms for the instruments of state planning and to drives to increase economic efficiency and productivity. The economic policies implemented by the Chinese government since 1978 have certainly generated enormous economic growth, but for much of this time, the government's development strategy was heavily weighted towards economic development, with far less attention paid to social policies, especially policies dealing with economic security.

Alongside this market liberalisation and economic growth, there has been an increasing degree of informality in the labour market and the emergence of a new phenomenon: the mass migration of rural workers to more economically developed areas in search of work. Fleisher and Yong (2003, p.30) argue that dealing with labour market transformation has been one of the most challenging tasks that the Chinese government has had to face. On one hand, China's thirty plus years of market-based reforms have produced staggering growth, but on the other, they have led to increasing numbers of informal workers, unsupported poor people, unemployed workers and economic migrants suffering from poverty. Recent developments in the Chinese social security policy arena are attempting to address these issues. Based on Esping-Andersen (1996, 1999), Ringen and Ngok (2013) suggest a new kind of welfare state regime has arisen in China, which they term a 'fragmented liberal-conservative hybrid model'. They see the emerging welfare state in China as coming from a response to economic necessity rather than the traditional meaning of welfare state. Therefore, the state is providing a minimal level of support and the social insurance system contains irregularities (in the form of informalities).

In order to develop a better understanding of the above issues, Section 3.1 provides an historical overview of the development and progress of China's social security system. Section 3.2 defines the importance of economic security development in China. Section 3.3 explains Chinese income security policies. Section 3.4 shows how inequality has impacted on income security in China. Section 3.5 discusses unemployment benefits in China. Section 3.6 defines the housing security issues in China.

3.1 How did the Chinese social security system change from earlier ages?

In the years immediately prior to the establishment of the People's Republic of China (PRC), the country was almost destroyed by WW2 and then civil war. During this period, no social welfare system existed in China, and lower-income workers and farmers had no social security protection. The social security system that emerged in China can historically be divided into three periods.

The first period, which began soon after the PRC was established in 1949, lasted until 1978. China's social security system was established around 1950, and during that time, the social security policy that was implemented was consistent with a planned economic system. Economic and social performance was completely controlled by the state and private sector businesses were forbidden. "Privately owned enterprises were all transformed into one form or another of state ownership and control" (Walder, 1984, p.5). In 1951, the Chinese state government announced official regulations concerning labour security, with provisions made for medical care, retirement and injury compensation. In the period between 1951 and 1978, a series of social security policies were enacted. In order to better control and manage China's huge and growing population, the household registration system, which categorised areas as either urban or rural and thus classified citizens as urban or rural residents, was introduced by the government in the late 1950s (Wu and Treiman, 2004, p.363). Under this system, the central government applies different policies to the two area categories. In urban areas, the central government introduced social insurance programmes that included health insurance, old age pensions, workers' compensation, maternity benefits and other welfare services (Saunders and Shang, 2001, p.276). In the urban public sector, where the 'dan wei' system of state-owned and collectively owned enterprises operated, official social organisations and government authorisations acted to provide comprehensive social benefits and insurance for their employees. Those in such employment were considered to have an 'iron rice bowl'. Unless they committed a serious breach of regulations (such as committing a crime), they

would normally keep their jobs until they retired. Furthermore, they did not suffer from income inequality at all because the state protected public sector work units.

The 'food rationing system' was also introduced in this period, and all cities and rural towns in China applied this system. The state equally allocated monthly standard food coupons to each family and guaranteed that people had basic food supplies. People used the coupons to purchase food instead of using money (State Council of China, 1955). Although this policy limited economic growth, it guaranteed people's food security. Although this policy of providing universal food coupons restricted market economic efficiency, an alternative use of conditional food coupons might have helped the living security of the extremely poor without negatively influencing economic growth.

When the Communist Party of China assumed the reins of government in 1949, China was suffering from widespread urban and rural poverty. The series of social policies that were introduced guaranteed living security for many people for the first time. By 1957, 94% of urban workers were under the social insurance system (Sun and Dong, 2000, p.20). Social expenditure on urban workers increased from 1% of total government spending in 1958 to 2% in 1963 (Dong and Ye, 2003, p.418). By the early 1960s, living conditions for urban residents in China had improved significantly from the early post-war period. However, the influence of the non-urban public sector was extremely limited before the 1970s and rural people largely had to rely on themselves. Although rural local authorities were able to provide some assistance, it was far less than in the urban public sector. This disparity in social policy and welfare provision between urban and rural areas also explains part of the reasoning behind the government's strict control of labour movement through its use of the household registration system. The high levels of protection provided by the social insurance system for urban registered workers meant that if the same benefits were extended to rural workers, public enterprises and state finance would become unaffordable (Lu, 1993, pp.66-87). China's increasing population and comprehensive social benefits meant that the state nevertheless bore an increasingly high social expenditure burden, and the social welfare system began to be criticised for its negative effect on economic growth.

The second period began with the economic reform in 1978, which brought a renewed focus on economic development and the opening of trade barriers. After 1978, China opened its doors to the world and increasing numbers of areas of the economy began to be liberalised. International organisations also pushed developing countries to abandon state ownership and

transform their economies into a public-private partnership model. These reforms resulted in the state having less control over both the financial resources and the behaviour of many enterprises that contributed to comprehensive social insurance. After 1984, therefore, some regions in China began exploring alternative methods of raising funds for pensions and other social insurance for employees at state-owned enterprises and urban collective owned enterprises. Employees within the newly emerging private sector had far less cover from the social welfare system than workers in state-owned businesses at that time. Many of the newly privatised businesses had to bear the full cost of health insurance, pensions and so on themselves, because the social welfare security system was fundamentally grounded in state and public owned enterprises: the greater part of the welfare fund came from public owned enterprises and much of the social welfare support, such as housing and pensions, was provided by public enterprises. Furthermore, firms in the private sector were relatively small in size at the beginning, so the state paid less attention to them and their employees' social welfare needs. However, as the economy entered a new stage of rapid economic growth, average living standards began to improve, the size of the private sector grew significantly and it became clear that China needed to develop a new form of social welfare system with regard to income, housing and health. In 1992, the government therefore began to enact deeper reforms of the social security system, which was clearly defined for the first time, and considered more carefully the social security system links between the private and public sectors. Society has had to bear a heavy burden during China's transition from a planned economy to a market economy system. Saunders and Shang (2001, p.280) note that urban poverty was estimated to affect around 18.5 million in 1993, or 7.8% of the entire urban population. This figure had risen to 20 million in 1995, and it continues to increase. In addition, during the 1990s, a new phenomenon of a floating rural migrant population, moving to the cities to find work, emerged.

The third period began in 2008 and has continued to the present. After the worldwide financial crisis in 2008, China's social and economic environment changed significantly, with heavy price inflation, job reductions and massive rural migration of workers emerging as serious issues. As a result of these changes, China's existing economic and social security system began to face new challenges. China's current social security system is in need of solutions in order to address these challenges. For example, in this new period of massive rural to urban migration, the household registration system, which divides the 1.3 billion Chinese into official areas of residence along rural-urban lines, and controls and regulates

interregional migration and population mobility (Wang, 2005, p. xi), has severely restricted rural migrants' access to social benefits. Under this system, social insurance benefits are only provided by the town in which a person is officially resident. If people move to other provinces, they are not able to access benefits in the new area of residence, and rural migrants have to return to their registration areas to access social benefits or insurances. Furthermore, since the social support payment standard in rural areas is much less than in urban areas, the benefits that rural migrants are eligible to receive are often insufficient to meet their needs in new urban surroundings. For example, if a rural migrant needs to receive medical treatment in an urban area, his/her health insurance benefit is paid at the rural payment standard and is therefore unlikely to cover the costs of treatment in an urban area.

Another problem is the limited coverage of social security support and its unequal development between regions. In rural areas, the development of social security has been relevantly slow. In 2000, 56% of elderly people living in cities received an old age pension, compared with just 8.2% of older people in rural areas (Chan et al., 2008, p.78). In 2007, out of a total of over 76 million older people living in rural areas, just 3.9 million pensioners were drawing benefits from rural pension insurance schemes, a coverage rate of less than 5% of the rural population (Yang et al., 2009, p.6). By 2003, 15 provinces had set up a minimum standard of living scheme, providing financial support for 4 million recipients, but this only covered 0.4% of the rural population (Chan et al., 2008, p.70). The problems are not limited to the rural-urban divide. For example, in Wuhan city, the most populated city in central China, the average annual MSLS (Minimum Standard of Living Scheme) benefit was only 16.6% of the average personal annual income, and over 60% of MSLS recipients said that the level of assistance was too low to afford daily necessities (Chan et al., 2008, p.72).

Furthermore, there are large differences in the levels of coverage and social security support *within* cities and provinces. For example, in 1997, the level of social insurance benefits was highest in Shanghai and Guangdong provinces, but the benefits ranged from a high of 1,326 yuan per month to a low of only 100 yuan a month (Wu, 1997, p.7).

Even with its extraordinarily high rate of economic growth, China's unemployment rate still remains high and labour market insecurity in China is very widespread. According to the ILO, many millions of workers in China are on extended lay-offs or unpaid leave. However, these workers are not counted in the official unemployment figures (ILO, 2004, p.120). In 2001, the unemployment rate announced by China was 3.6%, but this figure included only the

registered unemployed in urban areas. Workers in rural areas are all considered to be in employment. However, when the actual level of unemployment in rural sectors is analysed by including migrant workers and laid-off workers, the rural unemployment rate might be as high as 7.5% (ILO, 2003a, p.26). In 2011, the unemployment rate in China is expected to show little change, remaining at around 4.0% (ILO, 2011, pp.38–41). Compared with 2001, the unemployment rate has increased about 0.4%, but this figure still only corresponds to unemployment in urban areas. If it included unemployment among the rural labour force and migrant workers, the predicted unemployment rate in 2011, if calculated using the same methodology as is currently used in China, might be at least double or triple the official figures. China is not alone in exhibiting this high level of unemployment. Other countries that have undergone economic transition, such as the Russian Federation and Ukraine, also have a high unemployment rate. Much of the current unemployment problem can be seen to have stemmed from the structural economic changes that took place in the 1990s. For example, according to the ILO, total employment in the Russian Federation fell by more than a quarter in the 1990s (ILO, 2004, p.122). India, a country with a similar population to China, also had a high unemployment rate in this period, with 10.9% of the population unemployed in 1999 (ILO, 2004, p. 123).

China's traditional form of social security is moving away from a strong state welfare model. State welfare provision has been reduced in line with China's development of its distinctive form of socialist market economy, which combines the public and private sectors in a complex relationship. China's current income security protection mechanisms are based on this system. China's current socio-economic situation, which is neither purely capitalist nor socialist, necessitates the development of a modern and efficient social welfare system. The social system in China contains some forms of informal development. Ringen and Ngok (2013, p.16) discuss how the welfare system in China is:

...shot through with irregularities, such as non-participation by enterprises, shortfalls in contributions, mispayment of benefits to non-eligible persons, excessive overhead costs, and very considerable misappropriation locally of social insurance funds, including by corrupt means.

These irregularities will be discussed in later chapters as informality, with the thesis examining the degree of informality in welfare system China in later chapters.

As China's official statistics provide only partial data on the effectiveness of China's social security system, this thesis aims to explore its effects on hitherto ignored groups – rural and

migrant workers – and to bring them and their experiences into the analysis. In its current form, the household registration system adversely affects social security efficiency and effectiveness. This particularly results in economic insecurity for migrant workers, because most migrant workers only have social rights where they are registered, not where they are working. ILO (2004, p.15) argues that income security is a basic human right. However, the household registration system is strangling the right of migrant workers to enjoy such income security benefits. The household registration system might be a barrier to approaching a universal social type. This will be examined in Chapters 7 and 8. It should be particularly emphasised that the household registration system limits economic security for rural people.

In addition, China is currently moving towards a universal model but not fully universal welfare system, for example, by the end of 2011, over 90% of China's population was covered by medical insurance (Ringen and Ngok, 2013, pp. 13,17). They argue that the main exclusion is migrant workers. This discussion will be examined in later chapters. Given that economic security continues to be an important issue in China and that income and housing security are the fundamental areas dealt with by China's economic security system, this thesis investigates these two areas with a focus on recent times (roughly 2008 to the present). First of all, however, an understanding of why social security is important for China is necessary.

3.2 Why is economic security development important to China?

Economic security is widely regarded as one of the most important matters for social and economic development. The economic security situation in China is worth investigating because of China's unique circumstances: the country has the largest population in the world; it is the largest of the developing economies; and it is the world's second largest economy. China's market economy system is socialist in nature, in that although it merges the public and private sectors, the public ownership sector has most control over the market. When considering the social security system, therefore, both public and private systems must be taken into account. Establishing a proper economic security system that can maximise the servicing of people's needs is an extremely difficult task. In the following sections, the Chinese government's efforts to establish such a system (for example, via the MSLS) and the increase in private influence on the social security system will be discussed. The changes in social insurance provision in China that are relevant to the thesis will be outlined as well as the effect of the rural-urban household registration system on the Chinese social security situation.

China's system of social security was much stronger in the past. The state formerly provided strong protection for people; all economic and social activities were protected by the state, including economic security. Following economic reform, China's economic and social system swung significantly towards a market system. The change in China's approach was highly influenced by neo-liberal globalisation. State intervention was dramatically reduced and the economy and movement of social goods became increasingly defined by commoditisation. Even though state-owned enterprises still play a large role in China, the private sector is growing fast and plays an important role in the market economy. Standing (2010, 2011a) asserts that insecurity is not natural, and that it was an outcome of a new kind of regulation (in the form of reregulation) from the influences of neoliberalism. In China, also, the new social welfare system shift did not come naturally, rather the state created the new form of insecurity because of the new market reforms. Standing (2010, 2011a) is rather pessimistic about new regulation; however, Chang (2007, 2010) is more optimistic. He argues that to deal with the new reforms (such as neoliberalism) in the economic, social and political system, governments could increase state intervention against 'market signals' from neoliberalism (Chang, 2010, p.200). This is about planning the right things at the right levels so as to improve national economic and welfare performance (Chang, 2010, pp.208-209). The question is, does China have a good plan to deal with market signals?

In the past three decades, a series of reforms have been introduced to transform the old social security policy associated with the planned economic system into a new social security framework that better corresponds with China's new market economy system. The once strong state welfare provisions have either been reduced in scale or have disappeared altogether in the areas of housing and food provision. China's new social security system includes social insurance programmes, social welfare schemes, the special care and placement system, social relief measures and housing services. Social insurance is central to the new social security system, with insurances including unemployment insurance, pension insurance, medical insurance and so on (State Council of China-White Paper, 2004). However, this system is not yet complete, and the new market economy has generated many new security problems, such as the issues of rural migrant workers' income and housing security. Over the past two decades, China's income and housing security problems have grown considerably. Furthermore, China's uneven economic development across different regions and large income inequality gap means that income insecurity in China is increasingly prevalent. Poverty is widespread. Job insecurity is another issue, particularly for the less

educated and unskilled, whose employment tends to be informal with little labour security. The current eligibility requirements for social security insurances and benefits mean that these workers are largely excluded from receiving benefits from employers or the state. There are also problems with the public healthcare service in China. Poor people are unable to afford health costs when there are high medical bills and are therefore denied access to sufficient healthcare. ‘The high out-of-pocket cost of medical care and drugs has become a serious concern for Chinese residents in both urban and rural areas’ (Blomqvist, 2009, p.605). Although the health insurance coverage is very wide, the payment is low and only goes part way to covering the high costs of healthcare.

The Chinese economic security system has faced increasing criticisms from social welfare experts and academics. Ringen and Ngok (2013, p.9) assert

The outsourcing of social responsibility from work and production units was taken forward in a painful process of trial and error. The old support system was dismantled early on while a new system emerged gradually, tentatively and much later. The interim was a period of policy neglect, social chaos and misery.

The Chinese welfare system is still in a transitional period, where the new system is gradually replacing old system. They argue that reforms to the welfare system have changed the social support structure and have been taken by legislative, administrative and other policy signals (Ringen and Ngok, 2013, p.10). However, during this period, there have been new forms of economic insecurity. Chapters 5-8 will address those new forms of economic insecurity in more detail.

Lim and Zhao (2009, pp.4–5) claim that since the responsibility for healthcare and other social services provision remains at the local level, central government’s efforts to address China’s social security issues have suffered from a lack of efficiency and transparency. Local government is unwilling to listen to the public’s concerns and projects such as affordable housing and low rental housing (LRH) policies therefore fail to satisfy public needs. Blomqvist (2009, pp. 605–610) argues that social insurance plans in China only offer a limited level of protection against the high cost of medical care. He therefore suggests that the government should increase subsidies to healthcare providers in order to reduce healthcare costs to users and guarantee that all rural and urban areas citizens are able to obtain basic healthcare. Given Blomqvist’s suggestion, more details about healthcare will be discussed in Chapter 6.

In the area of employment security, the ILO (2004, pp.120-123) reports that the labour surplus in China remains at a high level, which has greatly influenced employment opportunities and wage rates, but China's social security system has failed to address fully the needs of the unemployed and the low paid. Given that income security is one of the most important factors in economic security, the next section examines income security in China in more detail.

3.3 What are the income security policies in China?

Several kinds of income security support have been provided by the state and state-owned enterprises since the 1950s. Old age (pensions) security was provided by state-owned enterprises, which "were responsible for both the delivery and administration of basic pensions to their own retirees according to the years of employment and the wage received before retirement" (Wang, 2006, p.103). Employment was found by the state for those seeking work, such as school leavers and the unemployed, as part of the job security policy (Leung, 1995, p.140). Jobs assigned or provided by the state were normally on a long-term basis; most of them were for life. Once a person had obtained a job, it was very difficult for them to lose it or transfer to a different occupation, and people were guaranteed a lifetime of employment (Gang et al., 1998, p.15). Under Mao, income security was protected by the state and the 'social security policies made by the central government [were aimed at] full employment and income equalization' (Wong, 1994, p.310). Unfortunately, the pre-reform economy suffered from slow development and low productivity and the welfare system provided only a low standard of living. Wong (1998, p.63) argues that Mao's regime left the nation backward and impoverished. Before China's economic reforms, the state also provided healthcare provision, with central government providing "a low-cost medical service and wide coverage for the general public" (Chan et al., 2008, p.115).

After Mao's death, Deng Xiaoping rose to power and initiated reforms that would fundamentally change China's economic system. The state and public-owned sectors reduced significantly after the 1980s, and the private sector became increasingly prevalent in Chinese society. In the wake of the economic reform, social security also changed greatly. State and public welfare provision gave way to market provision, and many people no longer enjoyed the benefits of job security, and free housing and medical treatment, but instead had to pay the market price for them. As the state no longer had to provide guaranteed job opportunities, the unemployment picture also changed due to the market economy reforms.

In order to provide adequate income security for unemployed people, China first established an unemployment insurance (UI) system in 1986. The benefit from this insurance was between 50% and 75% of basic pay up to a maximum of two years (Chan et al., 2008, p.102). In comparison with similar schemes operated by developing countries, the Chinese UI system appears relatively generous. For example, Brazil also implemented its first universal unemployment insurance programme in 1986. This provided benefits to recipients at their average wage rate for the past three months of employment for a maximum duration of four months (Cunningham, 2000, pp. 2–4). Thailand introduced UI in 1990, with the laid-off receiving 50% of wages for up to six months (180 days) within 1 year of becoming unemployed (Chandoevrit, 2008, pp. 58–59). Compared to these two countries, China's UI programme actually provided relatively good benefits for a reasonable period. However, this benefit did little to secure the living standards of low-income workers because their income was already at or close to the poverty line, and if they lost their job, unemployment benefits would not be enough to provide living security. In the late 1990s, an improved formal unemployment insurance scheme was established by the central government (State Council of China, 2005b). The scheme's payment rate was set between the local poverty line and the local minimum wage rate. The maximum duration of the benefits was 24 months. Furthermore, informal workers were unable to claim this benefit. However, the scheme's payment rate was still very low, meaning that unemployed workers continued to suffer living insecurity. In 1999, the central government announced a solution to the situation, the MSLS (Minimum Standard of Living Scheme), which was introduced in urban areas in that year. It was designed to protect, 'city dwellers with non-agricultural households and where the average income of family members is below the level of the minimum living standard of a region' (State Council of China, 2005a). In 2007, more than 22.72 million people received MSLS support in China (National Bureau of Statistics of China, 2007b). In Xinjiang province, around 0.61 million people were enjoying this benefit in 2009 (State Council of China, 2009a). However, the speed with which the MSLS has been applied to rural areas has been relatively slow. It took until 2007 before the central government introduced MSLS protection for rural residents. Rural MSLS is designed to provide protection for 'agricultural residents and where the average income of the family is below the poverty line' (State Council of China 2007b). In 2007, 35.63 million rural residents were in receipt of MSLS support.

While the introduction of the MSLS as a universal income protection scheme is welcome, the level of support offered under the MSLS has been criticised as being too low to secure a satisfactory living standard. Chan et al (2008, pp.76,78) assert that the recipients of MSLS “do not have sufficient resources to buy nutritious food or to pay for medical fees” and it is very difficult for them to lead a normal social life because “[t]he existing level of the MSLS is hardly able to meet the basic daily necessities of poor families.” This issue is compounded by the fact that there is no nationally set MSLS payment rate. MSLS payment rates are determined not at the national level, but at the local level. Statistics show that while nationally the average monthly MSLS support rate was 182 yuan (US\$26) per person in 2007 (Wang, 2010, pp.1,2), the average monthly MSLS rate in Xinjiang Province was only 156.5 yuan per person, or US\$22.85 at 2009 rates (State Council of China, 2009a). According to the World Bank, the absolute poverty line is US\$1.25 a day, yet the MSLS support rate is lower than this measure of poverty by around US\$14.5 per month. As a result of such low payment rates, China’s MSLS scheme cannot be said to provide effective assistance to those in poverty or solve their living problems.

Another important policy for income security is a minimum wage policy. China officially introduced such a policy on 1st March 2004. This policy applies to all private enterprises, individual businesses and workers who are in an employment relationship and also includes state organisations, institutions and public organisations and workers who are working under an employment contract (Ministry of Labour and Social Security, 2004). In designing this policy, the state considered the risks that people might face during the development of the socialist market economy and expected that this provision would meet the basic needs of workers. In practice, however, the policy has not met expectations. A major flaw of the policy is that it grants the power to set payment rates to regional and local government. In other words, the system does not provide a national standard minimum wage rate, but instead allows local authorities to set minimum wage standards. This is problematic because many provinces (for instance, Heilongjiang and Shannxi) set the minimum wage standards just above the poverty line or the minimum threshold for MSLS eligibility (State Council of China, 2006a, State Council of China, 2006b). By the end of 2006, the average minimum wage standard was 536.03 yuan per month. However, this average rate masks considerable disparities in minimum wage levels between regions and especially between urban and rural areas: the highest minimum wage standard was in Shenzhen city at 870 yuan per month and the lowest was in Jiangxi province at 270 yuan per month (Ministry of Labour and Social

Security, 2006). Furthermore, statistics show that average monthly expenditure per capita in 2006 was 724.75 yuan and in rural areas the average monthly expenditure per capita was 235.75 (National Bureau of Statistics of China, 2007a). Therefore, average spending in urban areas was significantly higher than the urban minimum income rates in 2006, and this suggests that the minimum monthly wage rates set were insufficient to meet the needs of urban low-income workers. Although it may seem that the minimum wage standards for rural areas were adequate because they were above the average expenditure per capita for rural residents, it should be remembered that the vast majority of businesses and formal workers are in urban areas in China. As a result, the figures for rural areas cannot indicate whether the minimum wage standards for rural areas in 2006 were acceptable or not. This problem has been recognised in recent years and as a result the minimum wage rate has increased considerably in every province. For example, in Xinjiang province, the minimum monthly wage was increased by more than 120 yuan (US\$17.7), or 24.6%, in 2010 (Chinese Government's Official Web Portal, 2010), and Shanghai gave a 14% increase in the minimum wage level to aid people earning a low income (Chinese Government's Official Web Portal, 2008).

China's current UI and MSLS income security policies will be explored in greater detail in Chapters 5-8. For now, the discussion will turn to another important factor that adversely affects income insecurity, inequality.

3.4 How much does inequality affect income insecurity in China?

3.4.1 Changes in inequality since the 1950s

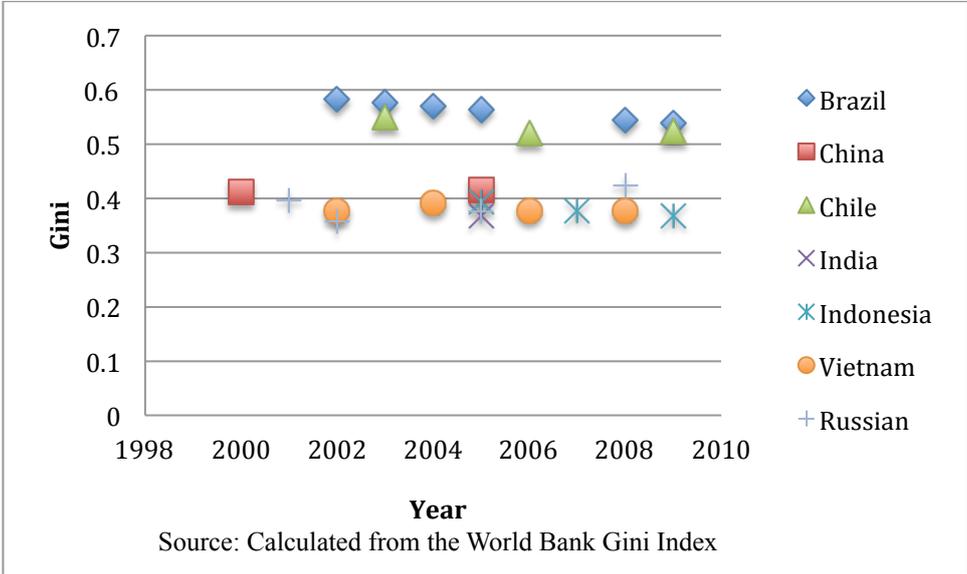
Under Mao, China introduced the household registration system. This system was set up to control the movement of people and to allow the state to manage benefits. The welfare benefits the state provided to urban citizens were much better than those provided to rural citizens, for example, urban dwellers had special housing benefit and health benefit. In this period, China also introduced the 'food rationing system', which began in 1955. As described in Section 2.1, the state allocated monthly standard food coupons equally to each family, which much improved families' income equality.

The state's welfare policies ensured that the inequality level in this period was relatively low. The Gini coefficient¹ between the 1950s and the 1970s stood at around 0.30 (Adelmen and

¹ The Gini coefficient is commonly used to measure inequality: a Gini index of 0 represents perfect equality and 1 represents

Sunding, 1987, p.454). Income inequality increased significantly after the economic reform after 1978. Since then, the state’s responsibility for economic and social development has been gradually reduced and social and economic decisions have moved increasingly towards a market-based approach. In today’s China, market price has become one of the most important elements in people’s lives and China is no longer a country with low levels of inequality. In recent decades, China’s Gini coefficient has increased. It reached almost 0.412 (National Bureau of Statistics of China, 2011b) in 2000, and by 2005 it had increased to 0.415 (The World Bank Gini index, 2011). Although this figure compares favourably with other developing countries – Brazil’s Gini coefficient was 0.564 in 2005 and Chile’s was 0.520 in 2006 – the issue is that China’s Gini coefficient is increasing. In contrast, the Gini coefficient in Brazil and Chile is displaying a downward trend. In 2009, Brazil and Chile’s Gini coefficients were 0.539 and 0.523, lower than for 2005. Figure 3.1 shows that, although China’s inequality level has historically been better than South American developing countries, inequality in China is worse than in selected Asian developing countries and that China’s Gini coefficient shows an upward trend.

Figure 3.1 Gini Indices from developing countries



China’s Gini coefficient was similar to Japan and South Korea during the 1960s and 1970s, and during this period, the Gini coefficient was quite stable for Japan and South Korea. In the 1970s, the Gini in Japan was around 0.339 and in South Korea it was around 0.30 (Mizoguchi, 1985, p.310). In 1995, the Gini coefficient in Japan was 0.36 (Shibuya, et al, 2002, p.6). In

absolute inequality (Bosi and Seegmuller, 2006, pp.35–40).

South Korea it was 0.3499 in 1999 (Cheong, 2001, p.55). Since the 1980s, both Japan and South Korea have experienced a slight increase in inequality levels over time, as their economic growth caught up with China. However, the inequality in these countries has not increased a great deal. Although globalization and neoliberalism has influenced the inequality rate in many countries due to the economic development, China seems to be in a worse position than most.

The income inequality gap in China continues to increase in both rural and urban areas. The current pattern of wealth distribution is highly imbalanced, with social wealth concentrated among a relatively small number of people. According to China Economic Net (2010, p.1) 'China's Gini coefficient passed the 0.40 red alert line ten years ago, and it continues to increase.' The gap between rich and poor has crossed the line of acceptability in China. Despite this, there has been no official report by the Chinese government on the country's Gini coefficient since 2000. Even in the most recent economic report, it is only briefly mentioned that the Gini coefficient in 2010 was a little higher than it was in 2000 (National Bureau of Statistics of China, 2011b).

The rural-urban contrast is of particular importance to the analysis in this thesis. Changes in income inequality can be observed in relation to the different development of inland-coastal areas and rural-urban areas. Cities in coastal areas such as Beijing and Shanghai have undergone dramatic development since the economic reform. Income inequality in rich coastal areas is increasing faster than in inland poor areas. For example, according to the National Bureau of Statistics of China (2011a), the income difference between Beijing's rural and urban citizens in 1995 was 3,011.35 yuan per annum. By 2005, it had increased to 10,306.69 yuan, a growth of about 3.5 times. In Xin Jiang, an inland area, the rural-urban income difference in 1995 was 3,026.99 yuan. By 2005, it had increased to 5,508 yuan, an increase of around 1.8 times.

Figure 3.2 Rural-urban income differences by distance from the coast (1995-2005)

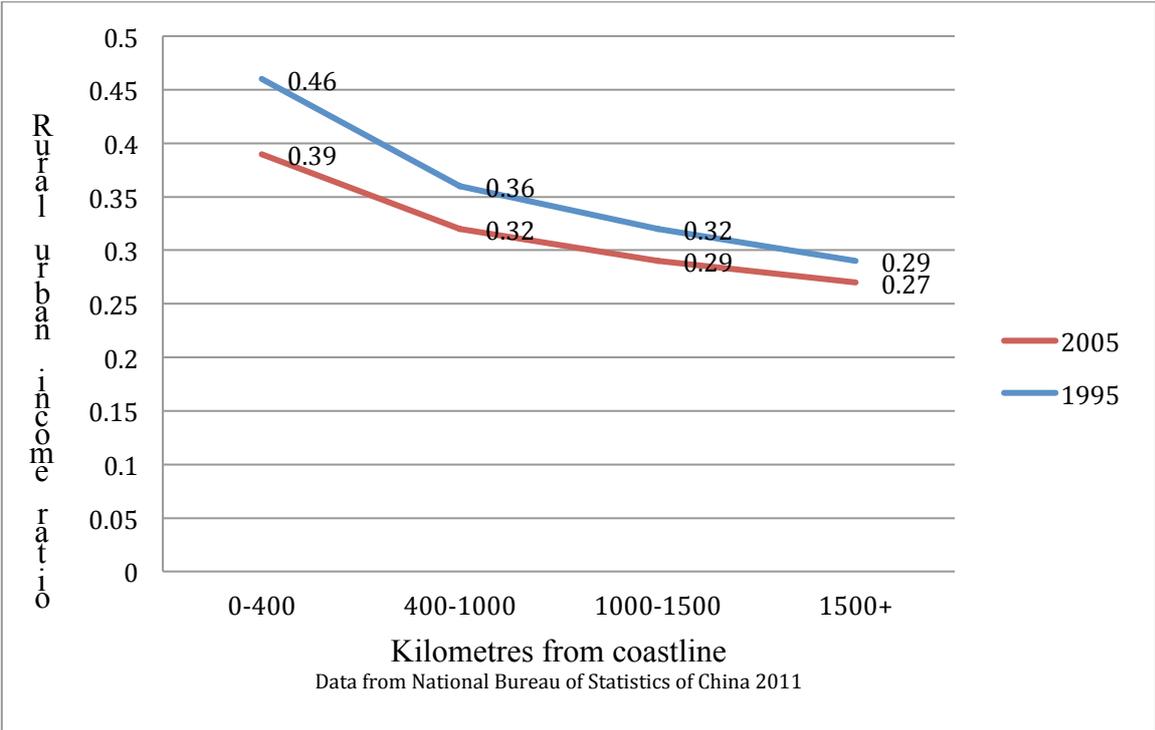
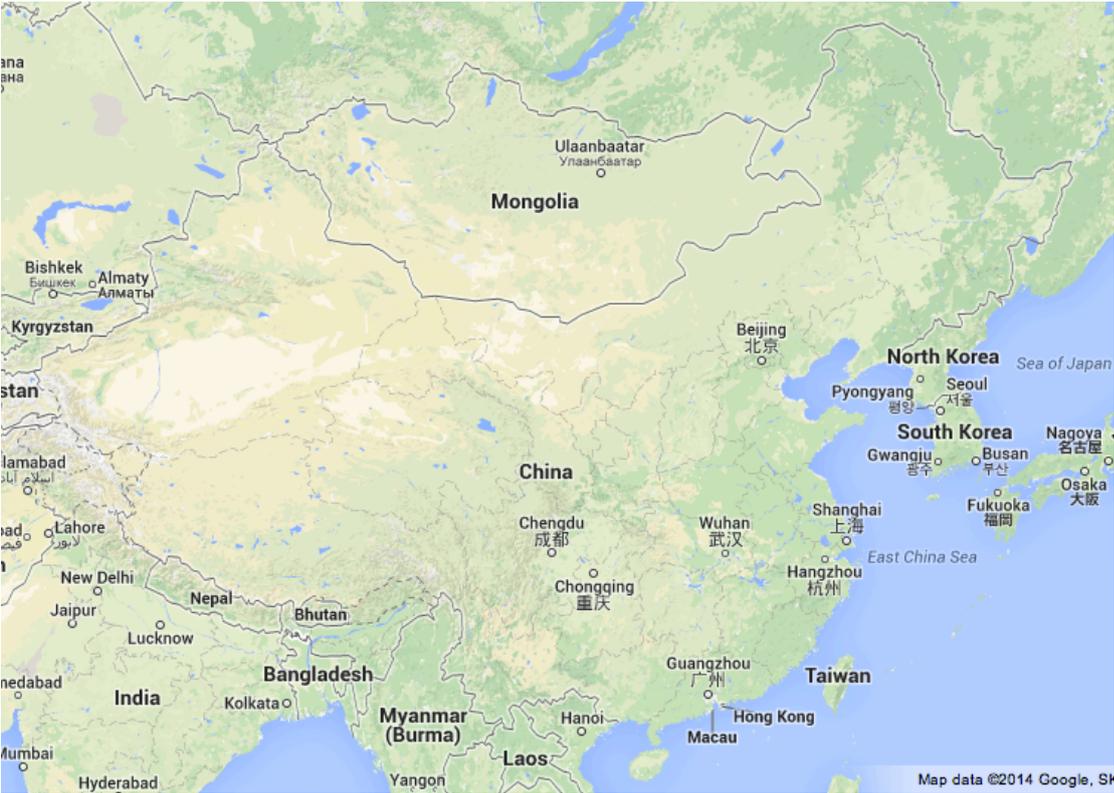


Figure 3.2 shows the average rural income as a fraction of the average urban income in different regions of the coastal area. The areas up to 400 kilometres from the coast used in this table are Beijing, Tianjin, Liaoning, Hebei, Shandong, Jiangsu, Zhejiang, Fujian, Guangdong and Guangxi. Those 400 to 1,000 kilometres from the coast are Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Guizhou. Those 1,000 to 1,500 kilometres from the coasts are Shanxi, Inner Mongolia, Gansu, Sichuan and Ningxia. Those over 1,500 kilometres from the coasts are Xinjiang, Qinghai and Tibet (see Figure 3.3 below for a map of the largest cities in China).

The average income in coastal regions is higher than the average income in inland regions and income inequality between the coastal regions and inland areas has increased over time. Between 1995 and 2005, the difference in average income between coastal regions and inland regions grew at 5%. It should be noted, however, that the inequality in average income over time *within each region* also shows an increase. Furthermore, inside the rich coastal regions, income inequality between rural and urban areas grew faster than inside the poor inland regions. In coastal areas lying up to 400 kilometres from the coast, the gap between rural and urban incomes increased by about 7% between 1995 and 2005. In inland areas which are over 1,500 kilometres from the coast, this gap increased by only 1%, less than in coastal provinces.

Given the above, it appears that income inequality is increasing both across and within regions in China. However, wealth differentials are not the only important indicator of welfare provision. It is also important to consider the quality of life afforded by a welfare system.

Figure 3.3 Map of China



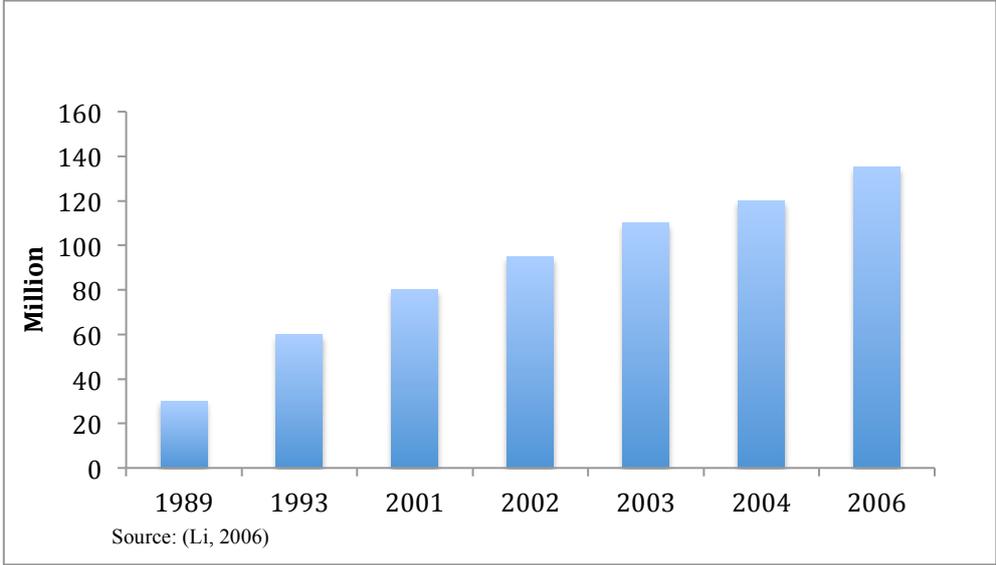
3.4.2 Domestic movement of labour due to income inequality

China’s household registration system stopped labour migration for a number of decades, which led to a massive labour surplus in many rural areas. In 1952, the urban labour force was 16 million, whereas the rural labour force was 182.4 million. By the end of the 1970s, the urban labour force was 99.7 million, and the rural labour force had increased to 310.3 million (Yang and Zhou, 1999, p.118). Early in the 1990s, as the central government decided to stop the ‘Food Rationing System’, the urban and rural labour forces increased to around 150 million and 440 million, respectively (Yang and Zhou, 1999, p.118). Because of the many barriers to rural-urban migration, there was little such movement before China’s economic reforms, and rural-urban migrant workers numbered less than 2 million in the late 1970s (Li, 2008, p.4). In the late 1970s, less than one per cent of the total labour population was

composed of rural-urban migrants. After the introduction of liberal economic reforms, the regional inequality gap drew many people from rural and inland areas to urban and coastal areas in search of higher incomes.

As Figure 3.4 shows, the rural-urban migrant workforce had increased to 30 million people by 1989. When the food coupon system was abandoned in 1993, the migration level doubled from the 1989 level. Following the expansion of economic reforms and the opening up of the market, the rural migration trend continued to increase. By 2006, rural-urban migrants numbered nearly 140 million, and this trend has continued since then. According to the most recent report by the National Bureau of Statistics of China (2010), 229.78 million people were registered as rural labourers and of these 145.33 million were migrants to urban areas. Furthermore, rural-urban migration in 2009 increased by 3.5% over the 2008 level (National Bureau of Statistics of China, 2010). China’s National Bureau of Statistics reports that rural migrant workers have five main characteristics. First, most rural migrants are male and most of them are married. For example, in 2009, 65.1% of rural migrants were male and 56% were married. This statistic is unsurprising given that in traditional Chinese culture, the

Figure 3.4: Number of rural migrant workers in China, 1989-2006 (millions)



male is both the head of the family and the main breadwinner. Second, their education level is generally very low. In 2009, around 10.6% of rural migrants had primary school level education (age 6-12), 64% had completed senior school education (age 12-14) and only 13.1% had high school (age 15-17) certificates. Third, around half do not obtain any skills or training before they migrate to urban areas. In 2009, 51.1% of migrant workers did not have any

formal employment training and the statistics indicate that those with lower levels of formal education also have less skills training. Fourth, they typically find employment in the manufacturing sector, the construction industry or the service sector. As of 2009, most rural migrants were employed in manufacturing. Fifth, nearly all working rural migrants are directly employed by an employer (rather than being self-employed or subcontracted labour), which means they are dependent on the employer-employee relationship (National Bureau of Statistics of China, 2010).

As a result of these characteristics and China's huge surplus of rural labour, this mass migration of workers has generated huge employment security problems. ILO research (2004, p.126) shows that migrants have often taken jobs that local residents might not be prepared to do and that they are willing to take almost any type of job at low wages. When rural workers move to urban areas, they find it very difficult to get formal jobs. Most employment taken by rural workers involves hard physical work or unsanitary conditions, jobs that urban residents are not keen on doing. The Council of China-Research Office Project Team (2006, p.7) asserts that in 2006, rural migrant workers occupied 68% of jobs in manufacturing and 80% in construction. It also reports that rural migrant workers comprised the largest proportion of the workforce for those jobs with physical labour requirements. These might include textile manufacturing or electronics assembly. Most jobs were concentrated in the private sector and with foreign enterprises, and there were also many informal jobs and types of employment. Employers preferred to hire rural migrant workers because they could pay them lower rates than urban residents. This issue will be discussed more in Chapters 7 and 8.

It is necessary to ask where these huge migrant populations come from and where they go. After the economic reforms, the eastern areas of China were most influenced by neoliberal globalisation because they are all coastal areas, and it is therefore easier to trade and organise business with foreign companies. The west and central areas of China have been far less affected by foreign investment. Foreign investments and foreign companies' skills and technological advantages influence the pattern of development and create considerable regional income gaps and these factors have generated a high-level of regional and intra-regional income inequality in China. Since most of the economic migrants in China are from poor areas, they are driven to leave home to seek higher incomes and a better life. Their most popular destinations are therefore those with a wage rate significantly higher than that in the rural areas from which they originate, which generally means the larger cities. Other areas

where there is a large income inequality gap between rural and urban areas are also attractive for migrant workers. Li (2008, p.8) states that around 70% of rural migrants originate from central and west China and move to eastern areas: Guangdong province, Zhejiang province, Shanghai and Beijing are popular destinations. Given the problems facing migrant workers, the research looks at how far the rural migrant workers suffer from income insecurity in urban areas.

3.4.3 Insecurity problems due to income inequality

The rural migrant sector might be considered one part of a new and insecure working class in China, a class that Standing (2011a) terms the *precarariat*. Standing (2011a, p.59) states that migrants 'have a relatively high probability of being in the precariat'. As a result, the case of rural migrants is one that society needs to consider when discussing insecurity as related to income inequality. Rural migrant workers normally obtain a very low income. At the heart of the low-wages problem for rural migrants in China is the fact that there are very large numbers of rural migrant workers, which has reduced the average wage rate in urban areas due to the large labour surplus. In 2006, the national rural migrant worker's average monthly income was only 966 yuan. Average monthly spending on food and accommodation was 463 yuan, which is nearly half of the total monthly income (National Bureau of Statistics of China, 2006, p.2). By 2009, the migrants' wage rates had improved, with the average monthly income increasing to 1,417 yuan. Nevertheless, around 40% of rural migrant workers had a monthly average income of under 1,000 yuan (National Bureau of Statistics of China, 2010, p.1). A large number of people received a very low income, and general spending still accounted for a high proportion of a migrant's monthly wage. For example, rural migrants' average monthly accommodation cost was 245 yuan in 2009, around a quarter of the total average monthly income (National Bureau of Statistics of China, 2010, p.1). These workers also needed to spend money on food, clothes and other necessities, while their savings were normally sent to their families in rural areas. If they experienced problems such as ill health or an accident, they had little or no money to cover the cost of treatment. Such problems, associated with low levels of income, affect not only rural migrants, but also other low-income working class people.

Another problem relates to job security. Migrant workers' job mobility is much higher than that of local urban workers. Li (2008, p.14) states that almost 98% of rural migrant workers had changed job at least once since they moved to a city. This high mobility indicates that

their employment relationships are very unstable. It also points to the fact that a high proportion of migrant workers are employed in informal jobs. According to Li (2008, p.14), 79% of migrant workers did not have formal labour contracts in 2004 (Li, 2008, p.14). This means that once they lose their job, they receive no benefits from the company or the state. Informal jobs also bring other problems, such as not being paid on time or in full or even receiving no payment whatsoever from employers. In sum, many migrant workers' incomes are insecure due to their employment being in informal types of job. Poor housing conditions are another problem that migrant workers face. Most rural migrants have limited housing space or live in otherwise poor housing conditions (often in tents). For example, it is common for such workers to live in housing without a bathroom or toilet. Housing costs are also a major problem for migrant workers.

In general, local urban workers are entitled to social security support such as unemployment insurance, pensions, health insurance and even some subsidies for housing. In contrast, the majority of rural migrant workers do not enjoy these social benefits. In 2005, 13% of rural migrant workers had insurance which covered injuries at work or illness, 10% had medical insurance and 15% contributed to a pension scheme (State Council of China-Research Office Project Team, 2006, p.13). While the income insecurity problems faced by migrant workers in China are clearly unsatisfactory, they are not alone in suffering income security. Other workers, including urban workers, also experience considerable income insecurity issues.

What needs to be done, then, to guarantee the income security of such people? What lessons can be learned from the experience of other countries, and what approach should China adopt? While equalising incomes is one of the main targets in improving social security, it is not necessarily the most important one. The most important aim is guaranteeing greater income security. The aim, therefore, should be to provide the former worker with a replacement income that is not too different from their situation before the loss of their job. In the Danish case, the replacement rate has been divided into different levels. For example, those who earned under a certain level can get more than 90% of their former wage, while those who were earning above a certain level receive a lower (but still generous) percentage of their previous wage. The aim is not to make everyone more equal, but to make people more secure. The UK operates a different system. The unemployed all receive the same level of support regardless of their previous earnings. While this might appear more equitable on the surface, it does not guarantee income security, because some of these unemployed workers

might have to meet high mortgage repayments or might have higher expenditures on utility bills and other necessary spending. Under the current neoliberal framework, social security issues have increasingly become a matter for the individual, and people are less likely to find state support available.

3.5 Overview of unemployment benefit in China

Unemployment benefit is regarded as one of the main pillars of the social insurance system. Since the 1980s, globalisation has led to significant changes in the nature of work, with increasing labour-market informalisation a global phenomenon and this has brought with it changes to workers' social protection. Income insecurity associated with unemployment has increased significantly, and the unemployment insurance (UI) system has become a very important factor in protecting people's income security, especially in developing countries. For example, in Brazil before 1994, unemployed workers who were eligible for UI had to have worked in a formal job for at least six months prior to losing their job. If they had worked in a formal job for six to fourteen months in the previous two years, they could get up to three months of UI payments. If an individual had worked in formal employment for more than fifteen months in the past two years, he/she could get four months of benefits (Cunningham, 2000, p.4). After 1994, Brazil extended UI benefits to more people by changing the eligibility criteria and increasing the duration of UI payments. In this new system, unemployed workers who had worked six to eleven months in the previous three years in a formal job were entitled to three months payment. Those who had worked in a formal job for between 12 and 23 months in the previous three years could receive a maximum of four months payment, and people who had worked for more than 24 months in the previous three years in a formal job were entitled to up to five months payment. The value of the monthly UI payment was the average wage rate of the previous three months of employment (Cunningham, 2000, pp.4–5). In Thailand, the Social Security Act 1990 established an unemployment insurance scheme (Thongtip, 2006, pp.6–7). To be eligible, six months of contributions must be paid in the 15 months before they lost their job and they must register with the employment centre. Anyone who is laid off receives 50% of their previous wage for a benefit period of up to six months (180 days) within 1 year (Chandoevvit, 2008, pp. 58–59). The UI programme in Denmark is one of the most successful economic security policies. The level of UI protection is high, with UI benefit

levels of up to 90% of previous earnings. The benefit period was four years within six years in 2009 (OECD, 2009, p.2).

As mentioned in Section 2.3, China established UI in the early 1980s. It was designed to protect unemployment workers' basic living security. Compared to Brazil and Thailand, China's 24 months protection was better as it allowed more time for unemployed workers to seek work. However, during the 1980s and 1990s, the coverage of China's UI system was limited; it only applied to urban public or state-owned companies, and private firms and other sectors were not included in this system. As a result, large sections of the public were not able to enjoy this benefit. The UI system of the time was also found to be inadequate because only small groups of people paid the insurance fee (People's Daily Online, 2001, p.1). Furthermore, the UI system did not consider those people who worked for foreign companies as it was designed at the very beginning of the period of economic reform and there were few foreign companies investing in China at that time. By the end of 1998, 79.28 million people had joined the UI system and 1.58 million people had obtained benefits from UI. Despite this apparent success, it should be borne in mind that China had a total of 705.86 million employees in 1999 (Population and Family Planning Commission of Gansu, 2006, p.1). The UI system therefore covered only around one out of every nine workers and its role in providing income security to the general population was limited. Following the further development of China's economic system towards the neo-liberal market model, a huge proportion of the population came to work in the private sector and with foreign companies. This fundamental shift in the nature of employment in China led to an urgent need to protect these workers' income security. Fortunately, the central government recognised the problems with the existing UI system and established a revised unemployment insurance scheme in 1999. This covered both private and public sectors, including enterprises such as state-owned companies, urban public-owned companies, foreign investment companies, urban private companies and others (State Council of China, 2005b). By the end of 2010, 133.76 million people were participating in unemployment insurance programmes (National Bureau of Statistics of China, 2011c). Nevertheless, this figure is still far lower than the total employee population and the new UI system still only performs successfully in urban areas. The majority of rural residents still cannot obtain these benefits. Furthermore, the current UI payment rates are low: the UI system provides benefits that vary between 70% and 80% of local minimum wage (Saunders and Shang, 2011, p.282). These rates are too low to satisfy cost of living needs. Finally, the current UI

system only applies to those in formal employment. Workers in informal jobs cannot get this benefit and therefore experience a lack of social security protection.

3.6 Overview of housing security in China

Housing security is another important issue for economic security in China. After China opened up in 1978, many areas began to reform and the transfer from state ownership to private ownership began. Prior to the period of economic reform, China used to have blanket state provision of housing in urban areas. Over the past three decades, the nature of housing in China has transformed from being a state welfare housing provision into a market commodity.

After 1949, the government was deeply involved in the housing system, with nearly all aspects of housing production and consumption controlled by the state. “[M]assive resources [were] invested in cities and towns to provide accommodation for urban residents, particularly those employed in the state sectors” (Wang and Murie, 2000, p.399). State-owned enterprises distributed houses to their workers in urban areas. Workers paid little or nothing for the houses and poorer workers had priority in obtaining housing. “Housing was regarded as part of the wage costs of enterprises and public-sector housing was freely distributed to employees. No deposit or other payments were required before the tenants moved in” (Wang and Murie, 2000, p.402). However, housing was one of the most heavily subsidised commodities, and owing to China’s rapid population growth, the provision of housing to every urban resident placed heavy fiscal and management burdens on the state. In addition, although housing provision was public policy, the allocation of housing was not equal. There was no department of housing to allocate houses, with control over housing allocation instead decentralised to individual work units. To qualify for housing, applicants had to be formal urban residents and permanent employees. Houses were small, however, and it was common in many households to have three generations living in a 100-200 square metre house. Such eligibility criteria and living conditions attest to the failings of the state’s direct provision of housing. Nevertheless, these problems still exist today in China, although now people pay for their own houses.

China’s housing reforms started in the 1980s with the adoption of privatisation and liberalisation in the housing sector. The government began to allow private firms to provide and sell houses, and the banking system was liberalised so as to allow people to purchase

houses via mortgages. These housing reforms reduced the pressure on the state to provide housing, re-established housing as a commodity and pushed individual citizens into taking on their own housing costs. By 1998, the state was no longer the main provider of houses; the traditional welfare housing provision policy had ceased. Private firms took the role of housing providers and individual citizens relied on the housing market to acquire housing (State Council of China-White Paper, 2004). Today, the housing business is booming in China. In recent years, housing construction has taken place at a rapid pace largely because of the high profits to be made by selling houses and the cost of houses has risen sharply. However, due to the high cost of housing, poor people cannot afford to buy houses. Even relatively affluent young people or graduate students often have to ask their parents for financial help to meet housing costs. Even then, many young people still cannot afford the down-payment for a mortgage. Over time, housing inequality in China has become worse and the risk of housing insecurity has become apparent to every middle-class and working-class family. Relying on the market is not going to solve the housing problems people are facing. Currently, there are three main policies for housing reform in China: the housing provident fund system, the affordable housing policy and the low-rent housing policy (LRH).

Both employer and employees makes a contribution to the housing provident fund system and it can only be used to purchase housing, build housing or for housing repairs (State Council of China-White Paper, 2004). However, the amount of money that people can obtain from the fund is small and it cannot fix the problem of rapidly rising housing prices. Furthermore, people who are unemployed or have informal jobs cannot get these benefits.

The second policy is the affordable housing policy, under which ‘the government employs preferential policies to restrict the housing types, size of the property in square meters and selling prices of the housing offered. Supply of these houses is to low-income urban households who have difficult housing conditions’ (State Council of China-White Paper, 2004, p.1). Under this system, housing is sold at low prices to low-income earners. However, this state-run system is poorly organised, inefficient, and not very flexible. For example, a poor person may not remain poor, and if there is a favourable change in their circumstances, it is hardly possible to require that they move out of the house that they have purchased and legally own. This inflexibility means that other truly poor people who need houses must wait until more housing is available. Furthermore, because this is a government welfare policy, construction firms earn significantly less than they would for similar construction projects in

the private sector, and this lack of financial incentive for construction companies means that it is difficult to guarantee housing quality and fitness for purpose. A Chinese national committee member, Professor SongHai Guo argues “the economic affordable housing is sensibly priced but is not fit for purpose. To keep costs low, many of the affordable houses come to be built at the city margins. Such areas lack hospitals, schools and other facilities. Transportation costs and other related costs have increased the difficulties of poor families” (State Council of China, 2008a).

The third policy is the low-rent housing policy (LRH). This policy covers low-income urban residents and aims to provide very low rental properties to poor urban families (State Council of China-White Paper, 2004, p.10). This policy combines monetary subsidies and low-rent houses. In the first instance, the government provides financial subsidies to poor urban families to rent houses. In the second instance, the local government provides low rent houses to poor urban residents. However, this policy only protects urban residents, and the huge numbers of rural migrants in the cities are not eligible for either the subsidies or the low-rent housing. Furthermore, the subsidies and low-rent houses are limited, and there are many poor urban residents who also cannot obtain assistance under the policy. The analysis chapters will examine such low rental policies designs and implementation in local cities level in China.

3.7 Conclusion

China is a country with a vast population, a huge number of workers and a great many poor people. As a socialist country moving towards a market economy, China has many challenges to face. The large rural population and migrant workers need better social policies that can guarantee living security. After many years of careful consideration, China has introduced a framework for reforming the social security system. However, this new system has many shortcomings, such as low coverage and low support rates for rural and migrant workers. Therefore, China might not have the well-developed plan advocated by Chang (2010) (see Section 3.2). Currently, the situation for people in urban areas displays higher levels of risk and uncertainty than for people in rural areas. Overall, workers’ economic security, and especially that of migrant workers, is getting worse. For workers facing the highest degrees of risk and uncertainty, social policies such as unemployment insurance and the MSLS are vitally important. More attention needs to be directed towards the factors that might influence the successful operation of a programme in China, and in particular, how factors such as the lack of administrative capacity, the huge population and the prevalence of the informal labour

market directly affect the operation and performance of a particular social policy. For some academics, China's introduction of a market economy, while producing spectacular economic development, has led to the emergence of a new set of economic security challenges.

China's policies for economic growth have not been accompanied by policies that will ensure economic security for the country's poorer citizens and sooner or later this will negatively affect social and economic development. Although, the liberalised market economic system has had a significant impact on the social welfare system and China has made considerable improvements to its social welfare system in response (especially as regards social insurances of different types), it still has a long way to go to achieve the aim of economic security.

The next chapter describes the methodology used for this research and sets out how this thesis analyses income and housing security in China.

Chapter 4 - Methodology

4.0 Introduction

This chapter shows how the data used in this research was collected. It details the methodology employed to obtain the data used in examining the changing nature of economic security arising from transformation in the economy and in state provision. The previous chapters set up the context regarding economic security and introduced income and housing social security problems that put people's living conditions at risk. The main purpose of this study is to investigate the kind of income and housing insecurity that is currently happening in China with a focus on how the problem is addressed at the local level, and how the Chinese state designs and manages its social welfare system, in order to provide a better environment for citizens. To assess income and housing security as the main focus of economic security in China, considering social welfare theories and the modern social security systems, the research considers the characteristics of China's political, economic and social development through primary data obtained from participants and secondary data in the form of government documents.

Triangulation of different levels, using direct and indirect methods to produce primary and secondary data was used. The data obtained was as follows:

1. Primary data - questionnaire
2. Primary data - interviews
3. Secondary Data - official documents

By using triangulation, the study looks at social security issues on three different levels, the national level, local government level and recipients level. These three different levels form a systematic chain link for China's economic security. An analysis of how these three different levels of policies interact and have an effect on individuals is shown in the analysis (Chapters 5-8). Therefore, this method will help to pursue the answers to the research question.

The previous chapter gives the background to economic security in China. As discussed, insecurity continues to affect many people throughout their lives, especially as the increases in income and housing insecurity have brought serious consequences for their wellbeing. As

the country with the highest population, China has gained considerable attention in this area. Partly because of this, one obvious insecurity issue is in China's overcrowded labour market, where rural migrant workers, informal and self-employed workers are given comparatively much less support than urban formal workers. The literature shows that the threat of economic insecurity is manifesting itself in China. This chapter explains how data was collected and analysed in order to examine these claims in more detail.

To discuss the above issues, this chapter is divided into ten sections. Section 4.1 broadly indicates the methodology used in the thesis. Section 4.2 explores data gathering. Section 4.3 introduces the case study. Section 4.4 describes the multilevel research method. Section 4.5 discusses the methodology used at the national level, which is divided into three sources: government departments, the ILO and a university. Section 4.6 discusses the methodology used at the local government level, using a case study from Tangshan and interviews in different local departments. Section 4.7 investigates the methodology used at the recipients level in Tangshan city. Sections 4.8 and 4.9 explain the ethical issues and the limitations of the research. Section 4.10 provides a summary of the chapter.

4.1 Qualitative and Quantitative methods

The purpose of this research is to understand and analyse the current social security system and the impact of social policies on economic security. It also examines ideas for a better system to reduce insecurity in China. The data obtained in this research is mainly qualitative; however, some quantitative data is also used.

An important factor when doing research is that the research method needs to fit the aim of the research and allow for good analysis to explain the research questions. The analysis in this research relies on primary data from mainly qualitative sources and information but also uses a small amount of quantitative data. The aim is not just to demonstrate the processes and problems of the current social welfare system in China, but also to understand which factors have influenced China's welfare system as well as looking at the barriers to the development of a better social security service. Therefore, this research also uses historical analysis and international comparisons. The research data comes from a variety of sources, a review of the international literature, a case study based on questionnaires and interviews, data from

interviews with representatives of the Chinese national and local governments, benefit recipients, academic scholars and the ILO.

Qualitative data is primarily focused on and emphasises words rather than numbers (Bryman and Bell, 2007, p.731). Shaw (2003, p.72) argues that a qualitative study promotes research for facilitating complete and valuable outcomes. Guba and Lincoln (1989, pp.85-98) indicate that the researcher is influenced by the concept of the qualitative and theoretical approach. The researcher needs to accept or consider the existence of various realities and understand that knowledge is generated by both the researcher and the researched outcomes. Therefore, it is important to acknowledge how the researcher and interviewees' own knowledge or experiences might influence the investigation activities. This was important in the research, especially in the analysis in Chapters 5-8. There are arguments on the influence of the researcher's own experiences, the interviewees' experiences and theoretical debates in relation to the research questions.

Although qualitative research focuses on the development of knowledge in different ways, it is still necessary to consider quantitative techniques to evaluate the data. Unlike qualitative analysis, quantitative analysis is a systematic empirical investigation using a numerical format such as statistics or percentages (Given, 2008, p.713). Aliaga and Gunderson (2000, as cited in Muijs, 2004, p.1) define quantitative research as "explaining phenomena by collecting numerical data that are analysed using mathematically based methods". This research collected quantitative data on the increase in housing security, income security and the labour market from the participant questionnaires. The research also relied on secondary sources, such as government documents to obtain quantitative data. The data was used to observe the trends in these areas.

By combining qualitative and quantitative methods, the results are more reliable with higher validity. The method employed in this research, using mainly qualitative data backed up with quantitative data provides a richer and more accurate picture of the issues the thesis investigates. It still needs to ensure the research is credible, for example, that the data was collected as accurately as possible and that the analysis of the qualitative research was as effective as possible.

4.2 Data gathering

4.2.1 Primary data

In obtaining the data from the different levels, semi-structured interviews were used, which allowed new ideas to be introduced during the interview and provided more freedom for the interviewees to discuss relevant topics. The interviews are the most important data-gathering technique in this research. The research interview seeks to describe the meanings of central themes in the lives of the subjects. During an interview, open questions are used to introduce the topic and interviewees answer on the basis of their knowledge (Flick, 2002, p.81).

Additionally, hypotheses-directed questions can be asked. Flick states that related questions “serve the purpose of making the interviewee’s implicit knowledge more explicit.” Bickman and Rog (1998, p.481) assert that interviews help the researcher to appreciate the interviewee’s knowledge and understanding in the research context. Kumar (2011, p.149) argues that an interview is the most appropriate method of data gathering for complex situations and is also useful for collecting in-depth information. During the interview, the interviewer has good opportunities to ask sensitive questions, to ask for details about complex issues and obtain more in depth information by probing the interviewee. For example, questions on inefficient ways of implementing social policies by the local government and arbitrary and unequal implementation of social policy in the cases of different applicants. In this research, it allowed the interviewees to discuss their personal ideas about the current social security system problems in China.

Questionnaires were used to gain information at the recipients level to provide better and more accurate data on participants’ economic security. The questionnaire method offers greater anonymity as the participants’ name is not revealed. Kumar (2011, p.148) argues that questionnaires help to increase the likelihood of obtaining more accurate information because they provide good anonymity and the researcher can ask sensitive questions. Questionnaire also save time and are convenient. A questionnaire was designed and used at the recipients level to collect data about each participant’s experience based on direct social support issues. Demographic data such as education level and category of residents was also collected.

4.2.2 Secondary data

Collecting relevant official documents on social security issues was another central job in data collection. This applied particularly at the government level. Reviewing documents such as

official reports, plans and data sets, provided evidence and other useful information for the research. Official documents were also useful in historical analysis to help with knowledge of unexamined areas, and in particular helpful in systematic and direct data analysis. In addition, by using historical data and academic literature to define the welfare state in different regimes, comparisons of welfare regimes in different countries was possible.

4.3 Case study

A case study was used in the research. The case study is an in-depth, multifaceted investigation research method (Feagin et al, 1991, pp.2-5). Because China has such a huge complex administration system, it is necessary explain the information on the Chinese welfare state using a case study. A case study can span different dimensions and different methods and can use a large number of data sources. In particular, case studies can be used to investigate a wide variety of sources, such as interviews, field surveys, documents and observations. The variety of documents helps to build up a complete story and give a clear picture of the research area. The case study in this research examines Tangshan city in China.

This case study is new in the research field of economic security in China. Feagin et al (1991, p.9) assert that a case study can permit the researcher to examine complex issues and “discover complex sets of decisions and recount the effect of decisions over time.” The case study in this research does not just focus on central areas, considering only neoliberalism. It also looks at what is happening on the ground, in the local area of administration. Therefore, it can see really specific economic security issues, not only general cases such as general economic insecurity arguments. The literature discusses general issues of welfare systems, models and policies related with economic security (Standing, 2011b; Chang, 2003; Esping-Andersen, 1999 among others). However, the case study in this thesis examines the complexity and institutional aspects of what really happens in China. The literature gives a very broad general view without much detail; the case study at local level focuses in on the fine detail. Qualitative and quantitative methodologies were used in the local area, in the form of interviews and questionnaires, which were then used to develop the case study.

4.4 Multilevel research method

Economic security research regularly involves problems in the relationship between individuals and society. Hox (2002, p.1) argues that individuals are influenced by society and society interacts with individual contexts. He asserts that in order to do research into the interaction between individuals and groups, multilevel research should be the main method used.

A multilevel analysis was used in this thesis. It draws on three different levels, the national level, the local government level and the recipients level. Multiple levels of data collection and analysis were used as the research methodology, because the research question needs to be examined at more than one level of analysis. This not only applies to groups and organizations, but also at the individual level. The proper level of analysis has important implications for both data collection and analysis (Bickman and Rog, 1998, p.12). In multilevel research, sample data can be viewed as multistage samples from a hierarchical population (Hox, 2002, p.5). Therefore, this thesis tries to build a systematic analysis of income and housing security from the macro national level (Society) to the middle local government level (Group) and then to the micro recipients level (Individual). In this multilevel method, it is necessary to use a strategy to triangulate on economic security problems from several directions, thus lending additional confidence to the research results. The following sections look at the different levels in more detail and explore the methodology issues discussed above in detail.

4.5 National level

In the analysis of the national social reform plan, it is important to investigate which economic security policies have changed, what current policies are and how the state implements those security policies, as well as how the current policies affect people with different levels of average income. In this level, the triangulation method was used. Triangulation is a method of gathering different data sources to allow the testing of one source of information against another to strip away alternative explanations and provide a hypothesis (Bickman and Rog, 1998, p.495). Erzerberger and Prein (1997, pp.149-151) argue that triangulation is more accurate as it is designed to disclose the convergence, complementarity and dissonance of findings. Triangulation takes different positions that occur in the research, it can increase the size of understanding of the research subject.



Figure 4.1. Data used in triangulation at the national level

Triangulation uses data from three positions the central government of China, the ILO and academics in the social welfare field (shown in Figure 4.1). Comparing the data from these three different sources gives more knowledge and diverse points of view. These three different levels view economic security issues from different angles, as they are separated from each other in their own specialist knowledge areas. Therefore, the discussions and research results come from different domains, so the analysis in the following chapters is more accurate in confirming the research outcomes. The different directions enhance the validity of the research results. The areas in the triangulation are explained in the next subsection.

4.5.1 Source 1 - The Central Government of China

In China, the central government is the highest executive body in the country and therefore dominates social policymaking. For instance, the reforms introduced in social insurances, housing provision and other social policy regulations were made by the central government.

Data collection – Ministry of Civil Affairs Office

The Ministry of Civil Affairs Office is responsible for designing, monitoring and modifying urban and rural MSLS policies. It is the highest government level that directly manages this

basic income support. The previous chapter described basic income as one of the most efficient ways to secure living conditions. It provides a ‘floor’ support that should guarantee every individual has some sort of income to live on. However, many studies show that MSLS levels are too low to satisfy people’s needs (Chan et al., 2008; Zhang and Tang, 2005; Mei and Liu, 2005).

In order to examine this, telephone contact was made with the administrative reception office at the Beijing Civil Affairs Office, who arranged for Ms B, a civil servant from the Beijing Civil Affairs Office, to do an interview about the economic security policy in China. The following questions were asked in the interview:

1. How is central government dealing with the current economic insecurity?
2. Has central government designed MSLS to be a very low payment?
3. Did the state learn about basic income security policies from other countries? If so, when and where?
4. Will central government increase the level of support?
5. Has the state considered using the MSLS to support rural migrants and has it considered rural migrant’s income and housing benefits?
6. Did the state design social policies without considering citizen’s complaints or academics suggestions?
7. What do you personally think the income policy should be, for example the MSLS?

Data collection – Ministry of Human Resources and Social Security

The civil servant Ms B from the Beijing Civil Affairs Office introduced me to the deputy department head of the Beijing Human Resources and Social Security office, Ms Z, who agreed to be interviewed. The Ministry of Human Resources and Social Security Office deals with social insurance and human management. All of the current social insurance such as pension and unemployment insurance was designed and introduced by this government department.

Since the 1980s, social policies have been regulated and issued by central government or its agencies (such as the Ministry of Human Resources and Social Security of the People’s Republic of China) rather than through legislation (Chan et al., 2008, p.49). So, there were

less social laws monitoring China's social insurance system. As a result of the weak legal effectiveness of social administrative regulations, many welfare policies have not been implemented successfully. This was especially true in the social insurance sector. For example, people may have been unequally treated. Fortunately, in order to regulate the delivery of social insurance and ensure citizens get the correct social benefits, the Chinese Government has recently attached great importance to improving the legal framework for social security. The state is now writing social insurance into the legal agenda. The first Chinese social insurance law came into force on 1st July 2011 (Ministry of Human Resources and Social Security of the People's Republic of China, 2010) and has already been implemented for several months.

The Ministry of Human Resources and Social Security is mainly responsible for social insurance schemes. Social insurance such as unemployment insurance, health insurance and pensions are very important to income security.

Table 4.1: Social insurance coverage in China by branch, 2003-2008

Year & Growth /Branch	2003*	2004*	2005*	2006*	2007*	2008*
Urban Basic Pension	116.46 45.42%	122.50 46.27%	131.20 48.00%	141.31 49.92%	151.83 51.73%	165.87 54.91%
Urban and rural medical care	189.42 14.66%	231.04 17.77%	317.83 24.31%	567.32 43.16%	953.11 72.13%	1133.22 85.33%
Urban unemployment	103.73 40.46%	105.84 39.98%	106.48 38.96%	111.87 39.522%	116.45 39.98%	124.00 41.05%

Source: (Asher, 2009, p. 8) *(Million + coverage ratios)

The figures above show that social insurance coverage rates are increasing significantly, especially on urban and rural medical care insurance; by 2008, 85.33% of the population was covered by medical care insurance. The interviews discussed movement in the figures, such as significant increases in health care, and why and how it happens.

As discussed in Chapter 3, the household registration system in China has negatively affected income security, especially for rural migrants, and most rural migrant workers cannot obtain equal social benefits compared with local urban residents. They also lack social protection. On these points, the following questions were asked:

1. Is the government going to make any changes to the current household registration system? If yes, what changes will be made in the area of social security?
2. How is the new law working in the current situation? How has it improved people's income security?
3. Why did central government introduce the social security law? Were there any particular reasons for introducing it? Will it mean better protection for people of a particular income level?
4. Rural migrant workers are associated with many insecurity problems, is central government considering making any changes to current social system to protect them?
5. Does the state think the current household registration system has been a barrier to the process of social security?
6. How does the state implement insurance policies and have there been any recent changes?
7. Why has the medical care insurance coverage rate increased so much in a short time? Is there any special strategy for developing social insurance policies?
8. What do you personally think about the problems in the current income security system in China?

Data collection – Ministry of Housing and Urban-Rural Development

The Ministry of Housing and Urban-Rural Development was visited to find out how central government applies the housing provision policy to local areas. This department is the highest government body directly responsible for social housing policies. Telephone contact was made with the administrative reception office, who arranged an interview Mr L, a civil servant in the Ministry of Housing and Urban-Rural Development.

Housing provision is another area that this research considers as a necessary guarantee for social security. In recent years, the state has increased the intensity of construction of low rental houses and affordable houses. In 2010, the state reported that 5.8 million social houses had been built that year (State Council of China, 2010). The state requires that local

government has to increase the speed of social housing construction, especially low rental housing. The purpose of this policy in particular is to satisfy lower-middle income and lower income housing needs and to solve lower income people's accommodation difficulties. However, although there has been a significant increase in social housing, there are still a lot of complaints about housing insecurity. The following questions were asked during the interview:

1. Has social housing policy, such as low rent housing, truly reduced the pressure on housing problems?
2. Are there any problems hidden behind the low rent housing policy?
3. Is central government giving the same support to each province and offering local government flexibility over the building of houses or does the central government set the same percentage targets for each province?
4. Is there an isolation problem in housing recipient communities?
5. Does social housing include rural migrants? If not, how does housing policy protect rural migrants?
6. What do you personally think social housing should be in the future?

4.5.2 Source 2 - International Labour Office

Economic security includes two dimensions, income security and housing security. ILO (2004) attempts to measure social and economic security in each country and in people all over the world, based on a range of issues related to security such as income, labour and employment. It takes account of policies, institutions, academic literatures and outcomes, including a range of historical performance data in the research. ILO (2004) also considers the how various attributes of globalization impact on to economic security.

During the process of economic transition, the Chinese government has introduced many social security policies. But it might be difficult for the Chinese government to remain objective about where they make the policies. It is very important to know what international organisations think of Chinese social security. Therefore, an interview was conducted at the ILO Regional Office for Asia and the Pacific in Bangkok, Thailand to obtain their views. Looking at experiences outside the Chinese government is very important as views and observations could be a more objective evaluation about Chinese social security policy. The ILO is the international organization responsible for drawing up and overseeing international

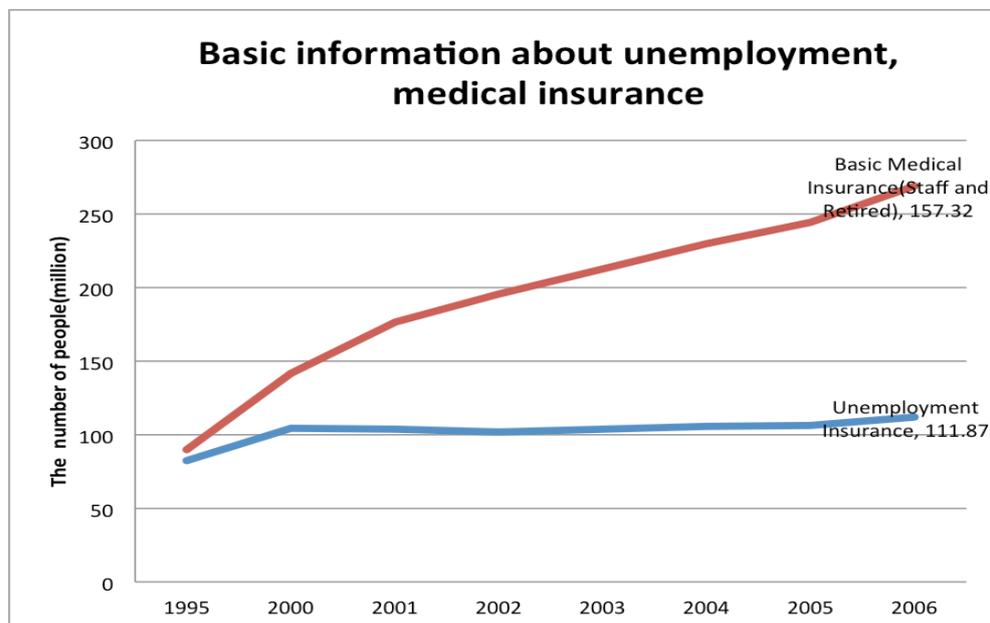
labour standards, therefore was a suitable organization to visit. The ILO Regional Office for Asia and the Pacific works in close collaboration with the Chinese government and workers' and employers' organizations to promote suitable work for all.

Part of exploring the details is to engage with an idea from the ILO (International Labour Office, 2004) which suggests that through labour market reforms, the neoliberalists have intensified income insecurity since the early years of the 21st century, when governments all over the world sought to cut social spending. Neoliberalism has been very influential in defining the welfare system and labour market, with policies such as deregulation and less government intervention. It advocates an "individual responsibility model" rather than state protection (ILO, 2004, p.168). This has generated employment instability and a wide range of social hazards, making the welfare system tilted towards economic insecurity. However, in doing so, the costs of income security provided by the state have been reduced (ILO, 2004, pp.55, 69). This thesis considers which state policies will secure individual wellbeing (in terms of basic economic security).

Through email contact, I arranged to interview Ms C from the ILO Regional Office for Asia and the Pacific in Bangkok. We met to discuss economic security issues and her job related to Asian social insurance and employment services. Figures from Liu (2009) on the number of people participating in insurance schemes were also discussed.

Liu et al (2009) shows that participation in pension schemes increased from 104.475 million in 2000 to 141.31 million in 2006. There was also an increase in people participating in unemployment insurance. At the end of 2006, there were 111.87 million people (staff and retired people) participating in unemployment insurance with an increase of 5.39 million from 2005. The growth rate of those participating in medical insurance was 15.5% compared with 2005 (Liu et al, 2009, pp.48,49).

Figure 4.2 Basic information about unemployment medical insurance



Source: Calculated from National Bureau of Statistics: China Statistical Yearbook 2007.

Those figures indicate that China has expanded social insurance coverage. However, compared with the total population in China, the people participating in each of the two types of social insurance are less than 10%. Furthermore, there are problems in the development of different sectors. Those working for the government or a state-owned enterprise have a high-level of social security protection, unlike the self-employed or those employed by private companies, who do not have the same level of social security protection. Compared with the formal sector, people who work in the informal sector have a much lower level of social security protection. These problems threaten income security, not only in China, but worldwide, especially in developing countries. Therefore, taking these existing problems into consideration, Ms C from the ILO Regional Office for Asia and the Pacific was asked the following questions:

1. What does the ILO think about the reforms to social policies in China?
2. Is China promoting livelihoods for its citizens and also promoting economic equality at work?
3. Does the ILO believe this is due to the effects of neoliberalisation on the labour market? Does the ILO think that neoliberalisation is the key factor threatening people's income security?

4. Is China getting better economically and socially under the current policies, and in China's special situation, should China take advice from developed Western countries?
5. What kind of modern security policies will work in China?

In contrast to many regions around the world, narrowing income inequalities, providing a stronger social protection system and ensuring income are critical elements to economic growth. The gap in income inequality in China is large, for example according to the ILO "the incomes of urban households are on average three times higher than those of rural counterparts." (ILO, 2012, p.41) Therefore, the ILO was asked whether this was a threat to China's social security and whether China needs to focus on inequality and labour market policies. These questions are important and relevant to the research in this thesis.

4.5.3 Source 3 - Academics

In order to get better analysis results, an interview was also conducted with an academic from this field. The views of academics are important in contributing theoretical opinions. Therefore, an interview was conducted at the Renmin University of Beijing, which is a top university in social policy in China. Following phone contact with the Social Policy department, an interview was arranged with Dr Y an academic researcher and lecturer. Dr Y was asked similar questions to those in the previous sections:

1. What do you think about the current social security situation in China?
2. China is in the process of economic transition, what are the characteristics of China's social security policy?
3. Did the government take advice from the university when they were considering social policies?
4. What are the existing problems in the social security system?

In recent years, the market system has increasingly influenced China. The government response has lessened compared to previously, especially on social protection. In light of this, the academic social researcher was asked whether the Chinese government should enhance the management of the social welfare system and increase the fiscal support level of social protection.

In order to draw out the most complete data about the various situations under investigation, the triangulation method must be used in the survey instrument. Therefore, the next section investigates the local government level.

4.6 Local government level

The local government level is focused on a coastal urban area, Tangshan City, which is in the Northeast of China. It belongs to Hebei province, and is close to Beijing. There are over 7.35 million residents in this city. Tangshan is very important for heavy industry in Northern China, as it has large coal-mining, iron and steel industries. Tangshan is also called the porcelain capital of North China (Tangshan City Council, 2011). It mixes a large middle-income class, a low-income class and migrants. Considerable research has focused on big cities, like Beijing and Shanghai, perhaps because those cities are international metropolises, with more public attention and greater influence, and the data in those places might be easier to get. However, there are not many places like Beijing and Shanghai. Most places in China are not that developed, they are still developing. So Tangshan, as a middle-developing city, is most representative of the actual situation in China. It reflects many people's lives. The researcher also has an advantage, because he comes from this city. He is familiar with the city and knows where to find data on the research questions. Research in such a local city is very hard for many international researchers to do so.

Kaiping District Government in Tangshan

At the local government level, an interview was requested with a representative of the Kaiping District government to discuss income and housing security in Tangshan. Government views are very important to the research, providing a more specific explanation and government plans to implement social security policies. Tangshan government official, Deputy Mayor of Kaiping District – Ms X, with responsibility for social security, education and employment area – agreed to be interviewed. The following questions were asked:

1. What has the local government in Tangshan done to promote income and housing security in recent years?
2. How does Tangshan city implement state security policies and have there been any recent changes?
3. How does the city protect recipients' economic security?

4. Are the recipients satisfied with the current situation?
5. Do you think globalisation has generated economic insecurity in Tangshan?

Tangshan Bureau of Civil Affairs Office

Various social insurance such as unemployment insurance, health insurance and pension are very important to income security. Therefore, income security subsidies need to match the speed of inflation. In order to have a better understanding of local government take on these issues, a Director of the Tangshan Bureau of Civil Affairs Office, Ms L. was asked the following questions about this problem:

1. Has local government changed the support rate over time?
2. What are the current income protection policies in Tangshan?
3. What are the main problems for income security policies in Tangshan?
4. How does Tangshan city set the level below which it will give assistance?
5. How does Tangshan city implement insurance policies and have there been any recent changes?
6. What are the coverage rates for social insurances in Tangshan?
7. Are there any problems with social insurances that protect people's income security in Tangshan?

The MSLS has been seen as one of the most important income security policies in China. In 2008, the urban average MSLS rate was 205.3 yuan per person per month (China Net, 2009). Regarding MSLS policy in Tangshan, other questions were also asked:

1. What does the Tangshan government think of the MSLS policy?
2. How did Tangshan set the MSLS level?
3. What are the main problems in implementing MSLS in Tangshan?

In addition, official figures on MSLS support in Tangshan, a historical MSLS planning documents, and the 12th five-year plan documents for the state and Tangshan were also gathered from this office.

Tangshan bureau of housing and urban-rural development office

In Hebei province, the urban resident's average spending was 7,343.5 yuan in 2006, the growth rate was 9.6% compared with 2005. The rural residents average spending was 2,495.3 yuan in 2006, it had increased by 15.2% over the prior year (National Bureau of Statistics of

China, 2007). These figures indicate that average spending is increasing significantly in this area. The main reason is because of fast economic growth and a high inflation rate. It also reflects that under a market economy, the rapid economic growth rate will lead to significant changes in price levels, especially in rent and housing costs.

Local government has a responsibility to provide low rental houses. These houses are usually built in a particular location. The local government also verifies which recipients can obtain the houses, based on income. The recipient's income has to be lower than a particular local income level. In Tangshan, the city accelerated the implementation of the construction of affordable housing facilities. By June 2011, 39,583 affordable houses had been built. The Tangshan city council plans that by 2015, housing security for urban residents will reach 25% coverage. However, this does not take rural residents and migrants into account.

Housing security in China is mainly focused on low rental housing provision and local government takes responsibility for building lower rental houses. The debate in this area mainly centres on whether current economic security policies are sufficient for the recipients, the benefits they can obtain and what they actually need. I was interested in whether the people inside the area were provided with security in income and housing terms. In addition, once people hand in their housing benefit claim form, they have to wait for their claim to be processed. It is important to ask how long it takes to sort out a claim for housing benefit. If the process takes too long to get back to participants, this may result in people losing patience and moving to dangerous living conditions. In order to improve housing security, it is necessary to ask the office about the group of people whose income is just above the support line, and whether they are going to have housing subsidies. Furthermore, in Beijing, the average space in each low rental house is around 60 square meters (State Council of China, 2007a). Compared with Beijing, Tangshan is less developed; therefore, there might have been considerable difficulty for Tangshan in implementing social housing policies. An interview was arranged with Ms D from the Tangshan Bureau of Housing and Urban-Rural Development to discuss these issues. The following questions on the current housing security protection level were asked:

1. What has Tangshan local government done to promote housing security?
2. What kind of people would be qualified to obtain housing support?
3. How did the government set up the housing support line?
4. What are the main problems for housing security in Tangshan?

5. What is the capacity of housing support in Tangshan?
6. How many low rental houses have been built and what are the future plans?
7. Has the government considered migrants' housing security?
8. What has the government done for migrants' housing security?
9. What is the average size of social houses in Tangshan?
10. Is this enough for a normal three-person family?

Various statistical data was also collected from the Tangshan City Bureau of Statistics, which included the fiscal support figures in recent years, the official income and housing security development plans in the next five years, figures of those on the poverty line and below the poverty line, and MSLS data in recent years in Tangshan city.

Development and Reform Commission Bureau of Tangshan

This Bureau conducts comprehensive research and formulates policies for economic and social development for the guidance of overall economic reform in Tangshan City. It provides strategies and middle- and long-term social and economic development plans and suggestions to the city government committees. Talking to an interviewee from this department, this research was able to find out how the city designed its social development and also future plans for the social welfare system development. An interview was arranged with the Deputy-Director of this department, Mr Lv. He was interviewed, and talked about and commented on social plans in Tangshan. The following questions were asked:

1. How does the city design social policies, and has the city learnt from any experiences of other cities or areas in China?
2. Is there any future consideration of changing the current household registration system?
3. Does local government consider social security for rural residents and rural migrant workers?
4. How do you personally judge the current economic security policy in Tangshan, and do you have any suggestions for it?

Tangshan Lubei District local court

As discussed in Section 4.4.1, a new social security law has been introduced, which provides people with the right to social security. In particular, it provides a system for regulating the

labour market. However, the state does not provide much detail about upholding the standard of the law, for example, the state does not require any social payment standard, and does not show the penalties in cases where the law is not upheld. The state has left setting the standard to local government. Therefore, the informal labour market in particular might be a big issue that needs to be considered from a legal viewpoint. Mr Lv from the Development and Reform Commission Bureau of Tangshan introduced me to the Lubei court judge to talk about legal issues. The Chief Justice Mr W was then contacted directly by phone.

Lubei District Court Judge Mr W was interviewed on social law and informal labour market. The following questions were asked:

1. How does the law influence economic security, especially in formal work?
2. Will the court consider informal jobs or informal workers breaking the law? If yes, is there any penalty for them?
3. Are there many cases related to informality, for example, informal work or migrant workers' employment contracts?
4. Does the court help to regulate the labour market?
5. What do you think the court should do in the area of social security, especially in the informal labour market?

The next section explores the recipient level.

4.7 Recipients level

In order to find authentic and reliable data for this research, a survey questionnaire and an interview was used at the benefit recipients level. In the benefit recipients group, there are three different sub-groups:

1. Migrant workers
2. Lower-income people
3. Lower-middle income people

Participants in these three different classes from Tangshan city were selected. Finding a sample population was at first difficult, as according to income and housing policy, benefit recipients should all be experiencing poverty. Therefore, social benefit recipients were used as the sample population.

In China, people who obtain income support and housing subsidies are normally at the lower income level. In the lower income sector, the Kaiping District Office provided a list of MSLS recipients containing 70 people. Thirty households were randomly selected from the recipient list and visited. Ms D, the Director of the Tangshan Housing and Urban-Rural Development Office, also provided a housing subsidies recipient list of 60 people from which 30 households were randomly chosen to visit. The recipients of this provision were asked whether the low rental houses were affordable, whether there was enough space for the whole family and whether they felt secure about the housing provision. In general, the head of each household received a questionnaire. The questionnaire is in Appendix C.

For the lower-middle income group, local working class people were chosen from the Rong Chuan Auto Industrial Park, this is a large well-known industrial park in Tangshan. Workers in this industrial park are typically classified as low skilled lower-middle income working class. At the industrial park, around 35 basic workers were randomly asked to answer the questionnaire. They also gave some short interviews. I also had the chance to meet one of private business owners based on the park. He agreed to be interviewed about local workers' income and housing security, migrant workers' benefits and informal jobs, such as: Does local government allow any kind of informal jobs or workers?

Another middle-sized private company in Tangshan (YanShan Gas) was also visited. An appointment to carry out the questionnaire and interviews in this company was made following a phone call to the company's manager. Fifteen manual workers from the gas company completed the questionnaire. The workers earned a basic salary that was comparatively stable and higher than the local support level. The company's owner was also interviewed and asked the same questions as the company owner in the Rong Chuan Auto Park interview.

In order to find migrant workers, the Tangshan Development and Reform Commission Office provided the locations of the three main temporary residents areas in Tangshan (Kai Fa Qu-Longze Road, Feng Run Qu-Yanshan Road and Feng Nan Qu-Tangxu Road). These three areas correspond to huge industrial construction areas. Fifty migrant worker participants answered the questionnaires, with 20 from Kai Fa Qu, 20 from Feng Run Qu and 10 from Feng Nan Qu. At the same time, many of the participants also gave an informal interview.

The data gathered from the questionnaires was analysed quantitatively, to show for example, statistics trends and graphs (see Chapters 7 and 8).

4.8 Ethical considerations

Ethical approval for this study was obtained from the University of York Humanities and Social Science Ethics Committee. A research information sheet explaining who I was and the purpose of the study was given to all interview and questionnaire participants in advance. The information sheet, consent form and questionnaire are written in both Chinese and English (Appendix A-C). Research information sheets were provided to all interviewees prior to the interview and all were asked to sign an interview consent form. Permission to use their words in the research was sought and signatures obtained to show this. Participant's full name is not used. The data from participants was assigned a code for anonymity and a key linking codes to participants was kept separately from the research data.

At the benefit recipients level, the lists provided by the local government were very long, with a large number of household names. The respondents were identified by random selection. The local government did not know which people were selected, so if the household chose anonymity, the local government would not know who they were. The survey sheets were anonymised using numbers.

The local government provided the participants' lists, which showed their support for the survey and Chinese researchers in China now more commonly conduct such surveys. Furthermore, people are free to talk about their own life and experiences in China, which is protected by the Chinese law. The nature of the questions was not political, but a way of investigating practical aspects of how to improve details of government policies. Therefore, there was no risk for respondents to talk about their views. All government interviewees were happy to be identified using their job title and an initial.

4.9 Limitations

The methodology does have some limitations. The most obvious limit might be the sample size and location, as China is a very huge country with a massive population, the sample size

is rather small and it will not perfectly reflect the real state of economic insecurity all over China.

The study was commenced in autumn 2011, the interviews and data collection took place April to September 2012, and the final writing up, completed in September 2014. The economic and social factors might have significant changes during this period.

4.10 Conclusion

This chapter summarises the data collection and analysis used to answer the research questions. It discusses the different methodologies used to examine income and housing security policies in China. In particular, it describes using a triangulation method by investigating three levels, the Central Government of China, the International Labour Office (ILO) and an academic in the social welfare field.

It also describes acquiring the data for a case study in Tangshan City. Using information collected on the Chinese welfare state for a case study helped to understand the complex administration found in China. Since the economic reforms, labour mobility has increased and income security reduced, with the unemployment rate increasing. Therefore, investigating migrant workers with a lower-middle income, and lower-income people is important to the analysis of the current situation in China.

The findings are discussed in the next chapters with Chapter 5 examining the national level analysis, Chapter 6 the local government level and Chapter 7 the recipient level. In addition, Chapter 8 provides an in depth discussion on economic security in China, examining all levels and providing a key debate on the issues.

Chapter 5 - China's national social security policy

5.0 Introduction

The Chinese social security system has developed remarkably in the past five years, and the framework for an urban-rural social security system has been created in China for the first time. Regarding policy design, it might be asked whether China is adopting a universal or a targeted model of social security. The answer to this question is not as clear as it might seem at first glance. While Chinese officials appear to have designed social security policy around a more universal than targeted model, is it the case that any of China's social security policies, whether singly or in combination, can be regarded as pure universal-type policies?

According to the Ministry of Civil Affairs of Guang Xi Province (2012), the Urban-Rural MSLS is designed to help families who have an average income per capita lower than the locally set MSLS level. This means that anyone who meets such conditions is able to enjoy the benefit, and this suggests that the MSLS therefore represents a form of universal social security policy. However, the MSLS prioritises the provision of support to the elderly poor, the disabled poor and extremely poor families lacking the ability to work. When this is considered, the model upon which the MSLS is based appears to shift from an ideal universal type to a targeted model. Why then, has the Chinese government created a social policy that seems to combine aspects of a universal and a targeted model? In order to answer this question, this chapter will investigate the purpose and nature of China's current social security policies. It also examines an approach towards policy design that might allow the state to design social security policies that better meet the particular needs of people in a given area. This is important because China has less protection now than under the pre-economic reforms regime.

Regarding the implementation of social security policies, it should be asked whether China has adopted a centralised or a decentralised model? The answer to this question is complicated by the fact that the responsibilities for policy design and implementation are divided and shared between central government and local government. While central government is ultimately responsible for the overall design of social security policies, which suggests that China has adopted a centralised social security policy model, local government

has the right to modify and set their own standards when applying social security policy in their own area.

In order to have a systematic and clear view of how China is developing its social policies, Section 5.1 will focus on the history of and recent developments in social security policy in China. Sections 5.2 and 5.3 then consider the issue of whether the policies are universal or targeted in nature. Section 5.4 explores the degree to which the social security system can be considered centralised or decentralised. Section 5.5 considers the degree to which China has drawn on and used the social policy experiences of other countries to influence its design of social welfare policies. The sixth, and final, section asks how the social welfare system can be protected in the face of the changing market economy in China.

5.1 History and recent developments

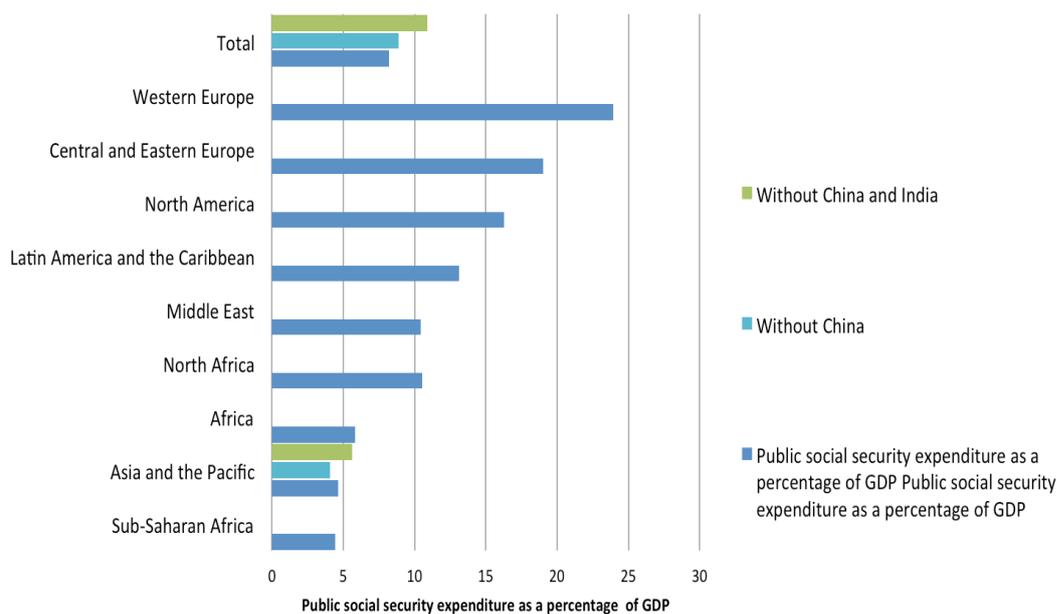
China's social security system is socialist in nature with specific Chinese characteristics. China's social security reform has been comprehensive and has brought profound institutional change. The social security policy changes have been driven by central government and there is widespread public support for the new economic and social security policies.

Under the planned economy system, urban and rural areas were strictly separated as regards social security provision. In rural areas, there was no social security provision at all, while the urban social security system relied on the *dan wei* system, which mainly covered government employees and workers of state-owned companies. Employees' benefit levels depended entirely on their employers, and those working in well-developed *dan wei* received more benefits than those in a less developed *dan wei*. In recent years, considerable effort has been made by the Chinese authorities to develop and expand social insurance systems and increase their coverage. As a result, China's social security system has developed considerably, and it covers many more people today than it did in the 1980s and 1990s. Social security benefit levels have also increased significantly.

In particular, China has undergone a rapid enlargement and strengthening of its social security system since 2000. In an effort to meet the goal of social security reformers to guarantee coverage for the majority of the population in China in a short period of time, the Chinese state has dramatically expanded coverage of its major social insurance programmes and has

implemented many new ones. Today, China has a relatively high level of social expenditure. According to the ISSA (2013), government expenditure on health reached 1754.2 billion yuan in 2010, or around 5.2% of GDP, while social security expenditure (excluding health) was 2.3% of GDP in 2010 (*ibid*). Therefore, the total expenditure on social security was about 7.5% of GDP. However, compared with Europe, America and Latin America, public expenditure as a percentage of GDP is far less in China. Figure 5.1 compares international public social expenditure with and without China. It shows that in most developed regions, social security expenditure is on average over 15% of GDP, which is a higher rate of expenditure than that in developing regions. Compared to the wider Asia and Pacific region, the green bar and light blue bar shows that China's expenditure on social security is not higher overall, it is about 2% of GDP.

Expansion of medical insurance has been one of the most important projects undertaken in China, and the Chinese government has paid a great deal of attention to it. China has created a wide-reaching medical insurance system, which has been implemented for almost all citizens, with basic urban medical insurance protection, the new cooperative rural medical insurance protection and the urban-rural assistance system. In 2007, 254.42 million people joined the medical insurance programme. This included 180.2 million formal workers in urban areas, 31.31 million rural migrant workers and 42.91 million urban town householders (Ministry of Human Resources and Social Security of the People's Republic of China, 2012, p.1). By 2011, the total number of people with medical insurance had increased to 473.43 million, marking an 86% increase over the figure for 2007 (Ministry of Human Resources and Social Security of the People's Republic of China, 2012, p.1).



Source: (GESS, 2010)

Figure 5.1 Public social security expenditure as a percentage of GDP 2010

Unemployment insurance (UI) has also greatly expanded in China in a short time period. By the end of 2007, 116.45 million people had joined the UI scheme (Ministry of Human Resources and Social Security of the People’s Republic of China, 2008, p.2), a figure that equates to about 1/10 of China’s 2007 total population. Over the next three years, the number of people who joined the UI scheme increased to 133.76 million (Ministry of Human Resources and Social Security of the People’s Republic of China, 2010, p.2). By 2011, the total number of people enrolled in the UI scheme had increased to 143.17 million (Ministry of Human Resources and Social Security of the People’s Republic of China, 2010, p.2), an increase of 9.41 million over the previous year. Since 2007, the rate of increase in UI uptake has been about 7% per year in China.

Furthermore, the coverage of the Minimum Standard of Living Scheme (MSLS) has been extended from urban to rural areas and from state-owned enterprises to all other types of companies. Since 2007, the entire population has been covered by the MSLS. 22.77 million urban residents and 53.06 million rural residents had benefited by 2011, and the programme has an expenditure totalling 66.77 billion yuan (ISSA, 2013, p.116). However, it is a means-tested scheme and has low support rates because the benefits have to be equally divided and allocated. Since such a large number of poor people are covered by the MSLS, it is inevitable

that the benefit levels will be low. Besides the MSLS's low benefit levels, does the MSLS coverage actually protect all poor people? The number of people living in severe poverty in China has progressively fallen in recent years, but there are still very large numbers of people living in poverty. In particular, the rate of relative poverty in urban areas is increasing (Pan and Wei, 2010, pp.133–143), and according to the National Bureau of Statistics of China (2011, pp.130–150), more than 50 million urban residents were living in poverty in 2011. This increase in the rate of urban poverty has led to a doubling of the number of people receiving MSLS support in urban areas. Although MSLS coverage is being expanded at a very fast rate, there are still a large number of people who do not have access to basic income protection. This basic income security policy will be examined more details in the rest chapters.

In addition, China's social housing programme has developed significantly through a series of social housing policies on low-rent housing, affordable housing and housing security. Of these, the main focus of China's social housing policy is on the provision of low-rent housing. In recent years, the amount of public social housing has increased significantly. In 2010, the state started to build 5.8 million houses (Ministry of Housing and Urban-Rural Development of the People's Republic of China, 2010, p.1). This figure has nearly doubled since 2010, and by the end of 2011 the state had 10 million new homes under construction covering all types of public housing. In 2011, the number of urban residents reached 690.79 million, and low-income families in urban areas accounted for around 37% of the urban population. People with housing difficulties amounted to about 30 million (Li et al., 2012, p.7). Given the scale of this issue, it is very difficult for the state to provide secure housing for everyone, and it will continue to be a considerable challenge for the state in the long term.

Currently, the fiscal budget for social housing is drawn from three main areas: the central government budget, the local government budget and the public housing fund. In 2011, the fiscal budget for security housing was 103 billion yuan, an increase of 265 million yuan on the previous year (State Council of China, 2011, p.15). Although the Chinese central government is making efforts to continue to improve the social housing system and related policies, there is a large gap between the targets set for the number of social houses to be constructed and the centre's actual financial investment. In 2011, the 10 million new social houses cost 1,300 billion yuan, but central government funding contributed only 10% towards the overall costs of construction (Li et al., 2012, p.2). This imbalance in the sources of

funding for social housing is the most important thing that the state needs to address, particularly given that this shortfall in central funding might influence the quality of social housing and especially the choice of security housing location. For instance, in order to achieve the targets set on the amount of social housing to be constructed, local government might choose to build social housing in a less developed area or in areas far away from the city centre lacking in basic services. Given that there is no national standard on the quality of services that must be available for residents of new social housing areas, governments at the local level are granted considerably freedom to manage housing development in their own way. As a result, many current social housing projects are failing to function as intended and fail to meet the needs of residents because they are situated inconveniently for public services.

The next sections examine two questions: firstly, are the current social policies universal or targeted in nature? Secondly, is the social security system centralised or decentralised?

5.2 Universal and targeted policy issues

There are on-going debates among academics, international organisations and policy makers on the relative strengths of universal and targeted social policies. Two of the most influential international bodies in this arena, the International Labour Organization (ILO) and the World Bank, differ in their assessments of the merits of universal and targeted social security policies. While the World Bank promotes the virtues of a more targeted model, the ILO favours a universal model. The ILO's position is based on the argument that a universal social security policy provides universal flat-rate protection to all members of a community (ILO, 2012, p.1, p.73). In this way, a universal social security policy means that benefits are available to everybody (Korpi and Palme, 1998, p.661) and that everybody is insured either for all kinds or for a particular kind of social security. By contrast, the World Bank points out that targeted programmes can allow governments to allocate social protection funds more effectively and can deliver a higher poverty reduction impact (Walle, 1998). From the above, it seems that both forms of protection might offer solutions to social protection problems. Ultimately, whether a country decides to adopt a universal or targeted system of social security policies depends on the particular perspective of policy makers.

Korpi and Palme, (1998, p.662) also argue that in the universal welfare state, the key factor is to include the middle class, which leads to what they call the redistribution paradox. There are two extreme welfare state models. Developing countries, especially in Latin America, historically use public assistance to benefit the rich, and in some cases the middle class, but give barely anything to the poor. However, this has started to change in recent years. Some developed countries, such as the US model which focuses public access on the poor, in a targeted welfare state model. This type of welfare state is very distributive. The rich are taxed to give to the poor, leaving the middle class pretty much out. The middle class might get something, but not a lot.

However, in Scandinavia, it is different from these two extremes, they focus on all groups. The amount of public assistance for the very rich is not high, but importantly, they include the middle class in the high quality of public services. Therefore, this group has less incentive to pay for private insurance and instead remains loyal to the public sector. They do not mind paying tax, which leads to a greater amount paid in taxes. That leads to better support for welfare for everyone, which benefits the poor. In the United States model, a large part of the state welfare budget might be given to the poor, whereas Scandinavia might give only half of the state budget to the poor. However, the poor still get more money in Scandinavia, because of the Paradox. The whole budget is bigger in Scandinavia, so although the US model sounds a lot, the whole budget is not very big (Korpi and Palme, 1998, pp.675-678). Therefore, the amount for the poor is not much. It is very fair in the sense that taxes are disproportionately taken from the rich, because the poor and middle class pay less tax. So the rich don't pay for everything, but they help to pay for the rest. In Scandinavia, the middle class pay a lot but they also get a lot, in both services like schools and hospitals as well as cash income support. Therefore they feel more confident and secure in their living conditions. Esping-Andersen (1990, pp.27, 69) also argues that the social democratic welfare state regime has generated a more equal system, which makes universalism include middle class standards.

Certainly, wide coverage can be achieved under a universal social security model as everyone is eligible for coverage, and many countries have adopted a universal social security welfare state model. The Scandinavian model is the one of the most popular reference models for those seeking social security reform and development. This model has high coverage and provides generous services and benefits. In the UK, the state used to provide a universal type of child benefit to every family with children, irrespective of income. However, due to fiscal

problems, the government has reshaped the child benefit programme into a more targeted model. People earning more than £50,000 a year are affected, and those who earn over £60,000 can either opt out of receiving the benefit or have it taxed at 100%. According to the UK government, these changes will affect more than 1.1 million families.

However, universal policies also have a weak side. Standing (2004, p.614) asserts that the effectiveness of existing universal social security policies is open to question because recipients obtain low levels of support due to the low payment rates that result from everyone being entitled to money from the collective pot. By contrast, targeted social security policy focuses on a particular group of people or particular choices so as to meet social security protection needs. In this type of policy model, the state only establishes social security policies for the poor (Korpi and Palme, 1998, p.661). It is argued that a targeted model can be more effective in assisting particular groups of people or individuals who are at risk because not everyone is eligible to receive state social security support and resources can be better deployed to meet the needs of the most vulnerable people in society. In Brazil, for example, the Conditional Cash Transfers project is targeted at impoverished families and is conditional on children receiving education and accessing basic health care (Ravallion, 2009, p.15). Such targeted social policy models have been widely adopted in a number of developing countries in recent years and have become one of the most popular approaches to the development of social security policies in the world today.

It should be noted, however, that the Brazilian social security system is not entirely a targeted model. In reality, Brazil's social security system employs both universal and targeted policy models. Its social security contribution system, in which people who contribute from their employment are eligible for all available forms of social welfare support, is a form of universal support for all contributors. The targeted conditional cash transfer social security benefits are available only for the poorest people among the groups that do not make direct social security contributions from employment.

Unemployment Insurance (UI) policy is another policy area in which there is debate over whether a universal or targeted model is most effective. The simplest way to clarify the problem with a means-tested universal UI policy model is to compare people who have a middle or high-income with those on a very low income. For example, in general, UI payments are based on a person's previous wage rate. If we assume that the UI rate is 70% of

the previous wage rate, unemployed middle-income class people might be able to live relatively comfortably on UI benefits for a period, but very low-income people will receive almost nothing from UI as their previous wages were very low. Moreover, if the universal UI coverage rate is increased or the coverage period is extended, another problem might emerge: some low paid workers might take advantage of the system to remain unemployed and enjoy the UI benefits instead of looking for a job.

The efficacy of social policies such as basic income protection, UI or pensions in developing countries is often questioned because of their low coverage rates or payment levels. For those advocating social security reform, therefore, the eligibility conditions that developing countries set for these social policies is an area of particular interest. Given the huge population of China and its position as a rapidly developing country that is currently undergoing a process of social welfare reform, choosing the most effective policy model is a very difficult task for Chinese policy makers. The next section will examine the current social policy situation in China to examine which model China is adopting.

5.3 A universal model, a targeted model, or both?

Before the formation of the People's Republic of China, many people in China suffered extreme poverty, sometimes finding it difficult to survive, as well as facing other risks such as Japanese aggression and civil wars. Prior to 1976 and the end of Mao's rule, social policy in China was based on socialist principles, protecting basic needs and controlling social stability. The state offered a set of universal social welfare services and protections to people, especially in urban areas. For example, the guaranteed employment policy meant that everyone could get a job in a state-owned enterprise. In addition, the central government implemented an economic and social subsidy system for the main goods necessary to support every citizen. For example, many citizens were eligible to obtain food and clothes coupons that were allocated by the authorities and could use these coupons in place of money to purchase goods. This strategy was useful in safeguarding and maintaining people's living standards. Under the socialist economic system, the government managed all aspects of economic and social development with the aim of providing some level of protection to all individuals. Many social security policies were run in a way that was close to a pure universal model, especially in the basic income security category, and the government was responsible

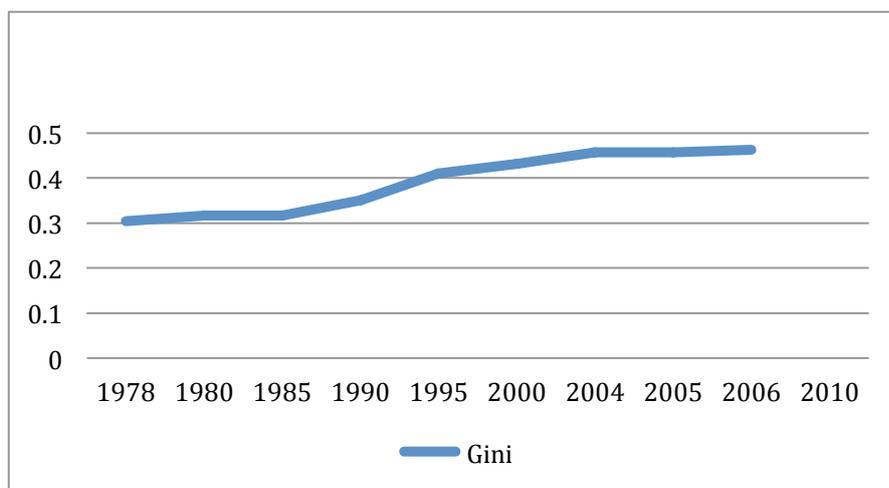
for supplying all the means to improve the quality of life of citizens through the welfare provision system (Chan and Chow, 1992, pp.21,22).

As Chan and Chow (1992, p.25) state:

Public welfare is the most important form of protection of living standards for the urban population. The State has committed to provide employment for all. From their jobs, the working population is guaranteed standard wages and is also provided with a full range of subsidies in cash and in kind. Besides controlling prices of essential commodities, the State also subsidises meat and basic food items in order to keep prices down. It is a form of economic redistribution and protection for all.

The state offered this job security in terms of income security to workers, a policy known as the ‘Iron Rice Bowl’. As Chan et al. (2008, pp.28, 29) note, “social welfare provisions were based on socialist equality and people were guaranteed a lifetime of employment.” Although the socialist society ideology and egalitarian distribution policy did not bring about great economic prosperity for the people, almost every citizen enjoyed some kind of basic income security. Even if citizens experienced poor living conditions, no one feared for their life. The combination of a socialist planned economy and universal social security policies resulted in a narrow inequality gap. Figure 5.2 shows that socio-economic inequality was very low under Mao, with China having a Gini coefficient of only 0.3 before the economic reforms in the 1980s.

Figure 5.2 China’s Historical Gini Index

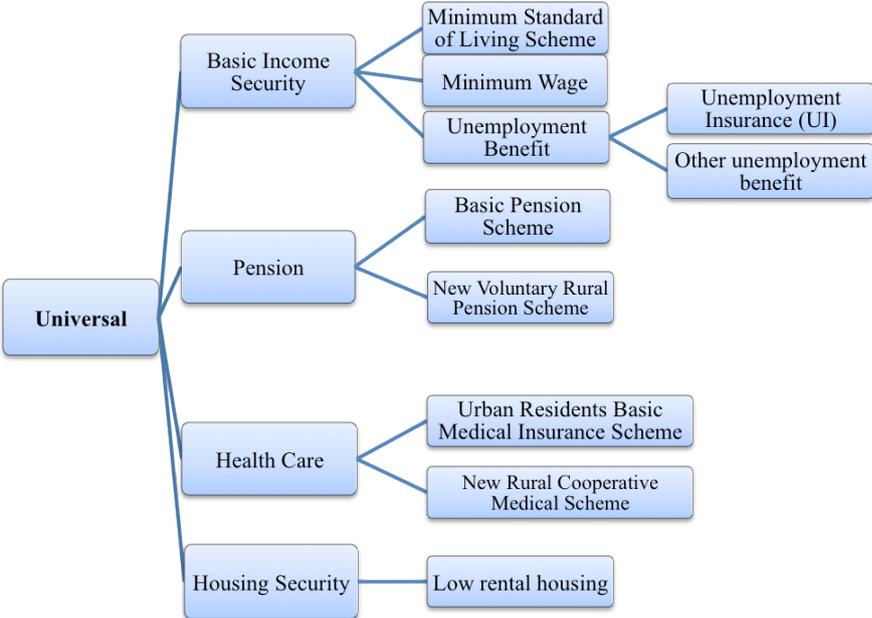


Source (Chen et al., 2010, p.20)

China’s economic and social reforms have fundamentally altered the economic structure and social security policies of the country. The government has dramatically reduced its intervention in the economy in China, and as in many Western countries, market mechanisms have come to play a central role in the economic sphere. As discussed in Chapter 2, many social security policies were abolished following the economic reforms, and the government no longer provides income and housing support to all citizens. With rapid economic development, however, it has become clear to Chinese policy makers that China must revitalise its social system so as to address some of the social issues that have resulted from the rapid growth of the Chinese economy and widening socio-economic inequality. This recognition on the part of policy makers has led to a range of social security reforms over the past decade that have created a unique Chinese model of economic and social development.

From the outset, China’s current social policy development strategy was founded on the adoption of ostensibly universal social security policies with the aim of fostering wide social security coverage and high standards. In order to appreciate the approach that the Chinese state has taken towards social security policy, it is helpful to illustrate this in a systematic form as shown in Figure 5.3.

Figure 5.3 Overview of the structure of China’s universal social security policies



As can be seen in Figure 5.3, China's universal social policies can be placed into four main categories. Basic income security is one of the most important categories and consists of three main programmes. First of all, the Minimum Standard of Living Scheme (MSLS) is the most effective income support policy in China. In theory, everyone is insured in all cases where their income falls below the set minimum standard. In other words, it is a benefit paid to anyone deemed to be in extreme poverty, all citizens are potentially eligible, and eligibility for receipt of the benefit is determined by an applicant's income falling below a certain level, although the benefit level is rather low. This policy was implemented in all provinces in 1997, and by the end of 2007, it covered the whole population. The state is obliged to provide cash support and other related support for benefit recipients. The second major policy within the income security category is the minimum wage policy, which sets the legal minimum wage rate that workers can receive from their employers. This policy covers the entire country, but rates differ according to area/region because different parts of China have different levels of economic development. The third major policy is unemployment benefit. The unemployment insurance (UI) system is a worker- contribution based system, and nearly all formal workers are eligible for unemployment insurance (Chan et al., 2008, p.103). The government has also established a series of unemployment support measures such as re-employment services, job training and vocational information services. Unemployment benefit coverage is gradually expanding to include all kinds of work in urban areas.

The government also adopted an apparently universal model for its pension policies. The most important pension policy in China is the basic pension scheme, which covers all urban employees. According to ISSA (2013, p.112), it covers employees at nearly all state-owned and collective enterprises, and will be extended to cover all urban workers in private companies and the self-employed. For non-urban residents, the New Voluntary Rural Pension Scheme, which was established in 2009, covers all rural residents above 16 years of age (ISSA, 2013, p.113).

In health insurance, as in other areas, the principles of universalism have also been adopted. This health care policy is fast approaching full coverage of the population. As the ISSA (2013, p.117) points out:

In April 2009 the Government unveiled a three-year CNY 850 billion medical reform plan, under which two-thirds of the budget is to be spent on consumers (as premium subsidies, etc.) and one-third on service providers with a focus on extending health insurance coverage and improving grass-roots health care facilities and services. The plan aims to provide, by 2011, over 90% of the population with universal access to basic health insurance in parallel with the introduction of an essential drug system.

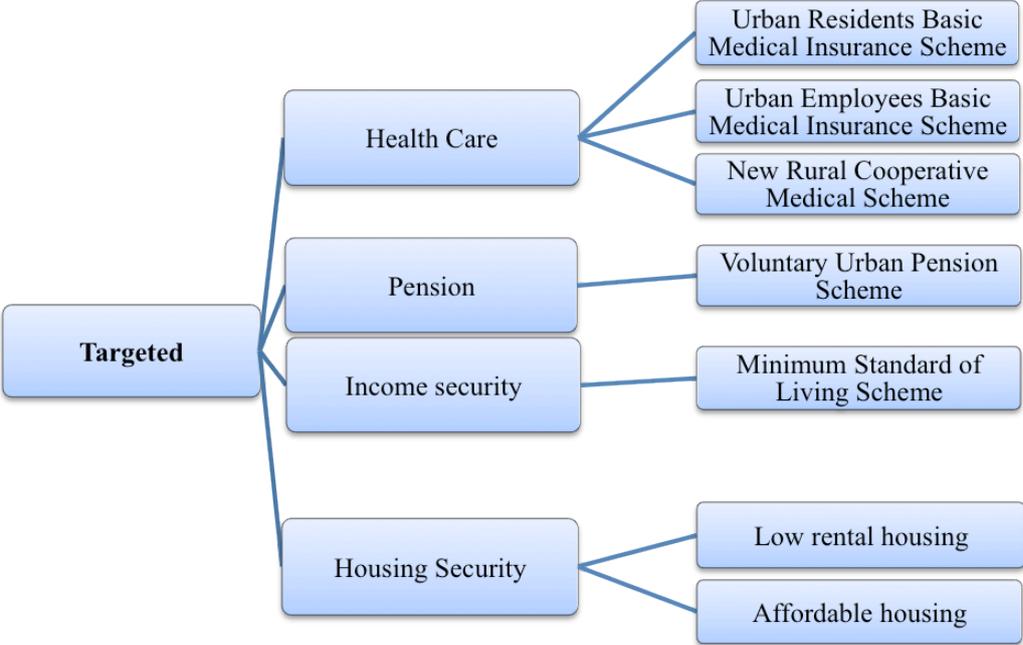
The Urban Residents Basic Medical Insurance Scheme (URBMIS) has had a greater impact for urban residents than other urban health care policies. It is financed by both personal contributions and government subsidies. Commencing in 2007, URBMIS pilot schemes were conducted in one or two cities in each province, and the scheme was implemented in all cities in 2010 (ISSA, 2013, p.118).

The New Rural Cooperative Medical Scheme (NRCMS) is another important part of the health care system. This was launched in 2003 and is designed to cover all rural residents. The NRCMS fund is collected from the government and individuals, with the government covering 80% of the premiums (ISSA, 2013, p.119). The scheme has been implemented in 80% of villages across various regions (ibid). By 2011, there were around 832 million rural residents participating in the NRCMS programme, with a coverage rate of over 96% (Wen, 2012).

The fourth element of China's social security system is housing policy. Under Mao, housing policy took the form of public housing provision. The central government provided capital construction investment and other departments or local authorities took responsibility for allocating houses and providing services to individuals (Chan et al., 2008, p.170). In recent years, the provision of social housing has broadly remained the responsibility of the state. For example, the low-rental housing policy is the most important social housing policy in China. It consists of two elements: the provision of low-rent houses and cash subsidies for renting. According to the Ministry of Housing and Urban-Rural Development of China (2007, p.1), the government either provides cash transfers to poor households with housing difficulties or successful applicants can be allocated low-rental houses provided by the government.

Although most social policies adopted in recent years can be regarded as more universal than targeted in nature, analysts have considered the degree to which China’s social policy reforms might also be viewed as targeted policies. Figure 5.4 shows the Chinese social security policies that have adopted at least some aspects of a targeted model.

Figure 5.4 Targeted forms of social policies



The areas of Chinese social security policy that can be considered to have adopted aspects of a targeted model are the precisely the same as those set out in Figure 5.3: health care, pensions, income and housing security. The majority of health care policy is targeted at urban residents. For example, the Urban Employees Basic Medical Insurance Scheme is targeted only at *formally employed workers* in urban areas and is based on a contribution of 2% of total salary from employees (ISSA, 2013, p.117). The Urban Residents Basic Medical Insurance Scheme (URBMIS) is mainly used to cover the hospitalisation and serious illness costs of *non-salaried urban residents* (ISSA, 2013, p.118). The New Rural Cooperative Medical Scheme (NRCMS) is targeted at people resident in rural areas and is designed to cover the costs of hospital treatment and serious illnesses (Wen, 2012).

The pension policy operates in a similar way to the health care policy. The voluntary urban pension scheme is focused on people who are not eligible for the basic pension scheme and are also not engaged in employment. According to the ISSA (2013, p.115):

Enrolled residents can elect one of the ten scales ranging from CNY 100 to CNY 1,000 as an annual contribution to their individual accounts, for which the Government will provide a subsidy of no less than CNY 30 to each person every year. The scales may differ in different regions.

The MSLS is the main income security scheme in China, and while it is a universal policy in the sense that all citizens are potentially eligible for the scheme, it is a means-tested benefit that is targeted at the poor. If an applicant's income is below the minimum income rate set by the local government, they are eligible to receive MSLS support from the government. However, this policy is limited by some conditions and is particularly aimed at selected social groups from among the poor. As the state council of China (2007b) points out:

The major point of the rural MSLS is to support people who lose their ability to work, have poor living conditions and are exposed to other persistent causes of a difficult life.

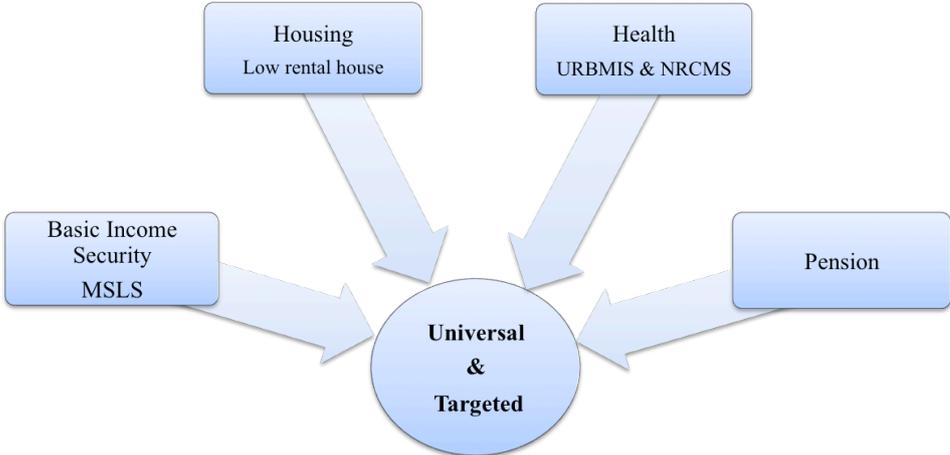
As a result of these conditions, while poor people with physical disabilities are likely to be eligible for support, it might be reasonable to assume that a large proportion of extremely poor people could be excluded from any support under this policy. Moreover, MSLS benefit levels are unequally distributed. Benefit levels differ both from city to city and between urban and rural areas. In an effort to address these shortcomings, the central government aims to set increased levels of support in the most developed urban areas first (Beijing, Shanghai and Guangzhou) and then demand that all of the provinces gradually increase MSLS benefit levels. This approach is not limited to the MSLS, but also applies to health care and other social security protections.

The housing security policies are designed for urban poor people who lack sufficient housing space and do not earn enough for a decent standard of living in the local area. As such, they are targeted at the urban poor with an income lower than the locally defined poverty line, and especially at MSLS recipients and other social security beneficiaries. Since such groups are clearly unlikely to be able to afford to buy a house at any stage of their lives, the

government’s targeting of them through its social housing policies (by granting financial subsidies or low-rental houses) appears to be a sensible approach.

From the above, it appears that China’s social security policies are not purely universal and that the principles of universality and targeting in social security policy overlap in some respects. Because of fiscal pressures and administration costs, the country is no longer offering purely universal protection to everyone. This pattern of overlapping universality and targeting in social security policy in China is shown in Figure 5.5.

Figure 5.5 Universal and Targeted



While China’s social security policies are universal in the sense that all those living in poverty in China are able to get some kind of support and that everyone is potentially eligible for it, all those potentially eligible for support must meet certain requirements or conditions, which identifies the policies as both universal and targeted in nature. Given its huge population, China cannot afford pure universal-type support as the costs would be prohibitive. In addition, its geographical size and its internally inconsistent economic and social development limit the government’s ability to implement and administer universal-type policies effectively and efficiently. Ensuring that social policies effectively target those (or an area) most in need has therefore become the government’s preferred option. While the state claims to continue to favour the universal model of social security, the definition of what constitutes universal coverage has changed from the meaning it held in China before the period of economic

reform. Today, the ‘universal’ social security policies in China in fact contain aspects of both universal and targeted policy models.

China’s social security reforms are very wide ranging, involve a complex mix of mechanisms and policy systems, and the pattern of distribution is characterised by considerable variation. Generally speaking, when a social security system has problems, the government will take steps to address the problems, and the social security system can be seen to be constantly absorbing new valuable experiences and lessons. The case in China is no different, and the central government appears to be gradually advancing reforms to progressively transform the old social security system into a new modern system. In the next section, the question of whether the Chinese social security system is centralised or decentralised in nature is examined.

5.4 Is the Chinese social security system centralised or decentralised?

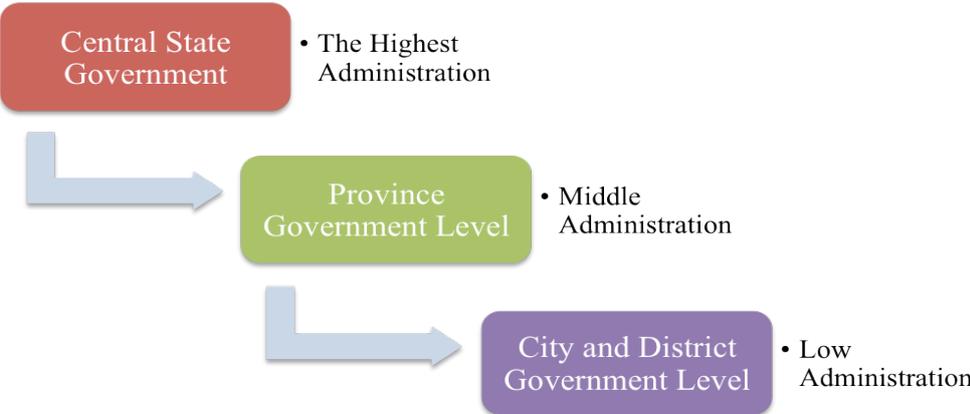
The evidence from examining several decades of social policy development in China shows that China has established a systematic arrangement for social security administration. China’s social security administrative system combines elements of a centralised and a decentralised structure. The central state government or state council is the highest organ of state administration and is responsible for setting the principles for and the overall design of policies (The State Council of China, 2008b, p.1). The state council has considerable influence over all factors of development in China, including the social and economic security system. It has the power to formulate national social security regulations, policies and standards.

At the national level, three key departments in the central government deal with social security policy in China: the Ministry of Civil Affairs (MCA), the Ministry of Human Resources and Social Security (MHRSS) and the Ministry of Housing and Urban-Rural Development (MOHURD). These government departments are the primary decision makers and designers of social policy in China and thus set the guidelines for social security policy. However, central government does not strictly control or set standards for every aspect of a given policy. According to Xu (2005, pp.281,282), central government formulates the basic principles, policies and the overall aim of the social security system and then devolves its

powers to lower levels of government for implementation of the policies. Figure 5.6 shows the policy administration system in China. The state has overall control at the macro level and sets the direction, major focus and intensity of the social security initiative. The provincial governments have responsibility for implementing the central government’s policy directives, but they are granted considerable autonomy both to decide how policies are actually implemented at the local or regional level and to create their own development policies to assist in meeting national social security strategies. Local city governments are also afforded a discretionary power to set support rates and standards for some of the social security policies.

As discussed in the previous chapter, the MSLS is one of China’s most effective policies in protecting the people’s economic security. As the Chinese authorities consider this programme one of their flagship social protection policies, it can be used as a representative example of the current system of administration of social policies in China. In its current format, the central government applied the MSLS policy to the whole country, but did not establish a national benefit standard. Instead, the central government provided only policy guidelines, and the provincial and lower level governments set the standards. As a result, different provinces have different benefit standards. Due to differences in regional development, national standards for social policies are difficult to set in China as GDP level varies greatly between provinces. The considerable variation in regional GDP figures is one of the most important factors determining social security policy payment rates under the current socialist

Figure 5.6 Social security administration systems in China



market economy system. For example, economic development in Shanghai and Beijing is high, and the urban MSLS standard benefit rate in Shanghai is 570 yuan per month per head (Shanghai Civil Affairs Bureau, 2012), while in Beijing it is 580 yuan per month per head (Beijing Civil Affairs Bureau, 2012). However, in less developed areas, the standard is much lower. In Gansu province, for instance, the average MSLS benefit rate in 2012 was only 260 yuan per month per head (State Council of China, 2012c).

Central government has macro control over the social security system. When problems appear during or after the social policy implementation stage, the state is able to make comprehensive changes to the social policy. For instance, because the MSLS lacks a national benefit standard and local authorities are free to set benefit rates for their area, many commentators, including academics, have complained about the low benefit rates currently afforded by the MSLS. The central government has therefore asked all local governments to increase the MSLS support standards gradually. As a result, the MSLS support standard is increasing every year in each province. Nevertheless, in a country as diverse as China, it makes sense for the MSLS level of support to vary depending on the cost of living in a given area, although this solution might not be appropriate for all social policies.

Other social security policies are run in a similar way. For example, the benefit rates for the minimum wage and health insurance depend on the degree of regional economic development and the local income level. Although the central government is trying to establish a systematic social security management structure and construct a comprehensive social security service platform, the differing standards of support afforded to recipients of social security benefits create barriers to the efficient management of the social security system in China. These barriers include low standard support rates and difficulties in accurately monitoring the situations of benefit applicants. The latter issue is a particular problem because the decentralised nature of social security provision at the local level and the lack of national standards mean that there is scope for those tasked with assessing and monitoring applicants to display discretionary behaviour in their assessments. In the interview with Miss B, an officer from the Ministry of Civil Affairs of China in Beijing, she stated that existing personal relationships between assessing officers and applicants could lead to the rules on allocating resources being broken; that is to say, applicants who are acquainted with local authority officials might be prioritised by assessing officers for receipt of benefits or might even

receive higher rates of support. An effective monitoring system with nationally defined standards could assist in allocating the limited benefits to recipients efficiently and equitably.

Because the majority of centres of employment are located in urban areas, China's economic development is centred on its cities. There are far fewer work opportunities in rural areas than in urban areas, and those that do exist are mainly within the agricultural sector. Rural residents may also have at least some means of feeding themselves via subsistence use of their plots of land. Consequently, urban residents have an advantage in terms of economic and social security support, and urban support rates are higher than in rural areas. Generally, the types of social policies tailored to urban areas are quite specific and comprehensive. The main targets of social security policy are different in urban and rural areas. Urban social security development is more concerned with working benefits (unemployment insurance, pension, health insurance) and housing benefits.

Alongside the economic development in urban centres and the opening up of the property market, property prices have risen enormously, and housing provision in urban areas has become one of the most pressing issues facing China's government. Many people in urban areas now experience great difficulty in buying a house. Given the high cost of existing property and the fact that land for new housing construction is at a premium in the cities, there is limited housing capacity in urban areas. Because of this, many poor people experience housing insecurity owing to housing shortages, high property prices and expensive rents. Furthermore, the prohibition on slum developments in Chinese cities (unlike cities in, for example, India) means that finding a place to live within the city area is extremely (and increasingly) difficult for lower income people.

In recent years, the central state government has been trying to implement its public housing policy in every city. The policy combines affordable public housing and low-rental housing policies, with a particular focus on low-rent housing services. However, the entry requirements for low-rental housing benefit are strict. For example, in Beijing, the low-rental housing service applicant has to meet one of the following conditions in order to be eligible (Beijing Municipal Commission of Housing and Urban-Rural Development 2010):

1. The household has received urban MSLS benefit for more than two years

2. The household income is lower than Beijing's minimum income standard, and the family members must be aged over 55 (males) and 50 (females)
3. One member of the family is seriously disabled
4. The family contains a person who is seriously ill
5. The family is living in a house deemed unfit for human habitation and does not own any other houses
6. The family is confirmed as have housing difficulties by the housing security departments

Under these conditions, therefore, middle aged or young people cannot receive low-rental housing benefit without serious health problems. In addition, it is impossible for rural migrants to apply for housing benefit. It should be noted that the conditions above only apply to Beijing; the conditions set by other cities might make it even more difficult to access low-rent housing benefit. Once again, the decentralised nature of policy implementation and the lack of a national standard for a specific social security policy appear to compound the problems for those targeted by the policy.

From the above evidence, it can be seen that China is centralised in one sense and decentralised in another. The next section looks at the question of whether the hybrid system that China has today is partly the result of borrowed social policy experiences from other countries.

5.5 The impact of other countries experiences on China's social security policy design

China's social security system is unique in that it combines the characteristics of Chinese socialism and the experiences of other countries. Throughout its social security development process, China has drawn many lessons from the successful experiences of other countries. However, it is hard to pinpoint precisely from where specific policy lessons have been taken because official records are difficult to obtain and a synthesis of many of the policy lessons of other countries has been used as the basis for policy decisions in China. As a result, this issue can only be broadly explored.

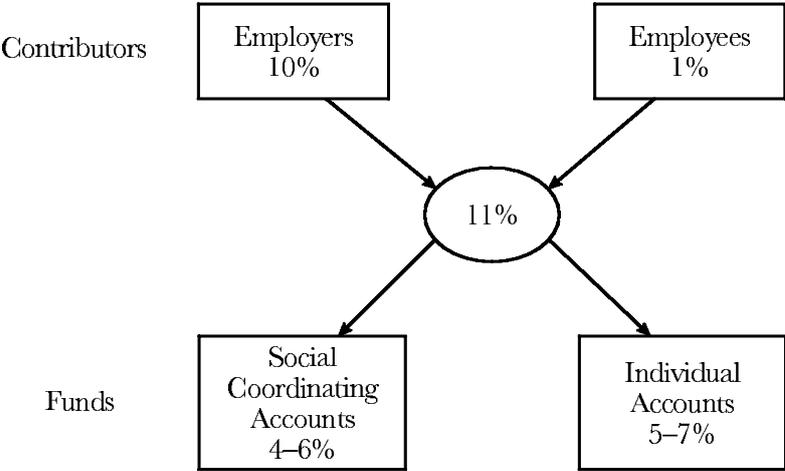
It appears that the social insurance model has taken on board many of the experiences of European countries, particularly as regards the social security legal system and the overall

structure of the social insurance system. In Europe, social security law was established very early in the development of welfare states, and the legislation covering social security policy and provision is therefore well developed. An officer from the Ministry of Human Resources and Social Security of the People's Republic of China described how Europe's experience served as guidance both for China's social insurance security system and for its social security legislation.

China's social security funding system learned much from the experience of Singapore. Of particular interest to the Chinese government was Singapore's individual accounts system with its central provident fund. In Singapore, individual workers contribute from their salaries and have their own individual insurance accounts. These contributions make up a fund or capital pool for paying the contributors' health, housing and other economic security factors. Once the accounts have become sufficiently large, people can withdraw a portion of money for a variety of economic security services (Friedman, 2009, p.17). The Chinese government was clearly influenced by Singapore's system and made efforts to increase the number of workers making individual contributions towards social security insurances. For example, in the middle of, reform in health care financing was piloted in Zhenjiang and Jiujiang among participating enterprises and their employees. As shown in Figure 5.7, contributions were taken from both employers and employees, and the employee's contribution went towards their individual account fund. The success of these experiments led to the adoption of the social fund principle in China's subsequent health reform policies.

China also learned from the experiences of Latin American countries. Chile provided China with a successful example of an old age social insurance system. In Chile, the old age pension includes a mandatory personal retirement savings account, which provides a secure minimum income (Li, 1999, p.436). China adopted an old age pension insurance system that combines "basic old age insurance, employer based supplementary old age insurance and individual old age savings accounts" (Li, 1999, p.439).

Figure 5.7: Average contribution rates to health insurance funds in the Zhenjiang and Jiujiang experiments



Source: (World Bank, 1997, p.58)

It should be noted that China has not simply taken lessons from the experiences of foreign countries. Rather, it has actively engaged with other countries and obtained direct support and help from foreign nations and organisations in order to develop China’s social security system. For example, in May 2007, the European Union and the United Nations Development Programme signed an agreement with the Chinese government to support large-scale development of civil society and the rule of law, especially in areas such as reducing poverty and improving health-related social services (Schwartz and Shieh, 2009, p.3). With such external assistance, China has increased its capacity to address public health care services.

China also took considerable interest in the German experience. On one hand, as China is a developing country, it needs to find a balance between social welfare system development and economic growth and international competitiveness. On the other hand, China has a huge population and the resources per capita are limited, and the country therefore also needs to continue to develop and make every effort to increase wealth. The lessons from the German experience of employing a contribution-based social insurance system, in which citizens have to contribute money to the fund in order to have social insurance protection, were considered worthy of close study by the Chinese government because such a system appears to balance the needs of citizens for social security with the need for economic development. In the

German case, it guarantees that people enjoy a high level of welfare support, and at the same time, it also helps to maintain Germany's economic development and international competitiveness. China also took lessons from Japan, another developed country with a high level of both economic development and welfare support. After WW2, the economic growth rate in Japan was very fast, and great efforts were taken to balance economic growth policies and social welfare policies (Zheng, 2011, p.21).

Although China has learned many lessons from the social security policy experiences of foreign countries, China's social security system is not entirely based on imported models. Given China's particular context as a developing economy with a huge population, China's social welfare system cannot be viewed as a classical welfare state model (such as the Scandinavian welfare model or the liberal welfare state). The social security system reforms undertaken in China should be viewed as having drawn on influences from both inside and outside the country and as having created a unique and evolving social security system. China's current social security system reflects the country's current situation and cultural context: for example, the state pays a lot of attention to the role of Chinese traditional family security; it has adopted a mixed pattern of policy orientation; and it has displayed a certain amount of social security system innovation.

Despite its successes, China's current social security system still has shortcomings. A modern and efficient social security system requires a comprehensive system of rules that guarantee basic social and economic security. Only then can a certain level of basic cover for the entire country be acknowledged as a fundamental social right. As things stand, the Chinese social security system is not a mature system, and the comprehensive rules that would guarantee that basic economic and social security were afforded the standing of fundamental human rights are not yet in place. The social security system in China is still a work in progress, and a lot of people, especially rural residents and migrants, are still lacking protection.

5.6 How can we protect the social welfare system against the impact of the changing market economy in China?

Chang (2007, p.68, p.218) proposes a solution, which he terms 'Asymmetric Protectionism', that would enable developing countries to develop within the prevailing international neo-

liberal economic system. Under this solution, richer countries should be allowed to protect their trade less than poor countries, and poor countries should be given the chance to develop their own industries and scientific knowledge. Could this asymmetric protectionism principle be used to solve the problem of income insecurity in China? Because China is a very large country, each province is developing at a different speed, with the coastal areas generally developing faster than the inland areas. In addition, inside each urban-rural and coastal-inland area there are also large differences in income level. In many ways, this situation resembles the international economic system, in which developed countries have strong income security, and developing countries are comparatively poor, and where asymmetric protectionism provides a strategy to support developing countries in the face of the inequalities of market competition. It should be considered, therefore, whether the principle of asymmetric protectionism might be applicable to the context of unequal income conditions in China and so serve to protect people's security.

Figure 5.8 Central control

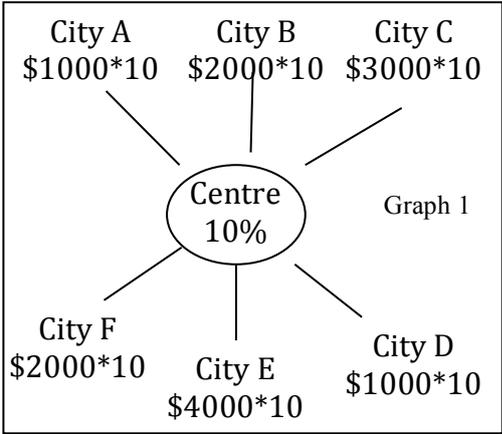
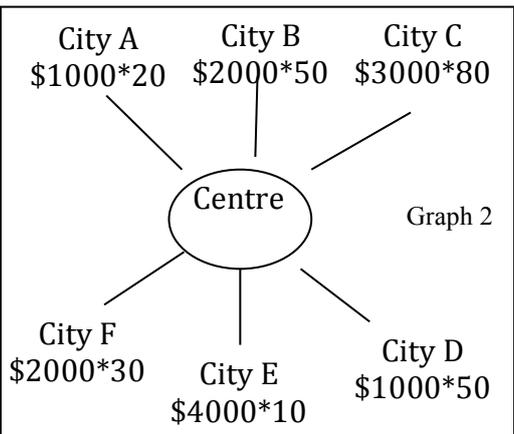


Figure 5.9 Decentralised Control



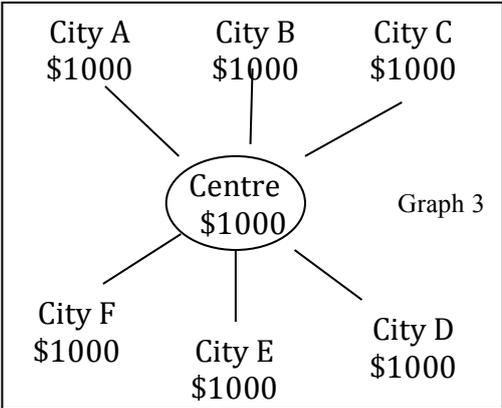
There are three dimensions to instituting asymmetric protectionism in regards to welfare policies. The first dimension concerns centralised control of policy design and direction (figure 5.8), in which the central government designs the welfare policy plans, plays the main role in setting goals and benefit levels and exercises overall control. Local authorities would then implement these plans. For instance, if central government were to set up an income security policy that called for minimum benefit levels to be set at 10% of average income, then local governments would be liable to provide 10% of local average income to those in poverty. Simultaneously, central government could provide special support, such as reducing taxes in or providing financial support to poorer districts.

The second dimension concerns measures that can be taken at the decentralised level (Figure 5.9). In this dimension, central government devolves authority to local governments and allows them the freedom to make their own plans. As such, it offers the possibility of a more flexible system. Central government might then play a role only as a monitor; local governments would decide on the benefit rates and specific coverage. For example, in such a system, central government would provide financial support to local government, which would then decide what percentage of that money to spend on welfare in their local area.

The third dimension (see Figure 5.10) concerns the central average model, under which the central government sets a single payment rate to cover the entire country. Under this model, the central government would use the national average income as a marker and set a specific percentage of this amount as the national minimum income, which in turn would be the benefit rate at which people in poverty would be supported. For example, as shown in Figure 5.10, if central government were to measure the national minimum income line at \$1000, every local city would be required to provide the same amount of minimum income support to those in poverty.

For example, a minimum income standard report for the UK claimed that the minimum income standard was 60% of national average income. In 2009, a single person required £175 a week excluding rent, a couple with two young children required £403 a week excluding rent and childcare, and a lone parent with a 1-year-old needed £234 (Davis et al., 2010, p.3). It is a matter of location, with basic income security, everyone could obtain a least certain amount of payment to secure income, currently in UK, if you qualify and have no income you'll get at least 57 pounds a week (GOV.UK-Income support, 2014).

Figure 5.10 Central average



Both centralised and decentralised systems have a number of advantages and disadvantages. Decentralisation can be used in circumstances where there are significant differences between different regions and localities. Seabright (1996, p.62) claims that one of the benefits of decentralisation is that allowing local jurisdictions the discretion to compete in the provision of public goods will tend to increase the efficiency of allocation of those public goods. Tiebout (1956, pp.416–417) contends that flexible decisions using a local supply of public goods can induce individuals to reflect their true preferences. Dur and Roelfsema (2005, p.395) argue:

Centralisation of political decision making often fails to produce the desired results. For instance, it is frequently argued that decision making within the European Union results in overspending and overregulation in some policy areas, while too low spending and too little regulation persist in others.

On the other hand, other studies argue that centralised policies provide a strong basis for effective social welfare efforts. Hicks and Swank (Hicks and Swank, 1992, p.670) describe the effect of centralised states on the welfare system has worked historically, structurally centralized states with histories of early consolidation of major social security programmes do indeed appear to capacitate the national welfare effort.

The Chinese central government is aiming to build a social policy base nationwide. However, if the government were to set precisely the same policies or general plan for everywhere in China, it may help some areas, but because of the large developmental inequality between regions, a single centralised policy framework or plan may not work effectively in other areas. For example, if central government decided to set the support rate for poor people in each province at 10% of the average national income, problems might arise due to people's differing needs. In Beijing, for example, while someone may need 100% of the average income to live, others may need 200% of the national average income to support their living security. Some people may also need other support in the form of housing or medical treatments. Furthermore, given China's geographical size, huge population and regional diversity, a complex range of social welfare policies are in operation in China. Social security policies in China incorporate a wide range of social services, including various social insurance protections such as old-age pension insurance, health insurance and unemployment

insurance, the Five Guarantees² for older people, the disabled and minors in rural areas, and the minimum standard of living scheme (MSLS). The central government has therefore devolved some of its powers of policy implementation to provincial and regional governments and has urged local authorities to develop their own initiatives to satisfy their residents' needs. It appears, therefore, that Chinese policy makers have decided that a relatively decentralised policy implementation system might provide the best option to ensure universality of social welfare allocation in China. The central government's role is limited to monitoring how local governments implement social policies and assuming macro-control over the social welfare system's resources allocation process. Lin and Liu (2000, p.2) assert:

The central government can assign its representatives to local offices where they could gain sufficient knowledge about the local preferences and thus play a role in the resource allocation process under a centralized fiscal system...[T]he central government can also involve officials at the subnational level in the decision process

As regards a specific Chinese social security policy, how does the centralisation/ decentralisation discussion relate to the implementation of the MSLS in practice? The MSLS is China's main response to the new social security challenges under the market economy, and its purpose is to 'provide a basic living for individuals or families to overcome their difficulties, maintaining social stability and promoting social development' (Shanghai, 1996). It was first introduced in 1993 by the Shanghai local authority (Chan et al., 2008, p.67). After the MSLS was rolled out nationwide, the State Council of China state "all levels of government should place the MSLS onto the list of important tasks" (State Council of China, 2011). Since its nationwide implementation, the local governments of each region of China "have worked out the levels of MSLS on the basis of their own local financial condition" (Chan et al., 2008, p.72). As with other social welfare provisions, the majority of funding for the MSLS comes from local government income. But if the revenues of a province (local government) could not cover specific social welfare expenditure, the central government may provide some subsidies to those provinces (Lin and Liu, 2000, p.2).

Despite the apparent success of the MSLS, there are still many problems with it in its current form. In each region of China, local government sets the minimum standard level by themselves, which results in very different levels of MSLS payment between regions in China.

² Recipients of benefits under the Five Guarantees are provided with food, clothing, housing, medical care and burial expenses (Fraser, 2011, p.3).

In addition, since the local government has to bear the majority of the costs of the social security benefit, the MSLS payment rate is normally set too low to satisfy the needs of poor families. Furthermore, because the funding for MSLS is collected and managed by local governments, it makes it very difficult for central government to monitor the process and funds may be used by local authorities to fund projects other than the intended ones. A fairly recent example of Chinese local authority mismanagement of social funds might prove useful here. Like MSLS funding, “the old age pension fund is collected and managed by local authorities” (Chan et al., 2008, p.83). According to the National Audit Office, in 2006, about 1.7 billion yuan of pension funds were misused in overseas investments, construction projects and illegal lending (China Daily Online, 2006).

It might be argued that collecting national statistics on all of the regional MSLS standard rates would allow for the setting of an average rate, a baseline standard that could address the problem of low benefit rates. Clearly, however, living costs vary greatly between regions in China, and variations in MSLS payment rates are in some way inevitable. For the more economically developed cities, and thus higher income cities, the MSLS payment rate has been tied to the local average income. For developed cities such as Shanghai or Beijing, the MSLS payment has been paid at a significantly higher rate than the national average, but for the poorer developing cities, a national average rate has provided a decent income and standard of living. As a basic income security, the MSLS payment rate at least needs to cover people’s basic needs. However, because of the various payment standards and conditions, the MSLS does not act as a basic universal income security, instead it is a policy targeted at particular groups. Ms C from ILO Asian Department, Bangkok said that economic development in China is growing fast, but economic security is not performing as well as its economic growth; for example, with the lack of national standards, it is hard to guarantee that everyone obtains sufficient support. It is even hard to ensure that everyone gets some support whether it is sufficient or not.

In addition, many poor people are not covered by the MSLS or other social benefits. For example, in the existing old age pension system, people who are outside of the labour market get little protection (Chan et al., 2008, p.79). There is also a huge number of highly mobile migrant workers in China, most of whom are informal workers or contract workers, and the existing social support system also fails to address the financial burden that paying insurance premiums places on migrant workers. As Meng et al (2004, pp.17–38) point out:

The precise number of this floating population is uncertain, but it is thought to be at least double estimates. This population is not covered by any social insurance system. Whether they have any insurance status at all is determined solely by their employer, if they have been fortunate enough to secure a job.

Obviously, decentralised social policies would not work well for such migrants as China has a restricted household registration system, and the social security insurance benefits payable depend on a person's officially registered place of residence. Because one region's living standards are different from another, in some areas the gaps in benefits that rural migrants and urban residents might receive are very large. Furthermore, people whose earnings are marginally above the minimum benefit rate also need basic protection. For example, those with an income just above the MSLS support threshold could easily fall into extreme poverty without protection. The current MSLS support threshold in every city is still under the United Nations' (UN) extreme poverty line of \$US1.25 per day. The income of those just above the MSLS support threshold still meets or falls below the UN's figure for extreme poverty, but they are not eligible to receive cash support. It seems clear, therefore, that steps need to be taken to protect those at the margins of eligibility for MSLS benefits. More careful practical use of social and economic security policies could allow marginalised people to receive similar support to that enjoyed by formal MSLS recipients. For example, they might be afforded the education benefits that are currently enjoyed by MSLS recipients. This could help to protect the marginalised from falling into an even worse situation than they currently experience. Indeed, in an interview conducted during the fieldwork for this study, Ms B from the Ministry of Civil Affairs of the People's Republic of China said that China's social security system should be focused not only on extremely poor people, but also on the marginalised with an income just above the income support threshold. She stated that the authorities in Beijing are now trying to help marginal groups by granting them some of the benefits previously afforded only to MSLS recipients, but excluding direct cash support. She claimed that people from these marginal groups who are now receiving these benefits are very happy with the new arrangement and are worrying less about their living conditions.

The question, then, is how can an effective and equitable income support policy or income security system operate in an economy that is so complex that it has needed to generate complex forms of security? The complexity of inequality and insecurity in 21st century China means that there is no simple answer to this question, especially given that the continuing

pace of economic development in China keeps the situation dynamic and fluid. If there is a solution, then the principle of asymmetric protection could provide the basis for a system combining universal and targeted types of protection to people. In such a system, everyone will get kind of protection, but protection will weighted depending on a person's income level and living standards.

China's rapid economic reforms have influenced the Chinese welfare system and have resulted in a decline in social service provision by the state. Some major challenges to the social security of Chinese people have resulted from these changes, and the major insecurity problems of income and housing security for informal workers, migrant workers and self-employment workers, must be addressed. The 'asymmetric protection' principles discussed above could shed light on ways to address income and housing security within each region in China.

5.7 Conclusion

After many years of investigating the social policy experiences of other countries and years of practical policy development, the Chinese social security system framework is nearly complete. Nevertheless, the development of the Chinese social security system will remain an on-going task due to the emergence of new issues related to changes in the labour market brought about by economic reform. These issues include the need to provide protection for informal workers, migrant workers and self-employed people, improve the quality of social benefits, and increase the current low benefit rates. All of these issues create new challenges for China's social and economic security system. If the Chinese social security system is to run smoothly and be a mechanism for sustainable development, then effective social security policies to deal with these issues need to be developed.

As a huge and complex country, the question of how best to allocate and operate basic income support and housing security policy has proven problematic for the Chinese authorities given that there are advantages and disadvantages to both universal and targeted models and to centralised and decentralised models. While the Chinese government should take on board the opposing views of such international players as the ILO and the World Bank, the decision on the best policy course ultimately rests with the Chinese government, and the decision that is taken should best reflect the unique Chinese context.

One of the most important tasks facing the Chinese government at the time of the social security reforms was to increase the rate of welfare support coverage. The central government has certainly taken steps to address this issue and has designed a mixed universal and targeted economic security strategy to protect people's income and housing security and maintain sustainable development. Nevertheless, the benefits of operating income security and housing security on the basis of compulsory and universal social protection are compelling. China could therefore consider introducing a national social protection floor covering the entire population while continuing to target those in need. Given the large proportion of needy people not covered by current social security policy, the Chinese government could consider expanding the coverage of particular social benefits to those people whose income currently places them at the margins of eligibility for social security benefits.

The positives and negatives associated with universal/targeted models and centralised/decentralised social welfare systems means that the decisions of China's policy makers must be grounded on a comprehensive and systematic understanding of these issues and the lessons that can be drawn from other the policy experiences of other countries. Of these issues, one of the most important in the Chinese context is the issue of decentralism because the power to set both the threshold for support and benefit payment rates power is granted to local government. The next chapter will therefore examine this issue in more detail.

Chapter 6 - Social security at the local government level – a case study in Tangshan City

6.0 Introduction

The picture of social security at the state level presented in the previous chapter indicates that China's social security system is moving towards a combination of universal and targeted social security provision. On the one hand, the state is developing the welfare state and increasing the coverage rate in key areas such as health insurance, with over 90% of people in China currently participating in health insurance programmes. On the other hand, the Chinese welfare system is focusing primarily on lower income groups, with policies offering cash support to extremely poor households and developing housing policy for poor urban residents. However, the rapid and relatively unsystematic growth of the Chinese social security system has led to a range of problems.

As shown in the previous chapter, one important issue is the lack of a national standard for welfare provision and coverage. Because China is so vast and has such a large population, the lack of a national standard means that many local regions have set social support payments at such a low rate that they are unable to satisfy people's basic needs. In addition, the level and types of social protection offered vary across regions. For example, social payments differ greatly between rural and urban areas and inland and coastland regions.

In China, policies designed at the national level are not always put in practice at the local government level in the way that was originally intended. For example, while the central government's main policies regarding income security and housing security have been broadly implemented across the country, the considerable administrative freedom granted to provincial governments means that the specific implementations of these policies and the way in which social security is delivered to people varies according to the province. This chapter therefore looks at the provincial government in order to analyse social security in China. This chapter explores to what extent Chinese local government efficiently implements national social security policies at the local level. This issue is especially germane in the Chinese case because at present central government set the overall social policy, while the actual social

policy details, standards and implementation are worked out and managed at the local government level.

This chapter explores two of the main issues raised by the research. Firstly, it looks at how the nature of Chinese local government fundamentally influences the way in which social security policies have been developed and implemented in China. Secondly, it examines how local government has failed to implement and administer policy in an equitable way, especially regarding the differing outcomes of specific policies for rural and urban people. To explore these issues, Tangshan City will be used as a case study.

This dual separation of responsibility for policy design and implementation in the Chinese state welfare system is mirrored in one of the most important debates within the field of social security theory, which focuses on the degree to which national or local government should assume responsibility for and intervention in social security provision. The main theoretical perspectives within this area include the debate on free-market provision versus state intervention and centralisation versus decentralisation. Some critics have argued that social security provision under decentralised authorities can lead to problems such as the setting of low benefit rates and inadequate support for housing security. Others have contended that countries in which decentralisation plays a prominent role in the implementation of social policy tend to have a lower level of welfare provision than countries with a more centralised implementation (Cameron, 1978; Castles, 1999; Swank, 2002). Crook and Sverrison (1999) and Smith (1985) argue that the lack of resources available to local government ultimately limits its ability to provide public services to citizens. In contrast to such criticisms, however, Rondinelli, Cheema and Nellis (1993) found that decentralisation in Asian developing countries improved the capacity of local administrators and made local governments more responsive to local needs. In addition, a World Bank case study showed that decentralisation had improved local services in Colombia (Mundial, 1995). In the developed European welfare states, public welfare systems are characterised by varying degrees of centralisation and decentralisation. For example, Sweden is characteristic of a decentralised state, with much of the control over policy implementation having been transferred from national to local government, which assumes political, social and financial responsibility for large parts of the welfare system. In contrast, the UK social benefits system is largely administered by a national agency. For example, in the case of one of the most important income security measures, unemployment benefit, the system is centralised.

In China, the social welfare system is highly weighted towards decentralisation. Although social policies are designed by central government, local governments are able to modify central government policy to some extent and to set their own local social support standards and rates. As China contains many provinces that are developing at different speeds, it is necessary to examine how income support in one state differs from that in another. In any analysis of the effects of China's decentralised system on welfare provision, it is necessary to examine whether decentralisation enables local government to be more flexible in responding to regional needs to provide services that are effective in protecting the economic security of welfare recipients.

What, then, does the administration of welfare provision by local government mean for the design and implementation of social policies in China? In an effort to answer this, this chapter explores two main questions raised by this thesis. Firstly, does the nature of Chinese local government fundamentally influence the way in which social security policies have been developed and implemented in China? Secondly, has local government failed to implement and administer policy in an equitable way, especially in terms of practical differences in the implementations and outcomes of specific policies for rural and urban people? To explore these issues, current social policy practices in Tangshan City will be used as a case study. This chapter presents some of the findings from the Tangshan city case study to examine whether current income support rates in Tangshan are sufficient to guarantee income security for welfare beneficiaries and whether there are problems with the housing security policies that have been implemented in the city. Section 6.1 explores local government responsibility for the social security system in the city. Fiscal policies are discussed in Section 6.2, social insurance issues in Sections 6.3 to 6.5, the local implementation of the MSLS programme in Section 6.6, and local housing provision in Section 6.7.

6.1 The administration of social security by local government

In China's single-party state, the organs of state operate on a centralist principle under the central state government. The administrative division in China has the Central Government or State Council as the highest authority; under this are various ministries dealing with a broad range of political, economic and social issues (see Figure 6.1). Below this, three provincial-level authorities constitute the next level of government. Most regions are organised as

provinces, with autonomous regions and municipalities operating only in some regions in China. The three provincial-level authorities, Province, Autonomous Region and Municipality authorities, have equal administrative powers, and provincial-level governance is a central feature of the system of government in China. In total, there are 31 provincial-level governments, including 23 provinces, five autonomous regions (Neimenggu, Guangxi, Xizang, Ningxia, and Xinjiang) and four municipalities (Beijing, Tianjin, Shanghai, Chongqing) (State Council of China, 2013).

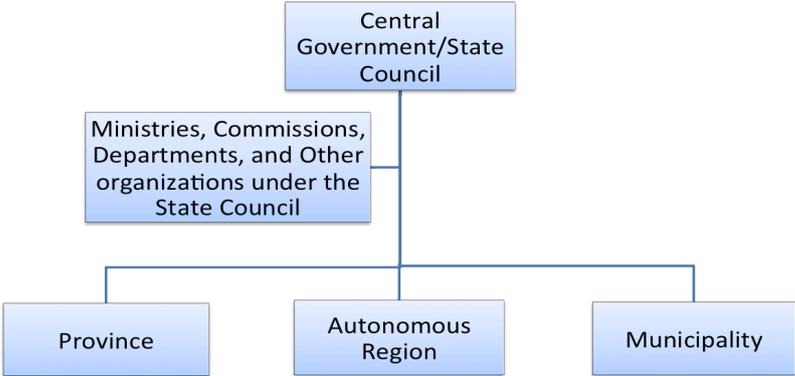


Figure 6.1: The administrative structure in China

The administrative structure of government in the different provincial-level authorities is very similar and is summarised in Figure 6.2.



Figure 6.2: Local government administrative structure in China

Below the province-level administrative structure, there is city and district/county level government. There are a total of 335 cities at the prefectural level, 2142 county-level authorities, and a very large number of local administrations at the township and village levels (Ahmad et al., 2002, p.3). Depending on the size of the city, it may contain many districts and counties. Districts are generally defined as urban areas, and counties as rural areas. Townships are generally defined as the areas in between urban and rural areas, and villages are categorised as rural areas.

Within this administrative structure, governance at the central government level is mostly highly centralised, while at the provincial and other local government levels, administrations take either a decentralised form or lie somewhere between centralised and decentralised. It should be noted that administrations at local government level have greater autonomy and administrative power than in the past. Before the economic reforms of 1976, the entire government system in China was highly centralised, with local government having little independence. The economic and social development fiscal budget was obtained from and managed by central government, with all local government acting merely in an 'agency' role as implementers of central government policy. As a result, the responsibilities and functions of local government were limited, acting largely as branches of central government. Although the centre may have offered local authorities a limited degree of operational autonomy and some degree of independence in allocating economic resources in order to promote local development, the central government ultimately controlled macroeconomic development policy across the entire country, with the aim of achieving equal development across all regions. This pattern of economic development is typical of a centrally planned economy, with the central government in control of distribution of the resources necessary for economic development at the local level. During the Mao period, the Chinese economic development strategy was largely egalitarian in character, and financial investment during the Second, Third and Fourth Five-Year Plans (1958–65, 1966–70 and 1971–75) was concentrated on the interior and western regions (Naughton, 1987; Huang, 1996). However, a serious drawback of this governance structure was the extent to which the central government would allocate resources in the pursuit of national objectives to the detriment of providing resources to the local government level. This form of administrative system inevitably led to a lack of autonomy for local government and a failure to develop efficient administrative and operational capacity.

After the 1976 reforms, the centralised administrative system in China began to change, especially following the establishment of a market economy. Local authorities were gradually given greater rights and powers to evaluate the situation in the areas under their jurisdiction and to formulate their own development policies and plans. Today, local government no longer acts as a 'pure' implementer of central policy, but has instead become a party to the design, development and implementation of policy in China. The framework of the local government system is similar to that of the central state government; it has the same administration branches but on a smaller scale. For example, local government administers social security services through the local Civil Affairs Bureau, the Human Resources and Social Security Bureau, the Housing and Urban Rural Development Bureau and other relevant official departments at the local government level.

Therefore, local government invariably carries out two functions having a dual role to play in the process of delivering social security. On one hand, the local authority acts as a level of government that is subordinate to central government, and is responsible for implementing central government's administrative tasks and regulations and assisting in implementing the centre's social security policies. On the other hand, local government is a representative of local society and has responsibility for economic development, developing social welfare services and providing social security support. For example, in the provision of the Minimum Standard of Living Scheme (MSLS), local government needs to use part of its revenue to finance the MSLS, which provides financial support to recipients. Local government also has more power than before. They are now able to modify central policy or to add new local conditions to make it more efficient. In housing provision, local government is required to follow higher-level government orders to provide affordable housing, low rental housing and housing subsidies, but local government has the right to decide how this is provided. For example, local government has the power to decide where to build low-rent housing provision and how to allocate it to local applicants. As Chan, Ngok and Phillips (2008, p.67) emphasise, 'China is lacking a nationwide strategy for tackling social security policies, and the central government encourages local authorities to develop their own initiatives and use manifold resources to support and meet their resident's needs.'

Along with the changes in China's social welfare pattern and the expansion of market reforms, the relationship between central and local government has changed towards meeting development interests at the local level. For instance, when central government is in the

process of designing social policies, it will often consider the real needs of local government. Meanwhile, local government has exchanged its former passive acceptance of central policy directives for the practice of actively making requests based on local needs (Wang, 2012, p.8). Since city authorities work directly with the recipients of social security (and thus the targets of such social policies), they are in a better position to assess people's needs. It should be borne in mind, however, that decentralisation may decrease the incentive of local government to adhere to nationally agreed social protections for citizens and that greatly increased independence, flexibility and power at the local level may actually lead local government to implement policies in such a way that they contravene central government's objectives (Naughton, 1987; Huang, 1996). In China, the aspects of decentralisation inherent in the system of government mean that there are local variations in social security responses to the policies designed by the central government. Consequently there is a lack of national standards in the social security system. The national standards only provide a guideline, for example the national standard requires that the MSLS payment should meet the lowest local living expenses, but it does not state the exact amount that the local government needs to pay. However, as local government reports the level of the lowest local living expenses, there is a clear conflict of interest and local government might potentially have a detrimental influence on the overall MSLS process. This has allowed local governments to tailor their responses to problems such as low support/payment rates in order to cut social security costs. Given that most of the local welfare budget is collected at local level (described in more detail in the next section), this is a crucial point.

Many academics argue that the economic security provided in China is not enough to support the cost of living and healthcare and that the coverage support standard is low relative to the potential demand of many of China's poor (Chan et al., 2008, p.73; Wong and Flynn, 2001, pp.67, 68; Saunders and Shang, 2001, p.283). Given the recent fast economic growth, the question of why social payment is still too low has to be asked. One reason might be because government spending of GDP on social welfare is quite low compared to other areas. In 2011-2012, China's GDP on government spending was about 13.5% (The Economist, 2014), but social security, healthcare and the employment budget shared about 15.7% of total government expenditure (Needham, 2013, p.5). Therefore, spending on social welfare was about 2% of total GDP. Needham (2013, p.5) argues that China has been taking greater responsibility in social welfare and healthcare to reduce social insecurity. In one sense, it is true that over the past few years the governments in China has been more proactive in taking

responsibility for improving social security, and because of the large population, the coverage rate of social welfare will have a great impact on the greatest number of people. However, the GDP spending on social welfare compare to other factors is still quite small. In the OECD countries, GDP spending on social welfare rose from 19% in 2007 to around 22% in 2013 (OECD data, 2013). Thus, there is still a long way for China to go to reach a similar service as in Europe with a system where universal health care is available to all residents, as well as long-term care for old people and sufficient support for unemployed workers.

Nevertheless, many cities have promoted and gradually increased the coverage of social security policies, including MSLS, unemployment insurance, basic healthcare and pensions. Given the decentralised nature of social policy administration in China, the ability of local government to take responsibility for and implement social policies efficiently is a crucial issue for social security and long-term development. The next section provides more details on how local government might provide social services to protect citizens. The characteristics of economic and social security developments and policy structures in Tangshan city have been selected as a case study. As shown above, social payments come largely from local government, although the central government will also help by issuing a certain percentage on behalf of local government. Therefore, social security payments are influenced by local government revenue. The next section will give more detail on this issue.

6.2 Fiscal policies at the local-government level

Social security is one of the key responsibilities of local government in China, and adequate financial support is key to the success of the social security system. The main fiscal responsibility for social security falls on local government, which manages and supports various forms of social security through its fiscal budget for capital expenditure. The area budget for social welfare is reflected in three factors, the local government support rate for social insurance, social assistance and other forms of fiscal support; the fiscal ratio of central finance and local finance expenditure; and, the social security fiscal ratio to GDP level. According to Zheng (2011, p.250), China's social security fiscal budget in 2009 was about 6.2% of national GDP, while the local government expenditure on social insurance was 14.4% of local GDP, with local government fiscal support accounting for more than 95% of social security support. The rest was supported by central government and other donations. Over the

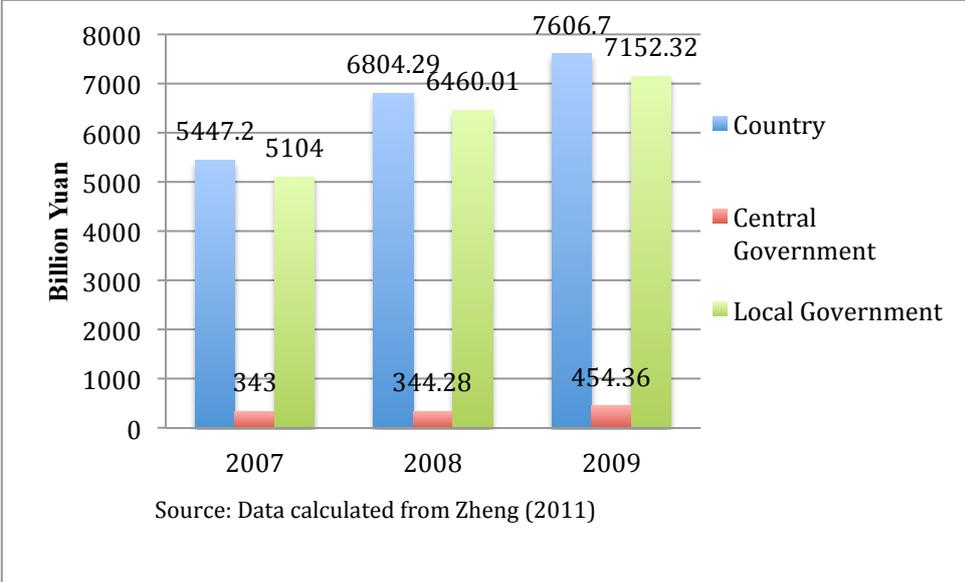
past 30 years, the rate of fiscal support from central government progressed through three stages, first decreasing, then increasing and finally stabilising. From 1988 to 1995, the social security support ratio reduced from 29% to 11.63% of the total government fiscal budget (Zheng, 2011, p.256), this massive reduction was influenced the economic and political environment in China. Its economy was a system in transition; all resources were in a period of reallocation during the economic reforms after 1979 (Zhu and Tan 2005, p.9). In addition, foreign investment fell off sharply after the Beijing Massacre of June 1989. The whole economic and social system was in an unstable period. From 1996 to 2002, the ratio increased over time, and after 2004, the ratio stabilised at around 40% of total government fiscal expenditure (Zheng, 2011, p.256). This massive increase was also influenced by economic and political progress. After 1995, series economic reform policies were established and implemented, and the overall level of quality and ability of state enterprises was promoted and a better economic and political system was instituted (Zhu and Tang, 2005, p12).

This trend towards large increases in the social security financial support ratio reflects the government's increased focus on social security provision and development. In addition, social security became more monetized, whereas previously benefits were given fewer subsidies. For example, in housing, at that time, house prices were much cheaper than today. In employment, there were not many rural migrant workers working in urban areas, about two thirds of the population worked in agriculture areas, the government was able to provide jobs for urban workers, and social insurance pressure was much less than today. The population was about 1 billion in the 1980s and early 1990s, whereas today there are over 1.3 billion people in China. Also inflation has risen in China giving higher prices for food and commodities than before (BBC, 2011a). In 2011 the inflation rate was rising by about 5% and the rising cost of food and commodities have pushed up the cost of living.

The majority of the social security fund comes from local government and local authorities are dealing with the costs with their own fiscal revenue. How do they raise so much money at the local level? According to Wang (2011, p.1), local government revenue comes from three main areas, local tax revenue (about 39% of total revenue), central government supply (around 31%) and local land sale or rent revenue (around 30%). At the local level, the majority of the social security fund comes from the local authority itself, which raises revenue through tax receipts, profits from government owned businesses and compulsory contributions by private companies and land sales.

China runs a tax revenue system that is divided into two major forms, state tax revenue, and local tax revenue. Local and central government share the total tax revenue in different proportions; for example, from income tax the state takes 60% and local governments take 40%. All tax from local natural resources and local business tax revenue goes to local government (Liu, 2009, p.3). In addition, to raise non-tax revenue, local government can do things such as selling local land to raise money. Therefore, local government is able to provide a social security fund. As shown in Figure 6.3, local social security expenditure comes mainly from the local government fiscal budget, at an average of between 93% and 94%, and central government contributes only around 5% to 6%. This is an important point; all almost social security costs come from the local government source. Income assistance, pensions, housing provision and other social security budget cover all social security provisions provided at the local government level.

Figure 6.3 Government Social Security Expenditure Rate



China is investing a lot of money in all types of economic securities. For example, in 2012, the state expenditure on pension was 1450.7 billion yuan, unemployment insurance was 18.1 billion yuan and public health insurance was 762.4 billion yuan (Ministry of Finance of the People’s Republic of China, 2013). From 2009-2012, the state invested 900 billion yuan (about 140 billion US dollars) to build social houses to protect housing security (XinHuaNet, 2009).

Local government responsibility for social security is merged with the market system. State owned companies and private companies are sharing part of the responsibility of the social insurance fund, and the government might also invest the social security fund in the market. In the pension system, for example, employers pay a pension to retired workers, of which local government is required to pay 20% and 10% is taken from government finances (Zheng, 2011, p.263).

Contributions from local companies have helped to reduce government costs. However, it also increases the number of part-time workers and informal workers employed by the companies in order to avoid social insurance costs. In 2010, the number of informal workers in China was around 50% according to official figures (Kuruvilla et al, 2011, p.20). In 1997 there were about 53.92 million informal workers. By 2004, the number of informal workers had increased to 136.1 million and this figure continues to increase (Yao, 2007, as cited in Liu, Zhang and Li, 2008, p.17). This issue will be discussed more in Chapter 8.

Given the lack of a national payment rate standard, the fact that local government is primarily responsible for providing social security and that the majority of social security expenditure comes from local government revenue, there is intense pressure on local governments to reduce the level of support payments and thus reduce their total social security costs. The lack of a national payment rate standard, the unclear demarcation of the boundaries of responsibility for social security provision and the failure to establish a systematic and standardised social security policy decision-making process all contribute to failings in the systems. Furthermore, the influence that the market has had on the social security system in recent decades, not all of it positive, means that there is a case to be made for the government to intervene more actively in setting standards for the social security system and its delivery of social protections.

6.3 The economic security issues in Tangshan

Located 100 miles from Beijing, Tangshan is one of the eleven city-level cities in Hebei Province, a heavily industrialised district that has experienced rapid economic growth over the past few years. It therefore provides a typical case through which to examine the welfare policy model in China. Local officials had an important part in shaping and developing the

local economy and managing local social welfare. The local authority also takes responsibility for obtaining and providing resources for social insurance. Due to the type of market investment and high economic growth rate in the city, Tangshan has provided many job opportunities to people from other regions, with a high rate of rural migrant workers moving to the city in search of work.

The income security policies that will be examined in this case study are the Minimum Standard Living Scheme (MSLS), the Minimum Wage and healthcare insurance. In line with the strategy of central government, Tangshan has adopted income security policies that contain features of both universal and targeted policy models. For instance, the coverage of the social insurance schemes in Tangshan, whereby all urban formal workers are required to participate in schemes for unemployment insurance (UI), healthcare insurance, pension insurance, work-related injury insurance and maternity insurance, is characteristic of a universal income protection model. Of these, the UI scheme, which is one of the most important income security policies, will be examined in the following sections, which looks at how the local authority administers and implements UI policy to protect people.

Before exploring the particulars of the administration of the UI scheme in Tangshan, a comparison of the coverage rates of other social security schemes compared to the rate for the UI scheme is useful. As can be seen in Figure 5.4, overall social insurance rates gradually increased from 2010 onwards. In addition, Tangshan's Statistical Bureau (2013, p.3) reports that by 2012 1.537 million people had joined the pension insurance scheme, including 1.0929 million formal workers in urban areas, 2.252 million people had joined the urban health care insurance scheme, including 1.4872 million urban formal workers and 0.7648 million urban residents were not employed in the formal sector. In contrast, only 0.7937 million were participating in the UI scheme.

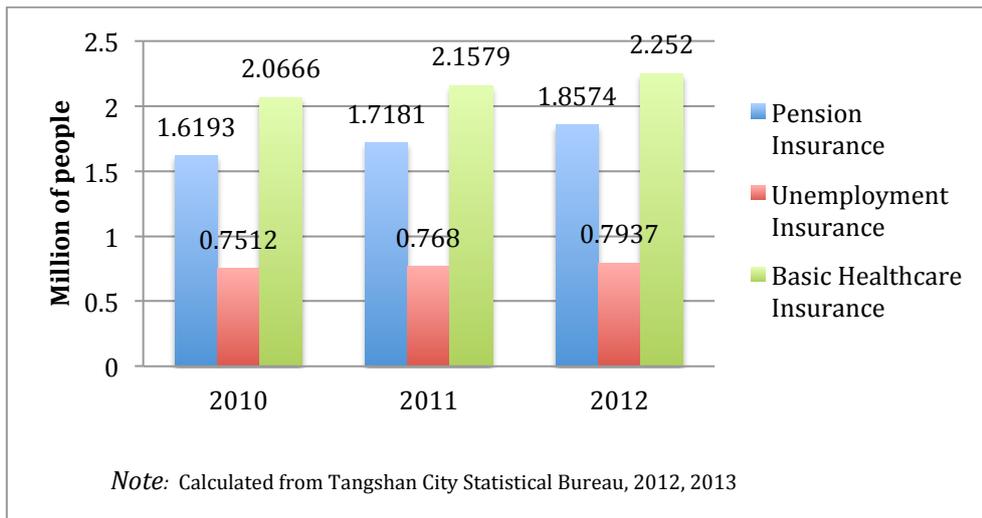


Figure 6.4 Social Insurance Rate in Tangshan

The number of UI participants is increasing over time. However, the number of people who draw UI benefits has declined from 2006 to 2012 (CCTV News, 2014, p.1) One reason is that in recent years, China's economic and employment situation has improved; therefore, the unemployment rate has decreased. It should be noted that since many rural residents and informal workers are not eligible to join the social insurance system, most participants in social insurance schemes are urban formal workers. Many of them work in the state-owned sector or as civil servants. Therefore, their jobs are comparatively stable compared to those in the private sector. The level of social security is higher for civil servants and other employees working for the state and other formal state-owned enterprises compared to employees in the private sector. In private enterprises, workers' social security has not been so well protected. Also, in practice, most rural residents and informal workers are not eligible to join the social insurance system. The level of social security development is therefore extremely unbalanced in China.

As can be seen, the UI coverage rate is far below that of the healthcare insurance and pension schemes, and this figure has stayed almost the same for the past three years. As the UI scheme is one of the five compulsory social insurances that employers must pay, the participant's contribution comprises part of their salary. The question then arises of why the UI scheme has a lower coverage rate than the other compulsory schemes. This is explained by the fact that UI is only for formal workers and informal workers are not included; whereas healthcare insurance and pension insurance are open to every permanent resident of the city.

Furthermore, since the local authority is responsible for making social insurance payments to

participants, in order to reduce the cost of administering the system, it only takes permanent local residents and formal workers into account for social insurance purposes. This is a common standard across the country.

UI sets out the level of overall planning in the regions to be followed by authorities in the provinces and autonomous regions. Those regions may establish adjustment funds for unemployment insurance and may also sensibly adjust the rate of unemployment insurance premium after approval by the state council. In Hebei Province, UI follows the Unemployment Insurance Rule introduced by the central government in 1999. In order to claim UI participants must have paid contributions for at least one year, be made unemployed rather than leaving their job voluntarily, have registered as unemployed and be looking for work (State Council of China, 2005b).

UI implementation is followed by strategic decisions at the provincial government level, and the provincial government also manages the UI coverage standard. The city level government then implements the orders from the higher level of government, as follows:

1. Those with contributions between 1 and 2 years, receive three months of UI payments
2. Those with contributions between 2 and 3 years, receive six months UI payments
3. Those with contributions between 3 and 4 years, receive nine months UI payments
4. Those with contributions between 4 and 5 years, receive twelve months UI payments
5. Those with contributions over 5 years, receive up to twenty-four months UI payments

Under this directive, the specific implementation of UI in a given province is determined by strategic decision making at the provincial government level, and the provincial government also sets the UI coverage rate. The city level government then implements the instructions passed down by the provincial government. The UI payment standard considers the minimum local wage rate; the payment has to be below this, but above the local minimum living standard (Hebei Provincial Government, 2005).

Before 2005, the UI payment standard was different in different places. The UI benefits in each city had a different payment rate. Even within the same city, there used to be a different payment rate between town-village areas and county districts. However, this has changed in recent years: in many places in China, a local standard payment rate has been set within the province or city, and local residents enjoy the same UI benefits across the province (Zheng,

2011, p351). In Hebei Province, the provincial government began setting a standard UI payment rate for all cities in 2011, and each city has to follow the UI rules set by the provincial government. Under the current UI payment scheme, the highest UI payment possible is 770 yuan per month, the lowest is 520 yuan per month, and the claiming period ranges between 3 and 24 months (Guo, 2012, p.2). Therefore, every participant can get at least 520 yuan per month. However, this payment rate is very low. In 2012, the minimum wage rate in Tangshan was 1100 yuan per month (State Council of China, 2012b) and the minimum living standard was about 450 yuan per month (Hebei News, 2013). The UI payment rate was about 60% to 80% of the minimum wage rate and was just over the Minimum Standard Living Allowance (MSLS) payment rate. Although the UI has achieved something in protecting unemployed workers, it is not enough to help unemployed workers to boost their skills to find a new job. Lin, Yang and Lin (2005, p.345) show that the UI benefits in a lot of places are only paid at the basic living standard. It is not enough to promote the re-employment activity, if UI claimants cannot afford the expenses involved with getting a job such as travel costs.

The UI payment is not decreasing over time. This might be because UI benefit is related to the minimum living standard and the minimum wage rate. It is not similar to European countries where the UI is related to the recipient's previous wage rate. Instead, the UI has been set at a flat benefit rate by local authorities. Most provinces in China seem to be running UI benefits in a similar way. Unfortunately there are no regularly published documents from the government to explain why the structure of UI payment is related to MSLS. However, the main reason might be because local government capacity is limited and the local fund would not be able to cover the massive population by providing a high UI payment rate. Ms X, a deputy mayor from the Kaiping District of Tangshan City, agreed with the local administration capacity limitation. She said it is still under pressure to provide support for a large number of workers. Therefore, the UI scheme is designed mainly to protect the low-income population and those who have temporarily lost their job, and the UI payment rate remains low. In addition, it might be difficult for local government to check and identify every unemployed worker's previous income rate, the size of a province is as large as some countries, the labour market in each region might be very complex and diverse, and also the state lacks reliable personal credit account data, all of which are big challenges for local administrative capacities.

Furthermore, the low payment rate might be adequate to meet the living expenses of some low-income workers, but it is insufficient to meet the needs of workers with higher living costs. As discussed in previous chapters, the purpose of economic security is not only to protect the poor, but also the security of higher income people. Given that each area has a set flat UI payment rate, higher income workers will still have considerable living risks because their living expenses are generally much higher than those of low-income workers and the flat local UI payment rate is insufficient to meet their needs. China's UI scheme is a contribution-based system under which workers have to contribute part of their wages in order to obtain UI. In Hebei Province, workers have to contribute 2% of the provincial average wage rate to UI (Liu, 2009, p.13). Given the higher income needs of some unemployed workers, the introduction of an asymmetric protection system might better serve the needs of these unemployed people. In such a system, higher wage earners could contribute more to the UI scheme (that is, contribute at a higher rate than the current 2% of provincial average wage in Hebei) and the UI payment rate could be linked to the person's previous wage in order to satisfy the needs of different income classes. Such a system would go some way towards guaranteeing the income security of higher income workers.

In Hebei Province as a whole, there were 4.9875 million UI participants, with 835,000 claimants in 2011. Out of all those who became unemployed, only about 16.7% claimed UI benefit (Bureau of Human Resources and Social Security of Hebei Province, 2012, p. 3). In Tangshan, about 0.8 million people joined the UI scheme in 2012, and about 13,000 people claimed UI assistance. However, according to the Tangshan Statistics Bureau (2012, P.3), there were 4.4 million employed workers in Tangshan in 2011, and the unemployment rate was about 4.0% (Tang, 2011, p.9). According to these figures, the number of unemployed workers in Tangshan in 2011 should have been around 176,000, over 10 times the number of UI claimants. It appears, therefore, that despite increasing rates of participation in the UI scheme, UI in Tangshan is not fulfilling its prescribed role, as many unemployed workers have been unable to enjoy the benefits of UI.

6.4 Issues in basic health insurance in Tangshan

Basic health insurance is another important policy for income security. It is divided into two schemes, one for urban and one for rural residents. As discussed in Chapter 5, the scheme for

urban residents is known as basic urban health insurance and covers basic medical costs for those covered. In Tangshan, contribution costs were 350 yuan per year in 2006, with the government paying 200 yuan and the residents paying 150 yuan (Tangshan City Council, 2007, p.2). Participants in the scheme were required to seek treatment at specific hospitals, with four types of hospitals covered by the health insurance: the types of hospitals range from low and general-level hospitals to specialist hospitals. Participants receive benefits only for fees over 300 yuan at the first level of hospital, over 500 yuan at the second level of hospital, 800 yuan at the third level of hospital, and where fees exceed 1,200 yuan for specific illnesses, with a maximum basic health insurance payment of 30,000 yuan (Tangshan City Council, 2007, p.3).

The central government would like to use this basic urban health insurance to provide citizens with a general level of medical protection. In practice, however, this system may not provide sufficient health protection to poor recipients. As health insurance benefits are not paid until treatment fees exceed 300 yuan, many of the poorest members of society may be dissuaded from seeking treatment for minor ailments and conditions where the treatment does not exceed 300 yuan, because this payment must come from their own pockets. It should be remembered that the 300 yuan limit equates to approximately one month of MSLS payment, that is, the entire monthly income of the poorest people. For poor people with persistent health problems, a sizeable proportion of their monthly income might be spent on medication. If poor people are dissuaded from seeking hospital treatment on account of cost, this raises the likelihood that the source of their ailment remains untreated and they may go on to develop a serious illness.

For rural citizens, the basic health insurance scheme is called the New Rural Cooperative Healthcare Insurance (NRCHI). In 2011, 4.73 million rural residents had joined the NRCHI, and the coverage rate in Tangshan City was 98.36% (Tangshan Statistics Bureau, 2012, p.18). The NRCHI is financed by central government, local government and participants. There is no national standard contribution rate for the NRCHI, with rates being set at the provincial level.

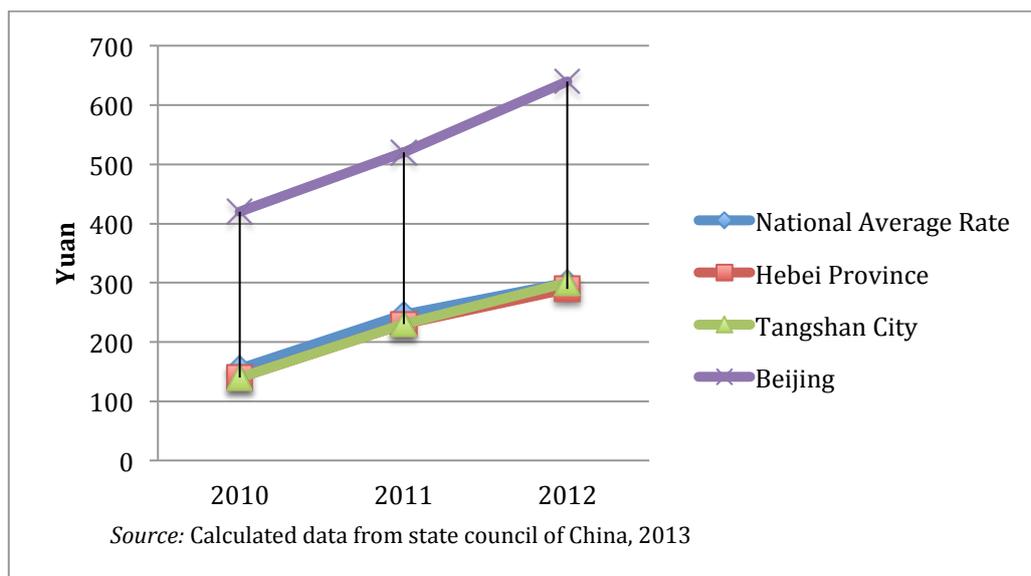


Figure 6.5 New Rural Cooperative Healthcare Financing Standard Rate

The provincial government sets the local NRCHI contribution rate, and this contribution rate is directly related to the support payment. Figure 6.5 above shows the differences in the NRCHI contribution rate compared with the national average and contrasts the Hebei Province rate, Tangshan city rate and Beijing rate. The rate in Hebei Province showed a similar trend to the national average rate in the period 2010–2012. In 2012, Hebei Province required that the contribution rate should not be less than 290 yuan and provided for 70 thousand yuan per person in hospital support payments per year (State Council of China, 2012a, p.1) Since Tangshan is a city-level government within Hebei Province, it implements the same provisions as those of the provincial government. Beijing, as a well-developed area, has a higher contribution and payment rate than the national average. The NRCHI contribution rate in Beijing was 640 yuan in 2012, and the hospital payment covered up to 75% of hospitalisation expenses for 15 specified diseases (Beijing Daily News, 2012, p.1). Even those without an income still need to pay 50 yuan per year to the NRCHI, which must be paid out of their MSLS benefits. As the NRCHI cost is so low, the local authority assumes they have enough money to pay it, but they may not qualify for MSLS or the MSLS payment may be delayed (See Chapter 7 for more on MSLS payments). Although health insurance covers a large amount of the population in Tangshan (98.36%), there are still 1.64% who are not covered, such as those with no income and without MSLS support. Those people might be ignored. Unfortunately, there is no official published data on how non-income households contribute to the NRCHI.

Overall, the contribution rate and benefits rate tend to correspond to the economic development rate of the specific area, and an area with a higher economic development level will generally provide more support than a less-developed area. However, this is not always the case. As the provincial government is responsible for setting the minimum contribution and support rates throughout the entire province, the local government has to bear most of the costs of insurance fees, then it might decide to decrease the contribution and payment rates in its area and instead invest more money in regional economic development.

6.5 The issues of pension insurance in Tangshan

The pension system in Tangshan has changed in recent years. The previously separate urban and rural pensions have been merged into the new urban-rural pension insurance system. From 2010, rural participants in the pension insurance scheme have enjoyed the same pension benefits as urban residents (XinHuaNet, 2010). This development marks a significant step in the reform of the social security system in Tangshan.

In recent years, many Chinese rural migrants have moved to urban areas in search of job opportunities. While there are large numbers of people from rural areas living in urban centres in China, existing social security policies have largely failed to protect them due to the fact that the majority of these policies have different guidelines on eligibility, contributions and payment depending on where they are officially resident. The most apparent difference in policy implementation is the separation that occurs between rural and urban residents owing to the household registration system that operates in China, called the Household Registration System. This is a system of household registration that officially identifies a person as a permanent resident of a particular area. This system has in effect separated people into rural or urban residents. Although in the past the system played a part in maintaining social stability by preventing mass migration to the cities, and contributed to the country's rural development, as well as assisting the state in providing protection to citizens, it has resulted in a two-tier social security system in which rural residents are disadvantaged. In general, rural social insurance benefits are lower than in urban areas, and this has been the case since the social security system was founded in 1950. Furthermore, even for urban residents differences persist: social benefit rates are different in different cities, with developing cities providing lower levels of protection than developed cities. The continued use of the household

registration system has been called into question (Ringen and Ngok, 2013, p13), especially given that economic reforms in China have fundamentally altered the Chinese economic and social structure, and globalisation has integrated society in a way previously unseen in the country. These changes have led to the mass migration of people, especially from poor rural areas, to urban areas seeking job opportunities. For these migrants, the main drawback to living in a developed city is the household registration system. Rural migrants are unable to obtain the same benefits as local urban residents. In addition, given that many of these rural migrants come from the less developed western-interior provinces, where benefit levels are particularly low, the benefit levels that they are eligible to receive are simply insufficient to meet their needs in the coastal developed cities that host them. Clearly, it appears that these rural migrants are not treated equally with their urban counterparts, and they are among the people most at risk in China's new market society.

In Tangshan, the rate of increase in the number of citizens joining the pension insurance has been considerable (see Figure 6.4). This is particularly the case for rural residents: in 2010, 1.22 million rural residents were participants in the pension insurance scheme; in 2011, this figure had reached 3.13 million, or around 96% of all rural residents (Tangshan Statistics Bureau, 2012, p.20). Although this new pension system in Tangshan has not entirely resolved the pension problems of rural migrants, it has reduced rural workers' income and economic risks, because the new pension system dramatically improves the economic security of elderly rural people living in cities. By the end of 2012, the central government officially introduced the new pension system to all provinces, with the intent of building a universal basic pension system in China.

Nevertheless, there are many people who cannot afford to pay the pension insurance contributions. According to the Bureau of Housing and Urban-Rural Development of Tangshan (2011, p.2) the pension contribution rates for employees range from 3,700 yuan to 7,200 yuan per year, which equates to around 240 to 600 yuan per month, or about 20% of the average salary for workers in the area. Given that even the lowest pension contribution rate was greater than the MSLS payment for rural residents (191.67 yuan per month in 2012), the poorest residents of Tangshan are clearly unable to afford to pay the pension contributions, and the lowest-income families face a future without income protection. Poor residents might also be unable to afford the contribution fees, and extremely low-income families are still suffering from a lack of future income protection, as they do not get this pension if they

cannot afford the fee. The question, therefore, is how to solve the pension problems of low-income people.

For such people, there is another contribution model through which they can obtain the urban-rural pension, the Urban-Rural Basic Pension Insurance, under which the benefit levels are significantly lower than those provided by the standard pension scheme. The contribution rates are divided into ten levels of payments of between 100 and 1000 yuan per year in 100 yuan steps (100 yuan, 200 yuan, 300 yuan etc) (Lu Nan District Government, 2012, p.1). Individuals can choose their level of contribution rate, and the government provides them with 30 yuan of subsidies. If they contribute for more than 15 years, after the age of 65, those participants can obtain 1,200 yuan per year, that is, 100 yuan per month (ibid).

However, the pension payment rate of 100 yuan per month is very low and is too little to satisfy basic living needs being below the cost of basic living expenses. As will be seen in the next section, in which basic income security is explored in greater detail, the pension payment rate for Tangshan will show that the 100 yuan per month offered by this pension scheme can only contribute towards a part of the cost of living in Tangshan.

6.6 The Minimum Standard Living Scheme in Tangshan

The Minimum Standard Living Scheme (MSLS) is one China's most important income security policies because it covers both urban and rural residents. It is a means-tested benefit that aims to guarantee a minimum living standard by providing a subsistence payment that covers the cost of clothing, food, and minimum living expenses. Local government is primarily responsible for operating this subsistence allowance system, and the MSLS payment rate is set by the city-level government, which makes adjustments to the payment rate according to the economic development level of the area. It is administrated by authorities at the city level who report the local MSLS payment rate to the provincial government. The MSLS is collectively financed by funds from central, provincial and city-level government. However, the central government provides subsidies only to areas with extreme poverty or to local provinces or cities with fiscal difficulties. In practice, the majority of the funding for the MSLS comes from the city government's fiscal budget, but the MSLS fund is managed separately from the rest of the budget and is strictly reserved for MSLS

support. In recent years, many academics have claimed that the MSLS payment rate is insufficient to meet people's needs. The questions that must therefore be asked in addressing this issue are whether this is because city-level governments have enacted a very low MSLS payment rate, what the MSLS payment rate is in Tangshan and whether it is sufficient to meet people's needs. To answer these questions, the MSLS payment rate, the average income and the average expenditure on consumption in Tangshan will be analysed.

Table 6.1. The Minimum Standard Living Scheme (MSLS) Rate in Tangshan 2005-2012

	Number of Urban MSLS Participants	Urban MSLS Payment	Number of Rural MSLS Participants	Rural MSLS Payment
2005	61 thousand	220 yuan/month 2640 yuan/year	63.6 thousand	800 yuan/year
2006	63 thousand	220 yuan/month 2640 yuan/year	78 thousand	1000 yuan/year
2007	59.5 thousand	225 yuan/month 2700 yuan/year	99 thousand	1000 yuan/year
2008	58 thousand	270 yuan/month 3240 yuan/year	108 thousand	1200 yuan/year
2009	54 thousand	285 yuan/month 3420 yuan/year	117 thousand	1300 yuan/year
2010	49.2 thousand	310 yuan/month 3720 yuan/year	132.9 thousand	1540 yuan/year
2011	49.5 thousand	363 yuan/month 4356 yuan/year	143.3 thousand	1900 yuan/year
2012	43.9 thousand	410 yuan/month 4920 yuan/year	140.6 thousand	2300 yuan/year

Table 6.1 shows the MSLS rates in Tangshan from 2005 to 2012. In line with people's increased expectations of income security, the MSLS payment rate has increased over this period. The MSLS support payment is divided into two categories, one for urban areas and one for rural areas. As can be seen, the MSLS payment rate is higher in urban areas than in rural areas. In 2005, the urban MSLS payment was 220 yuan per month, around three times the rural MSLS payment rate (66.67 yuan per month). By 2012, the urban MSLS payment rate had reached 410 yuan per month, while the rural MSLS payment rate stood at 191.67 yuan per month. Clearly, there is a considerable disparity in payment rates, with rural beneficiaries receiving only one third of the urban MSLS payment rate. Although Table 6.1 shows that both the urban and rural MSLS payment rates display a positive trend, with

payment rates increasing year on year, this is only a positive trend on the surface; to ascertain whether the MSLS is sufficient to meet an individual’s minimum needs, the MSLS payment rate must be compared with two other measures, average income and average expenditure.

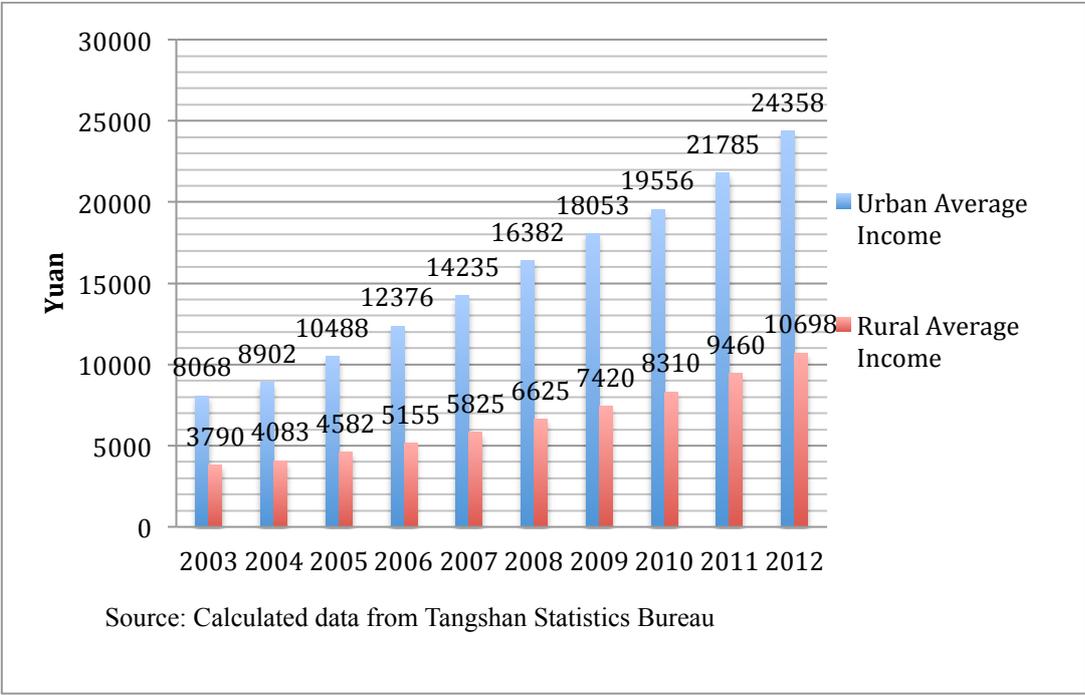


Figure 6.6 Tangshan Urban and Rural Average income 2003 -2011

Figure 6.6 shows the average income from 2003 to 2011 in rural and urban areas in Tangshan. In 2005, the urban average income was 10,488 yuan and the MSLS payment was 2,640 yuan per year, meaning that the urban MSLS payment rate was about a quarter of the average income in the city. By 2012, while the urban average income had reached 24,358 and the MSLS payment had increased to 4,920 yuan per year, the disparity in the urban MSLS payment rate and the urban average income had increased, with the a latter standing at five times that of the former. As a result, although the urban MSLS payment rate is increasing every year, its real value is decreasing over time compared to the urban average income. In contrast, there has been an improvement in the disparity between the rural MSLS payment and the rural average income over the same period. In 2005, the rural MSLS payment rate was 800 yuan per year, which was around 5.7 times less than the rural average income of 4,582 yuan. By 2012, the rural average income had reached 10,698 yuan, while the rural MSLS payment had increased to 2,300 yuan per year, or around 4.6 times less than the rural average income. The MSLS payment in yuan in 2012 had more than doubled compared with 2005.

In international poverty measurement standards, the poverty line or the minimum living support line is generally considered to correspond to 50% to 60% of a country or region’s middle-income or average income rate (Sun et al., 2011, p.239). In Tangshan, the MSLS payment rate is around 20% to 30% of the average income rate and is therefore far below the international standard.

Figure 6.7 shows the average household expenditure in Tangshan between 2005 and 2012.

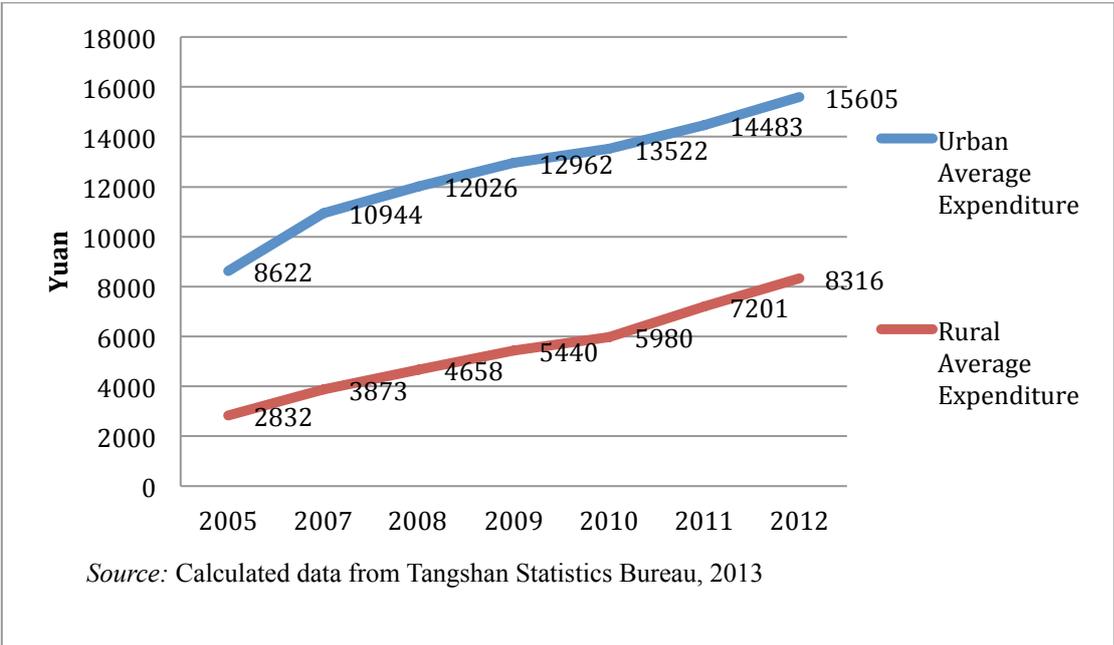


Figure 6.7 The average household expenditure in Tangshan

In 2005, the urban household average expenditure on living costs in Tangshan was 8,622 yuan (see Figure 6.7), which was more than three times the MSLS payment rate. In 2012, the urban household average expenditure had reached 15,605 yuan, or about seven times the MSLS payment rate. Therefore, it must be concluded that the real value of the MSLS payment decreased significantly compared with the average expenditure rate. In rural areas, the average expenditure was 2,832 yuan in 2005, which was about 3.5 times more than the MSLS payment rate. By 2012, the MSLS payment rate was 2,300 yuan compared to the rural average expenditure of 8,316 yuan or a difference of around 3.6 times the MSLS rate. It can be seen, therefore, that the rural MSLS payment rate is increasing over time, but its real value in relation to average living costs is remaining more or less constant.

If the MSLS is to play an effective role in income security, then the key element is to guarantee a reasonable payment rate. In comparison to the 2005 international extreme poverty rate of US\$1.25 (about 10 yuan) per day, the urban MSLS payment rate in 2005 was 7.33 yuan per day (220 yuan per month), or approximately 25% below the extreme poverty rate. By 2012, the urban MSLS rate had grown to 410 yuan per month (13.67 yuan per day). This is just above the 2005 US\$1.25 per day extreme poverty line, but if the World Bank's more modern figure for measuring international poverty is used, a figure of between US\$1.25 and US\$2 per day (World Bank, 2012, p.69), then the MSLS payment rate still remains at an international poverty rate level. Furthermore, the rural MSLS payment rate is even lower than that in urban areas and is considerably lower than the US\$1.25 poverty line (6.3 yuan per day). It must be concluded, therefore, that the city government has enacted an MSLS payment rate at a very low level, and as many academics claim, it is incapable of meeting people's living needs as it currently stands.

6.7 The administration of housing security and the low-rent housing project

Housing security is an important part of any social security system. China's housing security system was gradually built up via a series of housing provision policies, including the establishment of a housing provision fund and the development of affordable housing, limited price housing and low-rent housing. Of these, the policies on affordable housing and low-rent housing are the most important, and low-rent housing is China's core housing security policy (Cai and Wu, 2012, p. 36). In recent years, the influences of neoliberalism on China's economic system has had a considerable impact on the supply and demand for housing, and property prices have risen dramatically. According to Ren et al. (2012, pp. 786,787,793), the average rate of increase in house prices reached 14% per year from 2003 to 2007. This trend has come to be regarded as one of the key indicators of China's changing economic base. Low-income people find it very difficult to purchase housing due to high prices, and the poorer sections of the population are increasingly being marginalised from central urban areas, where prices are highest. Alongside the marginalised urban poor, the increasing numbers of rural migrant workers seeking employment in urban areas have placed extra stress on the housing market, meaning that the housing problem has become a pressing issue in need of solutions.

The administration of housing security policies is similar to the administration of the MSLS in that policies have to be considered and developed in line with both the requirements set out by the provincial government and the city's housing capacity and economic development. In Hebei Province, housing provision has been treated seriously, and policies in support of housing security have been quickly developed. The provincial government requires each city to implement social housing policies on low-rent housing, affordable housing and limited price housing, rebuild areas of dilapidated housing and guarantee that housing security coverage rate is at least 20% of the total local homeless population during the period 2011 to 2015. The state does not care how high the population is, it just wants at least 20% of the homeless covered by the local housing policy. In addition, all information concerning housing security projects needs to be digitally recorded, including the housing location map, the number of social houses and the planning figures (Bureau of Housing and Urban-Rural Development of Hebei Province, 2011). Social housing development in Tangshan has been undertaken at a rapid and increasing rate, with low-rent housing and affordable housing prioritised in Tangshan's housing security system. The low-rent housing is organized and built by local government, who then allocate them to citizens requiring them. As low-rent housing is the most efficient housing security support, it is important to examine how Tangshan city has designed and implemented its low-rent housing policy.

In Tangshan, low-rent housing projects include Shi-Wu-Pei-Zu (SWPZ) and housing rent subsidies. SWPZ refers to a scheme in which the local government rents social houses to participants at a low standard rate. The SWPZ employs a waiting-list method: when an application is successful but there is no low-rent house available at that time, applicants automatically join a waiting list. During the waiting period, the government provides successful applicants with monetary subsidies to help cover their rent costs. The housing rent subsidies come from a scheme whereby the government provides cash support to applicants, who then use the support to rent a house in the private sector. As can be seen in Figure 6.8, low-rent housing provision relied on the use of housing rent subsidies prior to 2008. From 2008, however, the provision of low-rent housing has expanded significantly in Tangshan with the large-scale implementation of affordable housing programmes and the number of people involved in the SWPZ scheme has increased considerably.

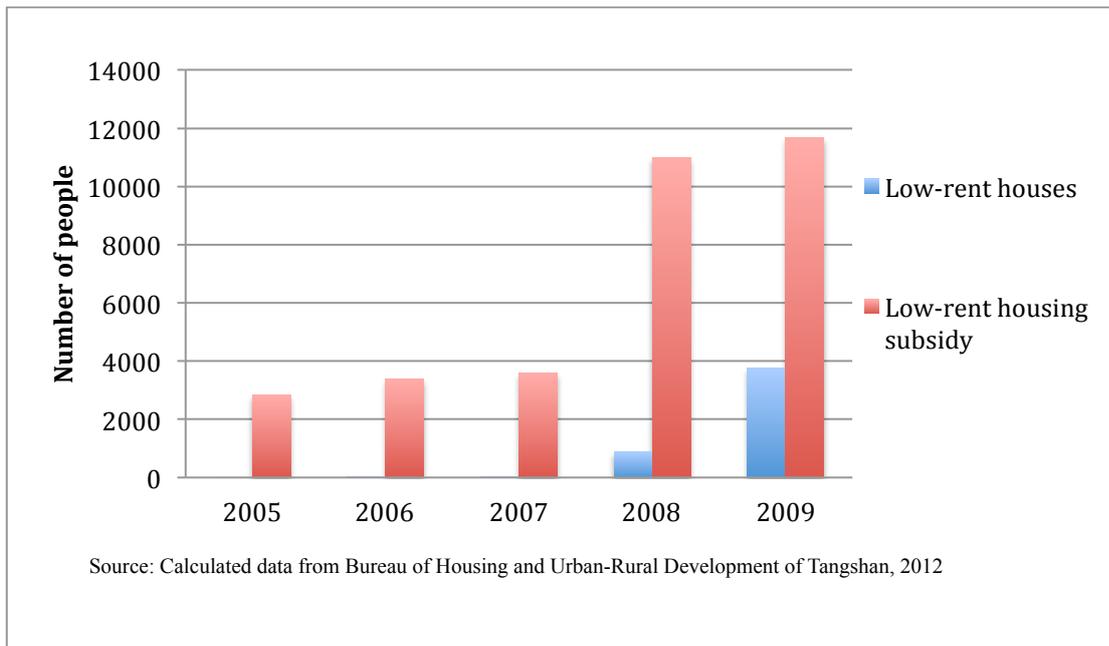
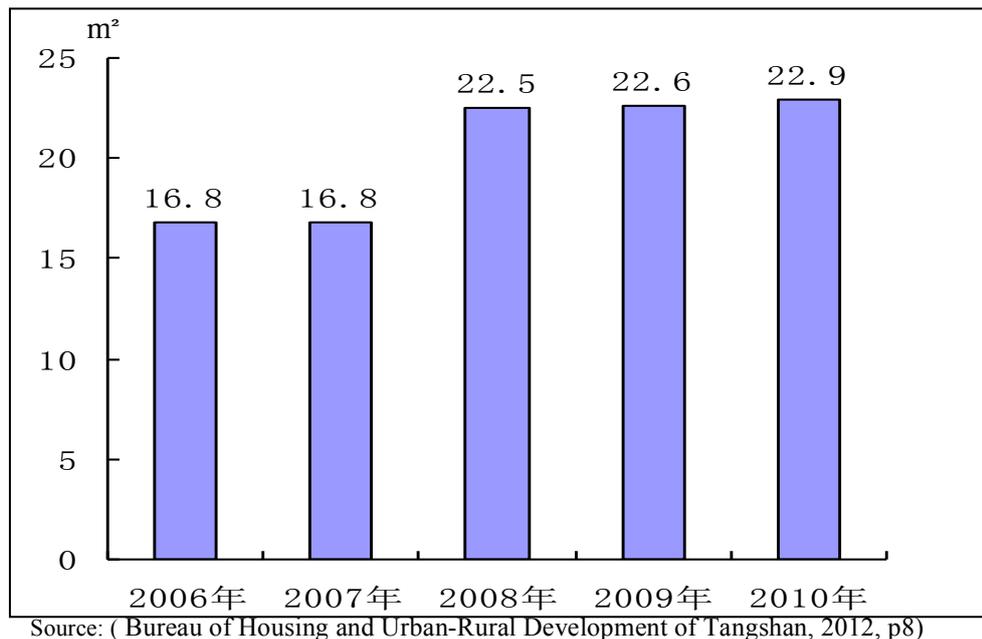


Figure 6.8. Number of people with low-rent housing provision

By the end of 2010, the housing security coverage rate of people needing housing support was 18.3%. Five thousand five hundred and seventy-one participants have been allocated low-rent houses and 83,375 people have taken advantage of affordable housing (Bureau of Housing and Urban-Rural Development of Tangshan City, 2012, p.9). The target recipients of low-rent housing provision are urban low-income households with housing difficulties. The next section looks more closely at housing security support standards in order to ensure that the needs of housing recipients are being met.

As the Bureau of Housing and Urban-Rural Development of Tangshan (2012) states, the size of each low-rent house size is limited to between 30 and 50 square metres, including a double bedroom of 8 to 10 square metres, a single bedroom of 6 to 8 square metres, a living room of 8 to 15 square metres, a kitchen of 4 to 5 square metres and a bathroom of 3 to 4 square metres. The standard size per capita is 15 square metres. This housing is targeted particularly at extremely poor families. Does this size of accommodation meet the needs of recipients? To answer this, the size of the low-rent housing should be compared with the average housing space in Tangshan. Since 2006, the average housing space in Tangshan has increased slightly, and from 2008, the urban average housing space per capita has been steady at around 22–23 square meters (see Figure 6.9).

Figure 6.9. Tangshan average housing space from 2006 to 2010



As can be seen in Figure 6.9, although the standard size of the low-rent house is slightly smaller than the average housing space per capita found in other housing sectors in recent years, the low-rent housing space is similar to the average space in 2006 and 2007 and should therefore be able to satisfy tenants' needs. The low-rent housing project is regarded as the main means of resolving housing difficulties in Tangshan. Rather than helping people to purchase their own property, it aims to guarantee a place for people to live via a system of rented properties and stresses pragmatism and the concept of compactness in housing design and the efficient use of space (Han and Li, 2009, pp.117-120). In other words, in its aim to satisfy the basic needs of people on low-income who cannot afford to buy a house, the low-rent housing project belongs to the category of social security. This means that it must make practical use of space a priority, which is reflected in the project's stipulation on the size and distribution of useful functional areas and its avoidance of useless spaces. It seems, therefore, that the size of the low-rental housing currently being offered serves to meet the needs of its occupants.

Some academics claim that low-rent houses are often situated in unsuitable or undesirable areas. According to China's National Audit Office (2010, p.4), many low-rent houses have been built with insufficient facilities, are remote from the main city area and are inconveniently sited for transport links. Peppercorn and Taffin (2013, p.79) also state that

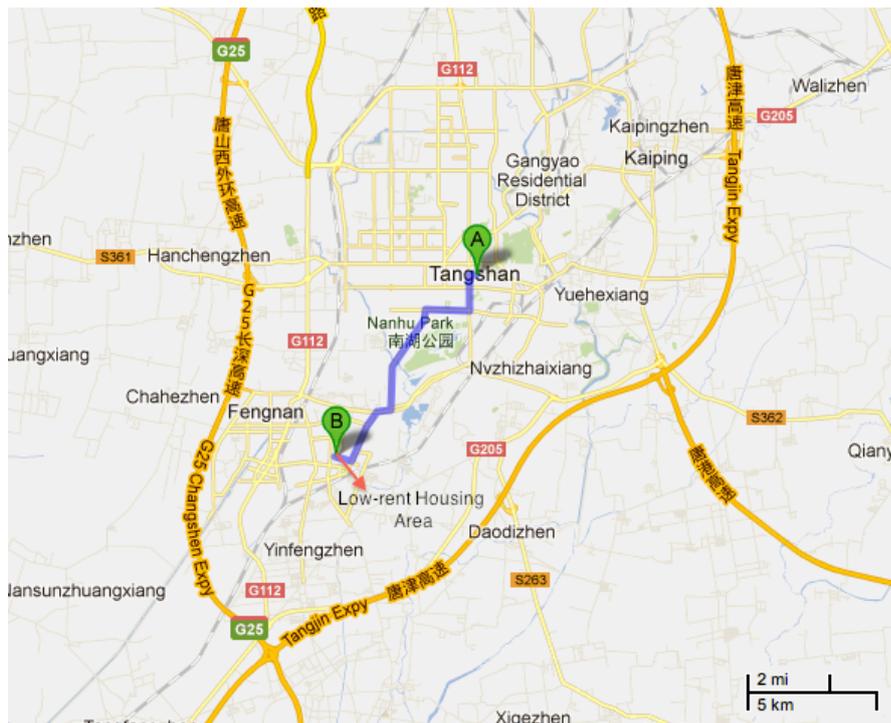
low-rent housing is almost always built outside central urban areas. In order to examine this issue, it is necessary to look at whether the low-rent housing in Tangshan is conveniently located for its residents to be able go about their daily business. According to the Bureau of Housing and Urban-Rural Development of Tangshan (2012, p. 21), the main low-rent area is located in the area designated Xu Xin Jie South-Jian She Lu East-Bu Min Jie North, which contains 144 low-rent houses. This area is near the city ring road and is located in one of the least developed areas in the south of Tangshan City. The distance to the city centre (Point A) is about 20 km (See Figure 6.10). It seems clear, that the location problem raised by academics has also occurred in Tangshan, and this has a seriously negative effect on the effectiveness of housing security policies as some people might reject the idea of living so far from the central city area (other consequences are discussed in Chapter 7).

In practice, because the housing location is far from the city centre and inconvenient for transport, it appears that even extremely low-income participants have either refused to take their allocated low-income houses or have returned them. However, higher government cannot blame local government for the implementation strategy that has been adopted, because the lack of comprehensive national requirements means that current housing security policy has no fixed goals or standards and simply increasing the rate of housing provision has become an end in itself. As a result, the mere fact that Tangshan has established a system of low-rent housing and affordable houses means that the city's housing security policies may be deemed 'Good' in housing security development reports, and the high number of low-rent houses built may be regarded in itself as 'mission accomplished'.

Furthermore, although this method of creating housing security can play a major role in producing a system of guaranteed housing, its effectiveness is nevertheless limited due to the constraints of the household registration system, as only those officially registered as local urban residents are eligible to join the project. Rural residents and migrant workers currently stand outside this housing provision boundary. In practice, in the large cities, there are huge numbers of migrant workers whose income is generally lower and living conditions worse than local urban workers. They are often desperate to have a house to live in, and they should be able to enjoy the benefits of housing security. However, the housing security system has rejected them. In a fieldwork interview in 2012, Ms D a director of the Bureau of Housing and Urban-Rural Development of Tangshan City states that Tangshan's low-rent housing project does not include migrant workers, and the application conditions restrict local low-

rent housing to low-income urban residents who earned less than 598 yuan per month in 2008 and 1000 yuan per month in 2012. In addition, applicants must not already have permanent accommodation, or if they do, then their houses must be less than 15 square metres per capita per family.

Figure 6.10. Map of Tangshan City showing low-rent housing area



Source: Google Map 2013

The affordable housing programme, which aims to increase the supply of purchasable low cost housing, is also designed for urban low-income citizens with housing difficulties. This affordable housing is limited to accommodation of no more than 70 square metres, with successful applicants being able to buy these houses at a low price but also being unable to resell them within five years (Bureau of Housing and Urban-Rural Development of Tangshan, 2012, p. 15). However, much of the affordable housing is allocated to workers at state-owned companies, largely because part of the affordable housing fund for a particular project comes directly from a state-owned company, and their low-income employees with housing difficulties take priority over other applicants.

While the number of homes available under the security housing system in Tangshan has increased significantly, most of them have been made available under the affordable housing programme. For example, in 2011, homes under the affordable housing programme accounted for over 93% of the total housing available under the housing security system, while low-rent housing accounted for only around 6% (Bureau of Housing and Urban-Rural Development of Hebei Province, 2012, p. 12). Therefore, many of the affordable houses have benefited local formal workers, with migrant workers and other poor local people left behind.

6.8 Conclusion

In recent years, the coverage rates for social security services such as UI, health insurance and pensions have increased dramatically and now cover 80% to 90% of the total Chinese population. Local government has played a key role in the implementation of social security policies. One consequence of the successful input of local government is that MSLS, the policy of last resort to address poverty and income insecurity, has been made available to many more people in urban areas, with figures showing that the number of MSLS recipients has jumped significantly in cities. In addition, housing provision in local cities has been strengthened. However, the freedom for local government to make decisions on the specific implementation of social security policies in the areas under their control has also created problems. Firstly, in most cases of social policy development and implementation, the policy goals of central government may be limited by local government's fiscal budget, which places constraints upon the implementation of central policies. The divide that exists between centralised governmental policy and decentralised or localised service provision further weakens the implementing of social security policies. As a result of such limitations, local government often settles on low social security payment rates and more flexible service provision systems than central government would desire. In concrete terms, these policy implementation problems have contributed to the introduction of inadequate income support benefit rates and the housing security policy outcome where affordable and low-rent housing has been constructed in areas too far away from the city centre to make living there convenient for residents. In addition, it can be argued that while there has been a notable and welcome increase in the coverage of the main social security policies in recent years, the amount of living security protection that they provide has actually decreased.

A noteworthy development has been the introduction of the urban-rural pension scheme in Tangshan, which has taken the first steps towards breaking down the rural-urban divide in social security schemes, enabling local rural residents to obtain the same pension benefits as their urban counterparts. However, this does little for migrant workers, who due to the household registration system are not officially considered them as local residents and therefore do not have the same rights as people who are officially resident in the same area. Overall, it appears that the implementation of social security policies is still biased towards both urban residents and formal employees. As economic development in China continues, there are more and more rural migrant workers moving to large cities. However, they do not share the same social security entitlements as local urban workers, and under the current system, their basic rights to enjoy social security are not effectively protected.

It should be stressed that the transition to a market economy has made rural migrants and unemployment the top labour issues in China. Clearly, local government needs to pay much more attention to social protections for rural migrant workers. Meanwhile, it is fair to say that the local government has done much work to resolve income and housing insecurity and to tackle poverty, which is shown in the extension of social insurance, increased MSLS payment rates and the development of housing provisions. Nevertheless, it appears that there is still a lot of work to be done in order to effectively tackle poverty, and income and housing insecurity. Precisely how far does China still have to go to develop its social security services to a satisfactory level? To answer this question, the next chapter explores the situation of social security recipients in greater detail.

Chapter 7 - Recipients' Experiences of Social Security Protections in Tangshan

7.0 Introduction

To date, neither theoretical nor empirical analyses of household living conditions have paid sufficient attention to the actual economic security of social benefit recipients, and particularly not to that of rural migrant workers. Standing (2011a) argues that there is a new social class emerging worldwide, the precariat, which consists of people without employment stability. Countries such as China have a massive supply of low-cost labour, and this has created a labour market in which there are many informal workers. The majority of informal workers in China are rural migrants and since they cannot obtain social insurances in urban areas, they tend to move around within an urban area searching for a job that will provide some form of income. In many cases, the jobs that they find are not secure and their income is unstable. In line with Standing's definition of the precariat, these rural informal workers might be termed the Chinese precariat, a new class subject to unstable labour practices. Because of the huge numbers of rural migrants in urban areas and their visibility within the urban population, local authorities cannot ignore their presence and the challenges they face. The challenge, then, is to devise efficient social security policies that pay attention not only to the officially registered urban poor but also to rural migrants.

This research tests the limits of the Chinese social security system by looking at social security recipients' level of satisfaction with the benefits that they receive and examining the quality of life for those with low incomes and lower-middle incomes, as well as poor migrant workers. This chapter demonstrates that recipients' experience of the way in which they gain access to and receive benefits is very important and is often a more complex issue than the social policy itself. This chapter reviews some of the findings from a large sample (150) study of low-income, lower-middle income and poor migrant interviewees, focusing on living conditions, occupational status, and in particular earning level and housing situation. The study identifies how, when and where the recipients gained income and housing support after they applied to the local authority. The findings cast light on the ways and extent to which income and housing welfare provision protects economic security and the impact that the local social security system has on the lives of rural migrants.

A key question underlying the discussion in this chapter is the extent to which social security protections should be focused solely on alleviating poverty. Compared with most other countries, China has a huge population and a high level of poverty and inequality. One of China's most important areas of social policy in terms of poverty reduction is social housing policy, which is designed to act as a safety net for people suffering from housing insecurity. However, in practice, Low-Rent-Housing (LRH) benefit might not provide a safety net equally for all citizens in need of social housing. Many of the people surveyed in the field research for this study had successfully applied for LRH benefit, but most of them stated that the conditions for receipt of housing benefit were very strict and that the social housing provided has serious shortcomings. For instance, common complaints were that the LRH accommodation was not connected to a gas supply when they moved in or that the social housing was built in inconvenient locations far from the city centre, workplaces and amenities. The LRH recipients' statements mirror some of the findings of Fitzpatrick and Stephens (2008), who argue that the social housing system in the UK has resulted in social exclusion and social isolation from the rest of the city for those in social housing, and that the poorest neighbourhoods seem to bring additional disadvantages to poorer people that need to be countered by policy. In light of the discussion in previous chapters, the situation that Fitzpatrick and Stephens describe may also be occurring in China. For instance, in Tangshan city, social housing has been located around the city ring road, an area without sufficient public services available, and where people have difficulties in accessing transport to the city centre and other communities. This chapter will examine the responses of social housing recipients on these issues.

The MSLS has been broadly implemented in all provinces of China. It is aimed at people on low incomes and is the most important benefit in providing basic minimum income protection. In order to estimate the effects of the MSLS benefit on both local urban and rural recipients two questions were explored via a questionnaire in Tangshan City. The questions asked whether the urban and rural recipients of MSLS support had received all the benefits that they had claimed, and what their experiences of the MSLS service delivery system had been. Section 6.1 explores MSLS benefit for local urban and rural recipients, housing security for local recipients is examined in Section 6.2, the issue of migrant workers' economic security is looked at in Section 6.3 and the issue of middle-income workers' economic security in Section 6.4, the disadvantages of high benefit support levels will be discussed in Section 6.5.

7.1 Issues related to MSLS benefit for local urban and rural recipients

Wreinski (1987, as cited in Duffy, 1995, p.35) identifies insecurity as:

...the absence of one or more factors that enable individuals and families to assume basic responsibilities and to enjoy fundamental rights...chronic poverty results when the lack of basic security simultaneously affects several aspects of people's lives, when it is prolonged, and when it seriously compromises people's chances of regaining their rights and of resuming their responsibilities in the foreseeable future.

For Wreinski, then, lack of security is intimately connected with a lack of resources, especially when such shortages are long term and poverty is related to insecurity. The idea behind the MSLS is to top up income to a set level, which is normally the minimum living standard, to guard against economic insecurity. In principle, the MSLS benefit offers minimum income support for everyone, which should in theory guarantee a degree of income security for all citizens. However, the survey and interviews in Tangshan city reveal that many people were unable to claim MSLS for a variety of reasons. The applicant has to satisfy not only the MSLS conditions, but also the local government's rules and conditions, and must even take into account the local authority assessment officer's discretionary powers and rulings.

In general, three categories of people are eligible for urban MSLS benefit. The first category comprises those without an income who are unable to work, such as disabled persons. The second category is employees or retired people whose family income falls below the prescribed local urban MSLS threshold. The third category is unemployed people whose income, either during or after their UI payment period, is below the local urban MSLS threshold. In rural areas, all rural residents whose income falls below the basic living standard for their area are eligible to apply for MSLS benefit. All successful applicants receive benefits to bring their income up to the specified local MSLS threshold, irrespective of the applicant's previous income level. In principle, therefore, the MSLS has the potential to benefit all those in need and should provide basic income security. However, the research in Tangshan City shows that not all in extreme poverty receive MSLS payments, only those who are unable to work due to disability or serious illness, or the elderly poor who live alone. As can be seen in Figure 7.1, most MSLS recipients are in the age categories 41 to 50, 51 to 60 and over 60.

Given that the general retirement age in China in 2012 was 50 for females and 60 for males, the MSLS focuses on older people who are unable to work.

It was also found that for people of working age, MSLS recipients were those who were unable to work due to either a physical disability or a serious illness, while unemployed people of working age (including both formal and informal workers) who are *not available* for work are not covered by this benefit. It appears that applicants of working age have been assumed to be earning a minimum wage income by local authority assessment officers. This practice actually goes against the remit of the policy. Therefore, although most of the single elderly and disabled local residents of Tangshan with either no income or an income that falls below a certain level have been guaranteed basic minimum income protection under the MSLS safety net, the MSLS is not a universal protection policy for everyone in China, and it appears that MSLS benefits are allocated selectively.

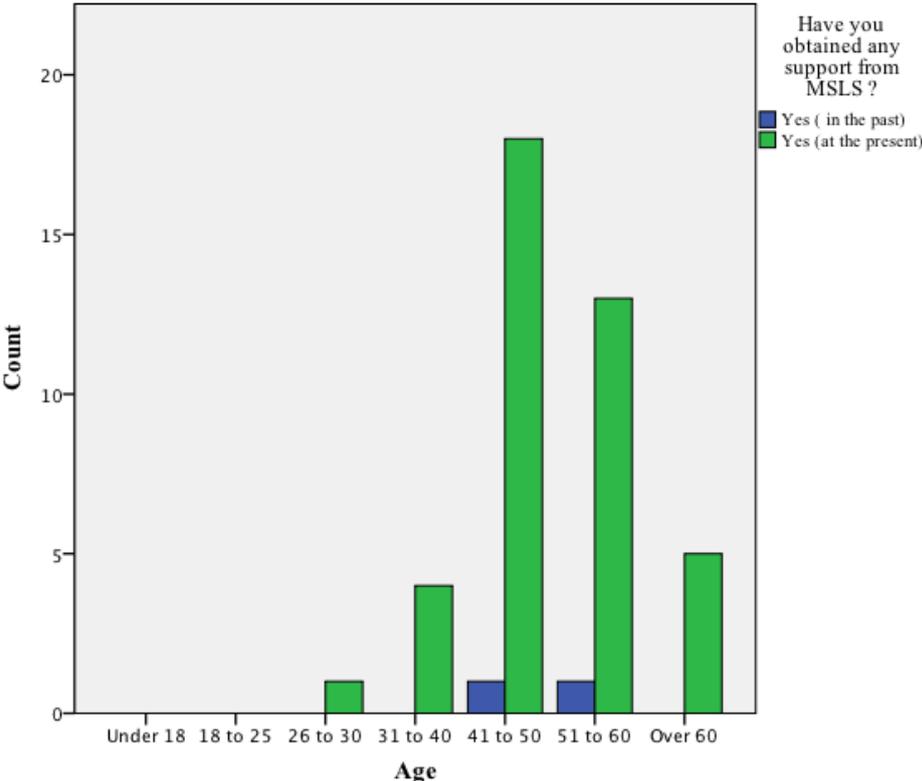


Figure 7.1. MSLS recipients by age (from questionnaire data)

In principle, an effective income security policy would focus on whether or not people who claim income benefits are able to manage on their resources. In practice, the interviews reveal that MSLS recipients’ expenditure barely meets basic living expenses such as food, which

means that their spending is almost all on basic necessities. In Tangshan in 2012, the urban MSLS payment was 410 yuan (at 2014 rates around £40) per month and the rural MSLS payment was 210 yuan per month. To assess the ability of the MSLS payment to meet basic needs, it should be asked whether the MSLS payment is sufficient to provide a decent, healthy diet to benefit recipients. If only food is considered, then these payment rates are sufficient to afford MSLS recipients a reasonable intake of decent quality food given a basic healthy diet, and it might therefore serve to protect and secure the recipient’s basic food security.

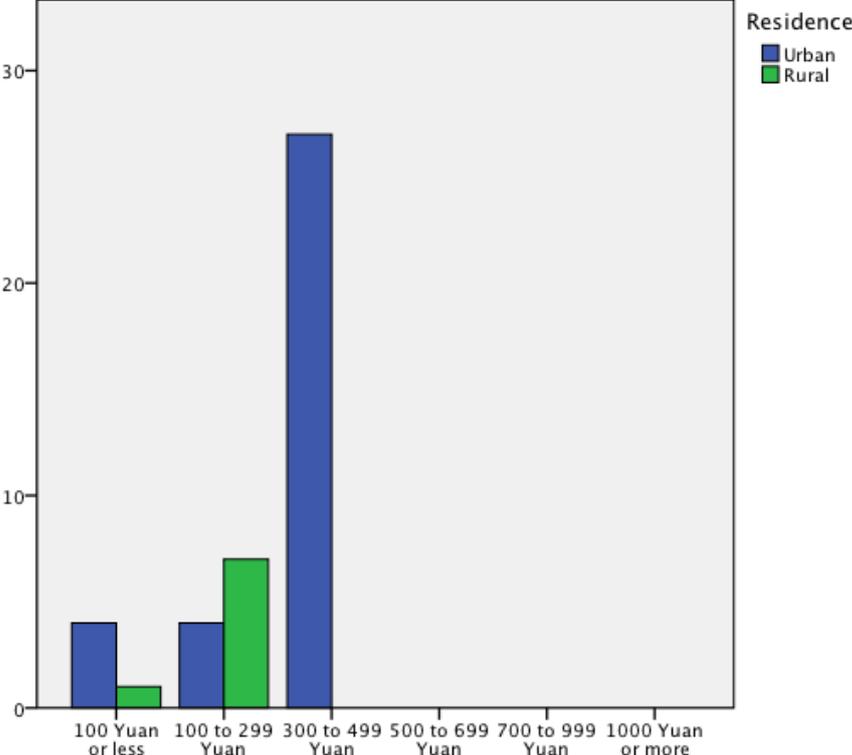


Figure 7.2. Amount of MSLS benefit received each month in 2011-12 (from questionnaire data)

MSLS payment rates vary between different recipients. This can be seen in Figure 7.2, which shows the differing levels of payment received in practice. Most urban residents received between 300 and 499 yuan per month, whereas rural residents received between 100 and 299 yuan per month, with some people receiving less than 100 yuan per month. These varying levels of support are due to the fact that the MSLS system raises a given household income to a specific locally determined minimum level, usually the local minimum living standard. For example, if an urban recipient has an income of 100 yuan per month, then they could receive

310 yuan MSLS support every month in 2012 because the MSLS payment level for that year was 410 yuan/month in Tangshan.

Comparing the MSLS programme with income protection policies in other developing countries, it should be noted that Brazil has a similar minimum income scheme, the Bolsa Familia programme, which is aimed at providing a guaranteed minimum income. Under this scheme, states provide direct cash transfers to reduce short-term poverty and make conditional cash transfers to the poor to fight long-term poverty. According to figures cited in Matarazzo Suplicy (2004), the Bolsa Familia programme provides all families with an income per capita below \$50 BRL (about US\$17.00) per month a complementary income of \$50 BRL and an additional \$15.00 BRL per child. Other related support such as the gas help programme provides \$7.50 BRL per month for the family to buy cooking gas. In 2005, Paul Wolfowitz, the then president of the World Bank, praised the Bolsa Familia model as an effective social policy and stated that other countries were drawing lessons from it (World Bank, 2005).

While on the surface the MSLS adopts a similar cash transfer approach to the Bolsa Familia programme, it does not provide the additional forms of cash support provided under the Brazilian scheme, and in practice, the MSLS does not even meet people's basic needs. Most MSLS recipients in Tangshan are extremely poor, and although food consumption is a priority, they also have other essential costs, such as utility bills, clothing and basic medicine. Often, however, they are too poor to buy these necessary items. Since their existence depends entirely on a very basic level of financial support, MSLS recipients have to manage their income extremely carefully if they are to survive on it. Compounding this already difficult situation is the fact that the payment of the MSLS benefit, crucial for recipients, is not always made on time. Some of the reasons for these delays were examined in the previous chapter, for instance, delays might result from administration difficulties or fiscal problems or may be due entirely to the assessment officers' discretion. The problems associated with this 'informal implementation' of MSLS policy mean that payment can be delayed for a long time, with delays stretching up to periods as long as one year. Even those who are successful in their claim for MSLS benefit and who receive their payments on time still complain that the amount is insufficient to cover their family's basic expenses. As Figure 7.3 shows, most urban residents stated that the MSLS payment was not enough to meet their total living costs. They maintained that while the MSLS benefit is sufficient to cover the cost of their food and

perhaps some other basic needs such as clothes, it is not enough to prevent economic insecurity. All of the urban MSLS recipient respondents said that they were particularly concerned about having health problems because they had no spare money to purchase medicine or pay hospital fees. Many of them also said that they could not buy electronic equipment because, on one hand, they could not afford the utility costs, and on the other, if the household was found to have electronic equipment, then it would be disqualified from MSLS support immediately by the local authority.

The very different living standards in urban areas in China compared with living standards in rural areas compound the problems for MSLS recipients. Urban residents often cannot avoid paying utility bills or other necessary costs such as property management fees, parking fees and buying food. Rural residents normally have the use of at least a small patch of land on which they can grow vegetables and keep poultry, meaning that they can be largely self-sufficient in food production. In addition, market prices are considerably lower than in urban areas due to the lower costs associated with the production and sale of basic goods. For instance, rural residents can buy necessary items from roadside stalls and markets. These lower rural costs are reflected in the lower minimum living standard rate set for rural residents. In 2012, the rural MSLS payment level was 2,300 yuan a year, or 190 yuan per month (see Chapter 6). Given the lower rural cost of living and the consequent lower MSLS rate, it must be asked whether rural MSLS recipients feel positive about their income support payments. In order to answer this question and to guarantee that the data collected from rural residents could be usefully compared and contrasted with that obtained from their urban counterparts, the questionnaire used for this study classified respondents as rural or urban by their resident area. According to the data presented in Figure 7.3, the answer to the above question is a resounding ‘no’. Most of the rural MSLS recipients questioned stated that the current MSLS policy is lacking. Many complained that the payment is inadequate to provide for their needs and that it is always paid late. During the interviews, many respondents revealed the most common reasons given by the local authority for late payments.

The following quotations are typical of the reasons cited:

“The local authority doesn’t have enough money to send it now, but will send it very soon”;
“The payment is being processed; just wait for a few days”; or, no official answer was given by the local authority.

Although urban residents also experience some delays in MSLS payment, payment is generally more punctual than in rural areas. Nevertheless, it was found that a delay in MSLS payment for up to one month was an experience common to both rural and urban MSLS recipients. In extreme cases, the MSLS payment can be delayed for as long as one year. During the fieldwork, I encountered people who were crying about their situation and who stated that they had not received any cash support for around a year. Some even requested that I speak to the local authority on their behalf about their MSLS payments. This failure on the part of the authorities to guarantee timely payment of the MSLS benefit might in part explain why so many rural MSLS recipients described their satisfaction with the MSLS benefit level as ‘very bad’ on the questionnaire.

In contrast to rural residents, the experiences of urban MSLS recipients, who generally do not suffer the same degree of delay in payment, tended to focus more on the amount of money they received in benefits and how it was insufficient to meet their living costs. One explanation for this difference in the experiences of rural and urban MSLS recipients might be the difference in attention given by the Chinese public to issues in urban and rural areas (in China, urban issues receive much higher public and media exposure than rural ones), and this might result in local authorities monitoring the status of urban MSLS recipients more closely and affording them ‘preferential’ treatment over rural residents. If this is the case, it suggests that a degree of informality exists in the way in which government is implementing social policies and that a lack of monitoring and the use of discretionary decision making and behaviour by officials limits the effectiveness and efficiency of the MSLS programme, placing people’s living security in danger. What is clear is that the majority of poorer citizens involved in this study have little trust in the ability of government income security provisions to deal with their current or future risks and uncertainties.

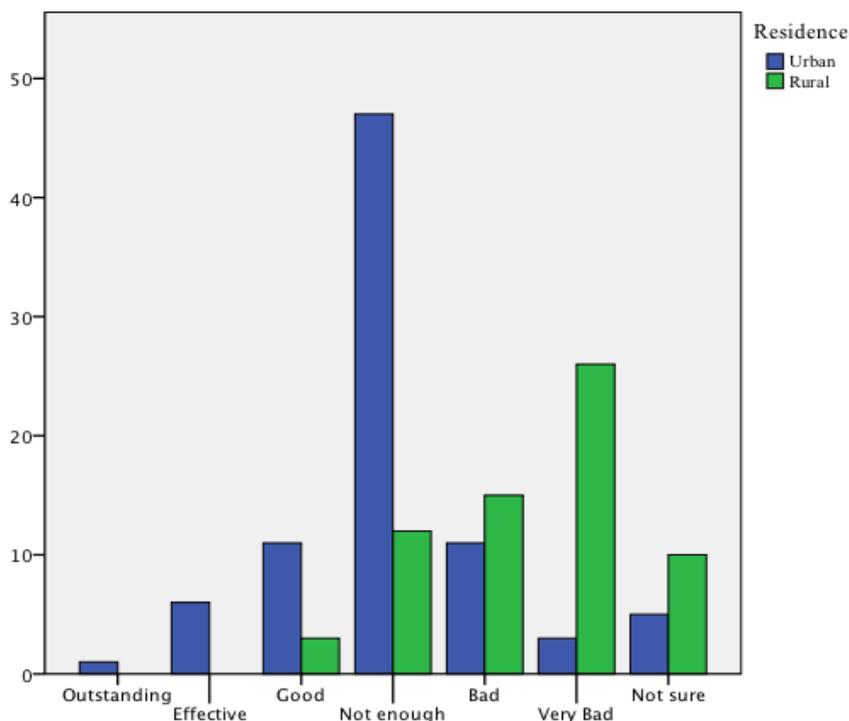


Figure 7.3. MSLS recipients' assessment of level of benefit (from questionnaire data)

A sizeable number of the respondents from rural areas rated the quality of MSLS services and payments as 'very bad', and a number of clear issues were raised concerning the MSLS system. One of the families interviewed for this study was the Z family, a rural family from the Kaiping District of Tangshan city and one of the poorest families in this district. Mr Z is over 70 years old and lives with his son. There are a total of four people in his family, living in an old house. He does not have a pension or a farm to support him and his only income is MSLS support. His son is a disabled person. The whole family rely on the income from his daughter-in-law and MSLS support. His daughter-in-law is an informal worker, so her income is unstable, fluctuating between 50 and 400 yuan per month, but sometimes her salary is not paid on time or remains unpaid due to lack of contract protection. Because the household income is unstable and also very low, they are living in poverty and claim MSLS benefit, which is the most important component of the family's income. However, Mr Z's daughter-in-law reported that she never receives the MSLS payment on time. Sometimes it takes several months; at the time of the interview, the government owed the family six months of payments. This has put people in 'danger' from the economically insecure situation. She told me without the MSLS payment, the whole family had to reduce its general expenditure and could only afford to eat one or two meals per day consisting of very basic, cheap food. She

also told me that she had not eaten any meat for three months. Although the MSLS payment is very low, about 200 yuan per month for the whole family, it had given them the means to eat three meals per day.

Picture 7.1. Plain steamed dumplings made from flour and water with soup made from corncobs



Yang, D. A MSLS family in Tangshan in 2012 [photographic]

Picture 7.2: The kitchen of an MSLS recipient in Tangshan, 2012



Yang, D. A MSLS family in Tangshan in 2012 [photographic]

Even with MSLS support, however, their income was sufficient only to provide for three meals a day of very basic food, and nothing else. Pictures 7.1 and 7.2 above show their living conditions and what they were eating when I arrived. I took these photographs to show the basic food and living conditions for such families in Tangshan, conditions that the Western observer might deem highly unsatisfactory. While the basic food displayed in the image above might look appetising, it is lacking in nutritional value.

The method that the MSLS uses to support income security involves supplementing the family's monthly income to the extent necessary to bring it up to the level necessary for basic survival. In practice, however, it is not even paid on time. This creates a very dangerous situation for MSLS recipients and might actually increase their insecurity because people are utterly reliant on this benefit to support their needs. Since MSLS payments are considered by recipients to be part of the household budget, if the government cannot even guarantee stable support, this could fundamentally undermine the ability of recipients to pay for even the most basic living expenses. On discussing the situation with interviewee Ms X, Deputy-District Mayor of Kaiping District in Tangshan, she stated that she was:

“shocked and surprised by the MSLS implementation... This is very dangerous. It is putting poor households at risk. It is clearly unacceptable”.

She went on to state that the government would like to provide high quality support to MSLS recipients to protect their living standards and that security policy should improve the situation of poor people, not place them in even greater danger. To achieve these ends, she suggested that the government should build an efficient social security administration system to guarantee that recipients received the full MSLS payment on time.

The Deputy-District Mayor, Ms X's comments strongly suggest that the local government has had high expectations of and confidence in the MSLS system to provide income security for the poor. In practice, however, it appears that the MSLS system is failing to meet these expectations, with many recipients being paid only in part or not paid on time. To highlight this, when I walked out of the District Government Building after the interview, at the main gate a group of people were kneeling to protest about their income and housing benefits cases. Unfortunately, I was unable to get close and take photos, as there were officers around

pushing people to move away and forbidding anyone to take photographs. Thus, it seems clear that the current system of administration used for the MSLS programme or perhaps even the whole income security system in Tangshan is inefficient. One assumption is that impoverished citizens are helpless, and living with constant income insecurity. The local administration has failed to provide sufficient services to recipients, such as those people at the main gate. Perhaps they feel that is the only way to talk to the local authority and push the local government to draw attention to their claims.

It can be assumed that the process by which funds are transferred between levels of government is slow and that money for benefits are being appropriated for other purposes. As an efficient administration system directly influences the quality of social policy implementation, it appears that fundamental changes to the way in which the MSLS system is administered in Tangshan are urgently required. It is suggested that rather than the adoption of a purely top-down approach to administrative reform, it might be better to consider a 'joint venture' approach in which recipients' representatives are included in the local administration system. This approach might be viewed as a similar method to the joint ventures of commercial companies, whereby companies seek advantages by drawing on the expertise of individuals from inside and outside parent companies to develop new markets and gain access to raw materials (Killing, 1983, p.6), and could potentially provide an effective structure for the MSLS monitoring system. In such a system, local government representatives would obtain a better view of how the social policy had been implemented. Mendes (2008, p.948) describes such involvement as:

...the form of government that is closest to people...is the most accessible...A bus ride away for anybody to come and talk directly to the representatives and to get something happening. So in terms of the community, they are coming to the level of government closest to them.

In many developed countries, representatives come from many service areas such as health, food and social housing sectors. Despite its potential advantages, however, this joint model would be difficult to manage, and there could be both internal and external problems. To minimise potential problems, the MSLS recipients' representatives need to be genuinely selected at random in order to guarantee accuracy and fairness. This suggestion mirrors the argument of Chaudhuri (1994), who asserts that for such a system to work effectively, a representative from a large population needs to be randomly selected. Ms X (Deputy-District

Mayor of KaiPing district) supported this idea of a representative system, stating that she believed “it would significantly increase the efficiency of the MSLS implementation” and that the local government should discuss this in a committee meeting.

Also noteworthy is the high level of informality in local government administration in China, where there is a close relationship between the development of informality in the economic sphere and the development of more informal practices and discretion in the social policy arena. In the economic sphere, Barro and Gordon (1983, p.103) found that an actor is likely to display higher levels of discretionary behaviour when their discount rate (their freedom to do things) is high. In addition, an interviewee, Ms C (a director in the ILO Asian Office, Bangkok) commented on informality in China:

“Local officials’ power in implementing social security policies is high, and given a high degree of informality, local officials are more likely to engage in discretionary implementation and administration of policies rather than acting according to set regulations.”

Given the lack of clear nationally defined procedures, discretionary implementation of policy at the local level in China appears to have become the norm. In addition, social policy rules seem to be interpreted informally by local officials at their own discretion. (This is discussed in more depth in Chapter 8). For example, the lack of formal assessment tools means that it is not easy for an assessment officer to verify an MSLS applicant’s real income level in practice. In the interviews conducted for this study, I found that nearly all of the MSLS recipients either did not have a formal job or were unable to work. However, this did not mean that they did not have an income. Some people had an informal part-time job, but their monthly income was unstable. Therefore, verifying the income of such applicants is a difficult task for the MSLS assessment officers, especially given that there is no official method for assessing the incomes of informal-worker applicants. As a result, an applicant’s eligibility for MSLS support and the levels of payment that they receive are determined at sole discretion of the assessment officer. This clearly leaves the MSLS system open to potential abuse, and it seems that there are instances where people who should not have qualified for MSLS support have done so due to a good relationship with the authorising officer.

An example of this was witnessed during the fieldwork when visiting the household (Mr Z) of a disabled urban resident who was receiving MSLS benefit payments. To be eligible for MSLS support, he should not have had any valuable equipment in his home, but he had an

electric tricycle that he used as a vehicle to transport paying members of the public. Unsurprisingly, it was unlicensed, which means that it was illegal, but in practice there are many of these transport workers on the road. He reported that when income was very good, he could earn over 1,000 yuan a month. He was then asked how he could also get MSLS support, to which he replied that his income was flexible and was a kind of 'black-market income' that was not taken into account in determining his eligibility for MSLS support. Furthermore, and more importantly, he had a good relationship with a local authority officer. As a result, the local authority offered him MSLS support of 410 yuan per month as a person who was unable to work and who had no other income. This case illustrates how in China local officials are granted the discretionary power to determine who is eligible for MSLS support and how much they receive. This discretionary and unfair treatment was negatively affecting the equilibrium rate, which can be lowered by institutions that allow discretionary behaviour and practices on the part of local officials to take root (Barro and Gordon, 1983, p102). Therefore, those local people's income security or the local income policy implementation is influenced by the local officers' activities. Under such informality, the local officer's decisions are changeable, this has increased the level of risks or uncertainty of obtaining income support for those participants who cannot have good relationship with local officials, therefore, increasing the income insecurity level.

As discussed in the previous chapter, local authority officers are free to use their own discretion to make decisions on MSLS applications. As part of the assessment process, they consider not only the applicants' overall income, but also what possessions the applicants have in their home. If an applicant has any valuable equipment, such as air-conditioning, in their home, local authority officers may deem that possession of such items necessarily means that the applicant's income is over the MSLS support rate. Of course, ownership of such possessions should not be treated as primary evidence of an applicant's current income. For example, a person might be disqualified by equipment that they purchased when they had a higher income, and errors in judgement on the part of local authority assessment officers could result in a failure to correctly select the people who are in genuine need of this benefit. In such instances, it appears that there is a clear case of information asymmetry between the local official and the MSLS applicant. When a policy is administered in a way in which there is a high degree of information asymmetry between 'dispensers' and 'receivers' of policy, there is a high chance that 'adverse selection' in social security policy will occur. Spencer (2000, p.12) defined adverse selection as follows:

Since the pool price reflects average quality, the high-quality suppliers know that they are treated unfairly and may decide ex ante to withdraw from the market. Indeed, if they are high-cost producers, they may be forced to leave the market. This is the phenomenon of adverse selection. If adverse selection takes place, the average quality and hence the pool price falls, which may cause medium-quality suppliers to leave and set up a cumulative downward spiral in quality and price.

The case of potential MSLS applicants who were formerly middle-income workers is similar to the process that Spencer outlines above. If an applicant was once a middle-income worker, then their income and general spending would have been sufficient to purchase normal domestic electronic devices such as air-conditioning or a TV, which are not expensive in China. Once they lose their job or otherwise lose their long-term income, they should in theory qualify for MSLS support to maintain their standard of living. In practice, however, because they own some relatively inexpensive domestic electronic devices, even though they may be living in very poor conditions, they would not qualify for MSLS support. Like Spencer's high-quality supplier, this person appears richer than a poor person, but when incomes are compared, they are in a similar position to other poor people. Nevertheless, this person might be treated unfairly and their application withdrawn from the MSLS waiting list. In such cases, a system of regular checks might be necessary to accurately gauge a person's situation, and it might be assumed that such a system exists in China. How often, then, are the incomes of MSLS recipients checked? After they have applied, they are visited once by local authority officials to check whether they need MSLS support. After this, however, the situation is less clear. In the case of most Latin American countries, such checks are carried out around once a year. But when the Chinese government announced the MSLS support policy, no official guidelines were put in place to regulate how often the recipient's income should be checked. Instead, this was left to the discretion of local authorities. Because there is no official regulation on this matter, the checking procedure has tended to be carried out in an informal and haphazard manner.

As Ms D (Vice-Director of the Bureau of Housing and Urban-Rural Development of Tangshan) explained, "the local officials might use their own initiative and be willing to go to check every or some recipients". Ms D clearly noted that there are no strict guidelines in Tangshan City to indicate how often officers should check the income status and living

conditions of applicants, nor is there a formal check list for visiting officers to use in determining an applicant's eligibility for MSLS support.

Another problem lies in the fact that potential MSLS applicants have to apply for this support themselves. When this procedure is compared with those for similar programmes in Latin America, there is a clear divergence in policy practices. In Mexico, for example, potential recipients of the income support programme are visited in selected neighbourhoods to inform them of the available support. In Brazil, local councils or the state typically set up shop at a local sports ground, school or church for a few days or a week to encourage households to apply for income support benefits. Given the lack of a national policy on implementation standards in China, the raising of public awareness about the availability of income support measures is left entirely to the local authority. Unlike Mexico and Brazil, the local authority in Tangshan does not identify areas in which there is potential need and does not send officials to these areas to encourage potentially eligible households to apply for MSLS support. When they visit the household of an applicant, local authority officers might ask if there are others in need within the applicant's neighbourhood, but there is no consistent promotion of the MSLS programme in the way that occurs in Mexico and Brazil. Given the lack of effective promotion of the MSLS programme by local authority officials, there is the problem that some poor people might never know that they are able to claim this support. During the interviews, around 1 in 10 of the MSLS recipients surveyed stated that they had been initially unaware that they could apply for this income support and became aware of it only after they had been informed by friends, acquaintances or neighbours.

Finally, a major problem with the current MSLS system is that it fails to provide anything above the basic level of benefit for recipients. Given that many MSLS recipients are disabled or in poor health, it is unsurprising that respondents in this research cited health costs as a major concern. Figure 7.4 shows that most MSLS recipients are suffering financially from having to meet healthcare costs, and about half of the MSLS recipients in the survey rated their predicament as in the extreme suffering range (between 9 and 10). Related to this, the data from the individual questionnaires indicated that living conditions and economic insecurity were major issues for most respondents. Since the stated goal of the MSLS programme is to ensure that people are able to survive by providing a minimal income to poor people, the fact that so many respondents complained that the level of protection is too low,

and that they fear for their financial security suggests that the MSLS programme is failing in its remit.

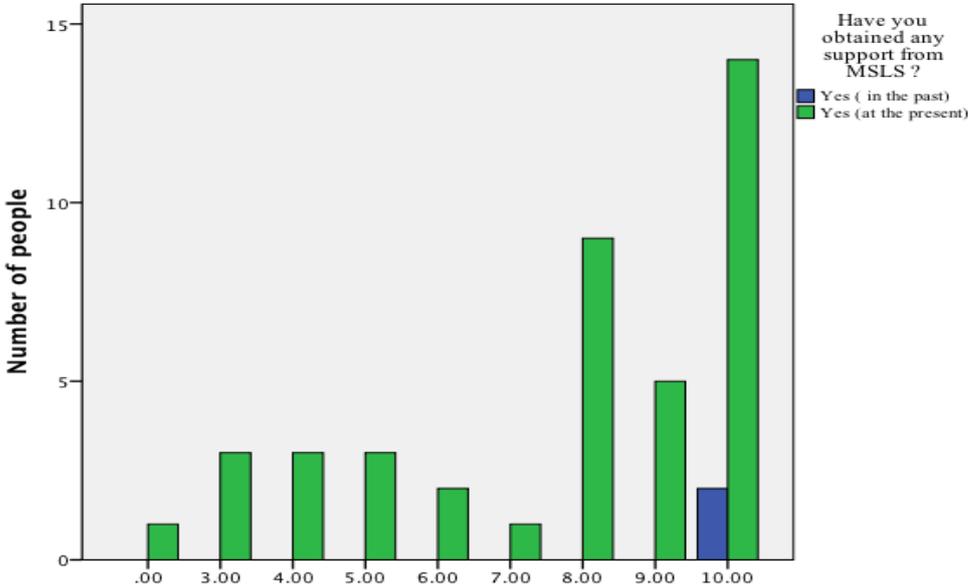


Figure 7.4. MSLS recipients' assessment of the amount of pressure they felt from worrying about medical costs (Scale 0 – 10, 0 = no pressure, 10 = extreme pressure)

Given the above failings of the MSLS system, it might be useful here to consider some possible solutions to these problems. In the case of lower-middle and middle-income workers who are effectively excluded from the MSLS candidate system, lessons might be learned from the economic sphere. In the financial markets, companies can use screening devices to minimise the effect of adverse selection. Spencer (2000, p.12) states that clients who have poor credit records could be monitored and identified by the banks through informational system. Similarly, Chinese local governments could build a local information system to store people's credit records, and the information could be used to make recommendations when the local government assessment officers are examining MSLS claims. This method would be of benefit not only to the MSLS system, but also in social housing provision. Rothschild and Stiglitz (1976) indicate that in the financial system, a range of different contracts at different prices is offered to clients based on knowledge of their financial situation. A similar model could also be used in the MSLS system by offering a range of different protection levels. In this model, every poor applicant could get MSLS support with cover at the full standard MSLS benefit rate, while lower-middle income applicants could pay into the MSLS system via contributions that could be tracked through the personal credit account system mentioned

above. In economics, this form of multi-tier contract solution is known as a separating equilibrium (Spencer, 2000, p.13). The middle or low-middle income classes who want to have increased financial security could choose to make larger contributions in exchange for higher returns.

An effective and efficient MSLS policy might simultaneously provide a sufficient level of income protection and serve as a basis for the provision of basic social services for *all citizens*. A basic comprehensive income protection could offer universal access to everyone, with those who make higher contributions to the fund receiving higher benefit rates. In such a system, the lowest level of benefit would be universal in that all citizens would be eligible to receive it, it would not be means-tested, and there would be no job search or similar requirements placed on the recipient. It would afford everyone the right to enjoy MSLS support when they are living through a period of income insecurity. Under such a system, however, the problem of measuring income accurately might still persist. Nevertheless, given the shortcomings of the current situation, where MSLS rules are ill-defined, where local authority assessment officers display discriminatory and discretionary behaviour that increases the probability of unfair treatment or inequality in allocating resources, and where access to MSLS benefits are strictly limited, a modified MSLS system that can guarantee coverage for all citizens is surely to be welcomed.

Such a system might provide financial security not only for the poor, but for everyone else. While it is true that poor people are in weak position, an effective social security policy needs to provide protection for everyone. In its current guise, the MSLS programme represents a last line of protection for the most vulnerable people in Chinese society, a system within which everyone receives basic assistance to bring their income up to a locally set rate. As discussed in Chapter 2, the middle class also needs income security. If they are not afforded such protection, then when they face income risk or uncertainty their living conditions might be even worse than those of the poor. This characteristic of the MSLS programme – that is, its failure to differentiate between prior earnings and expenditure of different groups of benefit recipients – is problematic in itself. Because the MSLS payment is at a very basic rate, it might be enough to enable the poor to survive, but this might not be enough for the middle class where their general spending might be higher. Clearly, it would be unfair to provide higher levels of benefits to richer people simply because they have lost everything, and the country should not blindly provide levels of support that enable more wealthy citizens to

retain their former incomes. Nevertheless, the fact that people's circumstances can change means that income insecurity can affect even once affluent people, and the case can be made that consideration should be given to devising a policy that could cover middle-class losses of income. As suggested in Chapter 3, the asymmetric protection that the Chinese social security system currently affords citizens means that a two-tier contribution system could provide an insurance system that caters to the actual needs of a much larger proportion of the population: while non-contributory benefits would be available to all people as a safety net of last resort, there could be a parallel contributory system of benefits available to people with different income levels.

7.2 Housing security issues for recipients of housing benefit

The standard of housing is one of the major determinants of a person's standard of living. Dwelly and Cowan (2006, p.17) state that the goals of housing policy should consider the following conditions:

House price outcomes influence wage rates, interest rates, equity withdrawal and stability, migration and investment incentives...an inadequate home and neighbourhood can hold back the lives and opportunities of the poorest households...local housing systems that are sorted by ethnicity as well as income can prove a fertile ground for recruiting the disaffected to insecure causes...Housing matters to how well the nation is governed and how people, as individuals and as communities, are involved in that process.

The Chinese government has recognised the importance of housing policies that promote social housing of a good standard and has particularly emphasised low-rental-housing (LRH) policy in order to relieve housing pressure and enhance housing security. How, then, does the LRH policy help individual housing security in practice?

China's housing market prices are increasing significantly and continue to rise every year, pricing many people out of the market. A housing policy focused on the construction of affordable housing for sale alone, however, is unlikely to satisfy and secure people's housing needs. As a result, the LRH policy is increasingly seen as the optimal solution to China's complex housing needs. The LRH policy has been operating in China for more than eight years, but to what extent has it met the needs of individuals? Many studies argue that the LRH qualification system is not clear, the administration of an LRH beneficiary's entrance and exit

from the LRH system is not well managed, and the target coverage rate is low. Chak et al (2008, p.176) claim that “LRH projects in some cities did not have details on the eligibility of LRH applications and the application procedures and local government had little motivation to meet the housing needs of poor citizens”. To assess the effectiveness of the LRH system in practice, it is important to find out what the recipients of LRH feel about their housing because their views can provide convincing evidence of the effectiveness (or ineffectiveness) of the LRH policy. Figure 7.5 shows that almost all of the lower-middle and low income LRH beneficiaries surveyed for this study felt that the location of their home was poor and sited far from the city centre, lacking in facilities and services such as shops, schools and hospitals, and lacking adequate transport links. Notably, most of the LRH beneficiaries rated their housing location extremely negatively, with some feeling that their home location was not at all acceptable.

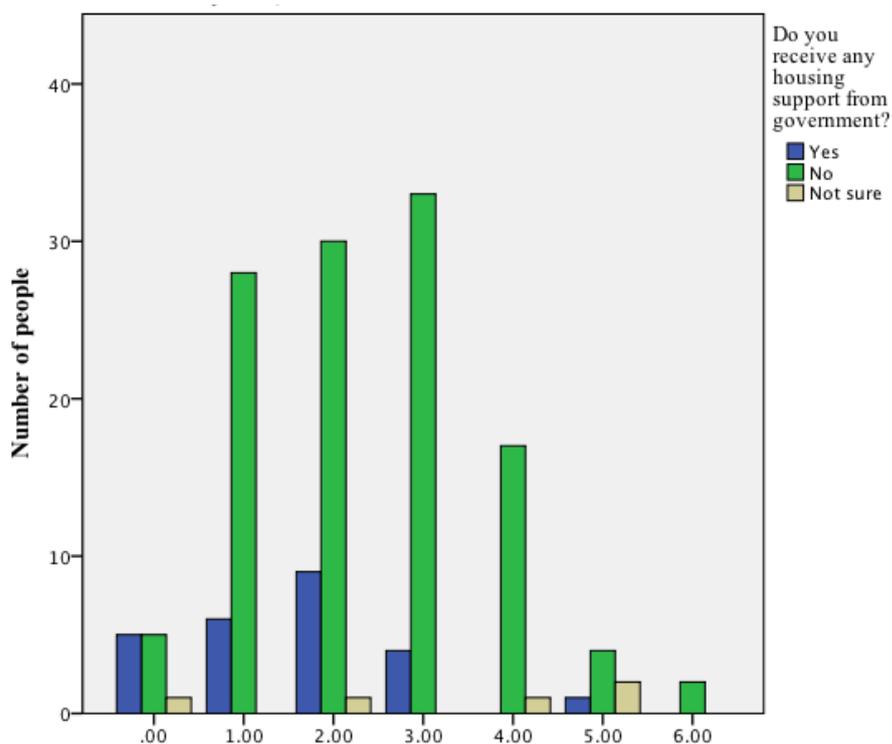
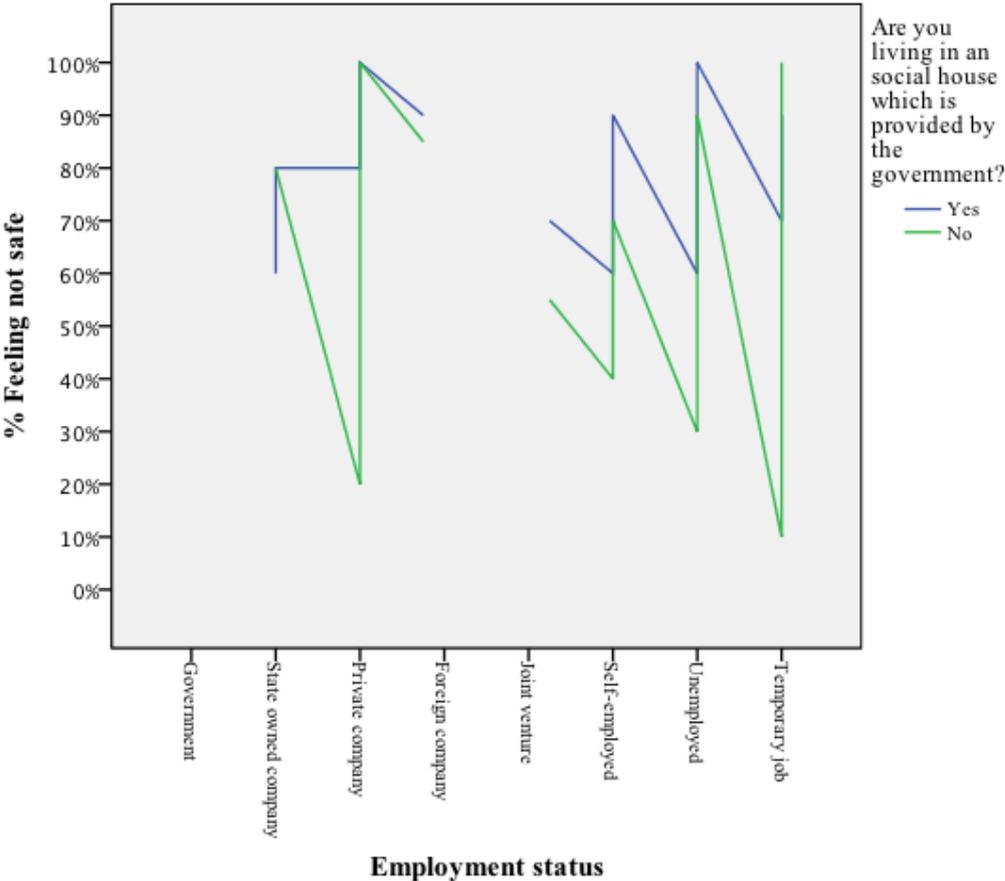


Figure 7.5. Social housing tenants’ feeling about the location of their accommodation (Scale 0 – 10, 0 = extremely badly, 10 = extremely well)

In the previous chapter, it was shown that the LRH in Tangshan is located next to the city ring road, which is a long way from the city centre. The LRH houses in Tangshan are concentrated in this location, and the neighbourhood is predominantly composed of low-income

households. The research data in Figure 7.6 also shows that the majority of LRH households surveyed for this study were either in informal employment or were unemployed and all had low incomes. It is reasonable to assume, therefore, that the availability of work in this area is not good and the unemployment rate in this area is probably very high. Figure 7.6 also shows that the majority of social housing benefit recipients (over 50%) rated the area in which they lived as unsafe. The prevalence of temporary and unemployed workers among the LRH recipients surveyed suggests that there exists a relationship between employment type, general feelings of insecurity and occupancy of social housing.

Figure 7.6. Percentage of households not feeling safe in their home area in Tangshan, 2012



LRH might bring with it the added disadvantages of social isolation or social exclusion. Given the concentration of LRH recipients in this particular area of Tangshan and its geographical isolation from the rest of the city, there is the potential for residents to experience social isolation. Such social isolation is an increasingly common phenomenon among poor urban residents worldwide. For example, Wilson (1987) uses evidence from

Chicago to show that low-income people tend to be concentrated in deprived areas alongside other poor people. Malpass (2005, p.174) argues that people living in social rented housing are to a large and increasing extent economically residualised, marginalised, poor and socially excluded, which can result in stunted economic development in such economically and socially isolated areas, which pushes down overall development rates and living standards. People's perceptions of such areas also plays a part in creating further isolation, with those from outside the area refusing to live in or visit it because of the area's poor reputation. As the deprived area suffers from a lack of resources, social isolation may be further compounded due to residents not travelling much to the other parts of the city. The social isolation of people housed in low-rental housing is also evident in the United Kingdom, where the integrated social housing system has contributed to increasing social isolation. According to Fitzpatrick and Stephens (2008, p.72) there is residualised social housing in Britain, which means a greater number of low-income households live in the same place while richer people have moved away and it appears that the patterns of segregation between poorer and better-off households has become a more serious problem over time in UK urban areas.

These aspects of social isolation were found to exist for some of the people surveyed in the case study. They not only lacked the financial resources to travel outside their area of residence very frequently, but also had limited networks with people from outside the area. In addition, they lacked the social skills to communicate with people outside their own area and the confidence to travel to other areas. These findings are consistent with the arguments made by Fitzpatrick and Stephens (2008, p.73), who contend that the social networks that exist on poor estates are limited in their reach. They are cohesive places in that many people have local friends, but many people actually lack strong social networks outside the area. Many of the respondents in this study reported that they felt that the modern central areas of Tangshan seemed like another world to them and that they felt shame when visiting and did not have the confidence to go there. The labour market in the area studied is also isolated and a high proportion of the research respondents work locally.

Clearly, the isolation of LRH neighbourhoods from the rest of the city affects social equality, and the resulting large groups of unemployed and informal workers can create many social problems. Previous research shows that many income and housing benefit recipients have serious medical conditions, are disabled or too old to be employed. Although the LRH programme is undoubtedly useful in that it provides places for poor people to live and can

help in protecting people's living standards, in its current form it fails to recognise fully the serious disadvantages of social exclusion and the large number of recipients who are not able to work. It is agreed that an area with a large residualised poor population is unsuitable for most recipients, because the local services provided will then only target the poor, so may be much reduced in quality (Malpass, 2005, p.175). Therefore, areas with isolated poor households might then further decline over time, as there may be less support and services available to them. Such an isolated area might become a new type of city slum similar to slums in other developing countries such as New Delhi, India. The difference being that the poor people in China are not in the central city, but being ignored at the city margins.

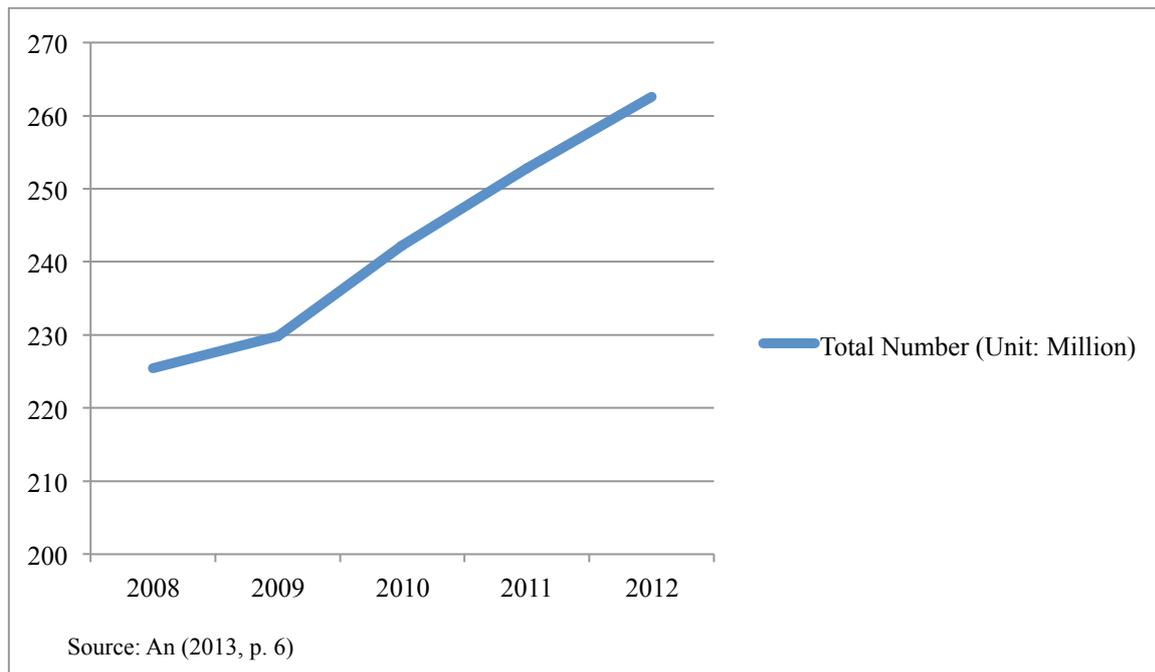
Ensuring that social housing areas become mixed neighbourhoods is an important issue for a healthy nation. To counter the social isolation that separate low-rental housing developments may create, the Institute for Public Policy Research (IPPR) (2000) suggests that social housing policy should focus more closely on market rent options. However, is such a suggestion relevant or applicable to the Chinese context in general and Tangshan in particular? In Europe, the IPPR's suggestion might be a practical option, the general income level and income support rate are very high and people are generally able to rent accommodation in the market. In China, however, the population is huge, with many people live in abject poverty or suffering from homelessness. The welfare system in China simply cannot afford to offer similar income support levels to those of European countries. Therefore, many poor and homeless people are not able to rent houses through the market system. Despite the inability of many low-income people to access reasonable accommodation through the private housing market, the current availability of LRH houses is still insufficient to support poor and homeless people, and many people on a low-income are forced to live together in a single privately rented room. Indeed, this research found cases in which a leased single room accommodates eight people, with each person allocated a living space of only 1–2 square metres. Concerns about housing are not restricted to low-income workers and the unemployed. The booming housing market in China in recent years has led to concerns among the middle classes that if they do not get on the property ladder quickly, then property and rental prices will continue to rise so quickly that they will be priced out of the market (Pressly, 2011). All of these issues strongly suggest that the IPPR's market renting solution to problems of social exclusion is not applicable in the Chinese context. Due to the high cost of housing and a huge impoverished population in China as well as the fact that rent and housing prices are too high even for those on average incomes, the government has pursued a policy of providing

subsidised low-rent housing to low-income people. Although the LRH programme is clearly a more appropriate solution to China's housing problems than a focus on market rented housing, it nevertheless leaves the problem of social isolation unresolved. Given China's current economic rate of growth, the government has the resources to invest in and re-build social housing areas. However, government at all levels should not forget that social housing policy needs to take a step-by-step approach that moves from meeting basic needs to improving the average quality of living conditions for those in social housing. While building LRH houses, the government also has to develop the economic, cultural and social environment at the same time so as to avoid social isolation. In practice, the government has introduced many social benefits to citizens, and in particular to local residents. However, there are few policies for migrant workers. The next section looks at the issue of economic security for migrant workers.

7.3 The economic security issues of migrant workers

In the wake of China's economic development, more and more migrant workers have sought work in cities across China. The country's population of migrant workers reached 262.61 million in 2012 (see Figure 7.7), and between 2008 and 2012 the rate increased by about 3.9 per cent every year. Migrant workers constitute a special group in the cities in China because they do not enjoy the same rights as local urban residents, and they are not sufficiently protected from employment or housing problems. In recent years, the central government has improved social policies following the promotion of 'harmonious social development' as a major welfare principle by President Hu Jintao. Since 2005, the social welfare system has been expanded significantly and migrant workers' income and housing security has undoubtedly improved. According to An (2013, p.6), about 0.8 per cent of migrant workers did not get paid on time in 2011, by 2012, this figure had dropped to 0.5 per cent. However, although there has been a great reduction in payment insecurity for migrant workers, 0.5 per cent is still a large figure, as it corresponds to over one million migrant workers who did not get paid on time. In addition, it should be noted that only 43.9 per cent of migrant workers in China signed employment contracts in 2012 (ibid).

Figure 7.7: Migrant workers in China (2008-2012)



Interviews were conducted with migrant workers to analyse the effectiveness of policies that aim to guarantee economic migrants' income and housing security. To assess the income security of migrant workers in Tangshan, the first question that must be asked is whether all migrant workers sign contracts in Tangshan city. It was clear from the interviews that the answer to this question is negative. Many of the young migrant workers interviewed did not know it was necessary to sign an employment contract in order to protect themselves.

WY, 20, a migrant worker from Henan province, said he had had never signed a contract after coming to work in the city. He said:

“I am not sure about a work contract. I only have a verbal agreement about my salary and working hours. I can tell you that it's not only me; none of the workers in my team have signed contracts.”

Many young migrants have no understanding of employment contracts, partly because of a lack of education and information about the relevant labour laws. As shown in Figure 7.8, most migrant workers have only a junior high school level of education (age 14 - 16) or below. China has compulsory education for nine years, and the majority of migrant workers complete this and then leave their hometown looking for work. The majority of migrant workers do not

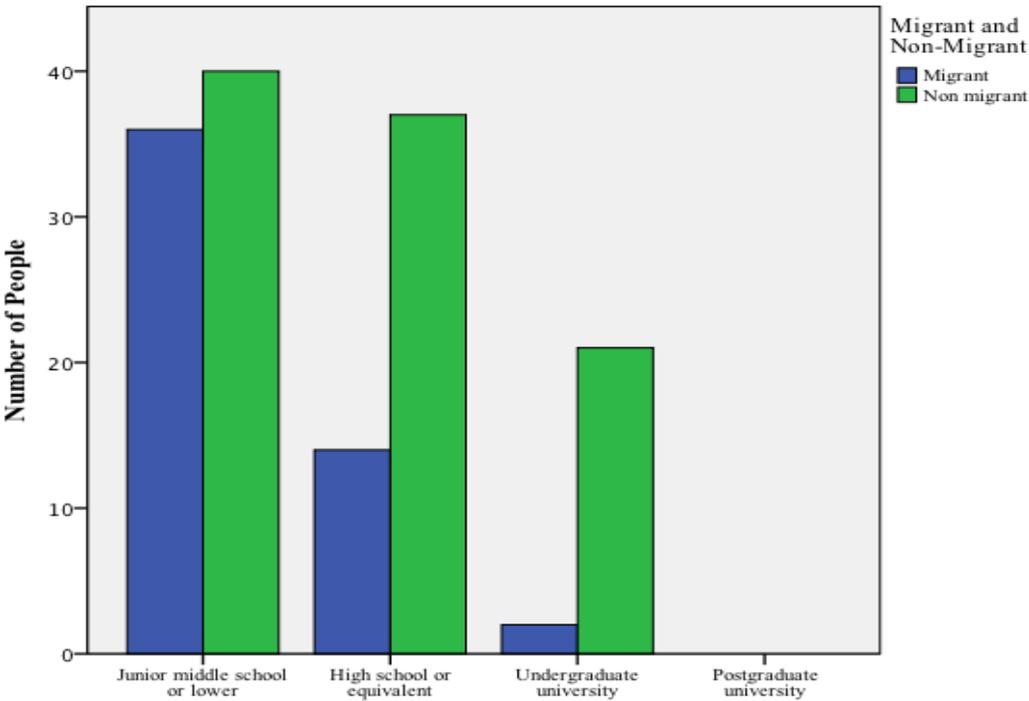
have particular skills, and job mobility among migrant workers is very low. Another migrant worker from Henan province, AH, 21 years old, said that even if he had wanted to continue his education, he did not have sufficient funds to support further study, and his parents had asked him to find a job. He said:

“I am not a good student. I think rather than spending money on education, I prefer going out to find a job and earning money.”

Many migrant workers take up jobs that urban residents are unwilling to do, such as informal labouring work in the construction industry. For such work, they do not require any specific skills, just a willingness to perform manual labour. Many of them are reluctant to sign contracts with an employer, because if they did, their salaries would be reduced by around 30 to 40 per cent to pay for the basic social insurances required under formal labour contract law. Furthermore, employers are unwilling to offer migrant workers formal jobs because non-contracted labour reduces labour costs (for example, via lower basic rates of pay and no overtime rates) and avoids issues associated with organised contracted labour.

In the interviews, Mr W, the owner of a private company, said that low-wage workers, without formal working contracts filled many of the labouring jobs at his company. He went on to state that because there is no formal contract between employer and worker, his company does not pay their social insurance fees. These workers receive a basic wage amounting to about 300 yuan per month, basic food and shared accommodation within the workplace. The accommodation provided houses up to six people in a single room. Mr W also stated that these labour conditions served to reduce his costs, and since many people, especially rural migrants, were willing to accept his offer of work under these conditions, he had no concerns about employing cheap, non-contracted labour.

Figure 7.8 The highest level of education that migrants and non-migrants had completed in Tangshan in 2012



As discussed in the previous chapter, even though economic rural migrants live in the city in which they work, they do not enjoy the same rights as local residents. They cannot get social benefits from the local city council and have to return home to claim benefits. Therefore, many migrant workers prefer to give up their right to social insurance and obtain higher wages instead. A 27 year-old migrant worker, Mr Xi, from Anhui province said:

“I do not have hukou (household registration) here. I and my children cannot access social welfare protection in this city such as the MSLS, medical care, pension, education and housing benefits.”

Furthermore, the housing conditions of many migrant workers are very poor. Migrant workers have a limited choice of housing in urban areas. They usually live in shared temporary tents on construction sites (see Picture 7.3) or crowded dormitories with very little living space. In general, it is impossible for them to buy or even rent a house because the cost of renting a basic small apartment easily exceeds the average monthly salary that migrant workers receive. Since rural migrants’ living conditions are not suited to accommodating families, they usually leave their families behind and are therefore unable to enjoy the comforts of family life or

take proper care of their families. The only thing they can do is send money home to support their family. Wong et al (2007, p.33) found that around 50 per cent of workers sent approximately half of their income back home.

Many migrant workers lack any form of housing protection, and their living conditions can be almost intolerable. Wang (2004, p.112) found that only 12 per cent were satisfied with housing facilities, 18 per cent with their house and home structure, and 31 per cent with the housing floor space available. It was impossible for them to rent public housing in local urban areas as the household registration system ruled them out of housing protection.

Picture 7.3. A temporary shelter in Tangshan in 2012



Yang, D. 2012.[photograph]

Given the above, a detailed action plan to deal with the issues faced by rural migrant workers should be implemented without delay. Creating more work within a regulated labour market for migrant workers and helping them access the local social benefit protection systems should be seen as one of the most important challenges facing social and economic security policy makers. Thus far, some cities have introduced some reforms to the household registration system to protect migrants. For example, Yiwu city in Zhejiang province announced “migrant workers with an education level of senior high school and an average

housing of 10 square metres in particular locations can settle down” (Lan, 2013, p.26). However, these two conditions actually preclude most migrant workers from the resident reforms. As discussed earlier, the majority of rural migrants attain only low levels of education, and many live in shared accommodation with minimal living space. Another city, Guangzhou, has also launched a project to reform the current rural and urban household registration system. It is called the household registration point system and allows every resident to obtain local resident status. To qualify, the migrant must have an employment contract for more than a year, be making contributions to the local social insurance schemes, have a minimum education level of junior high school completion (age 14 to 16) and must not have a criminal record. Qualification is awarded on a points-based system – points are awarded in the categories age, education level, housing, insurance contributions and employment – and applicants must achieve a score of over 85 to qualify as a local resident. Although it might appear that applicants have to satisfy a lot of conditions, many migrants would be able to meet these conditions, and this reform actually potentially provides a better way forward than the reform introduced in Yiwu city. It could help to reduce, or at least limit, the size of the informal labour market in the city and provide a good labour environment that encourages migrants to find formal jobs in order to live there. Its demand that migrants make social insurance contributions is also an important feature of the reform. Although this might be a problem for many poor migrant workers, it will compel migrant workers to think seriously about obtaining social insurance protection. In addition, their contributions should help to reduce fiscal pressure on local government. This should serve as a good example to other cities that real protection can be provided to migrants without undue pressure on local government’s fiscal capacities. As a further measure, the local government could offer a system of discounts on the migrant’s social insurance contributions, which would encourage them to obtain certain social security protections.

Unlike the reforms in Yiwu and Guangzhou outlined above, Tangshan has yet to make any substantive efforts to tackle migrant social security. Perhaps the absence of such efforts can be explained by Tangshan’s status as a traditional industrial city and its lower level of economic development compared with Guangzhou. According to Ms X, the Deputy-District Mayor of Kaiping district in Tangshan, the local government is still concentrating on GDP growth rather than increasing levels of social welfare. Although there are no official documents to show why Tangshan has not developed such social policies, Ms X’s statement suggest that the city’s focus on economic development might serve to explain the local

government's lack of desire to spend money on improving social security. Despite the city's relative underdevelopment of social security measures to assist migrant workers, many migrants are expecting to obtain equal rights with local residents. Nevertheless, it appears that the needs of migrant workers are not being entirely ignored by the local government. Mr Lv, Vice-Director of the Development and Reform Commission Bureau of Tangshan stated in the interview:

“a team from Tangshan government visited Guangzhou city to learn about this policy [the household registration point system]”.

He also expected that Tangshan could import the household registration points system (or a system like it) to improve social security protection overall and help migrant workers in particular. Mr Lv's positive assessment of the developments in Guangzhou suggests, therefore, that Guangzhou's reform of the household registration system can provide valuable lessons for other cities.

Many studies have argued that the household registration system hinders migrant workers from assimilating into the city environment and separates them from other city dwellers. While this is certainly the case, it should be remembered that many city councils maintain that they have insufficient fiscal capacity to provide comprehensive social security support to everyone within the city boundaries. A possible solution to the social protection issues faced by migrant workers might be for the state to implement a system that provided for equal rights to access local social protections while allowing local government to set local average income and housing conditions. This would enable local government to tailor contribution rates and benefit support rates to meet both the needs of people and the needs of government to balance budgets. For example, if local government fiscal capacity cannot meet the social protection costs of all residents, it could offer lower benefit support to migrants than to local residents to reduce local costs. Although the migrant workers would still be unfairly treated compared with local residents, the benefits that they would receive under such a system would be better than nothing. It should be borne in mind that migrant workers can still get support from their hometown. By adding both benefits together, migrant workers should therefore be afforded a good level of protection.

In recent years, some local authorities have begun to build social villages specifically for economic migrants – for example, the Taopu Township in Shanghai – to accommodate and

relocate migrant workers (Wu, 2002a). This is a policy that the Shanghai government believes protects migrant workers. While on paper this appears to be a sensible policy, it could nevertheless lead to a similar problem as occurred with the LRH policy, that is, social isolation from living in such an area and a lack of good facilities provided by the local council. This might work in Shanghai because it is the most developed city in China, but the capacities of other cities do not compare with those of Shanghai. Therefore, this policy is unlikely to be suitable for universal application in China.

7.4 Does social support work well enough for recipients?

Is it the case that income support benefits such as unemployment benefit reduce the recipient's enthusiasm for finding a job? This reflects the idea that employment may lose its attractiveness for some people if benefits, though low, were enough to live on. Qinghou Zong (Wu, 2013, p.1), the richest man in China in 2012, claims that the economic reforms in China dismantled the old egalitarian system by allowing some people to get rich first or permitting some areas to get rich first, and have thus aroused society's enthusiasm for the creation of wealth. It is this enthusiasm for wealth creation that Zong believes is behind the rapid economic development in China. He also asserts that European countries are now implementing a policy of high tax and high welfare support and that this will inevitably lead to an 'egalitarian mess' in which no-one will wish to go to work and create wealth. According to Zong, European countries generally maintain high benefit rates in areas such as unemployment benefits. For example, he states that the unemployment rate in Spain is very high and that this can be explained by the fact that the Spanish government currently provides unemployment benefit of around 600 Euros per month. He then compares this to the average wage of working people, which he estimates at around 1000 Euros per month. After tax and other contributions, Zong argues that the real wage left amounts to only around 600 Euros, almost identical to the unemployment benefit rate, and that this explains why Spanish people are not willing to work (ibid). However, Zong's claims are clearly founded on a faulty understanding of the situation in Spain. It is not the case that people are refusing to work, but rather the fact that in the wake of the 2008 financial crisis (and a series of smaller national crises in the Spanish economic context), there are few jobs to be found in the Spanish labour market. According to the BBC (2013a, p.1), 'the total number of unemployment workers in Spain at 4.7 million in August in 2013, and the unemployment rate [stood at] 26.3%'. In this situation, many Spanish citizens clearly need adequate support during a difficult economic period. In the meantime, the government also needs to provide more jobs to protect people's income. China's situation is fundamentally different in that the unemployment rate in China is much less than in Spain, and the Chinese government is unable to afford the high support rates common in Spain and other European countries. Given the lower fiscal capacity for social security provision in China, government (at both the national and local levels) needs to maximise social security fund efficiency. In a view reminiscent of those of Qinghou Zong, Ms D, Vice-Director of the Bureau of Housing and Urban-Rural Development of Tangshan, stated that "high income and housing support rates increase the high unemployment rate and raise sluggards". It is clear from her statement that she believes that high levels of social security provision are detrimental to people's motivation to work.

If this is the case and high levels of benefit might lead to a reduction in the attractiveness of working in China, then the potential drawbacks of direct income support might be countered by employing means testing in the income security system. In Latin America, the growth of conditional cash transfer schemes has been a notable development in the social security schemes in the region. Means testing for benefits has also been adopted in many developed countries, including the United States and some countries in Central and Eastern Europe. It should be borne in mind, however, that conditional payment is an incredibly intricate system of financial incentives and penalties for doing and not doing certain things (Studying, 2011, p.140).

In China, the MSLS, as the primary income security support system, could take advantage of conditionality. This would necessitate altering the MSLS in its current form to include conditions upon the spending of certain cash transfers, such as permitting conditional cash transfers for food or childcare only to be used by recipients for these purposes. In China, corruption is another problem that reduces the effectiveness of the social security policy and the efficiency of its delivery. From my research, it seems clear that those responsible for the disbursement of funds cannot and do not make fair assessments of applicants. As discussed earlier, it is the case that applicants who have good relationships with the local authority assessment officers might receive more benefits than others. Although the system of cash transfers outlined above would not totally solve the problem of corruption, it would make it easier for the government to monitor the spending of social security funds and might therefore increase the efficiency of China's income security system and negate the problem of people taking advantage of the system.

In addition, it is necessary to introduce a national social support standard for income security. At the moment, there is no national standard for the MSLS programme, and the MSLS payment rate is therefore characterised by significant variation between provinces, cities and even between different areas of a city. Regardless of this regional variation, however, MSLS payment rates are consistently very low, as can be seen in the discussion of the case in Tangshan city. MSLS recipients are thoroughly dissatisfied with their MSLS payment levels and services. They complain that the current MSLS rates do not provide adequate living support and that the quality of MSLS service provision is often unacceptable, as illustrated by long-term delayed payments. In light of these concerns, it seems clear that a minimum national standard MSLS rate should be set. This would put an end to the absurdly low benefit rates that exist in some areas and provide a true 'safety net' for each citizen. Furthermore, a national standard should also be set to ensure service quality. Once an applicant has qualified for MSLS payments, the local office in charge of MSLS services must be responsible for making payments to recipients either immediately or within a fixed period of time. A commitment to the timely delivery of agreed payments has to be written into the national MSLS rules because otherwise the current poor state of MSLS services will persist, and this will greatly increase recipients' level of economic insecurity.

7.5 Social security issues for middle-income groups

Recognition of the differing needs of different socio-economic groups is perhaps the key concept in an economic security system. A good economic security policy should not only protect those on a low-income, but also other social classes. The social system covering the

middle class in a key factor that make the whole security system better off. As discussed in Chapter 5, Korpi and Palme (1998)'s paradox distribution is a kind of economic paradox; the poor get more, because the budget is bigger, but they do not get actually get a bigger percentage of the budget. However, there is also a political side to this paradox, which might not work in China, because China does not have either a democratic system or a tax system. It works in Scandinavia, because it has a well-developed tax system as well as an established democratic system, and they are quite closely related. In Scandinavian countries, people do not mind paying tax as they can see the benefit. Therefore, middle class inclusion leads to more spending on welfare. China's tax system is not well developed. One major problem is the degree of informality and another is the lack of a democratic system. Therefore, private employers, like the interview participants from Rong Chuan Auto Industrial Park and YanShan Gas Company are not willing to pay tax or other contributions to public services.

Those with an extremely low income or no income at all are already at the bottom of the pile, and the risks to which they are exposed might be seen in relation to their lack of the most basic essentials, such as food. They are so poor they have nothing further to lose. However, those with middle or lower-middle level incomes could actually face greater risks and uncertainty should they lose their jobs. Given the nature of modern developing economies, in which innovation can produce unpredictable side effects in the labour market, the risks facing such workers are very real. For example, the introduction of new technologies could bring job insecurity to the labour market. A massive new production line might only need a few formal skilled workers, with the rest hired only as informal or short-term workers on very low wages in order to save costs and increase market competitiveness. The pressure of job insecurity and other forms of uncertainty on the middle classes, who bear higher living costs than poorer sections of society, could place them in a precarious position. Taylor-Gooby (2000), for example, argues that for some social groups, such as middle and lower-middle income workers, there are much greater risks in both the short-term and long-term. European research studying the mature welfare states also note how ensuring that middle class is covered by benefit provision is important for other reasons, including the legitimacy of the system (Rothstein, 1998. p.154).

It is difficult to evaluate employment and social developments for middle and lower-middle income workers because the provision and delivery of income and housing benefits in China has concentrated in the main on low-income citizens. On the one hand, the government has a

responsibility to maintain China’s rate of economic development and provide more stable jobs for citizens, thereby increasing people’s living standards. On the other hand, the government has a responsibility to provide an effective social security policy for when working class people face risks and uncertainties.

From Figure 7.9 it can be seen that middle-income (over 3000 yuan per month) working class people in Tangshan are not confident about their income security, and many lower-middle income (1000 to 2999 yuan) workers feel worried about their income security. This is partly because their social insurance payment level is not sufficient to secure a good standard of living.

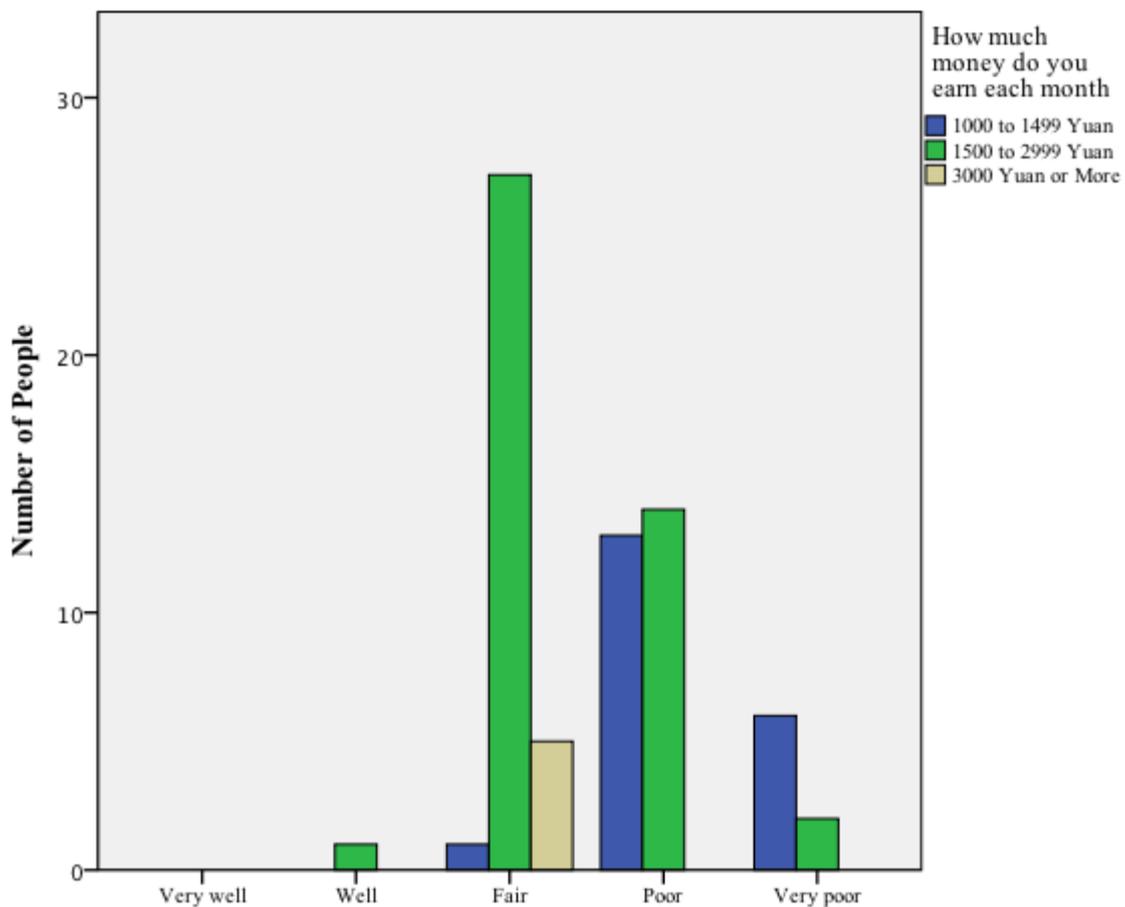


Figure 7.9. Participants’ rating of how secure they felt in their ability to deal with living costs and unexpected costs in their daily lives.

A working class formal worker, ZY, 35 years old, said:

“My company pays five basic social insurances for me – Unemployment Insurance, Health Care Insurance, Pension, Occupational Injury Insurance and Maternity Insurance – but the fees for these actually come out of my salary. The real income I have left after the insurance fees is enough to satisfy only my family’s normal spending, such as food, clothes and my child’s education fees. I still feel that there is a great deal of pressure on my living standards, and I worry when I think about my family members being affected by illness or income uncertainties because I cannot pay the fees out of my current budget.”

In cases such as that of ZY, it seems clear that middle and lower-middle income workers are also facing living uncertainty and risks. As discussed in the previous section, due to the low payment level and unequal treatment of applicants for social support, the government may fail to provide sufficient protection for every low income person, with nothing for the middle class. Therefore, middle class people might face more danger than poorer people, because policies such as the MSLS might not provide them with any support due to their electronic goods and other valuable household items.

Following on from the discussion in the previous chapters, an asymmetric protection programme might be a solution to this problem. This uses different levels of protection to provide security for different classes. Fitzpatrick (2011, p.108) argues that “each class would prefer to see a distribution of social resources which is heavily in its favour...this represents a necessary retreat from each class’s ideal and a settlement with which each class can live.” Given the differing resources, needs and expectations of different social classes, it would seem sensible to consider developing a systematic social security system that would provide social security protection for all classes.

7.6 Conclusion

China has become a major player in an increasingly globalised world. Although it is the second largest economy, China still has a long way to go, especially as regards its lack of a developed social security system. By learning from Western social security systems and adapting to its responsibility to provide social security, the coverage rate of income and housing security programmes has significantly increased. Underpinning policy development in China is the belief that a harmonious society follows in the footsteps of social security policy, and this has informed the direction of China’s social-economic development. As its social security system has developed, China has tested and implemented detailed systematic

social security policies. The MSLS and LRH policies have played a major role in social security provision in China, and if they have proved ineffective in guaranteeing income and housing security, this would be a serious threat to the wellbeing and quality of life of the people receiving these benefits.

The findings of field research in Tangshan suggest that there are some deep-rooted problems with the current MSLS and LRH policies, with recipients voicing their unhappiness with the level and quality of benefits that they have received. One of the most evident problems is the existence of a kind of informality in the way in which the policy is implemented at the local government level. Combined with the prevalence of labour-market informality, this places needy people at considerable risk of suffering income and housing insecurity. This will be discussed in greater detail in the next chapter.

Another finding is that many recipients consider the income security protection level too low. Furthermore, in its practical implementation, the MSLS programme appears to have shifted from its original goals. As designed, the stated goal of the MSLS programme was to meet most of the minimal living needs of recipients. In practice, the MSLS programme is focused only on poor people who are physically unable to work and who have insufficient income support. Poor people of working age are ruled out entirely from its protective net. Local government has implemented and administered the MSLS programme in such a way that it addresses the most basic needs of MSLS recipients, but from the viewpoint of the recipients, the payment level is too low and does not satisfy their actual needs. In addition, it is not always paid on time, and recipients have to cut down on their food or other basic spending in order to make ends meet.

There are also problems with the current social housing system, which appears to be creating a situation in which LRH beneficiaries are becoming socially isolated from other urban residents. The social networks that exist in poor areas are limited both in their communications and social reach. While the system may function effectively in meeting citizens' needs in the short term, it is a subject for debate whether it is a mistake to assume that the LRH programme can be implemented successfully in China without problems. As it stands, the social isolation that the LRH programme appears to be creating is potentially hazardous to economic and social development. The findings of this research suggest that

housing policy aimed at creating mixed communities, rather than social housing estates, would be a better option if effective housing security is to be achieved for low-income people.

The findings of this research on the income and housing situation for rural migrant workers suggest that China has some way to go to tackle the problems such workers face. The current social security system discriminates against migrant workers compared with official local urban residents and rural residents living in rural areas. It is clear that rural migrants do not enjoy the same rights as local residents. At the heart of many of the social security related issues faced by migrant workers is the household registration system and urgent reforms to this system are necessary. In addition, China needs to consider ways of providing more education and training opportunities for its labour force, and especially for rural migrant workers. Developments in this area are essentially about making people better equipped to make a more effective contribution to the labour market as well as improving their job mobility. Finally, China needs to consider the important concept of asymmetric protection and this is discussed further in the next chapter.

Chapter 8 - Further Discussion

8.0 Introduction

This chapter discusses in greater depth the series of barriers to policy improvement in the area of social development, looking specifically at the impact of informality on the income and housing security policies that have been implemented. In so doing, it aims to explain why China's economic security system is developing in the way that it is. It shows that these barriers have also actively shaped the way in which social security policy has been created and implemented.

In the current globalised neo-liberal context, the notions of decommodification and stratification are intimately connected to the question of informality and the concept of insecurity since they are affected by a wide variety of global processes, including reduction in state welfare provision, increasing competition and increasing labour market flexibility (Ahmed, 2004, p.114). Standing (2008, pp.3,10) asserts that the increased informality and insecurity arising from globalisation has forced many people into a new and vulnerable social class, the 'precariat', which is characterised by a broad range of insecurities. For example, members of the precariat tend to drift in and out of short-term jobs, have widely fluctuating incomes and can access few of the benefits traditionally afforded to citizens in developed welfare states.

As discussed in previous chapters, China's social security system uses a model that draws on lessons from other developed countries and its own experiences of 30 years of economic development since 1978. It can be argued that the Chinese welfare state has characteristics that make it a sort of mixed model: alongside attempts to universalise and expand coverage, formal processes are being informalised. For example, by 2012 over 90% of the population had joined the basic health insurance scheme (ISSA, 2013, p.117). However, the informal way of implementing social policies by local authorities and also the large informal sector in the labour market has reduced the security level in China. Despite China's high rate of economic development over the past a few decades, the increasingly marketised social and economic policies implemented in China have started to lead to an increase in levels of economic insecurity, with the emergence of slums and new social hazards. As discussed in Chapter 7 rural migrant workers find it difficult to get social protection in urban areas, and

many poor people in China cannot get Minimum Standard Living Scheme (MSLS) support or housing benefits such as Low Rent Housing (LRH).

Without basic security, people lose all sense of confidence in and control over their lives (Stock, 2002, p.60). Economic insecurity is not about being 'rich' or 'poor'. Some people may feel insecure, even though they may not be poor, others may feel confident about their lives even though they have a low income. Rather, economic insecurity is about risk and uncertainty (ILO, 2004, p.4). Risk means that the probability of various outcomes is known and can be predicted, while uncertainty refers to the probability of events that are unknown or unknowable (Heimer, 1988, p.493). People are likely to be anxious and insecure when they are exposed to risks and uncertainties against which they have no protection. Therefore, the state needs a way to implement a strong social system to provide solid protection but not a marketised social system.

As explored in Chapter 2, Esping-Andersen and other researchers look at decommodification and stratification in terms of what the state does to society (Esping-Andersen, 1990; Midgley, 1997; Hunber and Stephe, 2001; Castles, 1993). Historically, European welfare state variants were consolidated in the period after World War II. In European countries during this period, fiscal capacity was expanding, the labour market was formalising, and the state was increasing regulatory controls. In his discussion of social security in relation to the key issues of de-commodification and stratification, Esping-Andersen places welfare states into three categories, the liberal regime, the conservatism regime and the social democratic regime. For instance, Esping-Andersen's treatment of the Scandinavian welfare model focuses largely on the role of the state and the development of formal institutions, and he concludes that the Scandinavian countries provide social protection more through decommodification than through stratification. However, in Esping-Andersen's examination of social welfare systems in Western countries, there is little discussion of the issue of informality, as European welfare systems were developed based on a formal economy system. As Esping-Andersen (1990, pp.27–30) notes, the fact that benefits are universalised means that citizens have an incentive to contribute towards the welfare state system. For example, the Scandinavian system has a history of a very close relationship between state and citizens. Its welfare model was developed based on a very formal taxation-based benefit system and its social policies target not only the poor, but also the middle classes. However, it is very different in China.

Previous chapters have shown that there is a high degree of informality in China. Ringen and Ngok (2013, pp.8,9) also argue that the emerging Chinese welfare state is developing an obviously high degree of fragmentation (informalisation) and that informalisation is part of the process through economic, political and social development. They argue that China is in a period of social transition in which old security provisions such as guaranteed access to work, a house or land has been stopped. A series of social insurance and assistance policies have been introduced and in recent decades the social system has been changing into a new form under ideological guidance, attempting to build a harmonious society providing more social security to all people. However, Ringen and Ngok (2013, pp.21,22) argue that the welfare state in China is developing in response to economic necessity, rather than the state being traditional welfare liberal, socialist or developmental, they classified it as a fragmented liberal-conservative. That explains why and how this pattern of fragmentation is occurring in the specific context of economic liberalisation. In turn this is impacting on social policy formation and effectiveness. Therefore, when we consider China's social security system, it is important to focus on China's distinct characteristics. Clearly, China has a different history and set of institutions from those prevailing in Western Europe. Furthermore, its attempts to develop and expand the welfare state are taking place in the context of global neo-liberalism, a factor reflected in the prevailing marketisation policies within China and the loosening of the state regulation that existed prior to this period of welfare expansion. As a result, China has to some extent frustrated its own efforts to formalise a welfare state.

In response to these problems, China's social security provision in terms of income and housing policy is an attempt to create some of the universal social protection policies and institutions typical of the West, in order to improve people's living security level. This is precisely the kind of difficulty faced when moving from targeting benefits in rich areas to trying to cover the poor across the country (such as providing higher benefits to the poor western region of China). Bradie and Bostie (2013, pp.8,20,29) assert that targeting of public benefits towards better off income groups (or areas in China's case) is a more established pattern in developing non-democracies. In addition, they argue that this pattern makes it harder politically for governments in developing countries to begin to target benefits at poorer groups or indeed to make benefits more even between all groups in the case of universalism. Thus far, however, China has failed to reproduce the secure living environment enjoyed by Western countries. Significant barriers to developing a social security system exist in China, especially concerning the rising informal sector and this has created barriers universalisation.

This chapter is divided into six sections. Section 8.1 explores how China's social welfare system differs from those of European countries. Section 8.2 discusses the household registration system in China. Section 8.3 examines how the migration of rural workers to the cities has increased the level of informality in China. Section 8.4 investigates how informality influences income security. Section 8.5 examines how informality influences housing security. Section 8.6 provides a summary of the conclusions of this chapter.

8.1 Social welfare system in China

The global and national contexts for the development of the Chinese welfare state differ considerably from the experience of Western countries in that China has instituted social welfare reforms in the context of international neo-liberalism, as well as the different inherited system of welfare delivery to that of European welfare states. As discussed in Chapter 3, since the 1980s, China has ceased pursuing policies that strive for full employment, complementary food support and universal housing provision. The Chinese government has gradually reduced its market intervention strategies and has in turn promoted market liberalisation and the opening up of internal markets to direct international investment. Although these economic reforms have led to extraordinary economic growth and improvements in living standards, the level of social security support appears to have declined considerably. For example, minimum income protection (such as the MSLS) has only been given to old and disabled people, and the MSLS payment is not sufficient for basic living expenditure.

Another new phenomenon is rural migrant workers, who lack social protection and cannot obtain the same social benefits as urban residents. This group is so huge that it threatens to shake the stable development of the whole society. Rural migrant workers have experienced major problems in adapting to the emerging market economy. As discussed in Chapters 6 and 7, migrant workers are unable to get social benefits in the cities where they go to find work. Along with lower payment rates and the unequal treatment of rural migrant workers, this adds higher insecurity to the living conditions and life situation of migrant workers. Within this new globalised economy, economic stability and security has taken a back seat, and there is evidence that a new globalised insecurity structure has emerged (Stiglitz, 2002; Scheve and Slaughter, 2004; ILO, 2004; Ahearn, 2012).

China began to adopt housing policy reforms in the early 1990s. Between the 1950s and the early 1990s, the government allocated funds to state-owned enterprises to build housing for their employees. This was regarded as one of the benefits of employment, as even low-salary employees could secure housing as a welfare benefit. This afforded all urban residents a degree of housing security. From the 1990s, however, the housing system changed from one based on government allocation to one founded on market allocation, and employees then had to purchase or rent houses in the housing market.

This has meant that in recent years, the housing price has increased significantly and expensive housing has been a big important problem. A lot of people, particularly the young, cannot afford their own houses, and the current housing provision does not provide benefits for the massive number of rural migrants. In addition, China does not allow slum areas in urban city centres, which has generated large slum areas of poor housing and temporary shacks built by the homeless on the edges of the major cities. Furthermore, the conditions to apply for social housing, such as Low Rent Housing (LRH), are very strict and difficult. This is discussed further in Section 8.5.

The reforms have exposed large numbers of Chinese people to income and housing insecurity in the absence of income and housing protection, have brought about increasing inequality, and have led to asymmetrical geographical development. As discussed in Chapter 3, economic development is far greater in the eastern coastal area than in the western agricultural hinterland, and wage rates in urban areas are generally much higher than in rural areas. The inequality gap and the large surplus of labour in rural areas have led to the emergence of a huge floating labour force. This population of migrant workers has become one of the main groups of people experiencing high-risk living conditions in China today. According to Zhu (2013, p.1), there were over 260 million rural migrant workers in 2012, but only 43.9% rural migrant workers have proper formal working contracts: employers paid 14.3% of rural migrant workers' pension insurance, 16.9% health insurance and 8.4% unemployment insurance. Therefore, there are still huge numbers of informal rural migrant workers without a working contract or social insurances.

The large-scale neo-liberal industrial structural changes and labour market restructuring that took place in China during the late 1990s and early 2000s resulted in an unprecedented

problem of mass unemployment. According to Ghose (2005, p.7), during the late 1990s and early 2000s, due to the patterns of change in the labour market, such as the appearance of huge numbers of private sector companies, informal jobs, and labour surplus, the employment rate in state owned companies declined by 42.5%, leaving about 59 million unemployed workers. Many state-owned enterprises lost their competitive advantages when they were unable to use and maximise their capacity and productivity effectively, and since any company that fails to make profits will eventually be driven out of the market, the inevitable decline of the former state-owned industries meant that the unemployment situation in China deteriorated considerably. As a result of these market reforms, huge numbers of workers were laid off or put on long-term administrative leave during this period, and in many cases workers were forced to accept extended periods of enforced leave and non-payment of wages (ILO, 2004, p.139; Standing, 2002, p.39). As neoliberalism became the dominant economic discourse in China, it pushed the market into principal position, and many economic activities were left to self-correct through market mechanisms, including the labour market. While the neoliberal logic has served to promote economic development in China, it has simultaneously threatened workers' social security, especially that of informal workers.

The ILO (2004, pp.139-140) predicts that structural changes to labour markets could lead to a dramatic decline in employment security, especially in developing countries in regions such as Latin America, Africa and Asia. Certainly, it is evident that a large and growing number of workers are employed in the informal sector in these regions. According to the ILO (2004, p.140), 47.7% of the population of Africa was in non-agricultural self-employment in the 1990s, with the corresponding figures for Latin America and Asia standing at 41.8% and 32.7%, respectively. Although there were increasing numbers of people in employment, many of these people must be regarded as being members of the precariat. For example, the ILO (2003b) reports that for every ten jobs created in Latin America in the 1990s, seven were informal. During the period of economic growth, China has witnessed a similar trend of labour-market informalisation to that of Latin American developing countries. During the Mao regime, almost all workers were employed in the formal sector. However, since the initial market reforms in the 1980s, which paved the way for further economic reform and development, labour market informalisation in China has gradually increased. The informal labour market that emerged a couple of decades ago has now spread across the entire country, followed by mass migration flows. By 2005, informal workers accounted for 46% of the total

urban workforce (Kuruvilla et al, 2011, p.20). This means that in every two urban employees in China, one is an informal worker.

Ahearn (2012, p.5) found that since 2008 many unemployed workers in America have found it increasingly difficult to secure new employment, and many of those who did secure employment had to accept lower paying jobs. A similar situation exists in China. When workers leave companies, whether voluntarily or compulsorily, their social protection vanishes, because employers provide the majority of social benefits. Furthermore, the sheer number of unemployed people in China is so large and the situation so complex that government at all levels has found it difficult to deal with the problem (Yu et al, 2006). The inability of government to cope with the problem has exacerbated the already considerable impact of joblessness on the social security of the unemployed. The need to find work has meant that many unemployed people have taken the first job offered, which in turn has increased the size of informalisation in the labour market.

The Chinese government's decision to shift its economic focus towards urbanisation in 2002 has compounded this problem. Although the shift in economic focus was in part an attempt to reduce the level of rural poverty, it has led to massive numbers of rural migrant workers going to cities to seek jobs and thus to a large increase in the size of the rural to urban migrant population (Connelly et al, 2001, p.286). The rising demand for low-skilled workers in the manufacturing, services and construction sectors has continued to expand rural migration to urban areas (Du et al, 2005, p.695). In the absence of effective employment protection regulation, people have to find their own ways to survive, and informal employment has increasingly become the only option for many unemployed workers. Since the 1990s, the growing unemployment rate and the mass migration from rural areas has meant that the numbers of people working either without a contract or with an unfair contract have increased significantly (Yu et al. 2006). Although this informal employment might appear to solve people's income problem in the short term, it presents a major barrier to wider social improvement. As discussed in earlier chapters, informal workers do not pay taxes and their employers do not pay social insurance for them. As there is no formal contract, local authorities are hard pressed to identify people's real income. This is another of the serious side-effects of the emerging market economy system which has increased the level of insecurity. Because informal workers' income cannot be guaranteed, a common problem for informal workers is that their wages are not paid on time or they might not be paid at all after

working many hours. Therefore, informality is a real problem that reduces the economic security level in China. The next section will discuss more on how informality influences economic security in China.

8.2 The impact of informality on China's economic security

The informality problem in China is more of a complex issue than its classic definition – a lack of an employment contract or a clearly defined working relationship between employer and employee – would suggest. In fact, the issue of informality goes far deeper and includes the way in which the state functions in the area of employment rights. A notable issue is that of discretion at local government level. When implementing social policies, government officers often have the freedom to decide for themselves what should be done. As discussed in Chapter 6, local authority officers have the power to select which applicants qualify for the MSLS and may delay payments. As informal workers' income cannot be proved because there is no formal contract, the local authority might consider that MSLS applicants have a certain income from an informal job. Therefore, as income cannot be accurately proved, the local authority might use their discretion in determining salaries in investigation reports. As the MSLS eligibility condition is lower than the minimum wage, formal workers would not qualify unless the total household income is less than the MSLS. However, local officers can look through a formal contract and the tax system to identify an applicant's income. Local officers also look at whether there are any electronic goods in the house, such as an air-conditioner, in which case the family will be disqualified.

This discretion is used differently in relation to workers on informal contracts. Ms L (Director of the Bureau of Civil Affairs of Tangshan) states that local officers cannot identify informal workers' income. Therefore, if the applications are of working age (age 16 to 65) and not suffering from a serious illness or disability, the local officers will assume those applications have at least a local minimum wage income, so these applications will be disqualified and of course electronic equipment will be also detected.

Having discretionary powers means that personal relationships, favouritism or other interests may lead to local authority officers failing to comply with statutory provisions. Clearly, the current labour market in China is not functioning well, and government at all levels has not

addressed its failings. It seems equally clear, however, that labour market regulation will not be effective if it is carried out at decentralised government level, as local governments in China have little incentive to regulate informal markets, make the much needed investment in human capital or reduce poverty (Zenou, 2012, p.409). This is because the informal market increases GDP figures and also decreases employment pressure. Employers pay less for informal workers, so the cost reduction increases a company's competitiveness in the market economy and increase GDP.

Local government does not have an incentive to regulate the labour market, possibly because the use of informal employment increases economic growth in China. Huang (2009, pp.5-6) states that the informal sector has been a way of increasing production capacities and solving the problem of unemployed workers, but it has been ignored by policy makers in the welfare system. Since the 1990s, informal employment as a flexible labour strategy has developed rapidly (Cooke, 2008, p.4). Gallagher (2002, p.346) states that since 1978, opening to foreign investment and trade, and allowing a private sector has been a key element of China's economic reforms. Gallagher (2002, p.339) further argues that thousands of local authorities have set up development zones due to foreign direct investment liberalisation, but the economic reforms have resulted in a weakened social system for the labour market. One of the important issues for China might be cheaper labour force and raw materials. A much-regulated labour market would increase the cost of labour. For example, during the research interviews, one private employer (Director of YanShan Gas) states that he chose to offer a majority of informal jobs, so as not to pay social insurance for migrant workers, and also the wages he pays are much less than those of formal workers. In China, the informal sector has been recognised as a way of solving the unemployment problem. It also deals with the influences of economic reform where globalisation has strongly increased competition in the labour market (Lu, 2003, p.4). The informal sector has therefore been an unspoken agreement that has developed as a way of increasing employment rate and economic growth.

Ms X, Deputy-District Mayor in Tangshan stated that delegating the regulation of labour markets to the local governmental level could lead to long-term labour market insecurity given that local government is focused on economic growth and producing good financial figures and GDP rate, rather than focusing on human capital value creation. As Boyer (2000, pp.123,133,142) indicates, such an approach is dangerous because making financial results

the central focus of policy tends to lead to greater instability and increases the likelihood of a catastrophic economic crisis.

The Chinese labour-market context therefore differs considerably from the Scandinavian or German contexts examined in Esping-Andersen's research, characterised as they are by much more formal institutions and an organised and formal labour market. In contrast, the development of the Chinese welfare system is taking place in a relatively deregulated environment in which there is a large percentage of the workforce working in the informal sector and a labour market in which there is a large proportion of workers without proper social protection. Barrientos and Hinojosa-Valencia (2009) discuss Esping-Andersen's model of Latin America, for example, since the 1980s workers in formal employment and social protection have been largely underdeveloped, and informal or rural workers cannot participate in traditional social security schemes (2009, pp.2,6). This is very similar to China. However, since the 1990s, the design of a non-contribution social security system has provided a solution for all workers. Most of the non-contributory social protection is funded by taxes and government income that covers formal and informal, and urban and rural workers (Barrientos and Hinojosa-Valencia, 2009, pp.14,15,17).

Although the social protection measures implemented in China thus far are not very effective and do not function as efficiently as they might, the Chinese government is making concerted efforts to establish and develop a viable social security system. While this thesis has shown that current Chinese social security policies are weak insofar as they afford limited levels of protection, there has clearly been some improvement over China's thirty years of economic development. For example, at its inception, the basic pension system only covered employees of state and public owned companies. Since 1999, however, the basic pension insurance system has been unified for all employees in cities and towns throughout the country. Employees in all enterprises who have reached the statutory retirement age (60 years of age for male workers and 55 for female workers) and who have paid the necessary individual contributions over fifteen years can receive a monthly pension after retirement (XinHuaNet, 2004). In 2009, the Chinese government expanded the coverage of the pension system to include rural residents in developed areas such as Beijing and Tianjin municipalities and it has subsequently increased coverage to include more rural areas (State Council of China, 2009b). This is an improvement on the old pension system (1980s to early 2000), which mainly focused on urban residents, whilst rural residents were not eligible.

In 1999, the Chinese government introduced the ‘Unemployment Insurance Rule’ (UI). The UI regulation requires all urban employees to participate in UI. The UI payment scale is somewhere between the local minimum wage and the local minimum living standard. By 2010, around 120 million people were participating in UI (State Council of China, 2010). However, this only covers the formal sector; the informal sector is not covered in China. On a more universal system in developing countries, Brazil has an unemployment system that covers the informal sector from a tax fund contribution based social security system (Barrientos and Hinojosa-Valencia, 2009, p.14). In China, although the new social system has been extended to cover more people, there is still a big informal sector problem in the labour market, and also among rural migrant workers.

In 1998, the basic health insurance system was launched. Initially providing cover to urban formal employees, it was then expanded to all urban residents. In the past five years, the basic health insurance system has been extended to include all rural residents. At present, basic health insurance covers more than 1.2 billion people, around 90% of the Chinese population (State Council of China, 2010). The Chinese government has also actively promoted the urban housing security system. By the end of 2011, there were more than 10 million social houses under construction. The social houses that have been completed have solved the housing difficulties of tens of millions of people (Xin Hua She, 2011). Since economic reform in 1978, the social system has changed a lot, as the state has changed the allocation of housing provision into a market activity. From the discussion in Chapter 3 and 5, the housing price has massively increased in China, and many poor people are unable to afford houses. The new housing policies, such as LRH, have provided a lot of available social housing that has improved housing security.

Similar to the experience of Western countries, China is endeavouring to gradually develop a welfare system that aims to provide universal social protection to all citizens and maximise capacity for individuals. However, in a widely discussed article from the Wall Street Journal, Professor Qin Hui states that ‘China is a “negative welfare state” because welfare support only benefits formal workers and officials; the state provides little or no welfare support for poor people’ (Yuan, 2013). Clearly, Qin contends that China’s current welfare state system does not provide good protection compared with Western welfare states. However, as an East Asian country, China’s social security protection level is related to its level of economic development. Since the establishment and development of the socialist market economic

system, China has carried out a series of social security system reforms as part of the planned economy and has gradually adapted to the market economy system. Following China's rapid economic development in the late 1990s and early 2000s, the government has attached great importance to and is actively committed to providing and improving the social security system, especially as regards pensions and health insurance. The coverage has been extended from urban to rural sectors, with the fund for pension insurance and health insurance largely being provided by the government and taxes. This is similar to the discussion in Barrientos and Hinojosa-Valencia (2009) about income security policies in Latin America. Thus, China's new social system has the potential for integrating informal workers in the future.

Although China's social expenditure is much lower than that in Western developed countries, it has increased significantly in recent years. Therefore, while Professor Qin's claims might have fairly reflected the situation that existed in China during the 1990s, they do not accurately depict the current situation. In reality, the Chinese government is playing a key role in all economic, social and political arenas, and the country has a modern welfare system that provides social services and protection to citizens. While it might be an exaggeration to consider China a fully-fledged welfare state, there are nevertheless signs that it is developing towards being a reliable welfare state. China is trying to provide basic income and housing protection with a wide coverage rate that should help to reduce stratification. In fact, there are different stratifications in developing country non-democracies (Bostie and Brady, 2013, p.33). They argue that developing countries tend to be less extensive and universal, and more high income targeted than rich democracies. This is a similar issue to China, although, as discussed in earlier chapter 5 and 6, China is adopting both targeting and universalism, but in practice, income and housing support such as MSLS and LRH have been benefits for the elderly and extremely poor, and not everyone can obtain benefits. However, given China's traditional separation along strong rural-urban, public-private, and formal-informal lines, China is creating new forms of stratification, especially regarding the proliferation of migrant and informal workers. This new form of stratification is directly influenced by the constraints imposed by the household registration system.

As stated earlier, more than 90% of the population is covered by health insurance. But the health insurance payment rate for urban and rural is very different. Rural residents have much lower benefits. Rural workers are the major labour group in China (Zhu, 2013, p.1). They number more than 260 million, but their social insurance (related to work) coverage rate is

less than 15%, and most rural migrants are informal workers that cannot get social benefits in urban areas. Therefore, the social protection trend is towards gradually covering more people but at the same time informalising the system, so that rural migrants and informal workers are still trailing behind. Informalisation is also reflected in the behaviour of the local authority who also have a strong influence due to their discretionary powers, as discussed in Chapters 6 and 7. For example, those with a special relationship with local officers might get priority benefits. These patterns of stratification in China seem to contribute to explaining Ringen and Ngok (2013)'s characterisation of China, as 'fragmented liberal-conservative'. Social services management has been poor and the implementation of social policies has been treated arbitrarily. This is particularly true for the migrant group and informal workers, where the economic and social system means they trail behind formal workers, without certain social rights. The next section will discuss more on the issues of migrants and informal work.

8.3 Household Registration System

In the pre-reform period of the 1980s, the household registration system completely restricted people's mobility. Under this system, everyone had to register as a rural or urban resident and their status could not easily be changed without permission. Although the household registration system has been slowly reformed over the past 30 years, rural migrants still encounter difficulty in obtaining the registration necessary to move to urban areas. With China's economic development, however, rural migrants are needed as a cheap labour force in the cities, and given the wage differential between urban and rural areas, large numbers of people registered as rural residents have migrated to urban centres, few of whom have official local registration. As discussed in Chapter 6, it is difficult for such workers to bring their families with them and obtain social insurances in the cities that they migrate to. Thus, although the social policies that have been implemented by the Chinese government are seemingly targeting the right people and appear sound in principle, the existing household registration system prevents these policies from reaching certain sub-groups of people and explains why there are several different forms of policies in different areas.

It can be seen that the household registration system has had a negative impact on social security provision. Since rural migrants would have to return to their place of origin in order to collect social security benefits, the household registration system effectively eliminates the rights of rural migrant workers to such benefits and thus acts as a barrier to the provision of

universal social insurance coverage. Currently, social insurance cannot be transferred between cities, and even if workers do have social insurance, this cannot be transferred with them when they migrate from their area of permanent residence. Even if the rules governing the transfer of social insurance were relaxed, local governments simply do not have the administrative capacities to deal with the complexity of transferring the contributions and insurance benefits of large numbers of workers as they move to different places. Furthermore, since urban benefits such as LRH require urban registration, rural migrants are excluded from eligibility due to the household registration system (Ministry of Housing and Urban-Rural Development of China, 2007). The main victims of the household registration system, therefore, are rural migrants, who do not benefit from urban social security and thus do not enjoy the same kind of social protection as urban residents. This system enforces the trend towards informality, as discussed in the last section.

The household registration system also contributes to increasing labour-market informality. Since workers coming from rural areas bear the label of ‘migrants’, it seems likely that some private businesses might treat them differently from local workers. Both private employers interviewed (YanShan Gas Company and Rong Chuan Auto Park) declared that they intended to provide informal jobs and pay less to rural migrant workers, as they thought rural workers were in a weak position in the city. Rural workers might be too frightened to oppose local employers. The private employers also said that the rural migrants normally kept quiet and accepted their employer’s requirements. In Shanghai, for example, most migrants who are classified as ‘temporary residents’ live in overcrowded dormitories and the remainder in private rented accommodation (Wu, 2002a). It should be noted that as most rural migrants are working in informal jobs, the label ‘temporary resident’ is largely synonymous with ‘informal worker’. As a result, the household registration system has left rural migrants separated from the urban population in both the social and labour market spaces. Therefore, this has increased the level of informality. As Solinger (1999, pp.800-810) indicates, informal workers as a secondary class largely work in dirty, dangerous and demanding jobs not performed by urban residents, thus increasing the social and labour market isolation of migrant workers. The problems faced by rural migrants in terms of income and housing security should receive much more attention than is the case at present. Despite this, social security policies such as the MSLS and LRH have not yet been expanded to allow the participation of rural migrants.

8.4 Migrant workers and the Chinese labour market

At the heart of the income and social insecurity issue for migrant workers might be the fact that they are disproportionately employed in the informal sector. Bangasser (2000, p.47) notes that the ILO refers to two forms of employment in the informal sector. One is defined as ‘informal own account enterprises’, and the other as ‘enterprises of informal employers’. Work in agriculture is excluded. Informal employment may take the form of work within informal enterprises, self-employed businesses and small family-owned businesses or informal jobs in formal sector enterprises (Husmanns, 2004, p.5). Temporary workers are normally classified as part of the informal sector in developing countries. It is widely accepted that those in informal employment do not have labour contract protection and that informal workers tend either to have weak or no social security benefits. Meghir et al. (2012, p.2) make the case that informality necessarily implies that the amount of insurance offered to workers is lower than for formal, regular workers.

In urban society in general, rural migrant workers are regarded socially as ‘second class citizens’. Due to the ‘household registration system’, rural migrant workers are discriminated against in the urban labour market, and employers more likely to offer them informal jobs such as temporary or part time work. Given that there is a large rural labour surplus and that it is moving into the urban labour market, the demand for low-skilled workers is weighted towards rural migrant workers. According to China News (2013, p.1), rural migrant workers wage rate is relatively lower and working environment is relatively poor, due to the bad treatment, on average, rural migrant workers have to change job every 4 years. Under the pressure of market competition, firms must reduce costs to compete effectively, and workers, especially the low skilled, have become victims of the drive for cost saving strategies. Over the past few years, firms have tended to reduce labour costs by employing informal workers as this enables them to pay lower wages and bypass many of their social responsibilities. In particular, small firms often prefer to offer rural migrant workers informal jobs in order to lower business costs by paying lower wages and avoiding having to take on responsibility for their employees. In recent years, both their low level of income security and the lack of social and labour rights protection for rural migrants have attracted criticism. Migrant workers frequently do not receive wages when due. According to research, around 10% of rural

migrant workers receive payment seven months late on average (State Council of China-Research Office Project Team, 2006, p.1). Informal staff in a company might account for 90% of all employees, or informal workers might number ten times the number of formal workers (Sun, 2013, pp.2–4). For many companies, the informal worker has become the main form of employee, and they are in the weak position of receiving low wage rates and poor social benefits and facing lay-off cycles.

The increasing labour-market informality in China is creating a very problematic labour environment, and it is becoming increasingly difficult for job seekers to secure a formal job and a high wage rate. Official surveys indicate that the nominal average wage level of rural migrants has barely changed in a decade (State Council of China-Research Office Project Team, 2006) Given that the income of rural migrants is very low and that the already significant income inequality gap between formal and informal workers continues to increase. China People News (2007, p.1) claims that in same company, same job, the payment difference between formal workers and informal workers could reach 10 times. The added problem of employers failing to pay or delaying payment of wages makes the situation even more difficult and dangerous for rural migrants. An example of unpaid wages to rural migrant was recently reported in the Chinese media. The news said 20 rural migrants who had not been paid were involved in an incident with the employer in which one man was injured (Chen, 2014, p.1). This kind of problem has been reported many times in the Chinese media. A lot of Chinese people are familiar with the insecurity of rural migrants. According to Xin Hua News (2014, p.1), from 2013 to January 2014, 23 million rural migrants have officially reported experience of delayed payments.

In researching Western social welfare systems, it is important to consider unemployment rate as an important factor. The debates by Esping-Andersen and Regini (2000) on labour market and social security in European countries approach the issues by analysing the European unemployment problem and unemployment structure. In China, however, such an approach might be criticised as idealistic and impracticable. This is because migrant workers, who make up a large part of the labour force, actually have a low unemployment rate (Li, 2008, p. 14). Most move to cities to increase their income and are generally willing to take any job, of which the majority are in the informal sector. Barnighausen et al (2007, p.2) claim that the informal sector workforce makes up more than half the total workforce in China. Tokman (2007, pp.2–3) argues that employment in the informal sector typically involves people

working in poor conditions on low incomes, and since most informal workers are from the poorer sections of the population, they take such work to obtain some form of income. In the informal sector, enterprises and employment relations are not regulated, and employees are not legally protected. Therefore, in order to gain a better understanding of labour market informalities, both informal workers and informal enterprises need to be considered. While in European countries a low unemployment rate might equate to low job mobility – that is, the majority of people have stable employment – a low unemployment rate does not equate to low job mobility for Chinese migrant workers. According to Knight and Yueh (2004, p. 644), the rate of job mobility for rural migrant workers is much higher than for urban resident formal workers. One reason for this might be that the competition for jobs is very high and that these jobs are characterised by instability. As noted in previous chapters, a large proportion of migrant workers have not signed contracts with their employers and legal labour protection in China's labour market is poorly enforced. The prevalence of small informal firms in China and the fact that even formal enterprises hire informal workers means that there is a ready availability of informal employment without formal contracts, social insurance and with low rates of pay. Without written contracts, rural migrant workers are in a weak position in their employment relationships.

Labour-market informality in China also raises stratification issues that differ from the contexts that Esping-Andersen describes. In China, rather than state policy shaping society, labour market informality is actually affecting state policy, and the extent of informalisation in the Chinese labour market is directly related to the government's activities and economic goals. Loayza (1996, pp.131–150) argues that in Latin America, governments that lack the capability to enforce enterprises' compliance with labour regulations contribute to the emergence and rise of the informal sector. As a developing country, China's economic and social development has many similarities with Latin America countries. After the 1980s, fast economic development resulted in similar problems to Brazil or Chile, such as informal workers and different social protection for urban and rural. The state or government, as an institution that administrates public services and monitors regulatory performance, plays a crucial role in the emergence and development of an informal economic system.

This working relationship is very different from those in Western countries. In the UK, for example, if a company owner wishes to employ a cleaner, he/she is legally obliged to set up a contract for the cleaner and guarantee that their tax and national insurance payments are

deducted from their wages. In China, however, even though Chinese labour law clearly states that ‘the employment relationship has to be written in a formal contract’ (State Council of China, 2005c), many company owners deliberately look for informal workers to perform such low-skilled jobs, a situation that is borne out by the fact that more than 80% of rural migrants working in informal jobs do not sign labour contracts (Li, 2005, p.2).

Zhang (2010, p.1) indicates that at the moment there is no law or rule to protect informal workers. This is true, even with the new social security law, it only states that the employer should provide a formal contract for workers, but it does not say how to provide protection for informal workers’ income security. Zhang (2010, p.1) also states that in 2010, there were over 80 million informal workers, and in Jiaozuo City, the local court takes only about 30 cases of informal employment a year. According to the new social security law, the informal job sector is illegal, but so far, local authorities seem to have done nothing to private companies. A private employer interviewee from the YanShan Gas Company in Tangshan, stated that no institutions were actually investigating his company. Even if officers asked about informal workers, the company did not disclose that they had any. Sometimes the company might give a gift or pay for dinner for local officers to avoid investigation. Then, if a problem was found, the company only needed to pay a small amount of money to solve the situation, because the company had built good relations with the local district officers, so the fine would not be large. This is also related to the discretion discussed in Chapters 6 and 7. Local officers might consider turning a blind eye to the company’s behaviour or charging less if the company was caught. Li and Tang (2002, p.20) report that 26.1% of migrant informal workers had been warned and punished, and 73.9% of migrant informal workers were not questioned in 2002 in Beijing. Therefore, the situation in Chinese secondary cities is that informal jobs are against the new social security law, but in practice it is not seen as illegal, because the local authority does not strictly apply the law.

In the interview, the Chief Justice of Lubei district court in Tangshan, Mr W said that at the moment, there might be millions of informal workers in Tangshan, there are some legal cases about labour contracts, but most of the cases are for state owned companies, there are few cases for informal workers’ contracts in private companies. He said almost no one prosecutes informal employers, so the court might not be able to do anything about it unless the case is very serious and has a big impact to the stability of society. In fact, there is a labour bureau where this institution could go to investigate those companies who have informal workers.

However, in practice, if nothing serious happened, no institutions would bother about informal job cases in Tangshan. In addition, most labour contract cases are about payments and need the employment contract as proof of the working relationship. For informal workers, proving the working relationships is difficult, so for informal worker's unpaid salaries, the court may not help up. He also thinks that rural migrant workers might be frightened of going to court, because it takes time, costs money and might also need certain knowledge. He believes that most rural migrants would not choose to go to court.

As indicated in Chapter 7, the education level of migrant workers is generally low, so they might not know what they need to do to initiate court proceedings. They also run the risk of employers sacking them and hiring new people. As argued in previous chapters, migrant workers are looking to survive in urban areas; they need jobs to earn income to live.

Therefore, they would rather not take time off and risk going to court. Because of these difficulties and the lack of legal protection, to either escape or do nothing but continue to work might be their only choice, as was found from the interviews with local workers and private employers. Therefore, although informality in the labour market might still be a grey area, for the informal workers it is a case of tolerating the situation, because this area of the labour market is not considered strictly, and so is neither structurally legal or illegal within the court system.

In one sense, this arrangement is easy to understand from the migrant's perspective. When they arrive in a strange city without money or friends, they are desperate to find a source of income, and since they are generally unable to find work with formal companies, the ready availability of informal jobs enables them to survive in the city. However, given their weak earning power and their lack of social protections such as unemployment insurance, such workers in China are incredibly vulnerable. Legal action is rarely taken against employers who offer non-contract jobs due to the large labour market surplus in China and the willingness of desperate migrant workers to accept such employment conditions rate (Mr W, Chief Justice in Lubei District Court of Tangshan). This situation finds echoes in the argument of Souza and Tokman (1976, p. 356) that there is a strong correlation between a 'surplus' labour force and the employment of workers in informal enterprises. Culturally, because this kind of informal work is very common, unless employers commit very serious offences or engage in fraudulent behaviour, it is unlikely that complaints will be made to the government. What is clear is that given the government's eagerness to increase the rate of

economic development in China and firms' desire to reduce their costs through labour market informalisation, as discussed above, very few of the companies employing informal labour in violation of Chinese labour law have been investigated and punished. Although many workers are aware of the crucial importance of contracts to their wellbeing, many employers simply refuse to sign labour contracts with rural migrant workers. This lack of labour contract protection means that rural migrant workers can be dismissed at any time and have no protection when their rights are violated.

In response to this endemic labour-market informality, the Chinese government introduced a new labour law in July 2013 which states that enterprises can only hire temporary or part-time staff for a period of up to six months, after which they should be offered full-time contracts, and that the proportion of part-time staff on a company's book has to be kept within defined limits (Sun, 2013, p.1). The new social security law marks China's attempt to learn from Western countries' experiences and efforts to reform labour markets. However, this new social law still has some weak points concerning the treatment of informal workers, and despite its introduction, informal workers still face the pressure of job insecurity. For example, the six-month period afforded to employers for the use of temporary or part-time informal work remains a considerable period of time, during which part-time workers still receive lower pay rates and fewer social benefits. During the research interviews, a construction worker Mr Z said his wage was negotiated with his employer. They agreed on 12 hours work a day including food and accommodation. His wage is 90 yuan a day (US\$12), paid weekly, with work offered on a daily bases. He has no formal contract. Xin Hua News (2014, p.1) reports that from 2013 to 2014, there were 240,000 labour payment cases managed by local work related authorities, but only 53 cases came to court. Therefore, local government is still in the key position of managing and regulating the labour market, but not the legal system.

This also seems to indicate that the new social security law has failed to provide effective protection for workers, because not many reported cases ended up in legal action. Due to the decentralised nature of government, discussed in chapter 6, the state does not provide many details on the implementation of the new social security law, but instead leaves it to local authorities. It is very hard to find academic documents or other data to show whether the new social security law is good or not, but from the analysis of the interview data, the new law does not seem to have improved economic insecurity in Tangshan very much.

In an effort to reduce costs, there is a high probability that the company alone will determine whether part-time workers retain their jobs at the end of the six-month period. In addition, Ms L, Deputy Department Director at the Ministry of Human Resources and Social Security of the People's Republic of China, stated in our interview that:

“This new labour law does not specify the actual ratio of part-time workers that may be employed in a company; rather, the specific proportion of the workforce that can be employed on a temporary or part-time basis will be determined by the Labour Administrative Department of the State Council”

Although under the new legislation the government is apparently able to regulate the proportion of part-time workers in the workplace, the new labour law has not set the ratio within each industry. Therefore, given that China is more difficult to administer than developed Western countries and has huge differences in internal economic development, it is probable that after the implementation of the new labour policy the problem of informal workers making up a large percentage of a company's workforce might still exist.

8.5 How informality influences income security policies

ILO (2010, p.73) recommends that income protection provision should provide protection for all possible contingencies. This can be delivered either via earnings-related social insurance schemes or via basic flat rate protection. The first form of income protection might be a targeted type of protection, and the latter might be a universal type of protection. As discussed in earlier chapters, the MSLS is the most important policy and is designed to protect all citizens. For those whose income is under a certain level, the government guarantees to provide cash support to assist in meeting living expenses.³ As such, it appears to be a means-tested scheme. In practice, however, the majority of beneficiaries are poor, old people and disabled people, as people of working age with the ability to work are assumed to be earning an income that meets the minimum wage level.

It has been stated that the MSLS is regarded as a security net to protect people's minimum living standard, but should it simply be viewed as a top up scheme? The current idea behind

³ It should be borne in mind that as there is no national minimum wage rate in China, local provincial government sets both the minimum wage and MSLS rates. While the minimum wage rate differs according to each province, in general it is much greater than the corresponding MSLS rate. For example, the MSLS rate in Sichuan province was around 380 yuan per month in 2011 (China News, 2013), whereas the minimum wage was around 800 yuan per month (BBC, 2011b).

the MSLS is that whenever a person's income falls below a certain level, the government will top it up to a set amount. However, this quantitative approach to income support lacks an appreciation of other factors that contribute to deficiencies in income. In practice, many of the income earners in poor households are informal workers whose wage rates tend to be much lower than the formal minimum wage rate. In general, the income of low-paid informal workers has to meet the needs of the entire family, often including elderly parents, a spouse and children. Such low incomes might only be sufficient for very basic food (as shown in the picture in Chapter 6) or poor quality food lacking nutritional value.

Although the MSLS was designed to be a universal type of protection, due to the lack of information and extensive labour-market informality, it has become a targeted benefit. In practice, the MSLS is mainly targeted towards helping elderly and disabled people. It can be assumed that the inspection process that is used to assess eligibility is, at least in part, to blame for the government's failure to examine, identify and monitor people's income rate. Since elderly people are beyond working age and disabled people might be unable to work at all, the income of these two groups is relatively easy for local authorities to measure. As discussed in Chapter 6, local authority officers visit the applicant's home to check whether they have an income and can examine the applicant's home to determine their real living conditions and establish their eligibility for receipt of MSLS support. Eligibility is determined by a rudimentary appraisal of the applicant's standard of living: for example, if they own an air-conditioner, it is assumed that they have sufficient income to use it, and the applicant would not be eligible for MSLS support. While on one hand this mechanism might filter out all those who do not meet the MSLS eligibility conditions and thus ensure that all MSLS recipients are truly in need, on the other hand, many people in urgent need of MSLS benefits are excluded, especially those who have recently lost their income. Thus, although the MSLS is a useful policy in securing people's income level, providing them with some money to meet basic living costs and verifying that beneficiaries (for both the MSLS and the LRH) are poor people, there are still many members of society who are not eligible to receive MSLS support.

In addition, according to the ILO (2012), health costs are the most significant threat to income security in developing countries, with many poor people unable to bear the cost if a family member has a serious illness. In such cases, most of the family income will go towards meeting medical costs, and therefore the family might not have any money to live on. With these issues in mind, the state should begin to reconsider the purpose of the MSLS and should

reappraise its current role as a monetary top-up scheme so as to provide a wider range of support. Although the Chinese government does provide other relevant supports for MSLS recipients, such as lower education costs and housing costs, these measures alone cannot provide comprehensive social security and perhaps the government needs to consider employing a targeted support model within the existing MSLS universal framework in order to satisfy people's specific needs. For example, for MSLS recipients who are supporting a seriously ill family member, the government might provide both MSLS cash support and help with medical costs. In sum, to satisfy different people's needs, the government should seek to combine both universal and targeted measures within the MSLS framework.

The problems of a large informal labour sector and its threat to worker's social security are not unique to China. European countries also experienced considerable labour-market informality during their processes of industrialisation and globalisation, but over time Europe developed ways of reducing the economic insecurity impact of development. For example, the UK has a much more developed formal labour market than China, and all UK citizens over 16 years of age are issued with a National Insurance Number through which people in work make payments towards tax and benefits. This number is used in the administration of the UK's social security system and because it is unique to every adult, it could be described as a personal account number. Almost every adult resident in the UK has a National Insurance number, which helps the government track an individual's tax and national insurance contributions. To improve the efficiency of the MSLS, China could draw lessons from the UK's National Insurance system and design, develop and implement a personal account system so as to provide an effective measure of each citizen's income, and thus pave the way for universal protection under the MSLS. In the interview, Ms B from the Ministry of Civil Affairs of China stated:

“In many Western countries the labour market is much better than in China. The governments are able to monitor or easily track people's real income, either through the tax system or other systems. But in China, this is very difficult, especially for small private companies and informal workers, as they might provide fake income statements or no income statements at all.”

The introduction of a system modelled on the UK's National Insurance system would regulate the market more efficiently and enable the government to ascertain an individual's ability to work and their income. This would improve the effectiveness of not only the MSLS, but all of

China's social security policies. In practice, this might be relatively easy to set up given that China already has a 'household registration system' in place, with every Chinese citizen aged 16 years or over having an ID card that contains their resident location, personal details and unique ID number. This ID card could function in a very similar way to the UK's National Insurance number, and policy makers could consider adding an extra feature to the ID card so that it ties in with the tax and social insurance contribution system. This would help the government track an individual's contributions record and working status, and this kind of system could be a key element in helping the MSLS achieve universal coverage. Since many urban poor and rural migrant workers are working in the informal labour market, it is often difficult for local government to identify those eligible for the MSLS and LRH programmes and to allocate resources fairly. This is seriously hampering the growth of the coverage rate for both programmes. Establishing a personal account system could therefore provide an efficient means of administrating both the MSLS and LRH. Ms B from the Ministry of Civil Affairs of China supported this recommendation, stating:

"It would be much easier for the government to implement income security policies if there was a personal credit account system, and I am sure there would be many more poor people covered by the MSLS."

If such a system were implemented, current unsophisticated practices for assessing MSLS eligibility, such as the 'air-conditioner measurement' outlined above and more widely described in Chapter 5, could give way to a fairer, more effective and efficient means of measuring a family's income.

A formal MSLS monitoring system should be considered an important part of any future income security system that China might adopt. Such a monitoring system has the dual function of identifying those in need of support and guaranteeing effective resource allocation: it identifies not only those in need of support, but also those no longer in need of MSLS payments. For instance, for MSLS recipients who secure employment and thus increase their income beyond that permitted under the MSLS support system, there is the need to ensure that they are no longer deemed eligible for MSLS support. However, the current administrative capabilities of the government make it difficult to investigate MSLS recipients very frequently. As part of an overhaul of the monitoring system, the state might consider introducing different monitoring frequencies for different types of recipients. For example, for those MSLS recipients who have serious illnesses or disabilities or whose basic income does

not change over time, an eligibility assessment might be conducted annually. For those whose incomes might change a little, assessments might be carried out every six months. For those in receipt of MSLS support who have the ability to work and whose income is unstable, local officials might check their eligibility status monthly. In combination with improving administrative capacity, such changes to the frequency of inspection should help in allocating resources more efficiently to meet more people's needs. However, the administrative costs of sending an inspector to monitor MSLS recipients monthly might prove to be excessive, and if those monitored are paid for their work directly in cash rather than via the taxable system, any monitoring of their income might prove useless. In light of these limitations, a more permanent basic income might be an alternative.

8.6 How informality impacts on housing security

As discussed in earlier chapters, measures to promote income security should not be viewed merely in terms of providing cash support to the most disadvantaged, but as a means of promoting income security for all citizens. Similarly, access to housing should not be regarded simply as an issue of securing a roof over people's heads, but as a wider issue that concerns security of life and wellbeing. Given the link between income and access to satisfactory housing, the effect of labour-market informality on access to housing should be considered.

Housing protection has been a major focus of this thesis. Since the early 2000s, the Chinese government has introduced a series of social reforms in housing and income security. For example, the low-rental housing policy for poor homeless households improved the MSLS payment level and expanded the health insurance coverage rate to reach nearly the entire Chinese population. In recent years, the price of housing has risen dramatically, especially in the major cities. According to the BBC (2013b), prices for new homes have risen in 69 of China's 70 major cities, and more and more people are unable to afford housing, especially poorer people, the elderly and young people. In the past five years, in cities such as Beijing, Shanghai and Guangzhou, the price of housing has risen by a monthly average of 1.4% (XinHua News, 2013). According to the ILO (2004, p.82), 29.3% of Chinese households had insufficient income to afford basic housing in 2002, which equates to around 390 million people suffering from housing problems. Comparatively, India has a similar population to

China and similarly limited resources. Nevertheless, although the living conditions that they experience are unsatisfactory, poor homeless citizens and rural migrants can at least find places to live in slum areas in urban centres such as New Delhi.

In contrast, poor homeless people in China are unable to find such places in urban areas because the government does not allow the growth of slums, and any attempt to build shanty towns in municipal areas is quickly prevented by the government. For example, during field research in Beijing for this study in 2012, there was no sign of slum housing in central areas of the city (unlike in New Delhi). This does not mean, however, that there are no poor homeless people in Beijing, and it is clear that not everyone has access to housing and income benefit. A shocking example of housing and income insecurity was recently reported in the Chinese media. In December 2013, news reports revealed the story of a homeless man who had been identified by Beijing authorities as living in a utility well for a decade. The man, Mr W, was quoted as saying that he came from a rural area and as he could not afford the rent in Beijing, he moved into the well (Zhang and Li, 2013). Although this man received support from the local government after the media exposed his case, there are many people like him suffering from housing pressures in China. However, many of those suffering most from housing insecurity are in effect 'invisible' to city authorities. For instance, the lack of slum housing in central Beijing is due to the city authority's order outlawing slum development. Nevertheless, entire colonies of slum housing can be found at the city's margins, but these areas are regarded not as part of the city, but as 'city villages'. Since many poor homeless people, especially rural migrants, are unable to find places to live in urban Beijing, they are compelled to seek some form of housing outside the area restricting slum development.

The social policies that have been introduced in China to deal with housing security have been designed for poor homeless people. The LRH scheme aims to provide accommodation to poor homeless urban families at significantly discounted rents. This housing welfare system replaced the pre-1990s free-allocation housing system, which was prohibitively expensive, since it allowed an apartment to be allocated permanently to a person or a family. To reduce the costs of its social housing policy, the government designed the new LRH system from the outset as a housing welfare policy to provide a short-term residence for an individual or family. The recipients of LRH cannot buy the house they are allocated, and the LRH security policy involves a non-permanent system of occupation whereby once LRH recipients have the ability to secure housing via the open market, they have to vacate the low-

rent housing, which is then given to the next people in the housing queue. In one sense, the system is similar to a long-term stay hotel apartment.

In an effort to guarantee that the system is not open to abuse, the LRH policy sets out conditions that make it difficult for people to obtain LRH assistance. Currently, according to Feng (2007, p.1), the LRH project requires applicants to meet five major conditions concurrently.

1. The family's income must match the local LRH policy's minimum income conditions.
2. The family's per capita living floor space has to meet the local low-rent housing policy's floor space standard.
3. At least one member of the applicant's family must be registered as being a non-rural area resident.
4. The applicant must be responsible for the statutory maintenance, support or custody of other family members.
5. The family has to meet all other local government eligibility requirements for LRH.

While these requirements are meant to guarantee that the government allocates LRH only to those who are in real need, the conditions are so stringent that many people do not meet them. Furthermore, since the five requirements focus on personal details such as income and living space, this tends to lead to a similar problem to that encountered with the MSLS in that the government has difficulty in determining people's real income and housing situation. In practice, an LRH applicant's income level is largely determined by their eligibility for MSLS, and since the local government normally requires that they provide a valid MSLS certificate, the majority of LRH beneficiaries are also MSLS recipients. However, because the LRH facilities are much sought after, the local government must assess the applicants even more stringently than for the MSLS. One interviewee, Ms X, the Deputy-District Mayor in Tangshan, states that:

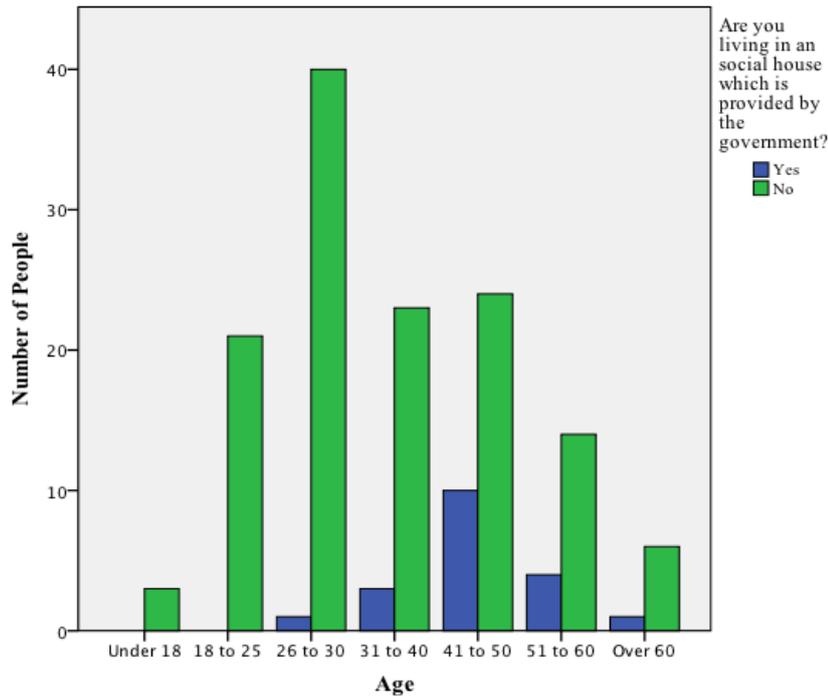
“Recipients first have to meet the MSLS requirements, the applicants have to continue to receive MSLS benefits for more than 6 months and then they might have the chance to receive LRH support.”

The additional local government requirements (no. 5 in the list above) might be varied, but these have certainly increased difficulties in getting LRH benefits. Because condition 5 has

given a lot of rights to local authorities, and also the identification of income is very much reliant on MSLS. As discussed, the local authority does not formally implement the MSLS policy for every citizen. Therefore, LRH has also not been formally implemented, as the local authority still has the ability to use much of their discretion in the process of implementing LRH.

It should be remembered that the social security policy aims of the MSLS and the LRH are actually quite different. However, if the receipt of support under the MSLS is used as an essential condition for LRH eligibility, then the LRH will ultimately benefit only those who currently benefit from the MSLS. Unfortunately, it appears that the LRH scheme may actually have been operating in this way. As can be seen in Figure 8.1, the majority of people in protected housing (see blue bars) are in their 40s and 50s, suggesting that the LRH scheme is mainly targeted towards a particular group, with the rest of the population unable to access housing protection. Therefore, relying on the MSLS to identify applicants' income is likely to concentrate LRH in the hands of those in receipt of MSLS support, and the stringent eligibility conditions that have been set for the LRH scheme might in fact be the wrong way forward. While local government should regard the MSLS as an important element in determining eligibility for LRH, they should not conflate the two policies.

The LRH scheme is also limited by the household registration system. The third condition for LRH eligibility states that there must be at least one person in the applicant's family who is an urban resident. The main reason for the imposition of this condition is probably China's large population: it is likely that there are too many people in need of such housing support, and the government simply cannot afford to meet all their needs. Certainly, the urbanisation process in China has increased housing problems significantly in urban areas, and limited housing resources and high prices have become a feature of Chinese urban life. As Chapter 7 shows, there has been massive migration of rural workers to urban areas in recent years, placing further strain on limited resources. In its current form, the LRH system fundamentally ignores the needs of these migrant workers. To solve urban housing problems in contemporary China, the LRH system will need to consider the needs not only of urban residents, but also of rural migrants who are living in urban areas.



Source from questionnaires in 2012

Figure 8.1. Number of people obtaining housing support by age group

In addition, the terms of condition five are not clearly defined. In effect, the power to make decisions on the specific terms of LRH policy has been passed to lower levels of government as local government has the right to add other conditions to the criteria for LRH eligibility. This has increased the difficulty of participating in the LRH scheme. When the problems raised by this condition are coupled with the limitations imposed by China’s household registration system, the LRH system as it currently stands is in fact a targeted type of social welfare provision. Although millions of low-rent houses have been built, the LRH scheme currently targets people among the registered urban population who are extremely poor, elderly or disabled and who are without a home. It can therefore be seen as a means of addressing the housing problems of a particular group of people already resident in urban areas. This is a little similar to the way MSLS is implemented. As discussed in Section 8.5, only certain target groups can obtain such benefits.

Despite the specific targeting of elderly and disabled people under the LRH scheme, nearly all of the low rental houses are located in isolated areas on the edges of the city. For the recipients of LRH, this is a thoroughly inconvenient arrangement, especially given that the lack of accessible public transport services means that it is difficult for such residents to travel

to other city areas. In turn, the geographical isolation of the LRH areas from other city areas leads to social isolation for the residents. Moreover, the policy of placing relatively poor families together in particular areas that are generally located far from public services and workplaces might mean that the LRH areas ultimately become perceived as slum or ghetto areas. At present, this policy is effective for the very poor but not for others on a low income. In addition, rural migrants are not eligible, as LRH is only available for local residents, so that migrant workers have to go back to their hometown to apply. If the LRH scheme is to solve housing problems, then extra care must be taken by the policy makers and planners to ensure that such problems do not manifest themselves.

Public housing policies for those on low incomes in Western countries are much more effective than current Chinese policy, in that nearly all low-income people are eligible for low rental housing subsidies. However, given China's population and the high rate of labour-market informality, the current LRH system could not hope to provide such housing security for all of the low-income population. Nevertheless, although it is clear that the LRH system has produced some benefits for a particular group of urban residents, it could surely make a greater contribution to housing security for more of the population. Fortunately, changes are slowly being made in order to address this issue. The government has started to consider bringing members of what might be termed a 'sandwich class' (the middle-low income group) into the scope of the project. The revised goal of the LRH system is to solve the housing problems of the poorest homeless people first and then gradually extend its coverage to more groups of people. For example, for much of the last decade in Zhejiang province, the LRH system only benefitted those people with an income equivalent to the MSLS income rate. Fortunately, since 2006, the housing security (LRH) coverage rate has been extended to cover people who earn more than 120% of the MSLS standard rate (Feng, 2007, p.1).

Comparing the Chinese LRH system with low rent housing policies in other countries, the policy employed in the USA offers greater flexibility for tenants than in China. Low rent tenants can choose to live in privately rented houses and are free to select their location from the available housing market. Indeed, such low rent tenants in America tend to be concentrated in central areas, while more affluent residents tend to be located in the suburbs (Zenou, 2012, p.398). The greater flexibility afforded under the US model means that the special needs of elderly and disabled people are more likely to be met and that LRH recipients are less likely to suffer social isolation. Public housing provision in France is similar to that in

the USA. It provides housing subsidies to the low-income homeless population, but over 65% of French households were eligible for public housing services in 2005 (Laferrere and Le Blanc, 2006, p.162). However, public housing policies in Western countries are not without faults. In Europe, the number of deprived areas has increased over time, social isolation remains an issue, and there has been the emergence of largely segregated areas in which mainly immigrant populations reside separately from the wider population (Bisin et al, 2011). Zenou (2012) also states that poor families in Europe and the USA are often placed in areas that are sited far away from their workplaces and services. These areas eventually become depressed, suffering from poor quality public services, high unemployment rates and high levels of crime. Therefore, in developing future public housing policy, China needs to draw on the lessons, both positive and negative, that have emerged from the Western experience.

8.7 Conclusion

This chapter discusses the current state of labour-market informality in China. A number of issues and problems related to an increased level of informality are explored on the basis of the income and housing security system in China, and some of the challenges faced by the Chinese government have been examined. The discussion of informality in this chapter approaches the subject from two directions. The first direction follows the traditional definition of informality in which the concern is the lack of contracts and social protection for the labour force; the second looks at informality from the perspective of how the state works, an approach that differs from Esping-Andersen's treatment of the subject. The chapter discusses how the Chinese social welfare state is developing within a neo-liberalist context and how informality as a whole tends to be greater in China than in its European counterparts. It occurs in all areas, including the job market, the payment of wages and the way in which social security policies are implemented. Informality also affects state policy, rather than state policy alone shaping society. In addition, the chapter points out how the increasing degree of informality has been propelled both by the migration of rural workers to the cities and by local authorities' use of discretionary powers. Finally, this chapter sets out the argument that China's welfare state is developing in such a way that it is creating new forms of stratification rather than reducing them.

From the analysis of income and housing security policies conducted thus far, it can be seen that both policies have some things in common. First, both the MSLS and the LRH

programmes were formulated by central government, which retains overall control of both schemes. However, decentralisation has given the local provincial level and lower levels of government the power to adapt the social security policies to suit local circumstances. The central government still retains authority, but provides a necessary space for local government innovation and development in terms of the social security system (XinHuaNet, 2013). Therefore, China has a unique policy environment in that all levels of government are both policy makers and policy implementers. In view of the fact that China's economic development differs considerably from region to region, it might be assumed that this decentralised system could provide an efficient means of allocating resources to meet specific local requirements. In practice, however, as local governments generally try to save money in order to improve their GDP figures, many social security support standards have been set too low to satisfy people's needs. Therefore, to enable the efficient allocation of resources in local areas, the central government might consider setting minimum national standards for social security policies so as to prevent local governments from setting lower support standards than are needed at both the local and national levels.

China's current labour regulation system does not provide for efficient oversight of the informal labour market, and the government therefore needs to upgrade the current regulation system so it can provide more oversight of the informal labour market in a legally enforceable way. Such a system would reduce the informal job market by forcing firms to abide by legal regulations. It would be a universal type of system insofar as it would apply to the entire population and protect each citizen's basic rights. Clearly, social policy reform is needed to bring the massive number of informal workers in China under the social protection umbrella. As it currently stands, almost none of the social security protection offered in China covers informal workers. As discussed in Chapter 5 and Chapter 6, although the MSLS is the major policy for income security, it fails to provide local minimum income support for rural migrants because of the existence of the household registration system. As rural migrants comprise the main labour force in China, and since the majority of informal workers are rural migrants, any effort to provide social security for informal workers has to consider the situation of rural migrants. China is a large developing country with a huge population, and the government needs to decide the social security policies that will be implemented to address the issues faced by informal workers. This requires direct government intervention; the markets will not and cannot provide social security for informal workers, especially given

that the effects of informalisation have been largely negative for informal workers, who have had to endure greater insecurity, lower wages and less legal protection.

The informal labour market that has become a common feature of modern China's economic system is regarded as an important component of economic growth, allowing firms to conduct business with low overheads due to low wage rates and low tax contributions. A range of studies (Yamada, 1996; Henley and Carneiro, 2009; Yuki, 2007; Ulyssea, 2010) have found that informal workers are generally treated as being outside the country's tax, regulatory and social security contribution systems. One concern about the informal sector in the labour market is that informality has led to a business and political preference for illegal employment relationships, with workers increasingly experiencing income, employment and social insecurity. In short, the more that informality occurs, the more likely workers are to experience insecurity.

Chapter 9 - Thesis Conclusion

9.0 Introduction

This chapter summarises the findings and evaluations from the previous chapters, including the literature reviews in Chapter 2 and Chapter 3 and the analysis presented in Chapters 5 to 8. The findings and discussions focus on the research question presented in Chapter 1 and the sub-questions around it. This thesis examined the characteristics of recent social security system reforms in China by exploring the developments in both the social and economic systems from a historical perspective. It has argued that social security should not merely aim to prevent and alleviate poverty, but should take into account a wider perspective that accepts that all citizens, not only those who are poor, need a certain degree of security. In practice, however, not every citizen is able to enjoy his or her social rights: rural migrants cannot apply for local urban income or housing support, and middle-class people might be deemed ineligible for MSLS support simply because there is an air-conditioner or another relatively inexpensive consumer item in their house.

The analysis of the Chinese social security system, administrative capacity, social security levels and the Tangshan case study reveals that inequality in social security provision between rural and urban areas is directly related to the prevailing household registration system. In addition, the high degree of informality in the design and delivery of social security (discussed in Chapters 6–8) at the local government level in China has affected both the system's social function and its performance. Under such a system, social security policies cannot efficiently provide services that guarantee people a secure standard of living. Thus, the existing security system fails to deliver an effective social welfare system, has a negative influence on policy implementation and service delivery, and falls significantly short of achieving the goal of social reform.

As in many developing countries and emerging economies, China is evaluating how to reform its social security system so that it can provide health protection, basic income security and housing provision for its citizens without greatly disturbing its rate of economic growth. However, this focus on economic growth as the central goal of government means that since the 1980s the state has consistently failed to appreciate fully the social risks that have emerged as a result of rapid economic development. In China, policies that once guaranteed

employment, food support, means-tested housing allocation and health support have been consigned to history, with income and housing provisions becoming increasingly marketised. The result has been economic insecurity due to increasing social and economic hazards, risks and uncertainties.

This chapter is organised as follows: Section 9.1 reviews the research contribution; Section 9.2 summarises discussions around answering the main research question on how neo-liberalism has influenced the Chinese welfare system as well as examining some of the sub-questions; Section 9.3 provides some indication of what kind of model is developing in China; Section 9.4 looks at some of the policy implications of the main arguments in the thesis and provides suggestions for further study; Section 9.5 concludes the chapter.

9.1 Main findings and research contributions

In expanding upon the main findings outlined in the introduction above, the overall findings of this study can be summarised as follows:

1. Inequality in social security provision between rural and urban areas is directly related to the prevailing household registration system
2. The influence of China's integration into the globalised market has shifted Chinese society from state-maintained economic security to labour-market and employment insecurity.
3. Informality both in the labour market and in social welfare implementation and provision is prevalent in China.
4. Social welfare provision levels are set at rates that fail to guarantee income security.
5. The decentralised nature of welfare administration and provision in China has had a significant impact on the quality of welfare provision.
6. Deregulation of the economy has had a knock-on effect on the administration of welfare provision, both at the national and the local level.
7. The economic growth that led to mass rural-urban migration has raised particular economic security and welfare problems for migrant workers.

The main research contributions of the thesis are as follows. Firstly, the empirical research for this study employed extensive fieldwork to collect primary data for analysis, firmly grounding the study in the reality of the situation on the ground in contemporary China and thus providing the basis for its contributions to current research on welfare and economic security

issues in China. The influence of China's integration into the globalised market has shifted Chinese society from state-maintained economic security to labour-market and employment insecurity. By using Tangshan city as a case study, the aim was to present a picture that is much more representative of the actual social security policy situation in China. In contrast to this study, much of the current research on China is based on studies of developed areas such as major cities like Beijing or Shanghai, to which the state has paid greater attention in terms of developmental practices. For example, the ILO measured economic security in China but mainly used data from the state level, with most of this data being collected from official sources in Beijing, such as the Ministry of Human Resources and Social Security, the Chinese Academy of Social Sciences, and the Ford Foundation (ILO, 2004, p.392). However, the policy practices found in secondary cities in China are much more representative of the national picture, as the majority of cities in China are unlike the highly developed metropolises of Beijing and Shanghai, whose economic development is much faster than is the case in other places. Furthermore, as discussed in Chapters 6–8, local government contributes a great deal to the social fund both financially and in terms of administration and is empowered to amend social policies as regards payment rates or which groups are targeted. As cities like Beijing and Shanghai can provide better support than secondary cities due to their greater administrative capacities and stronger financial position, the economic and social policies adopted in these highly developed major cities are not representative of the wider picture in China. The authorities in these major cities are also in a unique position in having higher autonomy and greater control over the areas under their jurisdiction. As more Chinese people live in secondary-level cities than in the metropolises of Beijing and Shanghai, the focus of this thesis on policy implementation at the local level in a secondary city marks a shift away from the examination of welfare development in the most developed areas of China and towards investigation of arguably the more typical situation for low and lower-middle income earners in China. This study's investigation of the actual living conditions and experiences of 150 low income, lower-middle income and rural migrants (50 participants in each group) in Tangshan has served to shed light on how these local Chinese residents feel about their living security.

This study therefore makes an important contribution to the study of welfare policy development and implementation in China. By employing both primary data in the form of interviews and a questionnaire and secondary data taken from official documents, the study's investigation of actual events on the ground in a secondary-level city extends the depth of

knowledge about the contemporary welfare state in China and reveals the views of both those implementing policy and those on the receiving end of policy implementation. Furthermore, by using multi-level and triangulation methodology, the study expands its panorama to look at the economic security issues on three different levels: the national level, the government level and the recipient level.

Secondly, the study has contributed to the wider academic discourse in the areas of social welfare and economic security. While many studies have drawn upon the welfare state typology set out in Esping-Andersen (1990), his analysis is based on formal economic and social systems that do not exist in the Chinese context. Given this, it is unreasonable to apply Western welfare theories wholly and directly to China. Esping-Andersen's theories of decommodification and stratification are very important issues for social development and that social rights carry with them economic and social statuses is a crucial point here. However, the high degree of informality that exists in China is very likely to undermine the efficiency and effectiveness of policy solutions tailored to Western countries. Informality itself has institutional characteristics and these also shape and interact with state policy. This research shows the need to acknowledge and examine the important effect of informal economies on the shaping of welfare systems; this goes beyond China, as informality or at least legalised precariousness has become more mainstream.

The research has also introduced and expanded upon a new dimension for the classification of welfare states: 'order or fragmentation' (Ringen and Ngok, 2013). Ringen and Ngok found that China is learning towards a conservative model, but China cannot be readily classified as a traditional welfare state, a socialist state or a developmental state. They assert that China is providing security but only at a minimal level, and the social management and implementation by the state is arbitrary and poor in quality. In addition, migrant and informal workers are being denied the rights defined in the current social security system. Drawing on the findings of Ringen and Ngok, this thesis has further explored the conditions facing previously under-researched social groups.

9.2 How far does neo-liberal ideology influence the Chinese welfare system?

Critics of the neo-liberal model contend that it has led to increased insecurity for many people (Standing, 2004, 2008, 2011, Chang, 2007, 2010; ILO, 2004). A deregulated, free market system has effects on the welfare system and the labour market. This thesis has sought to examine how neo-liberalism affects social policy design, implementation and the labour market in China in more detail.

The Chinese welfare system has also been influenced by neo-liberalisation. Welfare provision by the state has reduced dramatically due to the increasing adoption of a form of neo-liberal ideology that has pervaded both the economic sphere and the state's thinking on the social welfare system. Prior to economic reform in 1978, the state universally guaranteed employment, housing provision and food coupons to the urban labour force. Rural residents were allocated land from the state, based on collective ownership of land, which the farmers could use to grow food for themselves. In addition, poor rural residents were also covered for basic needs, such as food and clothes, by the state. Without considering the political and economic issues, this welfare system provided a high level of economic security, and the welfare system was highly regulated by the state. After the introduction of economic reforms, however, the Chinese economy embarked on the road towards a market economy. In parallel, the high level of state integrated economic security was slowly dissolved, and the provision of economic security through universal guaranteed access to employment and housing provision was discontinued. Guaranteed jobs were replaced with a market contract system. From the research findings, it appears that the impact of deregulation on the welfare system and labour market has been significant. In Chapter 8, this was discussed in depth in terms of the degree of informality prevalent in the both the labour market and the welfare system.

Informality can be seen as an important factor in the neo-liberalisation process in China and the effect that this has had on economic security. After the introduction of economic reforms, the large gap in income inequality between both China's inland and coastal areas and rural and urban areas drove workers from the west of China to move to the east-coast area and workers from rural villages to urban centres. This has resulted in a large labour surplus in the urban labour market. As discussed in Chapter 3, the combination of the high level of surplus labour and the deregulated labour market has generated great employment insecurity. In the absence of concerns about potential labour shortages, employers now feel free to pay lower

wage rates and provide less social insurance (or none whatsoever) to employees. Due to migrant workers needing to find work as soon as possible in order to enable them to continue living in their new urban areas, they are often willing to take any job offered. This has further increased the degree of labour-market informality, and the government faces considerable difficulties in monitoring statistics about informal jobs, especially as regards income rates. The government also faces difficulty in implementing policies within the existing legislation and also there is an absence of sufficient legislation in China. Moreover, informal employees do not contribute to social insurance schemes. As a result, the current design of targeted social policies does not respond well to the realities faced by workers in the informal sector. In addition, as discussed in Chapters 7 and 8, informality exists not only in the labour market, but also in the way government institutions provide services. From this study's findings in Tangshan City, the local authority turns a blind eye to the informal sector. It allows the existence of informal workers within the local labour market in order to solve employment problems and increase the local economic growth rate.

The findings show that it is also often the case that recipients of social support do not get what they deserve or are entitled to receive; for example, the local government might not pay MSLS recipients the payment for which they are eligible or payments may not be made on time. This situation on the ground in China today has been largely ignored by the literature on China's implementation of social security policies. Contemporary Chinese economic reforms have failed to address the imbalances in formal/informal employment in the labour market. Due to the high degree of informality that has prevailed during China's economic development, the monitoring system for social security policy implementation and delivery is neither efficient nor effective in secondary cities like Tangshan. The findings of the study suggest that local government has failed to take enough responsibility for implementing social policies in a way that guarantees that the needs of those whom the policies are intended to support are met. It appears, therefore, that neo-liberalism has had a great deal of influence on economic security in China. Its impact has been not only on the economic and social system and the labour market, but also on the way in which government institutions have evolved in combination with policies, as evidenced by the shift towards a more informal system of implementation.

9.3 What kind of model is developing in China?

Esping-Andersen (1990) asserts that the issues of decommodification and stratification are central to the development of an effective welfare system. If China is to achieve a level of social development consistent with its position as an economic powerhouse, a renewed focus on comparable development in both the economic and social arenas could help to bring security to the Chinese masses. Certainly, it seems clear that bias towards one side of the economic-social development equation is unlikely to provide an optimal solution to the development issues that China faces in the 21st century. As things stand, the informal sector is firmly established in China and current social security programmes fail to provide the necessary protections to those employed in this sector. As discussed in Chapters 7 and 8, there is a huge population of rural migrants who fall into the informal sector and who are not covered by current social policies. As a result, Chinese social policy is creating new forms of stratification, with rural migrants perhaps most affected due to their lack of protection under the current social security system. The household registration system, the design of targeted policies that afford no coverage to rural migrant workers and the high inequality between the levels of benefits paid to urban and rural residents all contribute to the difficulties faced by informal workers. As a direct result of these policies, almost none of the social security protections offered in China covers informal workers. Of particular note, and as discussed in Chapter 5 and Chapter 6, although the MSLS is China's main policy for income security, it fails to provide local minimum income support for rural migrants because of the existence of the household registration system. As rural migrants comprise the main labour force in China, and since the majority of informal workers are rural migrants, any effort to provide social security for informal workers has to consider the situation of rural migrants.

As stated in Chapter 8, while the informal sector has been regarded by economic policy makers as a way to improve performance in the market economy, the impact of informal employment on social development has been ignored by social policy makers. In other words, the growth of the informal sector has led to the rise of significant economic security issues, issues that have not yet been considered by social policy makers. Part of the reason for the failure to consider these issues are the lack of administrative capacity and the government turning a blind eye to these activities. Ms B (a civil servant from the Ministry of Civil Affairs) stated in her interview that the government encourages informal sector employment as part of its economic growth programme, and has done so for a long time, perhaps since the initial

economic reforms in 1978. It appears, therefore, that, for a long time, the state has not taken the economic insecurity and social issues related to informal work seriously. In recent years, however, the problems associated with the informal sector have drawn increasing attention from the media and academics. As a huge country, China clearly needs time to respond to this major problem, but the lack of administrative capacity and the fact that the tax system is not well developed means that it is currently very difficult for the Chinese state to access information on an individual's circumstances. Therefore, it is difficult to see how informal workers could be afforded security coverage immediately. However, it appears that China might be starting to address this situation. The announcement of the new social security law could be a sign that the state is starting to bring the labour market under the regulative umbrella of the legislative system. Nevertheless, it will still take considerable time to improve and regulate the labour market.

There have also been some positive changes to rural resident benefits, such as health care insurance being universalised to cover almost all the population. In addition, in Tangshan, rural residents now have similar pension insurance benefits to urban residents in the city. These examples denote some of the improvements made to the economic security system. However, the social payment rate remains at a minimal level, one that cannot fully guarantee people's income security. Thus, while China's social welfare protection policies might seem to be moving towards a model combining decommodification and stratification, the reality might not be so straightforward. Certainly, the Chinese government at all levels needs to take on more responsibility for the protection of rural migrant workers, particularly in regulating the informal labour market.

The huge numbers of rural economic migrants to the cities are also a problem as they place increasing pressure on the limited funding available for social security payments. As China's social security policy situation currently stands, if the Chinese population were to remain in its place of birth, then the government's social security policies could possibly succeed. However, the fact that people, and especially poor rural workers, tend to relocate in search of economic opportunities means that millions of Chinese people have migrated to areas with greater employment opportunities, which has raised barriers to the success of the current social policies. As discussed in Chapter 6, this problem is not new, but it has finally begun to draw the attention of the state. For example, the state is starting to consider making changes to the household registration system. In Tangshan, for instance, a new pension policy that

merges the pension benefits of local rural residents and local urban residents is being piloted. This pilot programme might be a sign of the start of change. However, for the country as a whole and in other areas of social policy, the household registration system remains a significant barrier to addressing economic insecurity.

As regards the social security situation in emerging markets, this thesis has proposed a new solution – the asymmetric protectionism principle – that could improve the social protections for citizens in developing nations. Under such a proposal, central state government would put in place a guaranteed minimum level of universal protection (which would provide the same amount of basic support in all geographical areas) and would compel local authorities to set their own conditions so as to meet the national standard. It is believed that this approach could provide a strategy to support the development of welfare protections in developing countries in the face of the inequalities of market competition. In general, asymmetric protection would combine universal and targeted social protections: everyone would be eligible to receive some form of protection, but benefit levels would differ depending on the recipient's income level and the cost of living of the area. In China, economic growth has clearly benefited certain groups over others, and targeted policies to reduce poverty levels should be designed and implemented. Alongside more heavily targeted programmes of support, a social security system that applies equally to all citizens in the same situation should be developed so that everyone has the right to obtain support if required. This more universal type of social security system would provide protection for every citizen, and indeed some steps have already been taken in this direction both in China and in other countries. Chapters 5 and 8 looked at the model used in Brazil, where the tax fund contribution to the unemployment insurance system covers every citizen from formal to informal employment sectors and rural to urban areas. However, it still does not cover non-contributors and so is not strictly fully universal. Nevertheless, it has wide coverage because the design of the scheme allows quite precarious categories of workers to contribute.

In response to the challenges arising from the introduction of neo-liberal economic reforms in China, new forms of income and housing support have been introduced to provide protections. For instance, the Minimum Standard of Living Scheme (MSLS) has the potential to secure every citizen's living security, and low-rent housing (LRH) could provide housing security to those without a place to live. However, Cook et al. (2003, p. 71) argue that while these policies are welcome, the social policy reforms that China has undertaken indicate that its

welfare regime is geared towards short-term relief rather than the reduction of long-term poverty.

Cook et al.'s argument might initially appear persuasive. However, an examination of the extent to which long-term elements are integrated into Chinese social policies, the way in which long-term elements combine with short-term elements and the manner in which different social policies work in combination reveals a clearer picture of the nature of China's social welfare system. This picture reveals that the situation is more complex in China. Firstly, the long-standing household registration system that has been applied in China has led to the separation of Chinese residents into two distinct groups in many policy areas, as evidenced by their unequal access to social benefits, payment levels and eligibility for social support. Secondly, the high degree of informality in China (both in the labour market and in policy implementation) has affected all policy areas. In particular, the implementation of social policies in an unsystematic manner has resulted in threats to recipients' economic security. Nevertheless, as regards the policies explored in this thesis, it can be seen that while the LRH might be a short-term solution to address housing insecurity, the MSLS does provide a long-term basic solution to people's social security. It appears, therefore, that while Cook et al.'s argument holds in part, it neglects China's attempts to build a combination of short-term and long-term protection and is thus not entirely accurate.

This thesis has shown that although China's current social policies are capable in theory of providing a basic level of social security, there are real barriers to their success. The most significant barriers are the household registration system, the high degree of informalisation in the labour market, the unduly strict conditions on eligibility for housing and income support, and the informal implementation of policy and discretionary behaviour on the part of officials. These barriers have a considerable effect on people's access to social welfare. The current form of welfare model being used in China therefore does not fit neatly into existing welfare state categorisations and thus warrants a name of its own. Its particular characteristics mean that it might be termed a 'decentralised socialist-market liberal-conservative welfare model' of social development, where social welfare support is emerging with economic activities. It contains a high level of decentralisation and a high degree of informality. This descriptive term is based on a modified use of Esping-Andersen's conceptualisation of three types of welfare state regime – liberal, conservative and social democratic – and Ringen and Ngok's (2013) assertion that China is a fragmented liberal-conservative hybrid model. This

new term to describe the welfare model in China is grounded in the findings from my empirical research and my analysis of Chinese social policy design and implementation as it occurs in practice, with local government having certain powers to modify social policies and implementing policies in an informal way.

9.4 Suggestions and policy recommendations

In recent years, Chinese government policies have shifted dramatically from being aimed solely at economic development to encouraging and being more supportive of social security, and there is little doubt that the actual situation as regards living security has slowly improved. Nevertheless, it will still take considerable time for the government to change the current situation fundamentally and provide a secure environment for citizens with regard to the labour market, income and housing.

Ultimately, social policy reflects the ideology of the government in power. For example, it is highly likely that a government that vigorously supports a free-market housing policy will limit its level of support to the social housing sector. Where significant social problems exist, however, the government needs to intervene more actively in the market and provide greater support to those facing housing, income or labour-market insecurity. Throughout China's period of economic growth, however, there has been reluctance on the part of the Chinese state to intervene in market mechanisms. While the state's political power in China has remained strong, its intervention in labour market regulation has reduced significantly compared with the case thirty years ago. New strategies are needed in order to deal with current hazards, risks and uncertainties, such as those due to informality, social housing shortages, low-income support rates and the problems facing rural migrants.

Throughout this thesis, two separate but interrelated issues affecting the development and provision of social welfare in China have been discussed: firstly, social payment rates are set at a minimal level that is insufficient to support secure living standards; secondly, there is a high degree of labour-market informality, and the wages of informal workers are themselves insecure, often being delayed or going unpaid. Suggestions and policy recommendations to address these issues are set out below.

From the analysis of income and housing security policies conducted in this thesis, it can be seen that both policies have some things in common. First, both the MSLS and the LRH programme were formulated by central government, which retains overall control of both schemes. However, decentralisation has given the provincial level and lower levels of government the power to adapt these social security policies to suit local circumstances. The central government still retains overall authority, but there is space for local government innovation and development of the social security system (Xin Hua Net, 2013). Therefore, China has a unique policy environment in that all levels of government are both policy makers and policy implementers. In view of the fact that China's economic development differs considerably from region to region, it might be assumed that this decentralised system could provide an efficient means of allocating resources to meet specific local requirements. As this research has shown, however, local social security standards have been set too low to actually meet people's needs. The low support rates are primarily due to China's lack of national minimum benefit standards and the fact that much of the power to implement policy and set standards is delegated to lower levels of government. This decentralisation of control over the implementation of social security policy has ultimately meant that local government has an incentive to reduce social costs in order to increase economic and business investment. This gives a boost to local and regional GDP figures. As a politically centralised country, local government is required to follow the central government's lead, and the prioritisation of positive GDP figures by local and regional government is in tune with the government's primary national policy of economic development and economic growth (Li, 2010, p.6). In line with central government goals, local government in Tangshan has therefore put considerable effort into economic growth rather than social support. Due to having the power to set the local social payment rate, the duration of the benefit payments and the method of implementation, local officials have considerable flexibility in implementing social policies. However, this has resulted in some people facing dangerous levels of income insecurity. For instance, as seen in Chapter 7, many recipients complained that their MSLS benefits had been delayed for a long period (half a year or one year) or the services obtained from local officials were of very poor quality.

As discussed in Chapters 6 and 7, local government has implemented the MSLS to target only extremely poor citizens, such as disabled and elderly people who cannot work. The findings show, however, that even then local officials are not always making the MSLS payment on time. In the answers to the questionnaires, over 90% of participants receiving MSLS and LRH

benefits stated that they had experienced delayed payment or bad service from local government. None of the participants had received an official answer as to why the payment was delayed. Indeed, it proved very difficult during the research to obtain any official evidence (for example, official reports) on why payments were being delayed. Upon reflection, however, a possible three-part explanation emerges. Firstly, as noted above, local officials are putting more effort into economic growth. Secondly, there is insufficient money to provide MSLS and LRH benefits. Thirdly, both the informal implementation of the MSLS and the lack of administrative capacity to update information quickly and monitor individual income or MSLS status are contributing to this problem. This lack of administrative capacity means that some people receive double MSLS payments or continue to enjoy MSLS benefits even though their income is above the minimum support level. Thus, people who do not necessarily qualify for the MSLS are given MSLS money from the local government fund, while other recipients who need the money cannot get a payment or are delayed for months.

It seems clear, then, that deregulation within the system of social security implementation has gone too far and is in practice reducing the effectiveness of social welfare provisions. To address this issue, the central government should assume greater responsibility for ensuring that benefit rates more accurately reflect the real needs of citizens. To do so and to ensure the efficient allocation of resources at the local level, the central government should consider establishing a national level of support and should formulate much more detailed rules on policy implementation to replace the current vague guidelines. Local levels of government should not be absolved from responsibility to improve the situation for benefit recipients, and all levels of local government should be encouraged to assume greater responsibility for ensuring that the needs of citizens are met. In particular, the findings from the fieldwork in Tangshan suggest that local government needs to take immediate steps to ensure that the basic living allowances for extremely poor citizens under the MSLS programme and other forms of support are paid in full and on time.

China's transition to a market economy has made the issues of informal labour, rural-urban migration and unemployment the top labour problems facing the country. The enormous numbers of informal workers in China have come to represent a significant total of the population in cities, and the government needs to decide the policies that will be implemented to address the issues faced by informal workers given that the effects of informalisation have been largely negative for informal workers, who have had to endure greater insecurity, lower

wages and less legal protection. This requires direct government intervention; the markets will not and cannot provide employment protection and social security for informal workers. To a certain extent, informality is by definition insecure, and the Chinese government, rather than ignoring labour-market informality, needs to move towards *formalising* the labour market, (as 'regulating the informal market' seems a contradiction in terms). In areas where the informal labour market persists, the government should ensure that there is more effective and legally enforceable regulation of this labour market. Such a system would aim to reduce the informal job market by forcing firms to abide by the legal regulations and would provide universal protection in that it would establish basic employment rights for all citizens. The problems of informal workers do not end with employment protection, however, and it is clear that wider social policy reform is needed to bring the massive number of informal workers in China under the social protection umbrella.

Considering the special case of rural migrant workers, it is clear that the household registration system is a significant barrier to the ability of rural migrants to access China's social security system and to receive equal treatment to their urban counterparts. The very fact that their official residence is recorded as being in a rural area means that they are eligible for lower benefit support rates than urban workers in a similar position and are largely ineligible for urban social housing support. Furthermore, the fact that they are entitled to draw benefits only from their place of origin precludes many migrant workers from accessing the social welfare system entirely. When these factors are coupled with their status as informal workers who are excluded from social insurance contributions, the situation for rural migrant workers is extremely hazardous in terms of living security. Moreover, it should be noted that the very term 'rural migrant worker' is in some ways misleading as those who fall under this term are not a homogeneous group and are marked by a degree of complexity: while some of them undoubtedly constitute a floating, transient population, others may remain in the same city over a considerable time or even permanently. It seems clear, therefore, that the household registration system in its current form acts as a barrier to the provision of income and housing support to rural migrants and discriminates against them. This is not to say, however, that the household registration system should be dispensed with completely. The Chinese government could learn lessons from the UK experience of National Insurance and employ the databases that the household registration system uses as a basis for a system that creates a 'personal account'. This could record each person's insurance contributions, assesses their need and determine their eligibility for support. In such a way, the household registration system might

serve as the basis for a regulated formal social security system and could be a key element in helping income and housing social policies achieve universal coverage. In the interviews, Ms B, from Ministry Civil Affair Office in Beijing and Ms Z from the Ministry of Human Resources and Social Security in Beijing, both strongly agreed that the household registration system is a major barrier to economic security development, and they suggest and expect the state should set up a 'personal account' which could provide sufficient information to help implement social policies such as MSLS.

One concern about granting income and housing security to rural migrants is that it might attract more migrants to the cities. Indeed, the resources and administrative capacities of city planners are already under strain due to increasing rural-urban migration. Therefore, there will inevitably be a trade-off between rural migrant workers and local workers as regards income and housing support. The local government should therefore consider encouraging greater integration by incorporating the areas currently deemed city rural areas into the city planning areas. Since the government has already chosen such places as the sites for social housing, city planners should focus on improving public services in order to draw these areas and the city closer together. Such integration would increase the city's capacity for housing support, which would reduce the shortage of available accommodation in the city.

Finally, the issue of whether the Chinese welfare state should seek to adopt a universal or targeted coverage system is a more problematic question. Esping-Andersen (1999, pp.73–80) argues that a welfare regime should be considered not only in terms of the government's welfare provision, but also as a complex whole involving the systematic functions of the state, the market and the household. This more complex view of welfare provision should be taken into account when analysing the form that a welfare regime takes. A well-organised welfare system should satisfy everyone's needs and protect all citizens, and a specific welfare regime can be of a mixed type that aims to meet the specific requirements of a particular country. A crucial argument in favour of a universal welfare policy is that, by aiming to provide economic and social security for the entire population, it does not place the security rights of privileged groups above those of less privileged groups; equally, it guarantees people's right to access welfare provisions when necessary, even if they belong to the more privileged group. There is a complex mechanism by which this occurs, and it is a political legitimisation mechanism as much as anything else. Korpi and Palme (1998) argue that an inclusive model that also gives substantial benefits to the middle class actually helps the poor on the whole

(even if the middle class receives more money than this group) because as it legitimises more public spending on welfare services in general, the effect is to also raise the level of public support for the poor. Korpi and Palme term this effect the ‘distribution paradox’. This legitimisation mechanism may not be evident in China given the lack of a western-style democratic system, but it is important to consider that the universalism espoused by many scholars in fact includes this aspect (i.e. including the middle class paradoxically helps the poor). Perhaps as China gradually starts to include different social classes within the same social security system, a sense of a common identification will then develop, even though China is not a Western democracy. If this occurs, people in one social strata will likely be more willing for other groups to receive public assistance because they can envision themselves one day being in that situation. The example of a pension system is pertinent here: young people do not mind paying into the pension system if they know that when they are old they will also receive benefits from the pension system.

I believe that such an approach will lead to a mixed welfare system that combines the advantages of both universal and targeted welfare systems, with the aim of providing effective policies that ensure a sufficient level of support that provides security for all. Clearly, assessing the potential benefits of the proposed approach is beyond the scope of this study, and further research is therefore necessary. Regardless of the approach that the Chinese government ultimately adopts, it is clear that those living in hopeless or dangerous situations not only require a compassionate response from society in general, but also the establishment of an efficient welfare state founded on effective social security policies that provide protection for every citizen.

9.5 Conclusion

As the world’s largest emerging economy, the Chinese experience has significant implications for the study of welfare states in other countries, especially those countries that have undergone a transformational change in economic regime (i.e. communism to capitalism) and those that have strong centralised states. Such countries face particular challenges, and to understand the complex nature of these challenges more fully, it is necessary to explore the experiences of countries facing similar problems.

It is clear that the very nature of social welfare policy, which is complex and dynamic, precludes the researcher from conducting a superficial analysis and proposing simplistic policy recommendations. This complexity has meant that I have not been able to analyse

every Chinese social policy or every aspect of the policies examined. What I have covered, however, reveals that a distinct complexity lies at the heart of the Chinese welfare state and its social welfare policy. The complexity comes from China's huge population, overcrowded labour market and complex political and economic systems. This means that although the existing welfare literature is useful insofar as it explains some aspects of the worldwide social welfare experience, it cannot explain everything that is happening in the current globalised welfare policy environment. Clearly, China is a unique case, not only owing to its large population, but also due to its distinct economic system, political system and history of development. Since China's initial economic reforms, the country has put much more effort into supporting its GDP growth, and while economic development has increased significantly, the development of China's social welfare system has lagged behind.

Appendix A

Interview Consent form

This form is for you to state whether or not you agree to take part in the study and understand what it entails. Please read and answer every question. If there is anything you do not understand or if you want more information, please ask the researchers.

这个表格是关于您是否同意参加这个学术调查，请回答所有问题，如果有哪里不明白请问研究调查者

研究学者名字 *Researcher(s)*: Dongqing Yang

联系电话 *Contact details*: 008615901039771

Research Project:

您是否明白论文的内容信息 Have you read and understood the information leaflet about the study?	是 否 Yes <input type="checkbox"/> No <input type="checkbox"/>
您是否有机会提问关于这个论文的问题 Have you had an opportunity to ask questions about the study?	是 否 Yes <input type="checkbox"/> No <input type="checkbox"/>
您是否明白你提供的信息会被妥善秘密的保管 Do you understand that the information you provide will be held in confidence by the research team?	是 否 Yes <input type="checkbox"/> No <input type="checkbox"/>
您可以选择匿名，你愿意匿名作答么 You may request that any information you provide be anonymised. Would you like to request anonymity?	是 否 Yes <input type="checkbox"/> No <input type="checkbox"/>
您是否明白您在论文发表前任何时候都可以选择放弃和撤销您提供的信息 Do you understand that you may withdraw from the study at any time and for any reason, and have your data withdrawn up to the point at which the research is published?	是 否 Yes <input type="checkbox"/> No <input type="checkbox"/>
您是否明白如果有任何疑问在任何时间都可以联系此研究学者 Do you understand that you may contact the researchers at any time if you have any questions or concerns?	是 否 Yes <input type="checkbox"/> No <input type="checkbox"/>
您是否明白您提供的信息可能被用在将来的学术研究中 Do you understand that the information you provide may be used in future research?	是 否 Yes <input type="checkbox"/> No <input type="checkbox"/>
您愿意参加这个学术调查或访问么？ Do you agree to take part in the study?	是 否 Yes <input type="checkbox"/> No <input type="checkbox"/>
如果愿意，您同意您的信息将被录音么？ If yes, do you agree to your interview being recorded Note: you may take part in the study without agreeing to this	是 否 Yes <input type="checkbox"/> No <input type="checkbox"/>
在论文中，您的个人观点可能会被采纳，您是否同意 Are you happy for quotes provided on-the-record to be attributed to you as an individual?	是 否 Yes <input type="checkbox"/> No <input type="checkbox"/>
您是否明白这个调查会被公开发表 Do you understand that the research will be used in presentations and publications?	是 否 Yes <input type="checkbox"/> No <input type="checkbox"/>

您的名字 Your name (in BLOCK letters):

您的签名 Your signature: _____

研究学者名字和签名 Interviewer's name and signature:

日期 Date: _____

This form will be held by the research team and a copy given to you or sent to you by post.

Appendix B

PROJECT INFORMATION SHEET

Economic security in China

Information Sheet for Participants

The research I am carrying out is for a dissertation that I have to complete as part of my Phd degree in **Politics Economics and Philosophy** at the University of York. My dissertation supervisor is **Louise Haagh**

Brief outline of project

In China, the neo-liberalization has generated rapid economic insecurity in last three decades. The changing nature of economic system from state caring institution to market economic led to increasing numbers of informal workers, unsupported poor people, unemployed workers and migrants suffering from poverty and economic insecurity. The problems in living and working conditions of insecurity have increased significantly in recent years. I will attempt to examine and measure economic security in terms of income security and housing security in China. This thesis asks how far the different ways in which neo-liberalization has generated rapid economic insecurity in China in recent years, why the state has adopted the economic security policies it has, and how far these are adequate.

What will I be asked to do?

The interviewee will be asked to undertake a one-to-one interview of approximately 30 to one hour with the researcher. The interviewee will be asked that their voice will be recorded by flash driver/recorder. And also a broad indication will be given of what the focus/purpose of the interview will be.

Do I have to take part?

If you decide not to take part, that's OK. If you do decide to take part and later change your mind, you can withdraw at any time. You do not have to give a reason. Should you withdraw, any information that you have provided will be destroyed.

What will happen to the information?

Interviews will be recorded and transcribed by the researcher. All participants have the option to indicate, either on the consent form or in verbal or written communications with the PI, whether they wish the data they provide to be anonymized. Quotes from the data will not be attributed to specific individuals unless express permission has been given via a participant's informed consent form. If you feel uncomfortable answering any specific questions, please abstain from answering and inform the researcher.

Data will be stored securely on the University of York's central data storage system and will be available only to the PI and RA (where appropriate). The storage and use of this data is in compliance with the UK's Data Protection Act of 1998.

The thesis will be seen only by my academic supervisor in the Department of Politics and its external examiner. The thesis will/will not include interview transcripts.

Is there any 'risks' of the research to the participant?

No, there are not any identified risks to the participant. If any participant feels uncomfortable, they can choose anonymity or withdraw their words.

In academic level, the research questions will focus on the social security academic theories and the academic participants' view or experiences. There is no risk to them.

In government level, the research questions will focus on the current social security policies. The participants in this area are the government's representatives, so their views would be the government's views. So there are no potential risks to them, because they are from the governments and represent the governments.

In recipient level, the research questions will focus on the participants' own experiences and situations. In this level, all of the participants come from the lower income level of the whole society, even if there is any complain from them, the government might help them from this. So there are not any risks but benefits to them.

In addition, the research interview is only for my academic Phd paper, and research questions are focused on the social and economic security policies and participant's experiences, there is no conflict with government and law. The participants would be safe in my research interview.

Is there any 'benefits' of the research to the participant?

The potential benefits to the participants are that the local government or state economic security policy makers might be taking more care on participants' living security and well being.

How the findings will be disseminated?

The research data will be only refer to my Phd papers, I am not going to use this on other article papers.

The researcher's supervisor can be contacted at the address below:

Name: Louise Haagh

Address: Department of Politics, University of York, York YO10 5DD, UK

Tel: 01904323549

The researcher can be contacted at the address below:

Name: Dongqing Yang (Andy)

Address:

School of PEP

University of York, Heslington, York, YO10 5DD, UK

Email: dy505@york.ac.uk

Tel: 00447891781552(UK) / 008615901039771(CHINA)

7. 你有没有孩子跟你一起住？

Do you have any children currently living at home with you?

1) 是 yes

有几个孩子：

Number of children

孩子年龄：

Age of children:

2) 没有 no

8. 你完成的最高学历是什么？

What is the highest level of education that you have completed?

1) 小学或者初中 Junior middle school or lower

2) 高中或者中专 High school or equivalent

3) 大学本科 Undergraduate university

4) 研究生以上学历 Postgraduate university

受过大学多少年的教育 Number of years in education _____

9. 工作情况 Employment status

1) 政府 Government

2) 国有企业 State owned company

3) 私有企业 Private company

4) 外国企业 Foreign company

5) 合资企业 Joint venture

6) 个体 Self-employed

7) 无业 Unemployed

其他 Other _____

10. 你的月收入是多少？ How much money do you make per month on your current job?

1) 499 元或者以下 499 Yuan or Less

2) 500-999 元 500-999 Yuan

3) 1000-1499 元 1000-1499 Yuan

4) 1500-2999 元 1500-2999 Yuan

5) 3000 元或者 3000 以上 3000 Yuan or More

23. 你认为失业保险能够支付你的生活开支么？ Do you think the UI payment will cover your living costs?

- 1) 是的，能支付 Yes, it will
- 2) 是的，但是将将够用 Yes, but just enough
- 3) 不，不能支付所有费用 No, it will not cover all of the costs
- 4) 不，根本不够用 No, not at all

24. 假如你失去了收入，以下你会希望得到哪种类型的补？ If you lost your income, which support category that you prefer to receive?

- 1) 有条件的现金补助，（例如学补，房补或医补助） Conditional Cash (E.g Education cash transfer, Housing cash transfer or Medicines cash transfer)
- 2) 无条件的现金补助 Unconditional cash
- 3) 基本的生活补助，例如食物和水电费等 Basic living support, such as food or free utility bills.
- 4) 物质补助，例如房子等 Material subsidise (Such as housing)

25. 你选择房子的最重要条件是什么？请按先后重要性顺序排列 What is the most important condition for you to choose a house? Please rank the most important element.

- 1) 地理位置 Location
- 2) 房屋价格 House price
- 3) 周围环境 Environment
- 4) 左邻右舍 Neighborhoods
- 5) 其他因素 Other_____

26. 你从政府得到过房屋补助或者帮助么？ Do you receive any housing support from government?

- 1) 是的，有得到过 Yes
- 2) 不是，没有得到过 Not
- 3) 不清楚 Not sure

如果得到过，请举例说明什么补助。 Please list what kind of support that you have received.

Appendix D

List of interview participants and questionnaires

Title	Institution	Location	Date	Time
Civil servant	Ministry of Civil Affairs Office	Beijing	18 th May 2012	3:00pm-5pm
Deputy head of department	Ministry of Human Resources and Social Security	Beijing	24 th August 2012	2:00pm-5:00pm
Civil servant	Ministry of Housing and Urban-Rural Development	Beijing	10 th August 2012	2:30pm-4:30pm
A project leader	International Labour Office	Bangkok	6 th July 2012	9:00am-11:40pm
Lecturer	Renmin University of Beijing	Beijing	16 th June 2012	3:00pm-5:00pm
Vice deputy Mayor	Kaiping District Government	Tangshan	22 nd May 2012	10:00am-12:30pm 2:30pm-4:20pm
Director of Executive Office	Tangshan Bureau of Civil Affairs Office	Tangshan	4 th May 2012	3:30pm-5:30pm
Director	Tangshan bureau of housing and urban-rural development office	Tangshan	28 th April 2012	2:30pm-5:00pm
Vice-Director	Development and Reform Commission Bureau of Tangshan	Tangshan	10 th May 2012	2:30pm-4:00pm

Court Judge	Lubei District local court	Tangshan	14 th May 2012	5:00pm-7:00pm
Questionnaires And Employer interview	Rong Chuan Auto Industrial Park	Tangshan	1 st , 3 rd , 25 th to 27 th May 2012	2:00pm to 5:00pm
Questionnaires And Employer interview	YanShan Gas Company	Tangshan	29 th , 30 th April 2 nd , 4 th , 5 th September 2012	11:00am to 3:00pm
Questionnaires	MSLS recipients list (2 to 4 people a day)	Kaiping District, Tangshan City	23 rd , 26 th , 29 th , 30 th , May and 20 th to 27 th July, 2012	From 10:00 am to 4:00pm
Questionnaires	Housing provision recipients list (4 to 6 people a day)	Fengrun District, Tangshan City	5 th , 6 th , 8 th May and 8 th , 9 th , 10 th June 2012	From 10:00 am to 4:00pm
Questionnaires	Migrant workers	Kai Fa Qu-Longze Road. Tangshan City	13 th to 15 th , 18 th June 2012	10:00am to 1:00pm, 3:00pm-5:00pm
Questionnaires	Migrant workers	Feng Run Qu-Yanshan Road. Tangshan City	10 th to 15 th July 2012	1:00pm-5:00pm
Questionnaires	Migrant workers	Feng Nan Qu-Tangxu Road. Tangshan City	7 th , 9 th , 20 th August 2012	1:00pm-5:00pm

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