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**Social Insurance for Rural-Urban Migrant Workers in China:
Regional Disparities**

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ABSTRACT

Research on rural-urban migrant workers and regional disparities in China has attracted many scholars since the economic reform in the 1980s (Huang and Pieke, 2003; Cai and Chan, 2009; Chen and Zheng, 2008; Wang, 2008). After the 2000s, the state began to rethink and readjust the relationship between economic growth (efficiency) and social justice (equity). Problems arising from the economic transition, especially the social protection for rural-urban migrant workers, have become the new policy priorities of the state (Guan, 2008). This thesis combines these three topics, and explores the regional disparities of social insurance programmes for rural-urban migrant workers in China. It first discusses the provincial differences of social insurance systems for rural-urban migrant workers, by reviewing an extensive number of official documents issued by both central and local governments. Then it develops the possibility of welfare regimes in China, based on different typologies of welfare states in the Western and East Asian countries (Esping-Andersen, 1990; Ferrera, 1996; Walker and Wong, 2004; Deacon, 2000). Last it explores the experiences of rural-urban migrant workers and their opinions on social insurance system, through in-depth interviews.

The theoretical foundations of this research are set out in Chapter 2. This chapter also discusses the research methods that are used, including a quantitative cluster analysis and qualitative semi-structured interviews. Chapters 3 and 4 critically review the social insurance system in China. Chapter 3 first discusses the history and recent development of social insurance system in China by chronologically dividing them into three main periods. By reviewing the theory of path dependency, the first part of Chapter 4 develops five possible paths from the past in the social security system in China. The second part of Chapter 4 discusses some major problems of current social insurance system. Chapter 5 explores the various definitions of rural-urban migrant workers and exhibits some main characteristics of them, while Chapter 6 focuses on the regional social insurance programmes for rural-urban migrants and their social impact.

The cluster analysis of provincial social insurance data and in-depth interviews with migrant workers are presented in Chapters 7 and 8, and further analysed in Chapter 9. The results from Chapter 7 confirm the divergence of China's welfare system and suggest that there are four welfare regimes in China (a prototype welfare regime, a broader coverage and low generosity welfare regime, a moderate welfare regime and a poor performance welfare regime). The findings from Chapter 8 suggest that migrant workers are still experiencing insufficient social protection, discriminations and some other forms of social exclusion after nearly two decades of reforms. Moreover, because of the frequency of reforms, the credibility of the state and local governments was doubted by migrant workers. Chapter 9 combines findings from Chapters 7 and 8, discusses the complexity of social insurance system in China and proposes a new argument that, for migrant workers, social insurance has become a route to citizenship. The conclusion reviews the arguments in this thesis and suggests some implications for future research.

LIST OF ABBREVIATION

RCMS	Rural Cooperative Medical System
NCMS	New Cooperative Medical System
ACFTU	All-China Federation of Trade Unions
PRC	People's Republic of China
CPC	Communist Party of China
CCC	Cubic Clustering Criterion
GIS	Government Insurance Scheme
LIS	Labour Insurance Scheme
NPC	National People's Congress
CMS	Cooperative Medical System
SOEs	State-Owned Enterprises
PICC	People's Insurance Company of China
DC	Defined Contribution
SCRE	State Commission for Restructuring the Economy
HRS	Household Responsibility System
OECD	Organisation for Economic Co-operation and Development
GDP	Gross Domestic Product
UNDP	United Nations Development Programme
ADB	Asian Development Bank
CSIS	Comprehensive Social Insurance System
CES	Centre for Economic Studies
ANOVA	Analysis of Variance
NGOs	Non-Governmental Organisations
EU	European Union

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CHAPTER 1

INTRODUCTION: SOCIAL INSURANCE AND RURAL-URBAN MIGRANTS IN CHINA

Introduction

In developing countries, as welfare rights have not yet well developed, the policy studies mainly focus on the limited coverage of social protection and the incapability of the state to protect certain groups of people, especially people with unstable works or those who work in the informal sector (Rabi et al., 1998; van Ginneken, 1999; Lund and Srinivas, 2000; Bernabé, 2002; Wesseling et al., 2002; Buchanan et al., 2006). In particular, the issue of insufficient social protection for workers migrating from rural to urban areas and working in the informal labour market has attracted lots of research interest (Robson, 1954; Koo and Smith, 1983; Gallin, 2001; Pisani and Pagan, 2004; Bigsten et al., 2004; Overbye, 2005). A large proportion of the labour force, especially rural urban migrant workers, are exposed to high social contingencies because of the divisions between rural and urban areas and between formal and informal sectors in social security (Tang and Ngan, 2001; Knezevic and Butler, 2003; Loewe, 2004; Micklewright and Marnie, 2005; Sirovatka and Mares, 2006; Leung, 2006; Li and Piachaud, 2006).

In China, the lack of social protection for rural-urban migrant workers has attracted a lot of recent research interest. Most of the studies on the inability to extend the coverage of social protection programmes to certain social groups in China have agreed that the poor policy implementation resulting from local incoordination is the cause, and local incoordination is further caused by local protectionism and local governments' lack of understanding of the importance and necessity to extend the coverage of social protection schemes (Wang, 2001; Zhang, 2004; Zhang, 2005). Because of Chinese reforms that are 'letting some get rich first', governments in rich areas, such as Beijing, Shanghai and Guangdong, face less local resistance due to their economic power to access greater resources than other areas. The lack

of social protection for migrant workers appears to be more serious in poor areas, especially western regions (Huang and Pieke, 2003; Li and Piachaud, 2004).

This thesis focuses on social insurance and migrant workers. It reviews literature and data on this issue in order to illustrate the extent of regional variations in social insurance provision, and the difference between social insurance for migrant workers and urban citizens. The thesis describes these variations and differences and explores the possible causes by using qualitative interviews and quantitative cluster analysis methods. On the basis of a theoretical exploration of modernisation theory, state socialism and localism, this thesis analyses the current social insurance for rural-urban migrant workers in China and highlights implications for the future policy development.

This introductory chapter first discusses the phenomenon of emerging rural-urban migrant workers in China since the 1980s and the social insurance system that was exclusively designed for them. Second, a set of research questions which frame the analysis of this thesis are highlighted and the methods used in the research are summarised. Third, the contributions that this research makes to social scientific knowledge are discussed, and fourth, a brief summary of the argument of the thesis describes the content of each chapter that follows.

Social Insurance and Migrant Workers

During the late 1800s and the early 1900s, most European countries had introduced social insurance schemes. At the beginning these schemes only targeted certain groups of beneficiaries, such as industrial workers with the most dangerous jobs. Later there was a phase of extension of social insurance coverage between the two World Wars. Social insurance was adopted by developed countries and was extended to cover new risks and new groups in Western countries. The growth of social insurance coverage was significant in Western countries during that period. After more than a century of development, Western countries have built up relatively comprehensive social insurance systems. In comparison, the establishment of Chinese social insurance system started from the 1950s. The 'Labour

Insurance Regulations of the People's Republic of China' was first introduced in 1951 and it indicated the beginning of a series of reforms of Chinese social insurance. During the central-planning economy period, the providers of social insurance in urban areas were work-units, only employers and their families who worked for state-owned enterprises (SOEs) were eligible for social insurance benefits (Dong, 2008; Hu, 2009; Zheng et al., 2010). This work-based urban social insurance system in this period was comprehensive, it covered almost everything in an employee's life, and this 'work-unit' welfare system in China offered 'from cradle to grave' welfare benefits to its employees, not only including pension, health and work injury insurance, but also covered education, housing issue, and the employment of employees' family members and so on. At the same time, residents in rural areas were also protected by certain social security programmes, such as the 'Five-Guarantees' and the well-known Cooperative Medical Service System (Lin, 2002; Song, 2007; Dong, 2008; Zheng et al., 2010). However, migration was strictly controlled by the state by introducing the household registration system.

In 1978, China launched a reform and opening up to the outside world. The economy changed from a central planned to a market economy. The development of the market economy has led to a remarkably rapid economic growth with sustained average annual GDP growth rates of nearly 9 per cent per year in the past decades (Huang and Pieke, 2003). With the speeding of the processes of industrialisation and urbanisation, the restrictions on migration were relaxed, and the country has experienced a large wave of migration, the majority of whom were those who migrated from rural to urban areas. Large numbers of rural residents have joined the labour market and become new labour forces (rural-urban migrant workers) since the late 1980s. The motivations for their migration could be the regional income gaps, surplus rural labour because of the increasing productivity of agriculture industry and the rising labour demand in urban areas due to the expansion of urbanisation (Cai and Chan, 2009).

In 2017, there were over 280 million internal migrants in China. At least 80 per cent of the workforce in the construction sector and 50 per cent of the workforce in the service sector are rural-urban migrant workers. They contribute to the rapid economic development of China

and made China the world's factory. Migrant workers can be seen as the engine room that has driven China's high growth rate (Nielsen and Smyth, 2008). However, despite migrant workers having made large contributions to China's economic success, the returns they have received from the country are not commensurate with their contributions. Migrant workers always experience low wages, extremely long working hours and poor working environments. The All-China Federation of Trade Unions (ACFTU) conducted a survey in 2006 and found that 65 per cent of migrant workers were working in so-called 'Three-D jobs' (namely dirty, dangerous and demeaning) (Tao, 2006). Moreover, migrant workers are experiencing social discriminations. After migrating to urban areas, migrants may confront with a lot of difficulties, such as a city of strangers, unfamiliar living environments, physically demanding jobs with few comforts. Migrant workers often experience 'psychological poverty' because of isolation, loneliness and social exclusion (*China Daily*, 2003).

The implementation of the household registration system, called 'Hukou', has generated an institutional division between urban and rural areas, and this division has become one of the most important social divisions in the past decades since the foundation of the People's Republic of China (PRC). Many scholars recognised 'Hukou' as an institutional pillar of social division in China, and it discriminates against rural residents which account for the majority of the total population in China (Chan, 1994a, 2015; Naughton, 2007; Solinger, 1999a and 1999b; Whyte, 2010). Although rural residents can migrate from rural to urban areas, their household registration status is still 'agriculture', they are considered as 'non-locals' in urban areas and are excluded from social protections provided by the urban governments. In the post-reform period, a new compulsory social insurance system was implemented by the state for employees, it contains five social insurance schemes in the system: the old age insurance, health insurance, unemployment insurance, work-related injuries insurance and maternity insurance. Enterprises in urban areas must contribute a substantial proportion of their total payroll to these social insurance schemes (Rickne, 2013). In theory, social insurance programmes are supposed to benefit all employees of urban enterprises, no matter what kind of Hukou status they have.

However, as one of the remaining legacies of China's dualist social system, industrial and economic development has been the priority of the state for many decades, and the welfare provision favoured urban employees, welfare benefits to workers in rural areas and rural-urban migrant workers has remained inadequate in many aspects because they do not have an urban/local Hukou. Although the sustained economic development and improved financial and administrative capacities of both the central government and local governments have contributed to the expansion and improvement of social insurance programmes (Liu, 2011), migrant workers still experience many obstacles to fully participate in social insurance programmes (Guo and Gao, 2008; Xu et al. 2011; Wang et al. 2013). Only a few migrants participate in social insurance schemes. According to the latest data published by the National Bureau of Statistics (2014), the rural-urban migrant workers' participation rates of pension insurance, work-related injuries insurance, health insurance, unemployment insurance and maternity insurance were 15.7, 28.7, 17.6, 9.1 and 6.6 per cent, respectively.

The state has begun to rethink and readjust the relationship between economic and social development, in particular, social problems arising from the economic reform, such as new urban poverty, increasing unemployment rates, and rural-urban migrant workers' social protection needs (Guan, 2008). For instance, the central government issued a regulation that required local governments and employers to provide the old age, health, unemployment and work injury insurance for migrant workers. Many provinces have followed the regulation and established some local social insurance programmes that are separate and less generous programmes than the urban ones (Zhang et al., 2012; Zhang et al., 2010). Also, political slogans, such as 'three represents', 'to build up a harmonious society' and 'taking human beings as essentials', have been passed down to local governments in order to reduce tensions between different social groups and to resolve conflicts within China.

Another reason for the expansion of social insurance to rural-urban migrant workers is the completion of the demographic transition process in China. The nationwide family planning strategy was first introduced four decades ago on the purpose of reducing fertility, such as the one child policy. It has caused a dramatic population drop in urban areas, and the urban

population has declined below the replacement fertility level more significant than the rural population, for instance: the total fertility rate was only 0.87 in Shanghai in 1999, one of the lowest in the world at that time (Lavelly and Freedman, 1990; Zhao, 2001; Yuan, 2003). Some researchers expect that China will inevitably experience a shortage of labour force before long (Du and Tu, 2000; Liu, 2010). The fact is that labour shortages have been observed in the eastern coastal regions in China from 2004 to 2010. This labour shortage trend suggests that urban economic growth might slow down for the reason that it relies heavily on the supply of rural-urban migrant workers as the main labour force. According to Wang (2005), this labour shortage will cast doubt on the belief that China is a country with rapid economic growth and unlimited supply of cheap labour force. Some researchers believe that China has already arrived at the 'Lewis turning point' (Cai, 2008; Zhang et al. 2011). According to Cai (2013), the 'Lewis turning point' means the supply of cheap labour force in the form of rural surplus labour has dried up, which is tied to a rise in labour costs. Because the cheap labour supply is not sustainable, there is an incentive to attract rural-urban migrant workers to settle in urban areas and to grant them equal citizenship as urban residents. In China, it is important to establish a healthy labour market that could comprise both rural and urban labour forces. It will further facilitate the sustainability of the future economic growth in China (Cai and Du, 2011). However, it requires institutional reform by either increasing migrant workers' average length of stay in urban areas or attracting more migrant workers to work in urban areas (Golley and Meng, 2011). Additionally, 'welfare surrender' or 'social insurance withdrawing' often happened among migrant workers. The state promulgated a new regulation on the regional transfer of urban basic old age insurance in the late December 2009. The regulation stipulated that employees, including rural-urban migrant workers, can no longer withdraw their social insurance accounts. However, the state failed to prohibit thousands of rural-urban migrant workers withdrawing from the social insurance system before the new policy came into effect.

Pilot welfare reforms, particularly social insurance reforms, have been implemented in several regions. For example, in Guangdong province, rural-urban migrant workers can receive the same level of social insurance benefits as local urban employees, as long as they contribute

equally to the social insurance pool. Similar to Guangdong, Beijing also introduced its own social insurance programmes for rural-urban migrant workers, whereas these programmes have lower contribution rates and benefit levels than urban schemes. Also, separate social insurance schemes were implemented in parallel with local urban social insurance programmes in Shanghai and Chengdu (Lv et al., 2008). The contribution rates and benefit levels vary from region to region (Wang 2008). In addition, Chongqing has taken a more radical reform to abolish the institutional Hukou divide for the purpose of unifying the welfare system for both urban residents and rural migrants.

In July 2011, the Social Insurance Law was implemented, and it was an important milestone in the history of social insurance development in China. This law not only unified the main regulations for all social insurance programmes but also set the tone for the future development of the social insurance system. Significant provisions include: the portability of pension and health insurance benefits, expanded coverage for migrant workers, and the establishment of a unified social security ID system. In addition, the law promoted the responsible management of social insurance funds and proposed a more efficient system for collecting contributions. It also stipulated that ‘when an employer fails to pay social insurance contributions on time and in full, the social insurance contributions collecting agency shall place an order with the employer demanding full payment within a prescribed period, and an overdue payment fine at the rate 0.05 per cent shall be levied as of the date of indebtedness’ (Social Insurance Law, Article 86, 2010).

However, the Social Insurance Law and social insurance regulations issued by the state only acted as broad policy parameters or policy guidelines to local governments. It left most of the implementation details for future clarification through additional regulations at the national and local level. As a result, the regulatory complexities of social insurance at the local level remain substantial. Local social insurance provision often varies in terms of contribution rates and benefit levels, most importantly, as discussed before, additional programmes were introduced for workers who do not have a local Hukou in the urban area where they work. Such complexity of social insurance provision and regulation at the local level is considered

as another remaining legacy of the administrative hierarchy in China's urbanisation process (Chan and Zhao, 2002). The administrative hierarchy of a government not only represents its administrative powers but also shows its fiscal resources. Both the quantity and quality of state-provided public services (such as education and urban infrastructural services) and welfare service (such as the social insurance schemes and the 'Five-Guarantees') are highly correlated with the hierarchical rank of local governments in both the pre-reform and current periods (Chan and Zhao, 2002; Chan et al., 2003). This means that areas with low hierarchical rank have low quantity and quality of services whereas areas with high hierarchical rank have high quantity and quality of services.

These regional disparities in welfare services, especially in social insurance provision, for rural-urban migrant workers, may have negative effects on both social and economic development in China. During China's modernisation process, the state keeps playing a crucial role in social insurance development as China is considered as a state socialist country, as a result, the relationship between the state and local authorities has to be given attention when researching the regional social insurance differences. Based on this policy and theoretical grounding, this research aimed to find out the causes of social insurance regional variations and explored the implications for the wellbeing of rural-urban migrant workers and the development of China's welfare system.

Research Questions

The following three research questions are addressed in this thesis:

- What is the extent of the differences in social insurance provision for rural-urban migrant workers between regions, and differences between migrants and other groups?

This question is addressed in Chapters 3, 4 and 6. Chapter 3 analyses the state's policy and social insurance provision over time based on the dualism of China's society: rural and urban. Chapter 4 summaries the characteristics of the current social insurance system in China and

considers how the social insurance system varies from time to time, province to province. Chapter 6 discusses different types of social insurance system for rural-urban migrant workers and their variations between the one for urban residents. The analyses in these chapters underpin the empirical studies in the following chapters. Methods that are used to answer this question are to review the literature and analyse data on both national and regional social insurance policies and comparative analysis is used to compare social insurance policies.

- What are the main causes of these differences?

This question has been partly answered in sections that aim to develop the potential causes of regional disparities in Chapters 4 and 6, and new arguments are introduced in Chapter 9. In order to answer this question, qualitative analysis of interview data was used. Data collected from in depth interviews with migrant workers provide a distinct explanation to this question (Chapter 8).

- What are the implications for social protection and social exclusion of rural-urban migrant workers and the development of China's welfare system?

The empirical evidence for this question is presented in Chapters 7 and 8, and further discussed in Chapters 9 and 10. From rural-urban migrant workers' perspectives, Chapter 8 shows the opinions of rural-urban migrant workers against social insurance, and how social insurance affects them. Chapter 7 introduces a new typology of the welfare system in China by analysing provincial social security and rural-urban population variables. Qualitative analysis and cluster analysis are used to answer this question, results from interviews reveal how social changes on social insurance affect migrant workers from a micro level, and from a macro level, the new typology of the welfare system proposed in this thesis might offer a new way to solve the dilemma between local governments and rural-urban migrant workers.

Contributions of the Thesis

This thesis contributes to knowledge in several ways. Firstly, the majority of studies on social insurance for migrant workers in China are focused on insurance indicators such as the eligibility, participation rates and coverage, or their analyses are only based on one or two social insurance programmes, few have considered the social insurance system as a whole and analysed it from the perspectives of rural-urban migrant workers themselves (Li, 2008). Unusually, this research used qualitative semi-structured in depth interviews to explore the opinions of migrant workers about social insurance. Therefore, this research provides a new perspective of understanding of the social insurance system from a practical level. Further, it develops social insurance policy beyond the macro level (the state), as this research focuses on the micro level (the individual) by analysing how individual rural migrant workers react to the changes of social insurance policies.

Secondly, previous research on welfare regimes in developing countries has usually focused on classifying and explaining variation in social policy at the national level. Nonetheless, social policy is often shaped by subnational actors, particularly in large developing countries, as a result, the typology of China's welfare system has not been well researched yet (Ratigan, 2014). This research contributes to the development of understanding of welfare regimes in China by classifying the Chinese social welfare system at provincial level into four clusters. It also relates this welfare typology with migrant workers' migration behaviours in China.

Thirdly, the theoretical framework which contains modernisation theory, state socialism and localism, provides a new perspective for future research on social insurance and migration. The modernisation process in China is unique with its 'incomplete urbanisation' (Chan, 2010), the rural-urban dichotomy and the limitation of labour mobility are the two main characteristics of Chinese urbanisation. The state plays a critical role in causing these problems. In terms of administrative powers, although there has been a significant devolution of powers to lower-level governments, the hierarchical nature of the top down polity remains. The political/administrative power remains vertically organised and determined from the

central government to lower-level governments. The higher ranks not only reflect the higher political/administrative power but also indicate the higher amount of fiscal resources during the process of distribution (Wong, 1997; Li, 2001; Chan and Zhao, 2002; Chan et al., 2003; Ma, 2005). In terms of social insurance policy, the state is responsible for policy making and the local governments are the implementers. This will lead to the localisation of social insurance provision and prohibit the unification of the social insurance system.

Fourthly, this research adds new arguments to the studies of citizenship of rural-urban migrant workers in China. As Plant (2003) argues, two notions of citizenship may be identified, one defines citizenship as a basic status, and the other emphasises obligation, virtue and contributions rather than rights. In China rural-urban migrant workers have to earn their citizenship in urban areas because social insurance contributions and tax records are necessary conditions for applying for an urban Hukou. The study of citizenship in China is at an early stage and the Hukou system is about to be abolished by the central government. Even so, the citizenship of rural-urban migrant workers is neglected by the state and difficult to earn. Without Hukou system, urban citizens still discriminate against rural-urban migrant workers as it has become an institutionalised discrimination (Li et al., 2010).

Fifthly, this thesis is one of the first to interview migrant workers about the impact of social insurance on them. Most studies on migrant workers and social insurance focus on analysing policies and the impact that these policies might have on migrant workers (Liu, 2005; Wang, 2005; Whalley and Zhang, 2007; Zhan, 2011; Wu, 2013). But this research uses a bottom-up approach, firstly to collect data by interviewing rural-urban migrant workers which show migrant workers' opinions on policy making and policy changes, secondly to analyse the data in order to find out what impacts might these migrant workers' views have on the state's social insurance policy and explore possible implications for the development of social protection and welfare system in China.

Thesis Plan

Chapter 2 outlines the theoretical grounds, methodology and methods used in the research. It explicates the philosophical foundations of the thesis by a discussion of modernisation theory, state socialism and localism. Next, it introduces the research methods used in this research and how they have guided the data collection, analysis and development of theory. It also explains the research questions and the methodology to answer those questions. There are two main methods used in this research, first, a cluster analysis using variables including social security spending, social insurance funding expenditures, participation rates and ratio of rural and total residents is explained; second, the qualitative semi-structured interview process is described. These two methods were underpinned by extensive academic and policy literature reviews. Last in this chapter, some possible criticisms of the methodology and methods used are discussed, along with ethical issues encountered in the fieldwork.

Chapter 3 and 4 both discuss the social insurance system in China. Chapter 3 first develops the concept of social insurance in China, and then it discusses the historical development of social insurance in both rural and urban areas in China from the early 1900s to present. The discussion is divided into three main sections: the Republic of China period (1900s), pre-reform period (1949-1978) and post-reform era (1978-present). It also analyses how the social insurance policy changes ever since the foundation of People's Republic of China and its analysis mainly relies on the review of official documents published by the State Council.

By reviewing the theory of path dependency and comparing policies in pre-reform and post-reform periods, Chapter 4 provides five possible paths from the past: 1) China's radical market economy reform has not been accompanied by any reform aiming to change the political system and institutional structure; 2) after the reform of SOEs, the remaining ones are mainly large-sized SOEs that have vital impacts on the national economic lifeline and state security and SOEs in fields such as important infrastructures and natural resources; 3) the inconsistent administration system of social security programmes; 4) the division of rural and urban is still persistent; 5) the Confucian ideology of 'family and 'community' are still

much emphasised. The second part of this chapter switches attention to the discussion of current problems of social insurance system in China, including low participation rates, coverage and benefit levels; the decentralised system, fragmentation, limited portability, regional disparities and gender differences.

Chapter 5 first criticises the inconsistent definition of migration, ‘floating population’ and rural urban migrant workers in governments, academia and even within major data sources in China. Multiple dimensions in categorising migration are recognised. Next, it shows how the size of the migration population changes according to different definitions. This is followed by an analysis of trends and characteristics of migrant workers. Data collected from the National Bureau of Statistics are transformed into figures and tables to illustrate the scale of rural migrant workers, their gender and age, education level, skills and training records, employment status and income level, as well as regional distribution circumstances. It also briefly discusses the new generation of rural migrant workers and how they differ from the old generation. This chapter ends with a critical analysis of the causes and determinants of migration.

Chapter 6 first discusses the social impact of rural-urban migration, because of the characteristics of rural-urban migrant workers shown in Chapter 5, they are experiencing social exclusion and discrimination in urban areas. Institutional barriers such as the household registration system, labour market discrimination and limited access to public service are all preventing rural-urban migrant workers from integrating into the urban communities. Continuing with the analysis of policy responses and reforms to the rising social problems together with rural-urban migrants, the next section discusses some problems of current social insurance system for rural-urban migrant workers and makes a comparison of different types of old age insurance for rural migrant workers. The final section explores some possible explanations on regional disparities and inequality in social insurance in China.

Chapter 7 first reviews the literature on welfare state regimes in the West. Next, it reviews the literature on the typology of welfare systems in China in order to select the potential variables

for the initial ‘hierarchical’ cluster analysis (Ward’s Method) of provincial welfare systems in China. The dataset encompasses 31 provinces and province-level cities in Mainland China. The results of the analysis show that there are four clusters, and then a ‘non-hierarchical’ analysis (‘k-means’ method) is used to test the initial results and obtain the final classification of cluster. The final results confirm the divergence of China’s welfare system and that there exists a consistency of cluster memberships over time. Last, this chapter discusses different categories of social insurance for rural-urban migrant workers based on the studies of Shi (2012) and Zhang et al. (2012).

Chapter 8 analyses the data collected from semi-structure interviews with 33 respondents and reveals that the majority of migrant workers in China have only a few formal kinds of social protection, most of them do not have a labour contract with their employers, they usually do not participate in social insurance and it is extremely difficult for them to have entitlements to the range of public services provided by the governments in urban areas. Together with the discrimination, poor living and working environments and some other forms of social exclusion they are experiencing, there is a trust issue that migrant workers start to doubt the credibility of the state and local government.

Chapter 9 first discusses the advantages and disadvantages of social insurance, then it brings the discussion and analyses together by linking up the results of the cluster analysis with the finding of semi-structured interviews with rural-migrant workers. The current social insurance system in China is summarised as a fragmented, vague and complex system. This chapter also combines discussions and arguments made in Chapters 4 and 6 with the findings in Chapters 7 and 8, and proposed a new argument that social insurance for rural-urban migrants can be seen as a route to social citizenship. Also, findings are related to the theoretical foundations that underpin this research.

Chapter 10 concludes by summarising how the research questions have been answered, research findings, policy implications, the main contributions of the research, and possible directions for future research.

CHAPTER 2

METHODOLOGY AND RESEARCH METHODS

Introduction

This chapter reviews the theoretical grounds for this research, introduces the research methods that are used, explains how they guided the data collection and analysis, and explores the development of theory. It also explains the research questions and the methodology to answer those questions. The research questions of this study are, first, to explore the regional differences in social insurance provision for rural migrant workers in China. This involved an exhaustive study of provincial characteristics and details of social insurance programmes for rural migrant workers, and then comparisons of these social insurance programmes across provinces and regions. Although China has experienced a rapid growth of urbanisation and economic development, the Chinese development model was based on a strict division of the society and economy into urban and rural areas. This development policy has not only impeded labour mobility and created regional inequality, but also led to an imbalance between social and economic development. The second question is to find out what are the main causes of those differences. This stage involves mixed methods research including a quantitative cluster analysis to explore the existence of welfare regimes in China, followed by qualitative in-depth semi-structured interviews with government officials and migrant workers were conducted to understand the experiences of migrant workers, to explore some new possible explanations. China is a state socialist country (Walker and Wong, 2009), and the Chinese state plays an important role in these analyses, examining how it changes over time helps to explain regional disparities in social insurance provisions. The third question is what are the existing problems of the Chinese social insurance system and their implications for the social protection of rural-urban migrant workers and for China's welfare system?

The following section reviews several basic theories that are central to this research, namely state socialism, socialist market economy, modernisation theory, regionalism and social

citizenship. The next section explains the research design and methods used in this study, and the third section discusses the data collection phases, which consist of secondary data collection from national statistics bureaus and government documents, and in-depth interviews with government officials and rural migrant workers. The chapter concludes by explicating the analysis approach for both the quantitative and interview data.

Theoretical Grounds – An Overview

Development and Modernisation in China

Modernisation theory, together with other theories, such as dependency theory and world system theory, form development theory. But to what extent can these theories explain the development in China in the past decades? Dependency and world system theory states that less developed countries are largely influenced by and dependent on the developed countries (Logan and Fainstein, 2008), resources flow from poor and underdeveloped states to wealthy and developed countries, where the accumulation of wealth in the latter is at the expense of the former (Vernengo, 2006).

In contrast, many modernisation theorists have argued that the historical experience of modernisation in western industrial countries had provided an example for developing countries. The two core concepts of original modernisation theory are ‘traditional’ and ‘modern’, and the modernisation process of a society can be seen as a change from ‘traditional’ to ‘modern’ (Cao, 2009). According to Slater (1986, p. 9), such transformation/change usually involves a ‘diffusion of capital, technology, values, institutional arrangements and political beliefs from the West’. Modernisation theory consists of two main aspects: first, the emergence of a market economy, including modern practices that are now widely adopted by most corporations in developed countries (Yusuf and Nabeshima, 2008); and second, the relationship between urbanisation and demographic transition, and its link to industrialisation. It argues that an urban economy will absorb population increase because of urbanisation and industrialisation in urban areas, furthermore,

this would increase the population's mobility and eventually lead to a fall of natural population growth rates to a manageable level (Logan and Fainstein, 2008).

According to Western modernisation theory, in most European countries, new technological innovations were introduced during the Industrial Revolution, these innovations increased not only industrial productivity but also agricultural productivity. Due to technological innovations and the enclosure movement, the demand for farm labour was reduced significantly and a large number of peasants became surplus labour in agricultural production. As a result, peasants decided to migrate to urban areas because there were more job vacancies and higher wages in manufacturing industries in cities. The surplus labour supply was eventually absorbed into those newly created manufacturing jobs in urban areas because of the industrialisation. The income differences between rural and urban areas were gradually decreased during this process. Furthermore, the process of migration gradually reached an equilibrium status (Portes and Benton, 1984; Rogers and Williamson, 1984; Williamson, 1988). Also, this urban growth might indicate that urbanisation in developed countries usually happened at a time when urban growth started to gradually decline, as a result, rural to urban migration would make a considerable contribution to urban growth (Logan and Fainstein, 2008).

In sum, modernisation theory is a theory that is used to explain the process of modernisation within societies. It focuses on the internal factors of a country and assumes that less developed countries can also reach the same level of development as those more developed countries. Modernisation theory attempts to identify the factors that contribute the most to the progress and development of societies, and tries to explain the process of social evolution (Ynalvez and Shrum, 2015). However, at the end of the 1960s, modernisation theory encountered considerable criticism, especially its failure to explain the specific development paths of many developing countries (Preston, 1979; Kasarda and Crenshaw, 1991). For instance, Williamson (1988, p. 293) pointed out that 'immigration was a much more important source of city growth during the First Industrial Revolution than it is in the contemporary Third World'. According to the urbanisation experience in most developed

countries, it suggested that in most cases migration was the main contributing factor to the process of urbanisation, but this was disproved by China and most other developing countries.

It is argued that, in developing countries, urbanisation is usually taking place when the urban fertility rate remains at a high level. Therefore, less developed countries have different demographic sources of urbanisation from those more developed countries. Furthermore, Davis (1965) argued that urban natural growth contributed more to the process of urbanisation than rural-urban migration in developing countries. In order to support this generalisation, Preston (1979, p. 198) provided some systematic empirical evidences and argued that ‘of the 29 developing countries whose data support a decomposition of the sources of urban growth during most intercensal periods, 24 had faster rates of urban natural increase than of net in-migration’. Therefore, it is clear that, in most less developed countries, natural population increase in urban areas is the main contributor to the urbanisation rather than migration.

In the 1980s, a revision of modernisation theory was proposed, the most important changes in the new version are its acknowledgement that both internal (‘such as illiteracy, the traditional agrarian structure, the traditional attitude of the population, the low division of labour and the lack of communication and infrastructure’) (Kuhnen, 1987, p. 12) and external (such as the workings of the international economic system) factors would have significant influence on the development and modernisation of a society (Scholte, 2005; Haynes, 2008). In particular, the important role played by external factors in shaping the patterns of development in developing countries, as well as the Western pattern of modernisation, is not the only possible model for developing countries (Cao, 2009).

Furthermore, modernisation theory originated from the neoclassical theories of economic growth. Rostow’s (1960) theory of stages of economic growth is an important approach of modernisation theory, and it offers an alternative to the Marxist development theory. According to Rostow (1960), at first stage, the traditional society is ‘based on agriculture and highly hierarchical structures within landowners and families, the conditions of production are limited, science and technology barely accessible’ (Bichler and Gaderer, 2009, p. 409). The

second stage is the transformation stage where the initial preconditions for ‘take-off’ are created. ‘The role of science and technology increases, the political system changes towards a strong nation state, which is released from traditional and regional interests and fosters investments in industrial sectors’ (Bichler and Gaderer, 2009, p. 409). There is also an increase in the population’s consciousness of personal property and nationalism (Rostow, 1960). The third stage is the ‘take-off’ stage where the economy grows rapidly. At this stage, the industrial sector expands and plays an increasingly dominant role in the society. Also, ‘through the import of capital and investments the basis for new industry is laid, new employment is provided, the agricultural sector becomes commercialized, natural resources become capitalized and new methods of production develop’ (Bichler and Gaderer, 2009, p. 409). In the following ‘the drive to maturity’ stage (Rostow, 1960), ‘the per-capita income increases towards a level that allows more private consumption than only food and clothing and, besides that, the importance of social welfare increases’ (Bichler and Gaderer, 2009, p. 409). From this perspective, the rapid economic growth in China’s urban areas can be defined as primarily ‘catch-up’ growth. Before the capital reaches the diminishing return point, the high savings and investment rates will keep contribute to the “miracle” of economic growth. Also, the rapid economic growth process may be influenced by the increase of total factor productivity, as China is experiencing a transformation from traditional technology to the best quality technology available (Appleton and Song, 2008).

However, such a theory only helps us to explain rapid economic growth, it cannot explain some more fundamental factors, such as the institutionalised urban-rural divide, one-child policy, regional inequality, and migration. What stands out are the socialist characteristics, which make development in China a unique case that differs from the patterns of modernisation of other developing countries, and this difference cannot be fully explained by modernisation theory.

For instance, since the 1970s, a series of family planning programmes and policies were introduced in order to control the size of the population in both urban and rural areas. The most important one must be the ‘one child policy’ introduced in 1979, which strictly

stipulated that each couple could only have one child (Banister, 1986). These programmes and policies have had a great impact on the declining fertility rate in China. Policy makers claimed that these policies could not only smooth the progress of economic development, but also improve the well-being of the whole population (Lee and Feng, 1999). After the implementation of the one child policy, a system was introduced to monitor and supervise whether or not families were complying with it. Reward was provided to couples with only one child, whereas couples with more than one child were fined a large amount of money in order to punish them for violating the policy. The penalty for non-compliance among cadres and family planning worker was especially severe (Hardee-Cleveland and Banister, 1988). This one child policy turned out to have a greater impact in reducing the fertility rate in urban than in rural areas. Therefore, one could assume that the fertility rate in urban areas was too low to make a major contribution to urban growth and development, especially when compared with the impact of migration (Liang et al., 2008). In 2015, the state first encouraged citizens to have a second child at the 5th Plenary Session of 18th CPC Central Committee. It meant that, 40 years after the ‘one child policy’ was first introduced, the policy was relaxed by the state. However, according to Long et al. (2018), this policy change may increase the fertility rate in a short term, but in the long term, the fertility rate will not rise dramatically because of the impact of economic development. The long lasting effects of the ‘one child policy’ still exist, such as the pressure of ageing and the slow speed of urbanisation.

Second, the long existing urban-rural divide and Hukou system (see below) impeded the process of modernisation and urbanisation in China. A dual structure model of economic development was first proposed by Lewis (1954). This ‘dual economy model’ divided developing countries’ economies into two sectors: a traditional agriculture sector and a modern industrial sector. This theory was widely acknowledged as a classical framework for the analysis of urbanisation in developing countries. Lewis’s ‘dual economy model’ ‘attributed modernisation to economic structure transformation as societies move from backward traditional agricultural societies to modern industrial societies’ (Zhang et al., 2016, p. 321). According to Lewis (1954 and 1968), the transition process would turn into an end when the entire surplus labour in rural areas was eventually absorbed by cities and the wage

level in rural areas is equal to the level in urban areas. However, the state in China introduced a Hukou system which classified Chinese citizens into two categories, 'agriculture' and 'non-agriculture'. As a national policy, the initial role of the Hukou system was allocating spatial and welfare resources for both urban and rural residents. After the opening up reform, the regulation of Hukou status was relaxed, therefore, 'migration waves' occurred, and increasing number of rural-urban migrants migrated to urban areas. But it has continued to be a major factor influencing the population of migration between urban and rural areas. The Hukou system has been closely connected with the urbanisation process, and discussions about China's urbanisation typically involve the impact of the Hukou system (Cheng, 1991; Chan, 1994b; Mallee, 1995; Zhu, 1999; Zhang, 2004; Wang, 2005). The Hukou system establishes a distinct division of status and entitlements between urban residents with 'non-agricultural' Hukou and an official residence address in urban areas and rural-urban migrants with 'agricultural' Hukou and an official residence address in rural areas. Because of the above reasons, Chan (1994b) defined cities in China as 'cities with invisible walls'. Although the state decided to abolish the 'agriculture' and 'non-agriculture' division in Hukou system, the institutionalised discriminations against residents come from rural areas are still exist, at the same time, a new division between urban residents and rural-urban migrant workers has appeared, which is 'local' and 'non-local' (Guo and Gao, 2008).

Also, as mentioned above, several 'migration waves' have occurred in China since the 1980s, people from rural areas are migrating to urban areas to find jobs. The significant increase in the number of migrants is driven by several factors. On the one hand, the implementation of the 'household responsibility system' in rural areas has greatly increased the efficiency and productivity of agricultural activities and created a large amount of surplus labour. On the other hand, the market economy reform has largely changed the way in which cities operate, a more relaxed environment for migration, and prosperous joint ownership enterprises, private corporations and service industries, especially along the well-developed coastal regions, create constant and huge demand for labour (Liang, 2001; Liang and Ma, 2004).

As argued by White et al. (2008, p. 135) and Logan and Fainstein (2008), modernisation theory is problematic because it ignores the factor that ‘reindustrialization and consequent urbanization are closely related to state policy’, as China’s modernisation pattern has been greatly shaped by state policies. For example, it was an explicit policy decision of the state to implement the market economy reform but not a natural emergence of the market economy and the relationship between urbanisation and demographic transition is controlled by the state through, for instance, the one child policy and the household registration system. As pointed out by Cao (2009), state socialism will always be a distinctive characteristic of China’s modernisation.

A State Socialist Society

In Marxist theory, socialism is expected to emerge as a successor to capitalism when the exploitation system and the political institutions of capitalism are eventually overthrown by the proletariat. In the traditional view of socialism, Engels (1894, p. 315) believed that the state would eventually wither away:

The interference of the state power in social relations becomes superfluous in one sphere after another, and then ceases of itself. The government of persons is replaced by the administration of things and the direction of the processes of production. The state is not ‘abolished’, it withers away.

‘State socialism’, on the other hand, originates from Marxist theory, but deviates from the original theory of Marxist, and it has become a popular theory for less developed countries of the world (Badie et al., 2011). In such systems, the state in fact acts as a device to accumulate capital and forcibly extract surplus from the working class and farmers in the name of industrialisation or modernisation. Sometimes, it can also be referred to as ‘state capitalism’ as it involves the process of capital accumulation (Badie et al., 2011).

The concept of 'state socialism' nowadays is often used with reference to a Soviet-style economic and political system, which emerged from a deviation in Marxist theory starting with Vladimir Lenin. However, the prototype of 'state socialist' was first expounded by German socialist Ferdinand Lassalle (Draper, 1966). In terms of the state, Lassalle's idea was the exact opposite to Marx's theory. Lassalle disagreed with the definition that a state was a class-based power structure and its main function was to maintain existing class structures, as well as the Marxist concept of 'withering away of the state'. In contrast, Lassalle defined the state as an entity independent of class allegiances and an equipment of justice that would therefore be necessary for the realisation of socialism (Berlau, 1949).

According to Dawson (1891, p. 2-3), there were several differences between socialism and state socialism:

... the former would entirely subvert the state, while the latter accepts its political forms as it is; socialism would abolish the existing political order altogether, while state socialism would use the state for the accomplishment of great economic and social purposes.

In sum, from any socialist political and economic perspective, state socialism is a classification of economic systems which advocating state ownership of the means of production. It can be seen as either a temporary measure in the transition from capitalism to socialism, or as a feature of socialism itself. It is normally applied to the economic systems of Marxist-Leninist communist states in order to emphasise the central and dominant role of the state. Its socialist characteristics only comprise public ownership of major industries, remedial measures to benefit the working class and a gradual process of developing socialism through government action.

However, China, as a state socialist society, has a number of unique characteristics that differentiate it from the theoretical and ideological form of socialism. As Walker and Wong

(2009) point out, China's state socialism offers an alternative view and interpretation of socialism.

Currently, 'socialism with Chinese characteristics' is still the main official ideology of the Communist Party of China (CPC). It means socialism adapts to Chinese special situations, as the central government argued that Marxism is still the guiding theory and ideology, but with certain developments and adaptations of Marxism theory in order to accommodate the unique economic and social system in China. Xiaoping Deng first introduced the term 'socialism with Chinese characteristics' at the 12th Central Committee of the Communist Party of China in 1982, for the purpose of supporting the implementation of the 'socialist market economy' reform (12th CPC Central Committee, 1982). With the acceptance of neo-liberal ideology, the state under Xiaoping Deng's leadership agrees the importance of the market and the belief that the 'market economy is not a mechanism exclusive to capitalism, but is also compatible with public ownership and socialist principles' (Guo, 2012, p. 252). The economic reform marked the transition of 'central planning state socialism' to 'market socialism' (Guo, 2012; Jie and Walker, 2013) and the beginning of a series of changes in political, ideological and institutional arrangements.

As Xiaoping Deng once said that:

We have not changed and will never change the policy of integrating the planned economy with the market adjustment. We can adjust the degree accordingly in our practice, sometimes with more market functioning, and more planning performance in other cases (Guo, 2012, p. 269).

The state will keep playing a crucial role in China's social and economic development policies. As Wong (1998) pointed out, the role of the state, together with China's socialist system (collective institutions) are two of the mutually reinforcing forces that determine the welfare system in China. Although most agree that China's main rationale and underlying

norms persist and its public ownership of key industries remain intact after the economic reform (Sander et al., 2012), but the state's role does change over time.

Maoist era

During the Maoist era, the state's primary goal was egalitarianism, in order to achieve equality, the state strictly controlled the wages for workers, income differences were small within a work unit or a locality, and the prices of products were fixed, set by the state (Wong, 1998; Ngok and Huang, 2014). The state intervened in every aspect of a citizens' social life. In terms of social welfare, the state established a welfare system based on the public and collective ownership of the means of production and the planned economy (Ngok and Huang, 2014). However, the role of the state in social provision was ambiguous and, to some extent, limited. Instead of depending on the state, the responsibilities of providing welfare service for employees had fallen directly to public sectors, such as state-owned enterprises (SOEs) and collective-owned enterprises, took most of the responsibility of providing welfare. To be more specific, work units (*danwei*) were the main providers of social welfare. In the planned economy, the work unit played a vital role in providing welfare services, as the role of the state was only on managing and setting the directions for the key economic sectors, under such management and direction, the work units in these key economic sectors would be able to provide welfare support for their employees (Leung and Nann, 1995; Mok and Wu, 2013).

Also, biases existed in the state's policy orientation, the most obvious one was the bias towards urban areas (Selden, 1993). Wong (1998) argued that the reason for this urban bias and rural neglect was because the state believed that industrialisation (in urban areas) was the only key to rapid economic growth. Moreover, this kind of bias was further reinforced by the introduction of a restrictive household registration system (*Hukou*), which denied and limited rural residents access to urban areas. Some scholars believe that this household registration system not only constrains migrants' access to urban labour markets but also prevents them from participating in various services. Furthermore, the division between urban residents, rural residents and migrants has created a special form of social stratification in China (Cheng

and Selden, 1994; Chan, 1996; Solinger, 1999c; Logan and Fainstein, 2008). In addition, there is a second bias which was the preferential treatment and favouritism to certain types of employees: those in big enterprises rather than in small ones, and government officials working in central government rather than those in local governments (Wong, 1998) (This position-related favouritism has been kept in the post-reform period, staff in the SOEs over those in private sectors, workers in big enterprises over those in small ones, and government officials working in central government over those in local governments).

Sander et al. (2012) characterised the welfare system in the Maoist period as a 'twofold welfare system and classified it into two parts, one was the work-units (danwei) welfare system in urban areas, and the other was the agricultural communes in rural areas. While SOEs provided their employees with a comprehensive cradle-to-grave welfare services along with a lifetime employment guarantee in the context of the communist economic system, the rural population's welfare entirely relied on the collective ownership of land and their own families. Leung (2005) argued that such a welfare system was 'work unit centred' rather than 'state-centred'. He further explained that, within this system, the role of the state was not to provide the welfare service directly, but to provide a stable environment and order within which the SOEs could develop rapidly and help the state to achieve its economic goals. For those urban residents who were not employees in a work-unit (usually the 'three-nos'), the state would provide some very basic assistance.

Post-Mao era: rolling back the state

In the post-reform period, the previous 'iron rice bowl' was now considered as an impediment to economic growth. The emphasis of the state changed from class struggle to a new task of boosting economic development first in order to fulfill people's rising material requirements during the primary stage of socialism. The state's primary goal of social distribution was replaced by efficiency. In general, the government guidelines during this period can be summarised as 'efficiency comes first, equity is the second' (*People's Daily*, 17-11-1993). Also, since the market economy reform, the state has shifted its welfare responsibilities to

local governments, families and individuals by 1) decentralisation; 2) re-emphasis of Confucian and family values; 3) privatisation of welfare service (Ngok and Huang, 2014; Chang, 2003; Sander et al., 2012; Goodman and Segal, 1994; Wong, 1998).

The 11th Central Committee of the Communist Party of China in 1978 pointed out that one of the serious shortages of China's economic management institution was that power was too centralised, it should be decentralised under proper guidelines, allowing local enterprises and social organisations to have more liberty and power in management. It also urged the transformation of government functions in regulation, letting professional privates to take over, and increasing its administrative efficiency (11th CPC Central Committee, 1978). The decentralisation in economic administration consequently triggered the political reform in the form of decentralising government power (Deng, 1987).

Meanwhile, the state's responsibility for social welfare has also been decentralised. The burden of funding and management of social welfare programmes has become local governments' responsibility. The combination of the basic principle of public ownership with the basic principle of market economy, the encouragement of both society and private sectors to provide social welfare together with the decentralisation of public service responsibility indicates that there was a reducing role of the state in providing social welfare services (Giles et al., 2015; Guo and Tang, 2013; Wu, 2013; Jie and Walker, 2013). Moreover, the state has encouraged and advocated family supports for older people and other vulnerable groups for a long period. In the post-reform period, the state has further emphasised the importance of the family's role in social care, its dependence on familial social support and on the mutual aid tradition has increased (Chang, 2003). Chow (1988, p. 74) pointed out that 'early all proposals for a new social security system stressed the important roles of the family system and the local communities'. As a result, families and individuals have to take most of the responsibility for economically and socially protecting and caring for the elderly, poor or handicapped persons. In addition, several measures aimed at reducing the welfare expenditures of both the state and SOEs were taken in order to minimise the financial burden on the state and accelerate the economic reform, such as the reforms of SOEs and the

privatisation of public services. Social expenditures in education, healthcare and some other public service areas were gradually reduced and the marketisation of public services was advocated in the provision of public services for the purpose of constraining welfare cost (Ngok and Huang, 2014). Marketisation has become a key trend in the main parts of the public services (Wong and Flynn, 2001).

People who lagged behind the pace of reforms had been gradually excluded and become increasingly vulnerable. The state evaded the heavy responsibilities of providing welfare and public services to its citizens during this social policy reform period, however, this measure not only deteriorated social divisions but also generated social injustice (Liu and Wu, 2006; Saunders and Sun, 2006). With the state's retreat from its responsibility in providing welfare and public service, people with low level of income, such as unemployed urban residents, rural-urban migrant workers and peasants, could no longer benefit from various welfare and public services. As Shi (2009, p. 49) indicated, 'when these new social problems needed more concern from the state, it weirdly retreated and shrugged off the responsibility to enterprises and individuals, making the issues of social inequality and poverty more serious'.

Post-Mao era: bringing the state back in

The central government claims that because China is at the primary stage of socialism, it has to adopt a market economy to develop and thrive. As a result, Chinese development policies are in favour of economic development and neglecting social welfare development. After decades of unbalanced development which emphasised the economy by the state, social development lagged far behind economic development. Since the 2000s, China has experienced a revitalization of the state's role in social welfare, and evidence can be found in many state documents using slogans such 'building a harmonious society', 'people first' and the 'socialisation of social welfare' (Jie and Walker, 2013; Wong, 1998; Ngok and Huang, 2014).

The state has reaffirmed its responsibility in welfare provision and strengthened its role in providing welfare services (Ngok and Huang, 2014). Based on the relatively narrow definition of the traditional Chinese concept of welfare, a typical residual social welfare system had been established in the Mao era, and its many characteristics have been carried over to the post-reform period (Leung and Nann, 1995; Wong, 1998; Wang, 2009). By advocating ‘the era of people’s livelihood’ (minsheng shidai), the state has enhanced its role in providing welfare and public services, including social assistance, social insurance, education, employment and healthcare services (Zheng, 2007, p. 54). The state has gradually changed its goal for welfare development from the old ‘wide coverage, low benefit level’ to the new ‘full coverage, moderate level of benefit’ through expanding its welfare policies (Ngok and Huang, 2014).

Because of the changes in the state’s perception of welfare responsibility and policy goals, social policy provision has been expanded and welfare responsibility among the state, local governments, enterprises and individuals has been redefined. For example, the state has significantly increased its role in healthcare. In 2009, the central government issued an expectant policy in order to reform the health care system. It stipulated that the government’s role in ‘formulating policies and plans, raising funds, providing service, and supervising’ must be strengthened for the purpose that the fairness and equity of the healthcare service can be ensured (Central Committee of the CCP, 2009, document No. 06). Also, evidence of a more active state role in funding elder care was given by Jie and Walker (2013) to support the argument that there is an increasing state responsibility in not only care services for older people, but also in health care, education, income protection and housing for citizens. Moreover, the state introduced the concept of the ‘socialisation of social welfare’, aimed at a wider sharing of involvement in administration and financing in welfare and public services and a decentralisation of power to lower-level governments to ease the state’s welfare burden (Jie and Walker, 2013).

There are several critiques of the ‘socialist market’ or ‘state socialism’ in China. First of all is the claim that post-reform China has moved toward capitalism. This claim is mainly

supported by three empirical factors concerning the economic change in post-reform China: the existence of capitalist elements, the large scale of privatisation and foreign investment and the enhanced role of the market in the economy. However, according to Guo (2012), public ownership is still dominant in the post-reform economy in China, in addition, the essential characteristics of state socialism (e.g. government intervention) have remained intact, so this argument fails to capture the essence of state socialism.

Second, according to Chen (1996, 2002), the terms state socialism and socialist market are insufficient to represent the experiences of reforming socialist states. Instead, she proposed a new notion to characterise post-reform China as a 'socialist economic state', which refers to 'a state in which the economy is promoted largely by the organised efforts of the government rather than by private institutions' (Chen, 2003, p. 31). In other words, it is the economy that always comes first. She, too, emphasises the state's role in the preference for economic development, but she argues that the state takes primary responsibility for the development of the economy does not mean the state does not put emphasis on social welfare and some other kinds of public services.

Localism/Regionalism

The market economy reform has not only created a 'miracle' in China's economic development and caused the political reform of decentralising power to local authorities (Jie and Walker, 2013), but it also led to dramatic changes in the relationship between central and local governments and had a significant impact on the regional development in China (Zhao and Zhang, 1999). Such changes and their impact may further give rise to localism in China.

Localism can be understood from several perspectives, from an economic, from a political, from a social, from a spatial or from an environmental perspective (Davoudi and Madanipour, 2015). It may also have different forms, such as financial/fiscal localism (Zhao and Zhang, 1999), political localism (Davoudi and Madanipour, 2015) or welfare localism (Mok and Wu, 2013). From an economic perspective, localism can be seen as a localisation process which,

as defined by Hines (2000, p. 27), ‘reverse the trend of globalisation by discriminating in favour of the local’. Also, Shuman (2000, p. 6) defined it as ‘nurturing locally owned businesses which use local resources sustainably, employ local workers at decent wages and serve primarily local consumers. It means becoming more self sufficient, and less dependent on imports’. Hence, from an economic perspective, localism, or localisation, can be seen as the opposite side of globalisation. From a social perspective, localism closely links to the concept of community, but the meaning of community is still a matter of debate. So localism could have multiple meanings because of different understandings of ‘community’. From a spatial perspective, localism usually refers to ‘small geographical scales down to neighbourhoods’; from an environmental perspective, localism is often seen as ‘a path to sustainability’ (Davoudi and Madanipour, 2015, p. 2).

From a political perspective, according to Davoudi and Madanipour (2015), localism refers to the spatial distribution of power. This can be understood from two directions, a top-down devolution or decentralisation of power or a bottom-up activity of seeking autonomy. If seen from the top-down view, localism may mean a decentralisation or devolution of the state’s powers, which transfers tasks, activities or responsibilities to local governments, the market or the society. Such a subdivision of responsibilities and powers in localism could be either a functional or a territorial division. Usually, functional subdivision accompanies decentralisation because the higher authority believes that authorities at a local level are more qualified to make certain decisions. However, Hayek (1945) argued that this decentralisation caused by functional subdivision which aims at efficiency will eventually turn to the market in order to achieve the highest efficiency rate. But, a limit needs to be set on the extent of decentralisation, as it may cause fragmentation and parochialism (Davoudi and Madanipour, 2015).

It is the political perspective that underpins the discussion and evaluation of localism in China in this thesis because of the importance of the state in China’s society. But the above theoretical review has mainly derived from the experiences of developed countries to shed little light upon the developing countries, especially countries like China, with substantial

territorial variations and complexities. So the above theoretical approaches is not sufficient to conceptualise or analyse localism or regionalism in China.

Because of China's vastness, the problem of central control over its territory and the multitude of Chinese people has always been complicated, and there is always a need for layered governance. No matter when and under what government, China had to be divided into regional and local administrations and allowed them to help governing the country. The division of provinces and districts has remained largely unchanged from imperial China until now (Franz, 1981). Since the start of Qin Dynasty in 221 B.C, China had established a centralised bureaucratic system and first introduced a method of administrative division which was called the system of prefectures and counties. The emperor Qing Shihuang divided the empire into 36 prefectures (jun), and each prefecture was further divided into a number of counties (xian) (Liu and Tao, 2004). This administrative division system was further developed in the Tang Dynasty with more administrative levels, and it lasted until Qing Dynasty. The long history of regionalism in China has two main features, first, the decentralisation of responsibility, and secondly, the decentralisation of implementation. During the imperial time, under the system of prefectures and counties, there was strong political and economic centralisation at and above the county level, the emperor controlled the political appointment and most of the economic resources. Apart from local governors who were responsible for ruling and dealing with daily affairs of a prefecture/province, the imperial government appointed prefectural/provincial commissioners on supervising revenue, justice and education and military commanders, who were required to report to the central government directly and allowed to bypass local governors (Franz, 1981). However, below the county level, no government was set up, rural villagers were ruled by local gentry. 'The Chinese gentry system was a bureaucracy united by common beliefs, values and a common system of education' (Franz, 1981, p. 2). As a result, the gentry's main role was to implement policies set by the central government, such as tax collection, providing basic public goods such as public security, education, local irrigation and water conservancy system (Liu and Tao, 2004).

Some scholars argue that it is the economic and decentralisation reforms that resulted in an emergence of localism/regionalism in China today, not only in economic terms, but also in welfare (Zhao and Zhang, 1999; Shi, 2009; Frazier, 2010; Ngok, 2011; Peng, 2011; Carrillo and Duckett, 2011; Mok and Wu, 2013; Ngok and Huang, 2014). Many studies have examined regional inequality and economic localism in China (Zhao, 1992; Fan, 1995; Wei, 1996; Zhao, 1996), in this section, special attention is paid to ‘welfare localism/regionalism’ (Mok and Wu, 2013, p. 65) or ‘local welfare state’ (Ngok and Huang, 2014, p. 257).

In the post-reform period, the central government adopted a policy of ‘small government, big society’ (Jie and Walker, 2013), and started to decentralise the state’s power to lower level governments, such as the provincial governments or the city level governments (Chen, 2007, 2008). In addition, the changes of power between governments at both the horizontal and vertical level largely increased local governments’ power in the process of policy making and implementing (Shambaugh, 2000; Goodman, 2001; Yang, 2004; Zheng, 2004). In the meantime, such decentralisation policy enables local governments to decide whether or not to implement a policy set by the central government during the policy implementation process. Especially in the beginning of the 2000s, when China became a member nation of the WTO, central government further decentralised power to the provincial governments, in order to allow local governments to effectively develop marketisation strategies (Mertha, 2005).

Under this decentralised policy framework, in addition to developing local economies and increasing fiscal revenue, local governments have gradually introduced some trial or pilot social security programmes in recent years, attempted to build up a social welfare system with localised characteristics (Shi, 2009). In view of the difficulty of reforming the social security system, the state has given local governments the power to carry out some experiments on social security reform, especially provinces with capacities (Ngok and Huang, 2014). Therefore, local activism has emerged and local welfare regimes have developed. Local governments in some richer cities or provinces have taken initiatives to introduce trial programmes, these localities try to explore new policies or institutions through these trial or pilot programmes.

Based on some localities' successful experimentation, central government will usually further encourage local governments to conduct experiments and explore the most suitable plan. Furthermore, central government will observe and summarise from these local experiments, and try to come up with a reform plan for the whole nation, either a combination of two or more local trial programmes or just copy from one localities' experiment (Shi, 2009). Ngok (2010) argues that local activism and innovations around the social security system conduce to meet local needs and identify best practices. These local initiatives imply a bottom-up mechanism in establishing social citizenship in China, it can be seen as an initial attempt to establish a national concept of social citizenship. However, Ngok and Huang (2014, p. 259) also point out that 'regional differences in the level of welfare are widening increasingly, and varying 'welfare regions' have begun to come into being, posing a challenge to territorial justice and social citizenship'.

Research Design, Methods and Data Collection

Research Design

The aims of this research are to 1) identify and explore the extent of regional differences in social insurance provision for rural migrant workers in China; 2) find out what are the main causes of these differences; 3) reveal the existing problems of China's social insurance system and explore the implications for the social protection of rural-urban migrant workers and China's welfare system. In order to answer the first research question, this research included extensive reading of official documents in Chinese related to the development of social insurance system in China. Most of these documents were issued by the State Council, some of them were issued by local governments. Then a mixed methods approach was used in order to find answers to the second research question. This approach included two stages. In the first stage, a quantitative cluster analysis was conducted in order to explore the existence of welfare regimes in China. Second, qualitative semi-structured interviews with government officials and migrant workers were used to further explore the experiences of migrant workers and find out the relationship between social insurance entitlement and the citizenship of migrant workers.

Mixed methods research has seen an increase in popularity in the social sciences in recent years, and many researchers have discussed and made comments on it (Bryman, 1992, 2006; Brannen, 1992, 2005; Tashakkori and Teddlie, 2003, 2009; Barbour, 1999). Because of its popularity, it has many definitions and has stimulated many debates. Mixed methods research can be defined as ‘a type of research design in which QUAL and QUAN approaches are used in types of questions, research methods, data collection and analysis procedures, and/or inferences’ (Tashakkori and Teddlie, 2003; p. 711) or ‘research in which the investigator collects and analyses data, integrates the findings, and draws inferences using both qualitative and quantitative approaches or methods in a single study or programmes of inquiry’ (Tashakkori and Creswell, 2007, p. 4). However, Brannen (2005) indicates that mixed methods research is not limited in being a mix of qualitative and quantitative methods, but also includes a mix of quantitative methods or a mix of qualitative methods.

There are some critiques of mixed methods research, and most of these are based on its validity, level of integration, quality and inferences (Creswell and Plano Clark, 2011; Cameron, 2011; De Lisle, 2011; Onwuegbuzie and Johnson, 2006; Bazeley, 2004, 2010). Onwuegbuzie and Johnson (2006) argued that mixed methods research is still plagued by three validity problems: representation, integration and legitimation. ‘Representation refers to the difficulty in capturing/representing lived experience using text, words and numbers; legitimation refers to the difficulty in obtaining findings and/or making inferences that are credible, trustworthy, dependable, transferable, and/or confirmable’ (Onwuegbuzie and Johnson, 2006, p. 52). While combining methods could result in the problem of integration (an additive or a multiplicative threat). According to Bazeley (2004, p. 9), ‘mixed methods are inherently neither more nor less valid than specific approaches to research’, and she also emphasises that the level of integration in many mixed methods researches still remains underdeveloped, and this low level of integration in mixed methods researches was also pointed out by Bryman (2006) and Kinn and Curzio (2005).

However, according to Philip (1998) and Teddlie and Tashakkori (2009), mixed methods research has several advantages over a single approach research design. These advantages

include that it helps to minimize the risk of generating erroneous findings, allows a broader range of confirmatory and exploratory issues to be addressed simultaneously, and it gives the researcher a chance to learn and explore divergent views. As McLafferty (1995, p. 440) argues, ‘by coupling the power of the general with the insight and nuance of the particular, such research illuminates people’s lives and the larger contexts in which they are embedded’. Furthermore, in order to ensure this research a validity, credibility and high quality mixed methods research, Morse’s (2010, p. 351) ‘five checks’ would be useful when presenting the research design and writing up the following analysis and results chapters. The ‘five checks’ includes 1) theoretical drive: inductive or deductive; 2) core component: QUAL or QUAN; 3) supplemental component(s): qual or quan; 4) pacing: simultaneous or sequential; 5) point of interface: analytic or results narrative.

Stage One: Quantitative Method - Cluster Analysis

A quantitative method is usually interpreted as a deductive research strategy with positivist epistemological orientation and an objectivist ontological orientation. It includes four main different forms of research: descriptive, correlational, experimental and causal-comparative/quasi-experimental research (Keele, 2010; Leedy and Ormrod, 2001). As Creswell (2003, p. 18) defines it,

A quantitative approach is one in which the investigator primarily uses (post-) positivist claims for developing knowledge (i.e. cause and effect thinking, reduction to specific variables and hypotheses and questions, use of measurement and observation, and the test of theories), employs strategies of inquiry such as experiments and surveys, and collects data on predetermined instruments that yield statistical data.

Cluster analysis refers to a set of methods that use classification algorithms to determine how objects are classified into groups of similarities. This method has been adopted widely in the medical and natural sciences to classify similar species, such as plants and animals, or

diseases. Also, this technique was applied in the social science field in order to group countries or regions with similar social policy or welfare regimes into meaningful clusters (Kaufman and Rousseeuw, 2005).

This research used both the ‘hierarchical clustering’ (Ward’s method) and the ‘non-hierarchical clustering’ (k-means method) to classify Chinese provinces into distinct social insurance regimes. ‘Hierarchical clustering’ classifies cases into clusters based on their dissimilarities, as well as distances, and then generates a dendrogram that provides a visual representation of how similar cases are categories into clusters. Ward’s method is different from others because it is based on an approach of analysing variance. The total sum of squared deviations from the mean of a cluster is calculated in order to assess cluster membership, and the criterion for the fusion of two clusters is to produce the smallest increase in the error sum of squares. In terms of ‘non-hierarchical clustering’, it starts with the specification of the number of clusters. Once the number of clusters is specified, the objects are classified into clusters. This method has two stages. First, as a starting point, the number of clusters must be specified by the researcher, or as a systematic or random selection. Second, cases are classified according to their similarities into the pre-specified number of clusters. The algorithm of ‘non-hierarchical clustering’ is the k-means. The k-means works by dividing the data into a pre-specified number and systematically assigning cases to the clusters (Filho et al., 2014).

One of the differences between the ‘hierarchical’ and ‘non-hierarchical’ methods is that the k-means method permits reclassification of all objects during the process of repeated iterations, whereas the ‘hierarchical’ method can not. If there are still some uncertainties about the number of clusters after running the ‘hierarchical’ analysis, k-means clustering procedures and some statistical tests, such as Arnold's criterion (Arnold, 1979), the pseudo F statistic, the pseudo t2 statistic and the cubic clustering criterion (CCC) (Milligan and Cooper, 1985), would be helpful to test if the result is robust and reliable. However, these criteria are rarely consistent. One possible solution to solve the problem is to compensate for the results from the rigidity ‘hierarchical’ methods with a more flexible ‘non-hierarchical’ method. In

order to achieve the best results, a good way to proceed is run a so-called two-step analysis. The first step is to determine the number of clusters according to the results from a hierarchical approach. The second phase is to apply a non-hierarchical analysis using the number of clusters acquired from the first step to obtain the composition of each cluster (Filho et al., 2014).

Most research that focuses on regional differences in social insurance in China uses regression analysis to analyse the differences, and a few use cluster analysis to examine the differences and to group provinces based on their social provision. For example, Lin (2004) used indicators, such as the proportion of social security expenditure in the GDP across the country, the proportion of social security expenditure in the fiscal expenditure, ratio between revenue and expenditure of the old-age insurance funds and pension replacement rate, to analyse the regional disparities in social security in China. The research by He et al. (2014), used the old age insurance participation rate as the dependent variable, and the logarithm of GDP per capita, rate of increase in employees' average wages, logarithm of old age insurance benefits, urbanisation rates and employment rates as independent variables for the regression analysis to explore the differences in old age insurance in the Western areas (N=12) in China and to explore possible causes for those differences.

Data collection

In this research, I used both year 2013 and 2017 provincial-level data compiled from the China Statistical Yearbooks 2014 and 2018 (National Bureau of Statistics, 2014 and 2018). This dataset covers data from 31 provinces and province-level cities, but it excluded regions with semi-autonomous or contested status, including Hong Kong, Macao, and Taiwan. Of the 31 provinces, four are municipalities with province-level administrative status: Beijing, Tianjin, Shanghai, and Chongqing. Each of these cities has a large population and a comparable social and economic development level to a province, thus, these four municipalities are treated as provinces in the dataset.

National and provincial data used in this research are secondary data collected from national statistical yearbooks. Using secondary data offers some benefits such as saving the researcher's cost and time to access high quality data, giving the researcher an opportunity to do subgroup or cross-cultural analysis, allowing the researcher to spend much more time on data analysis and receiving new interpretations through reanalysis. However, there also are some limitations of secondary data analysis, such as the lack of familiarity with data, complexity and no control over data quality (Bryman, 2012). Sometimes, secondary data obtained from national statistical organisations may need to be recalculated in order to fulfill the research aims. For example, national data provided by the National Bureau of Statistics of China only offer the number of participants in each social insurance programme and the total population in each province, in this case, a recalculation will be necessary in order to obtain the participation rate of each social insurance programme.

As shown in Table 2.1, Volume 1 includes all categories of data that I collected from the National Statistics Yearbook 2014 and 2018 (National Bureau of Statistics, 2014 and 2018). Categories of data from Volume 2 are calculated based on the data in Volume 1. Table 2.2 shows how to calculate the data. To examine variations in the social insurance system at the provincial level, data in Volume 2 in Table 2.1 were used as variables in the analysis process.

Most of these variables are ratios. The reasons for choosing percentage data are: first, to avoid the dependence on the choice of measurement units, as in some cases, changing the measurement units might lead to a totally different clustering structures; and second, to avoid the dilemma of data standardisation, usually standardisation dampens a clustering structure by reducing the large effects of variables with a big contribution because sometimes the variables have an absolute meaning and should not be standardised (Kaufman and Rousseeuw, 2005).

Table 2.1 Categories of Data Used in this Research

Volume 1	Volume 2
Number of urban employees who participated the old age insurance (10,000)	Participation rate of the old age insurance
Revenues of local old age insurance fund (100 million)	Participation rate of the unemployment insurance
Expenditures of local old age insurance fund (100 million)	Participation rate of the health insurance
Number of employees participated the unemployment insurance (10,000)	Participation rate of the work injury insurance
Revenues of local unemployment insurance fund (100 million)	Ratio of rural and total residents
Expenditures of local unemployment insurance fund (100 million)	Revenues of local social insurance funds (100 million)
Number of urban employees participated the health insurance (10,000))	Revenues of local social insurance funds per capita (100 million/10,000 persons)
Revenues of local health insurance fund (100 million)	Expenditures of local social insurance funds (100 million)
Expenditures of local health insurance fund (100 million)	Expenditures of local social insurance funds per capita (100 million/10,000 persons)
Number of employees participated the work injury insurance (10,000)	Ratio of revenues and expenditures of local social insurance funds
Revenues of local work injury insurance fund (100 million)	Social security expenditures per capita (100 million/10,000 persons)
Expenditures of local work injury insurance fund (100 million)	Ratio of regional social security expenditures and regional fiscal expenditures
Urban residents (10,000)	Ratio of regional social security expenditures and regional GDP
Total residents by the end of year (10,000)	Differences between incomes of rural residents and poverty line
Local social security expenditures (100 million)	
Local fiscal expenditures (100 million)	
Regional GDP per capita	
Regional GDP	
Average annual wage of urban employees in private enterprises	
Unemployment rate	
Employed persons in private enterprises and self-employed in urban areas	
Incomes of rural residents per capita	

Sources: National Statistics Yearbook 2014 and 2018.

Table 2.2 The Variables Used in this Research

Variables	Calculation
Participation rate of the old age insurance	Number of urban employees participated the old age insurance / Urban residents
Participation rate of the unemployment insurance	Number of employees participated the unemployment insurance / Urban residents
Participation rate of the health insurance	Number of urban employees participated the health insurance / Urban residents
Participation rate of the work injury insurance	Number of employees participated the work injury insurance / Urban residents
Ratio of rural and total residents	(Total residents by the end of year - Urban residents) / Total residents
Revenues of local social insurance funds (100 million)	The sum of revenues of local old age, unemployment, health and work injury insurance funds
Revenues of local social insurance funds per capita (100 million/10,000 persons)	The sum of revenues of local old age, unemployment, health and work injury insurance funds / Urban residents
Expenditures of local social insurance funds (100 million)	The sum of expenditures of local old age, unemployment, health and work injury insurance funds
Expenditures of local social insurance funds per capita (100 million/10,000 persons)	The sum of expenditures of local old age, unemployment, health and work injury insurance funds / Urban residents
Ratio of revenues and expenditures of local social insurance funds	The sum of expenditures / The sum of revenues of local old age, unemployment, health and work injury insurance funds
Regional social security expenditures per capita (100 million/10,000 persons)	Local social security expenditures / Total residents by the end of year
Ratio of regional social security expenditures and regional fiscal expenditures	Local social security expenditures / Local fiscal expenditures
Ratio of regional social security expenditures and regional GDP	Local social security expenditures / Regional GDP
Ratio of employed persons and urban residents	Number of employed persons in urban private enterprises and self-employed / Urban residents
Differences between incomes of rural residents and poverty line	Incomes of rural residents per capita minus poverty line set by the state

Sources: National Statistics Yearbook 2014 and 2018.

Analysis

After the collection of data, I used SPSS to open a dataset, and entered the data and defined them as variables. Then I set some standards for each variable in order to run the cluster analysis. Once the dataset was built, SPSS was used to run a hierarchical cluster analysis using Ward's method. I used different combinations of variables shown in Table 2.2 to run numerous analyses in order to find out the most proper variables to conduct the k-means analysis in the next stage. According to the coefficients shows in the results, the lower the coefficients the higher the similarity. I chose 12 variables eventually. They were the participation rate of the old age insurance, participation rate of the unemployment insurance, participation rate of the health insurance, participation rate of the work injury insurance, revenues of local social insurance funds per capita, expenditures of local social insurance funds per capita, regional social security expenditures per capita, ratio of regional social security expenditures and regional GDP, average annual wage of urban employees in private enterprises, incomes of rural residents per capita, ratio of rural and total residents and regional GDP per capita.

These 12 variables were used to run another hierarchical cluster analysis using Ward's method, and the dendrogram shows that provinces could be classified into three categories, except Tibet, Tibet is an outlier. Then I removed Tibet and used the same 11 variables to run a k-means cluster analysis. The iteration time was set to 10, with 4 clusters, and initial cluster centers, an ANOVA table and cluster information for each case was requested. The results of this analysis are discussed in Chapter 7.

Limitations of cluster analysis

Although cluster analysis is a solution when the research aim is to categorise data/variables, it also has its limitations. First, different clustering methods usually produce very different results. This is because the criteria for merging clusters (including cases) are different. It is important to think carefully about which clustering method is best for the research. Second,

the order of variables may have effects on the results. Third, when the number of cases changes, the results of the analysis are inconsistent. This occurs because the selection of a case (or merger of clusters) depends on the similarities of one case to the cluster. Even minor changes in the number of cases can seriously affect the analysis procedure. Fourth, according to Everitt (1993), the judgments made at the early stage of the analysis cannot be corrected if they were proved to be wrong later, and this is because of the hierarchical nature of cluster analysis.

Stage Two: Qualitative Semi-Structured Interview

Unlike the structured interview in quantitative research, qualitative research has two major types of interview, unstructured and semi-structured interviews (Lewis-Beck et al., 2004; Bryman, 2012). Structured interviews normally contain a structured sequence of questions to be asked in the same way of all interviewees. Whereas semi-structured interviews have a more flexible and fluid structure, which is usually organised around an interview guide. In general, an interview guide contains a list of topics, themes, or areas to be included and questions that are going to be asked during the interview, rather than a sequenced script of standardised questions. So that the flexibility of how and what to ask the sequence questions, and of whether and how to follow up and develop particular areas with different interviewees is ensured. In this way, the interviewee or researcher's own understandings and interests can guide the direction and depth of the interview and, moreover, the content of the interview could be expanded by the emerging unexpected themes (Lewis-Beck et al., 2004).

The recruitment of potential interviewees is the initial stage of the process of interviewing once the researcher has received the permission to conduct fieldwork. When recruiting interviewees, one needs to decide who to interview (by gender, position, race, age and so on), how many (usually 20-50) and then locating specific respondents (Warren, 2004). However, in qualitative interview studies, the sample selection procedure is a 'deliberate rather than a random process' (Morse, 2004, p. 994). Potential respondents may be chosen based on a priority research design, theoretical sampling, 'snowball', convenience sampling or negative

sampling (Morse, 2004; Warren, 2002). Also, a theoretical sampling strategy can be used to select respondents who meet the theoretical needs and analytic criteria of the study (Morse, 2004; Warren, 2002). In addition, a semi-structured interview guide which reflects the theoretical concerns of the research must be prepared in advance, including a 'facesheet' recorded some general demographic information about the interviewee (e.g. name, gender, age, etc.) and a list of questions and themes to be asked in the interview (Fontana and Frey, 1998; Warren, 2002; Bryman, 2012). Furthermore, interviews could take place in either private or public settings. For those interviews that take place in public areas, outside noise may affect the quality of recording and clear recording will not always be possible, in this case, relocating to an internal interview place may be needed (Bryman, 2012; Lofland and Lofland, 1995).

Typically, a qualitative interview will last from half hour to an hour or more (Warren, 2004). According to Warren (2004), the order of questioning in an interview should begin with the most general and unthreatening questions, then move on to ask some key questions, later with probing and specifying questions (Kvale, 1996, p. 133-134). Before the interview, an information sheet explains the purpose of the research, its voluntary nature, what to expect from the interview and confidentiality of the data should be given to the interviewees (Lofland and Lofland, 1995). Apart from the information sheet, a consent form signed by both the researcher and the interviewee should be provided as well. Making fieldnotes is important for interviewers, and they can be made either at the end of each day or immediately after an interview. Fieldnotes are 'a running description of settings, events, people, things heard and overheard, and interactions among and with people, including conversations' (Lofland and Lofland, 1995, p. 93).

This research used semi-structured interviews to collect data and to help in answering its research questions. The participants were contacted by labour protection organisations/charity institutions for migrant workers. These organisations play a role as a migrant workers' labour union in China, and it is the best and safest way to reach migrant workers. At a certain point, a 'snow ball' process was carried out to locate potential interviewees: 'one respondent is

located who fulfills the theoretical criteria, then that person helps to locate others through her or his social networks' (Arksey and Knight, 1999, p. 4; Biernacki and Waldorf, 1981; Weiss, 1994, p. 25). In this research, two NGOs were contacted first, one based in Guangzhou which aims to provide different kinds of community services to local migrant workers; and the other was based in Foshan and its main purpose is to provide legal help to migrant workers, especially for those who are suffering work-related injuries.

Before the fieldwork, an interview guide was constructed containing a brief explanation of my research, the reason for doing the interview, approximately how long this would take, why the interview needs to be recorded and promise that all data is confidential. I also ask them to sign a consent form before the interview. The interview guide (as shown in Appendix 2.2) begins with a facesheet in order to record some general demographic information about the interviewee, including the name, gender, hometown, age, educational level, marriage status and family members. Then followed a list of questions that I needed to ask each interviewee. There were 31 questions in total, all of these questions' final purpose was to help to answer the research questions in this research. These questions were mainly focused on exploring how's migrant workers' awareness and understanding of social insurance, their social insurance status, why participate or not participate social insurance schemes, their perspectives on the social insurance system, the state and the government, their working status and their living standards and environments Appendix 2.1 shows the basic information of all interviewees, such as gender, age, educational level, working years, work type and so on, but the names used in this research (Chapter 8) are not their real names.

The process of contacting migrant workers was difficult and protracted. Before the fieldwork, NGO staff and managers were contacted by emails or telephone to ask if they would like to be interviewed and to introduce migrant workers who would be interested in participating in this research. They were all happy to help. However, when we met in person, they asked me first if I have money to pay migrant workers for their participation. According to these NGO staff, migrant workers would be reluctant to be interviewed if there was no payment. After they knew that there was no pay for migrant workers, they became hesitant to contact potential

migrant worker interviewees for me. Eventually, they only agreed to allow me to visit their offices every day during the fieldwork, if I happened to come across migrant workers, I could ask them whether they would like to be interviewed or not by myself. At first, some migrant workers were uncooperative, for the reason that they did not want to waste time on answering questions about things that they were unfamiliar with. However, once a migrant worker agreed to participate, he would introduce his migrant worker friends or colleagues to me, so that my fieldwork could continue in snowball fashion.

During my fieldwork, interviews always happened in public places, like cafés, and some of them were in NGOs' meeting rooms. Most interviews lasted around an hour. Interviews were audio-recorded with participants' consent and transcripts were shared with all interviewees to ensure accuracy of their statements (Fielding and Thomas, 2008). Information sheets, consent forms and interview questions are in Chinese because this is the migrant workers' mother language, it is comprehensible and relevant to migrant workers, in addition, the language was non-academic language and easy to understand (Bryman, 2012; Lofland and Lofland, 1995). During my fieldwork, I made field notes at the end of each day. This included details such as how the interview went; was the interviewee talkative, cooperative, or nervous; where the interview took place; the setting; and emergent themes related to the research during the interview and so on.

At the end of the fieldwork I had interviewed 28 migrant workers and 5 NGO staff and managers who were currently working and living in Guangdong province. These 5 NGO staff or managers were also rural-urban migrant workers, but with a higher educational level, in this case, they might provide some new perspectives and inspirations for future research.

Data analysis

The transcription of the interviews started at a relatively early stage. During the fieldwork, I transcribed interviews as long as I had time. However, as the language used in the interview was Chinese, whereas the results of the research are written in English, I had to translate the

interview data into English, as a result, the transcription process took much longer than I expected. The language difference caused challenges and difficulties during the transcription stage. As translation is considered as an interpretative action and, as the interpretation of meaning is the core of qualitative research, meaning might get lost during the translation process (Van Nes et al., 2010, p. 313). In order to minimise the loss of meaning when translating the interview data to English, methods such as explaining and discussing how the translation has been undertaken and seeking help from professionals were used.

On completion of the fieldwork, I read through all the initial transcripts, fieldnotes, documents and took notes and memos about significant observations and ideas in order to identify themes or concepts (Ritchie and Lewis, 2003). Once themes had been identified, the next step was coding. The main purpose of coding is to generate a set of categories into which the data are coded, and the generation of categories may be driven by theories, data, researcher's own knowledge and intuition, or literature (Lockyer, 2004). A category may contain two or more themes and it is a higher level of abstraction than themes (Bryman, 2012; Ritchie and Lewis, 2003). The coding strategy used in this research included two stages: initial coding (open coding) and focused coding (axial coding) (Lofland and Lofland, 1995; Strauss and Corbin, 1990). In the initial coding stage, categories emerged from the inspection and analysis of the transcripts, fieldnotes and other documents. I first highlighted words, phrases, sentences and passages that were interpreted as significant for the research on the printed transcripts and fieldnotes. The highlighted information was cut and pasted to a sheet and corresponding code numbering lines were indicated. This was a process of initial grouping of extracts within categories. In the focused coding stage, the frequently used codes were organised into broad themes and those less productive or relevant were collapsed or dismissed. Furthermore, relationships between categories and themes were explored, and the researcher attempted to find patterns of association within the data and then to explain why those patterns occurred; or building explanations from other evidence or interrogations of the data (the analysis of fieldwork findings are discussed in Chapter 8) (Ritchie and Lewis, 2003).

Limitations of semi-structured interviews in qualitative analysis

Semi-structured interviews are widely used in the social science nowadays, and are an effective way to gain insights into the perceptions of interviewees. They can be used simultaneously with other research methods, and they provide ‘in-depth information about participants’ inner values and beliefs’ (Robson, 2002; Ho, 2006, p. 11). However, as a research method, semi-structured interviews also have limitations. First, this method relies heavily on the interviewing skills of the interviewer (for example, the ability to come up with new questions during the interview) and articulacy of the interviewees. The interviewer should find a proper environment and establish a proper atmosphere to make his/her interviewees feel more relaxed and free to talk (Alshenqeeti, 2014). Otherwise, the fluency of the interview might be influenced, and might not be considered as a ‘good’ interview (Dörnyei, 2007). In addition, the unconscious or intentional signals and clues that are given by the interviewer during the interview may guide interviewees to give answers that the interviewer expects. Second, interviews have also been criticised because of the time-consuming process of data collection and analysis, the data collected from the interviews must be transcribed, coded, or even translated (Robson, 2002). Third, there is doubt of the validity and reliability of semi-structured interviews. In the broader context, validity refers to the extent to which a study reflects the specific concepts it aims to investigate. During the interview, the researcher does not have an effective way to judge whether the interviewee is lying or not. Although the interviewee may not deliberately lie, his/her memories may be biased. In terms of reliability, Brewerton and Millward (2001, p. 74) argued that one of the disadvantages of interviews is the poor reliability, and it is ‘due to their openness to so many types of bias, interviews can be notoriously unreliable, particularly when the researcher wishes to draw comparisons between data sets’. Similarly, Creswell (2009) argued that the reliability of interviews is difficult to achieve and no data is actual reliable. Fourth, it might be difficult to analyse the depth of qualitative data, for example, to identify the relevant relations between qualitative variables. Moreover, the generalisation of the findings might be difficult due to the nature of the interviews. Despite these limitations, semi-structured interviews are a

widely used method and, in this research, they were the method most likely to provide insights into the operation of China's social insurance system.

Research Ethics

This section discusses the key ethical issues of access, informed consent, safety, privacy and confidentiality in research ethics (Wrigley et al., 2010; Israel and Hay, 2006; BSA, 2017; Lewis-Beck et al., 2004).

Access

Access refers to a researcher seeking entry to an environment in which primary research data may be unearthed or generated, it is an inevitable stage in the research process (Lewis-Beck et al., 2004). Once potential participants are identified, the approach to contact the potential participants depends on the situation and feasibility of the participants. It will involve one or all of the following approaches: email, telephone and formal letter. Contact detail (email address, mobile number and post address) of the researcher will be provided through email, telephone or formal letter to the potential participants, so that they can show their interest in participating in the research. However, because of the special characteristics of Chinese migrant workers (known as the 'floating population'), they are difficult to reach either by email, telephone or formal letter. So the above approaches were used to contact two local NGOs to ask them if they could help to send the invitations to migrant workers to see if they would like to participate in the research.

During the fieldwork I was allowed to visit the offices of these NGOs everyday and to approach migrant workers who were visiting the office when I was there. Once a migrant worker agreed to participate in the research we would schedule another time to do the interview. The only government official I interviewed was recommended by the manager of one of the NGOs. Because of his job, he could not talk too much about the policy, but he provided some useful information and documents on the procedures of how to open a social insurance account and how to become a urban citizen. However, I had met some obstacles

when I was trying to contact more government officials and policy makers. I first made contact with two professors that I knew in Sun Yat-Sen University and asked them if they could recommend anyone they knew in the Department of Human Resources and Social Security in Guangdong province. They gave me a contact number and asked me to call this person who was an administrative officer. When I made the call and explained my research and intention to interview them, he started to avoid the topic and tried to say something else. After a dozen telephone calls, he finally said that their work and internal documents are confidential, normally they were not allowed to be interviewed, but that some government documents could be found on their website. Furthermore, I could send an online request to higher authorities and if my request was granted, they would be allowed to be interviewed. I did what he said by sending the request but nobody answered me before the end of the fieldwork.

Once the participants showed their initial interests in becoming involved, the following methods were used to inform them the information of the research: 1) an email contains an electronic information sheet was sent to participants to explain the research and related information; 2) information about the research was explained by telephone where some participants did not have an email address. For example, telephone might be the only way to make further contact with migrant workers; 3) an information sheet was sent by post to potential participants if they preferred me to do so. Once potential participants agreed to participate in the interview, they were given a printed information sheet regarding all the useful information of the research before they signed the consent form in order to avoid deception and manipulation and make sure they are fully informed (Bulmer, 2001; Wrigley et al., 2010).

Informed Consent

Most authorities agree that informed consent is of the first importance in research ethics, and valid consent must at least include adequate information, voluntariness and competence (Wrigley et al., 2010). In this research, several steps were taken to ensure informed consent.

First, information regarding the aims and objectives of the research were provide to the participants, including how the research would conducted, what is the main objectives of the interview, how it would relate to the participants, the reason to do the interview, and information about confidentiality and data management (Wrigley et al., 2010). This was done using a participant information sheet outlined the purpose of the project, the reason of choosing them as participants, the nature and extent of their participation, issue of confidentiality and the use of the information (BSA, 2017). There were two different participant information sheets, one for migrant workers and the other was government officials. In addition, terms such as anonymity and confidentiality in the participant information sheet were further explained in order to make sure every participant understood the meaning. All language was non-academic. Participants were asked whether they preferred their involvement to be further anonymised and how (e.g. by not referring their job titles or working places). Various methods were taken to assure the identification of the participants would not be detected in the final report and no information was made available to the third party without their approval. After a mutual agreement was made, the participants were asked to sign a consent form which restated the voluntary nature of the interview, clarified that the interviewee agrees to be recorded, that the data would be treated confidentially, and that a copy of the interview transcript would be shared with the interviewee (Wrigley et al., 2010). Further, if an interviewee requested to speak ‘off the record’, in accordance with the principle of ‘respect for autonomy’ (the obligation to respect decision-making capacities of autonomous participants) (Wrigley et al., 2010, p. 28), no audio recording and notes would be made. Anonymity could be guaranteed by not using exact job titles, in addition, the thesis would be written in English not Chinese.

Safety and Potential Harm

To manage personal safety, first of all, the research did not require the researcher to work out of normal working hours; but the researcher sometimes had to work alone to do the interviews. However, the issue of safety was minimised since interviews were arranged in public areas, furthermore, family members were informed whenever the researcher went out for interviews,

where she was going and when she was due to return. Also, a personal safety alarm was carried at all times. In addition to it, regular contacts with my supervisor were made to ensure that he had the latest news of the research and the researcher.

To protect research participants from various forms of harm is one rule of ethical codes, so it is expected that all researchers should be very careful to protect participants from at least physical harm caused by their research programmes, and to minimise risks of harm or discomfort to participants (Israel and Hay, 2006). In terms of potential harm for participants in this research, there was no major risk of physical or psychological harm or distress to the participants because the interview did not involve any challenging questions. The only very minor potential harm to the participants of the research was the inconvenience that it caused to them. For instance, the government official was busy and he did not have much time for a long interview, so I had to keep to time as scheduled. However, the migrant worker participants felt nervous at the beginning of the interviews because it was their first time to be interviewed and they did not have any previous experience of it.

Several steps were used in order to minimise the potential for physical and/or psychological harm/distress to participants mentioned above. For the migrant workers, before the interview, I chatted with participants made them feel more relaxed when they were nervous. For instance, a brief explanation of what was an interview, what was the procedure of an interview, what kind of questions would be asked in an interview and so on, in order to make them feel more relaxed and comfortable, and be more familiar with the process of being interviewed. For the government officials, before the interview, I checked the available date and time of each participant and made appointments with him, also a rehearsal had been done in order to keep the interview within the estimated time without occupying his additional time. For all of the participants, first, I made sure the date and time of the interview were well arranged and would not cause any inconvenience for the participant; second, I asked for the participant's consent to participate in the research and provided information about the research to the participant; third, I kept the conversation within the planned time period as much as possible. If the interview ran over, the participants had the right to leave at any time, and with the

consent of the participant, rescheduled another date and time to continue the interview when they were available.

Privacy and Confidentiality

Privacy and confidentiality are two important and related factors in research ethics (Wrigley et al., 2010). In order to address the issue of personal data confidentiality, particular attention was paid and special methods were used to ensure confidentiality of personal data in this research (Israel and Hay, 2006). First, the researcher was the only one who had control of and access to the data. Second, during the data analysis process, it was analysed within the university, and the data (audio recording and transcribed document) was securely stored in accordance with the university's Research and Data Management Policy and the British Sociological Association's code of ethics. Third, codes were used to represent each interviewee in order to keep them anonymous according to their willingness and the consent form they signed during the transcribing and thesis writing stages. When preparing the data for further analysis, the researcher had coded participant names, and retained the key to these codes until the end of this project. However, complete confidentiality/anonymity is often very difficult to ensure as some of the participants are from small, specialist groups who might be identifiable in the research even if names are changed (Israel and Hay, 2006). This issue is hard to tackle although codes/pseudonyms are used, therefore, if the participants are still unconvinced and uncomfortable with that, some particular parts in the research report would be deleted based on the participant's request, for the purpose of protecting their identity and information.

With participant's permission, one-to-one interviews were digitally audio recorded, these recordings were transcribed and used to confirm the accuracy of my research notes. The information gathered from the interviews (audio recording and transcribed document) was securely stored in accordance with Sheffield University's Research and Data Management Policy and the British Sociological Association's code of ethics. The data were used in the research only. At the end of the project, the recording will be deleted, the anonymised data

and transcriptions will be retained for possible future use, such as conference, workshops or publication, but only with the participant's consent.

Conclusion

This chapter first reviewed three theories that formed the theoretical foundations of this research: the modernisation theory, state socialism and localism. Modernisation theory usually attempts to find out what are the factors that influence the process of social progress and the development of societies, it is used to explain the process of modernisation within societies. However, it is criticised because it is unable to explain the specific development path of many developing countries (Preston, 1979; Williamson, 1988; Kasarda and Crenshaw, 1991). Later, in the 1980s, a new version of modernisation theory was proposed which acknowledged that both internal and external factors would also have significant influence on the modernisation process of societies (Kuhnen, 1987; Scholte, 2005; Haynes, 2008). However, the development and modernisation process in China became a unique case that differs from the patterns of modernisation of other developing countries because of its socialist characteristics.

State socialism is a classification of political systems in which the state has the absolute control of the means of production. It can be seen as a transitional measure from capitalism to socialism, or as a characteristic of socialism. It usually refers to the political and economic system of Marxist-Leninist communist states, where the critical role of the state is emphasised. Unlike socialism, it only has a few socialist characteristics, such as public ownership of major industries, remedial measures to benefit the working class and a gradual process of developing socialism through government actions. 'Socialism with Chinese characteristics', as the main ideology in China, means socialism adapts to Chinese special situations and Marxism is still the guiding theory and ideology but with certain developments and adaptations in order to accommodate the unique economic and social system in China. Social and economic development in China is largely influenced by the role of the state. According to the changes of the role of the state, China's development can be divided into three periods. In the Maoist era, during the planned economy period, the state's main responsibility was managing

and setting the directions for the key economic sector, whereas work units (danwei) were responsible for providing social welfare and public services to employees and their family members. At the beginning of post-Mao era, China experienced a decentralisation in economic administration and government power. The role of state was decentralised to local governments and institutions. Whereas, after the 2000s, the state decided to bring back the role of state, to reaffirm its role in welfare service.

Because of the decentralisation during the post-Mao era, local governments and institutions gained both political and economic power in making their own social and economic policy, as a result, localism or regionalism occurred. Localism in China includes financial localism, political localism and welfare localism. It is horizontal and vertical, as both the relationship between central and local governments and the relationship between local governments have significant impacts on the regional development in China. Even though the state started to bring the role of state back, the path dependency of decentralisation will keep affecting society.

The theoretical reviews in this chapter supported the fieldwork and the subsequent analysis. First, we must bear in mind that these three theories are connected to each other under China's unique circumstances. As China's modernisation process is hugely influenced by the state's policies and decisions, moreover, localism is caused by the decentralisation of the state's power to local governments. So to understand how the role of the state changes over time was important for my research. Second, these theories are the foundations of my fieldwork and analysis. For example, my interview questions were set to better understand migrant workers' role in the process of modernisation in China, how the state's policy affects their lives, local governments' implementation of the state's policy and regional differences' impacts on them.

The second part of this chapter explained the research design and data and methods that were used. All in all, this research contained two stages and related analyses. The first one used cluster quantitative analysis to group 31 provinces in China according to their social insurance

data. The variables used in this analysis includes participation rate of the old age insurance, participation rate of the unemployment insurance, participation rate of the health insurance, participation rate of the work injury insurance, revenues of local social insurance funds per capita, expenditures of local social insurance funds per capita and ratio of revenues, expenditures of local social insurance funds, ratio of employed persons and urban residents, average annual wage of urban employees in private enterprises, ratio of rural and total residents, unemployment rate and regional GDP per capita. The researcher used SPSS to run both 'hierarchical' (Ward's method) and 'non-hierarchical' (k-means) cluster analyses, and the results showed that the 30 provinces (Tibet was eliminated from the dataset as it is an outlier) could be divided into 4 cluster according to their social insurance data. The second stage used semi-structured interview qualitative methods to understand and analyse the experiences and opinions of rural-urban migrant workers. Data came from interview transcriptions of 33 rural migrant workers and NGO staff. This chapter has described the detail of what the researcher actually did during these two stages.

The last section of this chapter discussed the ethics issues raised by this research, including the key ethical issues of access, informed consent, safety, privacy and confidentiality.

CHAPTER 3

SOCIAL INSURANCE IN CHINA: HISTORICAL DEVELOPMENT

Introduction

This chapter reviews the development of social insurance system in China and how social insurance policies changed since the 1900s. This discussion of the development of social insurance system is divided into six periods. The first period was the Republic of China, the early 1900s, which the concepts of social security and welfare were first imported from western countries. During this period, the Nationalist Government drew up several laws related to social insurance and these were mainly influenced by the social insurance system in Germany. Since the foundation of the People's Republic of China in 1949, the state was gradually building up a social security and welfare system with Chinese characteristics. From 1949 to 1978, labour insurance was a social protection system that only SOEs workers and government officials could have. Labour insurance included three four types of social insurance programmes, old age insurance, medical insurance, work injury insurance and maternity insurance. There was no unemployment insurance because jobs in SOEs were guaranteed, as long as you became a worker in a SOE, you would no longer worry about being unemployed. These jobs were called the 'iron rice bowl' during that period, it meant a special 'from cradle to grave' protection provided by the state. For rural areas, the state first introduced the 'Five-Guarantees' and the rural cooperative medical service system in order to provide food, clothes, housing, medical services, education, and burial services in rural areas. The third period started from the beginning of a series of market-oriented reforms till the early 1990s. The social security system was almost destroyed during the Cultural Revolution and, the state took immediate action to restore the system after the revolution. The concept of 'four modernisations', the modernisations of industry, agriculture, national defence and science, was brought forward and became the main guiding ideology for the society. With the rapid development of the economy, social development was seriously lagging behind, and the state finally began to make some attempts to reform labour insurance for SOEs workers.

Definitions of social insurance, including pensions, health insurance, unemployment insurance, work-related injuries insurance and maternity insurance, were introduced. In addition, trial projects were implemented in some areas. However, at the same time, the social security system in rural areas was in decline. From 1992 to 1998, after several years of experiment, the state proposed to ‘combine social pooling with individual accounts’ in order to match the goal of China’s economic reform, which was the establishment of a socialist market economy. Since then, the former pay-as-you-go system was transformed into a partial accumulation-based system. For rural areas, old age insurance for rural residents was first introduced in this period. The fifth period, the 2000s, indicated the initial establishment of a social security system in China. The state stipulated a number of regulations to set up a National Social Security Foundation and a Foundation Council. Efforts were made to reform the old system, such as the promotion of a ‘three-pillar’ pension system; the use of ‘job-waiting insurance’ was abandoned and officially replaced by unemployment insurance; social insurance for rural-urban migrant workers began to attract attentions; a new cooperative medical system was implemented in rural areas; furthermore, a minimum living standard guarantee system for both urban and rural residents was introduced.

In 2010, the Social Insurance Law of the People’s Republic of China was eventually passed by the Standing Committee of the National People’s Congress and fully enacted in 2011. In the following years, the state stipulated further detailed rules and regulations to promote the unification of social insurance system in China, but the results are barely satisfactory. The next chapter will discuss the problems of China’s social insurance system since 1949.

The Definition of Social Insurance

‘Social insurance’ can be summarised as, according to Beveridge (1942), the providing of cash payments to replace earnings when the employment of insured persons is interrupted by unemployment, sickness and accident, as well as to provide old age pensions. It is conditional upon compulsory contributions previously made by the insured persons. In other words, social insurance is one of the income replacement programmes which aim to keep sufficient

incomes of employed persons by offering payments when risks such as unemployment, old age, sickness or disability occurred (Corson, 1940; Clasen, 1997). It protects the whole citizen against loss of income such as the acquisition of disability, retirement and the death of family members, as well as against high costs of health care. It is government-sponsored (not government-financed) and aims at the entire population (Dewitt, 2003; Rogne et al., 2009).

The expression 'social insurance' is distinguished from other terms such as 'private insurance', 'welfare benefits', 'social security' and 'social assistance'. First, social insurance schemes differ from private insurance in several aspects (Richardson, 1960; McKay and Rowlingson, 1999; Burchardt and Hills, 1997). Contributions are usually compulsory and may be made by the participants themselves, their employers and/or the state. Also, the level of contributions does not reflect the degree of risks. In contrast, payments into private insurance programmes will be based on identified level of risks of making a claim. In conclusion, the major distinctions between social insurance and private insurance are the former is usually mandatory and it is risk pool which means the payments based on contributions are not determined by risks, pooling risks compares with adjusting premiums to risks (Clasen, 1997).

Second, social insurance differs from other forms of welfare benefits (Burns, 1951; Feldstein, 2005). Social insurance systems tend to be paid for by particular contributions from the beneficiaries and their employers, and their contributions are placed in specific funds. The payment a person will receive is related to his or her contributions. The most important distinction is whether the payment of benefits is related to the needs of the individual or not. The payment of social insurance is typically based on contributions made, but not on need, and a means test is not used. Of course to receive a social insurance benefit or pension 'need' criteria must be fulfilled, such as retirement or unemployment. Whereas, in social assistance schemes, individual need is a critical criterion and determinant of eligibility. Social assistance requires no contributions, only citizenship and proven need (means test). In other words, welfare benefits are payment made by government to individual or their families in order to provide a level of income appropriate to their needs, but, the benefits of social insurance

programmes are paid to individuals when some certain events happen, no matter how much they earn each year, as long as they keep contributing.

Third, social insurance is usually considered as a part of a wider social security system. However social insurance is different from the term social security, though the two terms are sometimes used interchangeably in some countries (Burns, 1951; McKay and Rowlingson, 1999). Social security contains public provision for both social welfare and economic security of individuals and their families, especially in the situations of income losses due to unemployment, work injuries, maternity, sickness, old age and death. It includes not only social insurance but also social assistance, except in the US. The term 'social security' has a narrower scope in the US than it does in European countries, where 'social security' usually refers to 'social insurance' and the 'welfare' label is reserved for 'social assistance'. 'Social protection', another similar term to 'social security' and 'social insurance', which means 'social security' plus health and welfare public services that are designed to maintain participants' income and to improve their wellbeing. Despite the variations in the use and definition of 'social security' across countries, almost all developed countries have social security systems that offer benefits or services through several main approaches such as social insurance and social assistance.

Fourth, the main distinction in social security is between 'social insurance' and 'social assistance' (Beveridge, 1942; Eardley et al., 1996; Clasen, 1997; Rogne et al., 2009). Under social assistance programmes, the provision of benefits is based on a means testing system and is funded from general taxation. This is irrespective of previous contributions and reflects individual needs. Employment is not necessarily essential, a person can receive some benefits no matter if he or she has a job or not. Its main aim is to alleviate poverty and to provide a minimum living standard for people who are eligible. By contrast, social insurance is conditional upon compulsory contributions in employment. The payment of social insurance is work-related. Only people who have a job and make contributions during their work life are eligible to receive payments. The purpose is to maintain contributors' income and standard of

living not only on a minimum level but on a level that similar or at least close to their previous ones.

In sum, according to the development of social insurance in western countries and the comparison between ‘social insurance’ and other cognate terms, there are six characteristics of social insurance: ‘universal’; work-connected; contributory; compulsory, the absence of means tested and the state. First, ‘universal’ refers to the coverage of social insurance has gradually extended over the years. At first, it only covered male workers at manufacturing industry, and then it extended to cover their spouses, families as well as female workers. Later, with the economic development, workers from all kinds of industries, including the service industry, are eligible for social insurance schemes. In the future, even self-employed persons and part-time workers might be able to participate. It is ‘for all who work’ (Rogne et al., 2009, p. 18). Secondly, work-connected means that only those who have jobs can join the programme. Unlike social assistance, being employed is a significant criterion. Thirdly, employees have to pay certain contributions from their wages into social insurance system, usually a separate non-state insurance fund. Such contributory feature secures contributors right to claim benefits in the future. Fourthly, contributions are compulsory for both employees and employers, sometimes even the state. It is an effective way to avoid adverse selection (Kvist, 1997: p. 40). Fifth, the eligibility for social insurance programmes is not based on a means test. Beneficiary’s current income, assets or savings have no effects on his or her eligibility. For instance, older people are not only limited to public pension schemes, they can join private pensions, if they have additional retirement incomes, or make some investments. Last, the state always plays a crucial role in the development of social insurance.

The establishment of the Social Insurance Law of the People’s Republic of China in 2010 meant that China finally had its first comprehensive law in social security after decades of exploring and developing the idea (Ministry of Human Resources and Social Security, 2012). The first use of the term ‘social security’ in government documents was in the 7th Five Year Plan for National Economic and Social Development (1986-1990), and it stated that one of the special goals of social development was ‘to further strengthen labour protection, gradually

establish and improve the social security system to adapt to new trends and needs' (National Development and Reform Commission, 1986).

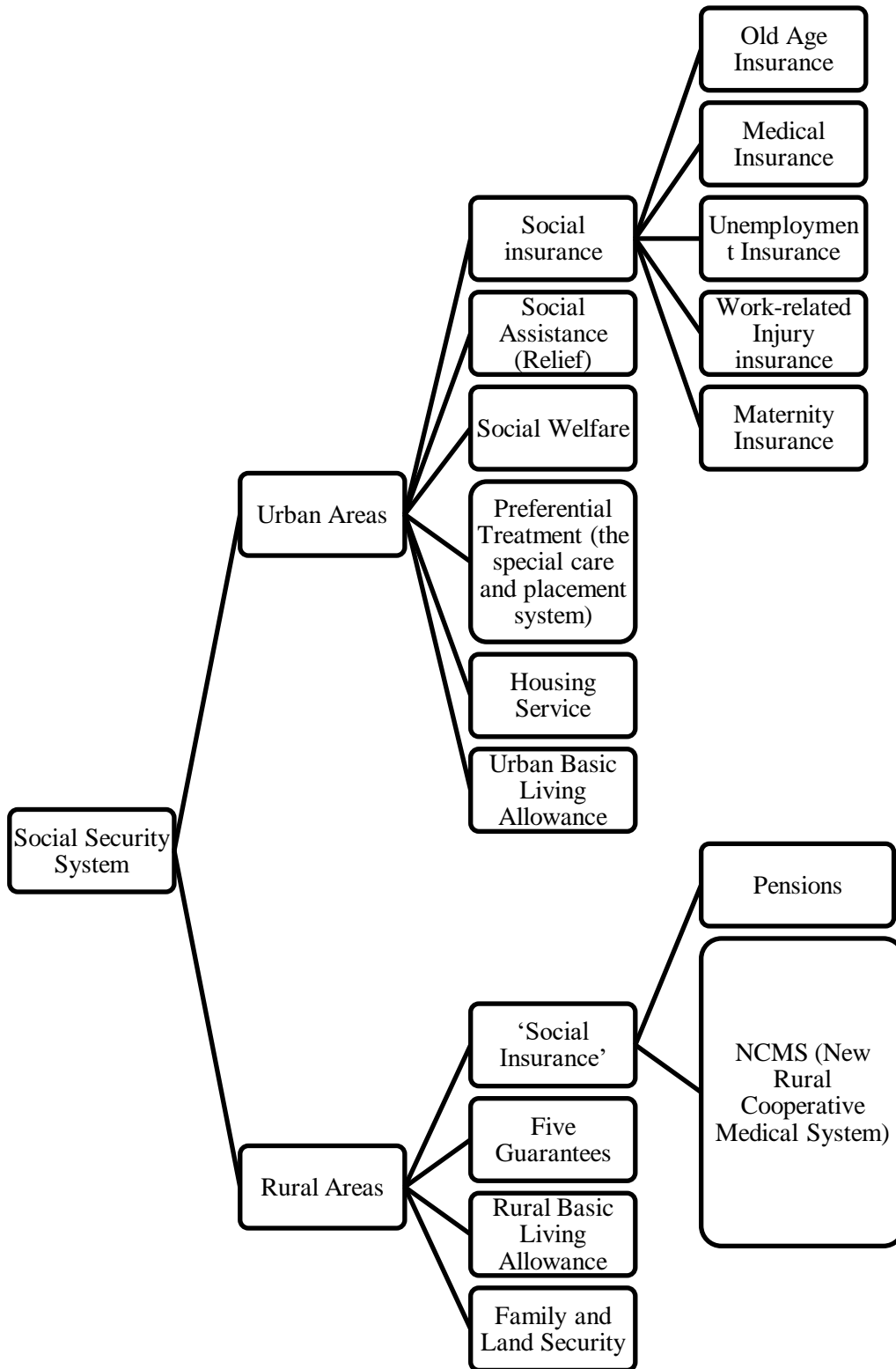
At present, according to a white paper issued by the State Council Information Office in 2004 (*China Daily*, 07-09-2004), the social security system in China includes social insurance, social assistance (relief), social welfare and preferential treatment (the special care and placement system) and housing service. However, at present, such a definition is only suitable for social security system in urban areas, but not for rural areas (Figure 3.1). Social insurance is the core of the whole social security system (Leung, 2005; State Council Information Office, 2004). In China, social insurance refers to insurance schemes covering old age, healthcare, unemployment, work injury and maternity, and it is employment-based; social assistance provides relief to those who are natural disaster victims, urban vagrants and beggars and aims to make sure the living standards for the urban and rural poor meet the minimum level. Social welfare includes benefits and services (mostly community services) for vulnerable groups such as frail older people, disabled people and children, orphans in particular. Preferential treatment is a special care and placement system under which the Chinese government provides benefits and cash benefits in kind mainly for servicemen and their family members, such as special treatments on medical care, housing, transportation, education and employment (Dong, 2008; Leung, 2005; State Council Information Office, 2004). The definition of social security in China has a broader meaning than in some countries, such as the US; it is equivalent to most European countries' understanding of 'welfare' or 'social welfare' (Li, 2001; Leung, 2005). Thus 'social welfare' in China tends to have a narrower meaning, it only refers to social benefits, social services (especially community services) and special career benefits (Li, 2001; Zheng, 2004). Meanwhile, there are debates around whether social welfare should be a part of social security system in China (Wong, 1998; Shang, 2001; Dong, 2008). Some argue that social welfare in China should be separate from the social security system not only because social welfare is different from social insurance in several respects such as the source of funds, benefit levels and the payment methods, but also for the reason that social welfare aims to enhance the economic welfare of a

nation and to improve the living standards of its citizens, it is a ‘universal’ institutional arrangement (Dong, 2008).

In the past decades, both the understanding of social security and the building of the social security system in China started from scratch, but had developed gradually since the foundation of the PRC. Many researchers have separated the development of social security in China into several stages. Although there may be some disagreements in the classification of sub-stages, all of them agreed that the ‘opening’ year, 1978, was not only the turning point of economic development but also the milestone of the development of the social security system in China (Leung, 1994; Wong, 1998; Dong and Ye, 2003; Leung, 2005; Zheng et al., 2009; Zheng et al., 2010; Hu, 2012; Li, 2013). Most of them focus on the late twentieth century, especially the economic reform era, from 1978 to the present. Few of them discuss the spread of two main welfare ideologies before 1949 (Yue, 2002; Yue and Nie, 2004; Dong, 2008; Hu, 2012).

Figure 3.1 exhibits the structure of current social security system in China. It is divided into two systems, urban and rural. The following discussion of the changes of China’s social insurance system will be based on this urban-rural division, and shows how these two systems developed over the decades.

Figure 3.1 China's Social Security System



The Republic of China Period: The Early 1900s

After the Xinhai Revolution (1911-1912), the concepts of social security and welfare were gradually being introduced into China. Some western books on social security were translated and published under the Nationalist Government. People in China started to have the opportunities to fully understand social security systems in western countries. In addition, the Nationalist Government drew up a number of laws on social security, such as ‘the draft compulsory labour law’ in 1932, ‘the draft health insurance law’ in 1942, and ‘the draft injury insurance law’ and ‘the draft social insurance law’ in 1944 (Yue, 2005; Dong, 2008). Because of the ILO’s worldwide promotion of the German social insurance model (ILO, 1953), all these draft bills under the Nationalist Government were more or less influenced by this model, and they also brought German-style social insurance to Taiwan after the civil war (Hu, 2012). Meanwhile, with the establishment of the world’s first socialist state, the Russian Socialist Federative Soviet Republic, communist movements were spreading around the world along with Lenin’s guiding principles of social security and the Soviet model of social insurance. Lenin proposed a social insurance system which was solely financed by employers (state enterprises) and the state, but the insured workers themselves had the administrative authority. It covered all sorts of risks and provided full income compensations for both workers and their relatives (Madison, 1968; Dixon, 1999; Dixon and Hyde, 2001; Zheng et al., 2009). However, Dixon (1999, p.58) pointed out that Lenin’s envisioning of a ‘cradle-to-grave’ protection system was strongly influenced by social insurance systems in European countries, although he claimed his idea of social insurance was a negation against the capitalist model. The Communists in China also introduced the idea of social insurance and the Soviet model in many areas they controlled during the Chinese civil war (Hu, 2012; Zheng et al., 2009).

With the founding of the Communist Party of China in 1921, the Secretariat of the China Labour Association (the predecessor of the All-China Federation of Trade Unions) was set up in Shanghai to take charge of the nationwide labour movement (All-China Federation of Trade Unions, 2007). In August 1922, an outline of the labour legislation with 19 articles was drafted by the Secretariat of the China Labour Association. Articles included the requirement

of an eight-hour work day; workers should have freedom of assembly and association, and the right to strike; the urge to set up a minimum wage law to protect workers' welfare; the right to participate in labour insurance (Chinese Government's Official Web Portal, 2007). It stated that 'the state must allow workers to participate in the set up of every labour insurance provision, for the purpose of protecting workers in all state-own or private companies and government departments from potential loss and risks; employers and governments are responsible for paying the insurance premium, employees will never need to share' (The Herald, 1922; State Archives Administration, 1989, p.143). Between 1925 and 1929, the Secretariat of the China Labour Association had initiated and held four national labour congresses, the establishment of a social insurance system was proposed at every congress during this period. For instance, the second national labour congress proposed that 'social insurance system should be implemented, in order to ensure workers can get compensation for injuries at work, can get relief for sickness, unemployment and old age'; at the third national labour congress, the Secretariat of the China Labour Association urged the government to build a social insurance system, and stated in the 'Proposal of Unemployment Problem Resolution' that 'workers should have the right to join unemployment insurance'; the requirement of 'implementing social insurance system in order to protect workers' living standards from unavoidable illness, death, injuries, unemployment and old age' was emphasised at the fourth congress; at the fifth congress, participants strongly urged the government to 'introduce social insurance for workers, including unemployment insurance, pensions, health insurance and so on, all the cost should be shared between employers and the government' (ACFTU's Research Office, 1957, p.13-412).

In 1931, the Chinese Soviet Republic was established, at the same time, it promulgated the 'Labour Law of Chinese Soviet Republic' at its first National Soviet People's Delegates Conference. The tenth chapter of this law was about social insurance and stipulated that all employees should have the right to enjoy social insurance, and employers should pay 10-15 per cent of their payroll into a social insurance fund; employees and their relatives were all eligible for free medical services; employers must keep the worker's job and pay at least half of his/her previous salary if he/she was ill, temporary disability or having an ill relative to

take care; old age and disabled (including work-related or non-work-related) people could receive disability benefits or pensions; workers who worked for more than one year (only trade union members) or two years (non-members) were entitled to claim unemployment benefits (State Archives Administration, 1991a, p.782). In April 1933, the central government of the Chinese Soviet Republic revised the 'Labour Law of Chinese Soviet Republic', it changed the contribution rate from 10-15 per cent to 5-20 per cent and stated that the sick leave should not exceed three months. In 1934, at the second National Soviet People's Delegates Conference, the promulgation of the Labour Law, the establishment of social insurance system and the national unemployment benefits were written into 'The Outline Constitution of the Soviet Republic of China' (State Archives Administration, 1991b, p.644).

During the Civil War period, labour and social insurance policies had a new impetus. In 1945, the political report made by Mao Tse-tung to the Seventh National Congress of the Communist Party of China stated that

the policy of adjusting the interests of labour and capital will be adopted under the new-democratic state system. On the one hand, it will protect the interests of the workers, institute an eight- to ten-hour working day according to circumstances, provide suitable unemployment relief and social insurance and safeguard trade union rights; on the other hand, it will guarantee legitimate profits to properly managed state, private and co-operative enterprises--so that both the public and the private sectors and both labour and capital will work together to develop industrial production (Mao Tse-tung, 1945, p.1082).

This statement soon became the guiding principle for building a labour and social insurance system in Soviet areas and, based on this principle, in 1948 the sixth national labour congress proposed to legislate the new-democratic social welfare and insurance law as soon as possible. Then the 'Labour Law during Wartime' and the 'Temporary Labour Insurance Regulation for Northeast Public Enterprise during Wartime' were adopted, and a pilot project was first conducted in seven sectors, including railway, telecommunications, mining, military,

munitions, electrical, textile sectors, from 1st April 1949, three months later, the project was expanded to cover all public enterprises in the northeastern area (ACFTU's Research Office, 1957, p.413-489, Xu, 2005). With the continuation of the Chinese Civil War, the CPC gradually seized control of several big cities, such as Taiyuan, Tianjin and Shanghai, and these cities then promulgated laws and regulations related to labour welfare and labour insurance one after the other after the CPC took power (Wu, 2000).

Many researchers argue that although the case for the establishment of social insurance system put forward by the CPC in their early stages was not accepted by the government of Republic of China at that time, it still formed the theoretical foundation of social insurance legislation for the Chinese Soviet Republic. The experience of labour legislation adopted by the CPC in its Soviet regions demonstrated fundamental labour law principles and practice, and social insurance law legislation was only a part of it, appeared as chapters and articles, without any specific laws and regulations in social insurance. However, its regulation of the basic structure of the social insurance system, social insurance programmes, collection and payment of social insurance premiums and the management of social insurance funds served as the historical origin for the 'Labour Insurance Regulations of the People's Republic of China' in the 1950s after the establishment of the People's Republic of China (Wu, 2000; Xu, 2005; Chen, 2011). Also, the Soviet model and Lenin's social insurance principles kept playing a dominant role in the establishment and development of social security system in China when the Communist party took power in 1949 and its influence lasted for decades until the 1990s (Hu, 2012; Zheng et al., 2009).

Three Decades Before the 'Opening-Up': 1949-1978

In order to stabilise people's lives and to restore the economy destroyed by the war, the government began to establish a social security system. The 'Common Programme of The Chinese People's Political Consultative Conference' was adopted by the First Plenary Session of the Chinese People's PCC on September 29th, 1949, it played the same role as a temporary Constitution until the implementation of the 1954 Constitution. Article 32 stipulated that 'the

people's governments shall fix minimum wages according to the conditions prevailing in various localities and trades. Labour insurance shall be gradually established. The special interests of juvenile and women workers shall be safeguarded' (Party Literature Research Center of the CPC Central Committee, 1992a). In 1950, the draft 'Labour Insurance Regulation' (the Regulation) was made by the Ministry of Labour (now it is the Ministry of Human Resources and Social Security) and the ACFTU, and the Regulation was adopted by the 73rd Government Administrative Meeting of the Government Administration Council on February 23, 1951 and promulgated by the Government Administration Council (now it is the State Council) on February 26, 1951 (Party Literature Research Center of the CPC Central Committee, 1992b, p.55). Many Chinese researchers agree that the promulgation and implementation of the 'Labour Insurance Regulation' meant that China had initially established an old age insurance system, but only for workers in urban areas, to be more precise, a 'Danwei' welfare system only for workers SOEs (Dong, 2008; Hu, 2009; Zheng et al., 2010). However, the Regulation did have specific provisions on the collection and maintenance of labour insurance funds, various types of labour insurance programme and its corresponding remuneration and the execution and supervisions of labour insurance transactions (Party Literature Research Center of the CPC Central Committee, 1992b, p.55-67).

According to the Regulation, enterprises were the only contributors and not workers:

all the labour insurance payment shall be borne by the administration or capital of each enterprise which practises labour insurance, part of them be directly paid by the administration capital or the enterprise and the other part to be handed over by the administration or capital to the trade union organization for disposal as labour insurance funds (article 7).

It also stipulated the contribution rate of labour insurance:

the administration or capital each enterprise which practises labour insurance accordance with these Regulations shall, by the month, pay the amount which is equivalent three per cent of the total of the wages of all the workers and staff members of the enterprise for use as labour insurance funds. These labour insurance funds shall not be deducted from the wages of the workers and staff members nor be separately collected from them (article 8).

In addition, there were two labour insurance funds and these had different purposes:

30 per cent of the labour insurance funds paid each month shall be deposited into the account of the All-China Federation of Trade Unions as general labour insurance funds; 70 per cent shall be deposited into the account of the grass-roots trade union of each enterprise as labour insurance funds for use as the pensions, subsidies and relief funds which are payable to its deserving workers and staff members in accordance with these Regulations (Party Literature Research Center of the CPC Central Committee, 1992b, p. 56).

But not all enterprises were allowed to implement this Regulation, only state-operated, joint state-private, private and cooperative factories, mines and their subsidiary units and business management organisations, each of which employed more than 100 workers and staff members and individual railway, shipping or postal and telecommunications enterprises and their subsidiary units. For the rest of the enterprises, they could use collective contracts as a solution, but they needed to take full consideration of their actual conditions (Party Literature Research Center of the CPC Central Committee, 1992b, p.55). The Regulation was revised twice, in 1953 and 1956, and the amendments mainly focused on expanding the coverage and increasing the benefits level, especially in pensions, the overall protection level was increased (Party Literature Research Center of the CPC Central Committee, 1992b, p.68-75; Zheng et al., 2010).

Before the market economy reform, the social security system in urban areas included social insurance (old age insurance, medical insurance, work injury insurance and maternity insurance) and a few social relief programmes, whereas the rural social security system only contained the ‘Five-Guarantees’ scheme and a rural cooperative medical service. The ‘Five-Guarantees’ is a formal relief scheme for rural China which provides food, clothes, housing, medical service, education, and burial services.

Pension: From Separation to Unity

The development of old age insurance can be divided into two stages (Hu, 2009; Zheng et al., 2010). The first stage started from 1951 to 1958, there were two systems of old age insurance: (1) a pension system for enterprise employees based on the ‘Labour Insurance Regulation’. This Regulation stipulated that the general retirement age of a male worker was 60, and 50 for a female worker; early retirement was possible for those who worked in dangerous environments. The replacement rate of the workers’ pension was 35-60 per cent. The amounts of pension a worker could receive depended on his/her working years. For example, for a male worker, it was based on ‘the general standing of twenty-five working years and the standing in his own enterprise of ten working years, old-age pensions shall be paid according to the length of his standing in the enterprise’; for a female worker ‘the general standing of twenty working years and the standing in his own enterprise of ten working years’. However, the amendment of the Regulation in 1953 relaxed the retirement conditions through changing the requirement of working years in his/her enterprise from ten years to five years, at the same time, it raised the replacement rate to 50-70 per cent (Party Literature Research Center of the CPC Central Committee, 1992b, p. 68-75). (2) the retirement system for staff members of government agencies and public institutions was built in the form of an individual regulation. In 1955, the State Council issued the ‘Temporary Measures of the State Council Concerning the Retirement of Staff Members in Government Agencies’ and the ‘Temporary Measures of the State Council Concerning the Resignation of Staff Members in Government Agencies’. These two regulations stipulated that the standing of certain working years was the premise of

receiving pensions, and the replacement rate of old age insurance for staff members ranged from 50-80 per cent (State Council, 1955).

The second stage began with the introduction and implementation of the ‘Temporary Provisional Regulations of the State Council Concerning the Retirement of Workers and Staff Members’ in 1958 (State Council, 1958). Regarding the coverage of old age insurance, workers and staff members’ retirement conditions and pension levels, the ‘Temporary Provisional Regulations’ made the following specifications: first, workers who worked for state-operated or joint state-private enterprise and staff members worked in government agencies, public institutions or mass organisations were all under the coverage of old age insurance; second, the retirement ages ranged from 45 to 60, depending on gender and industry; third, retirees could usually receive pensions equal to 50-70 per cent of their previous salaries, but those who retired earlier because of losing labour ability could only have a replacement rate in the range of 40-70 per cent (State Council, 1958).

Health Insurance: Free Medical Services and A Labour-Protection Medical Care System

The health care system was initially established in 1951. Up to 1978 the health insurance system was composed of two major insurance systems in urban areas: free medical services for staff members of government and public institutions (Government Insurance Scheme, GIS, gongfei yiliao) and a labour-protection medical care system for employees of state or collective enterprises and their relatives (Labour Insurance Scheme, LIS, laobao yiliao) (Dong, 2003; Zhao, 2006).

In 1951, trial reforms of the GIS had first been carried out in some old revolutionary bases in northern Shanxi province and some ethnic minority areas, and then expanded to other revolutionary bases in the next year (Dong, 2008). Later, in June 1952, based on the experience of the trial reforms, the Government Administration Council promulgated the ‘Instruction About Executing Free Medical Service on the Staff Members of Governments, Political Parties, Organizations and Public Institutions’ (the ‘Instruction’) (Government

Administration Council, 1952). The ‘Instruction’ gradually expanded the coverage of Government Insurance Scheme to cover revolutionary disabled army men and staff members of government at all levels, political parties, trade unions, youth and women’s organisations and other groups, task forces as well as public institutions of culture, education, health care and economic development. It also formulated details of cost-sharing responsibilities between the government and beneficiaries: medical expenses including all fees for outpatient and inpatient services, prescription costs were paid by the Government Insurance Scheme; while individuals were only responsible for meal costs during hospitalization and the cost of travelling to hospital or other outpatient clinics.

In August, the Government Administration Council authorised the Ministry of Health to issue the ‘Measures of implementing free medical service for state personnel’ (Ministry of Health, 1952). This regulation further clarified the coverage and entitlement of the Government Insurance Scheme, but without providing provisions on benefit levels and calculation methods. Although the state realised that later and began to set benefit ceilings and to curb the abuse of free medical care service, the expenditure still increased largely because of the rapid growth of coverage (Zheng et al., 2010). In 1957, on the report of the Third Plenary Session of 8th CPC Central Committee, Prime Minister Enlai Zhou pointed out ‘both GIS and LIS have to start to charge a small amount of fees, abolish all objectionable practices, and reduce expenditure’ (Zhou, 1957, p. 390). Then, in the next few years, the state issued a series of regulations and circulars (e.g. the ‘Circular on improving management of free medical service’ in 1965), which specified the extent of medical expense reimbursement, set the boundary between medical care at public expense and at private expense, and established limits on the use of drugs (Dong, 2008; Ministry of Health and Ministry of Finance, 1965). All these measures aimed at cutting medical expenditures but the result did not meet the government’s expectations. Nevertheless, the first two regulations in 1952 marked the nationwide implementation of the Government Insurance Scheme (free medical services for state personnel) in China.

Unlike the Government Insurance Scheme, the Labour Insurance Scheme, the

labour-protection medical care system, was built on the basis of the ‘Labour Insurance Regulation’ in 1951. It had the same coverage as old age insurance, for urban employees in state-owned and collective enterprises and their relatives. Payments were mainly made by enterprises, according to a certain percentage of the total wages of the workers. In 1953, after the amendment of the ‘Labour Insurance Regulation’, the benefit levels were increased, for instance, the replacement rate for 3 months continuous sick leave was 50-100 per cent and it rose to 60-10 per cent for 6 months sick leave. Employees were responsible for the costs of expensive drugs, meal costs during hospitalization, the cost of travelling and half of the cost for their immediate relatives (Party Literature Research Center of the CPC Central Committee, 1992b, p. 68-75).

Table 3. 1 Comparison of GIS and LIS

	Beneficiaries	Source of fund	Management	Free service	Chargeable service
GIS	Staff members in the government and public institutions, revolutionary disabled servicemen, college students and cadres	Fiscal budget	The Department of Health Management (Public Health Management Committee)	Diagnosis, treatment, examination, hospitalisation, surgery, maternity and traveling and living costs when seeking treatment in other cities	Registration fees, expenses of nutritional supplements and orthopedic costs
LIS	State-owned enterprise employees and their immediate relatives, retirees, collective-owned enterprises in cities and towns (voluntary)	At the enterprise’s welfare expenses	Administration in enterprises and the trade union jointly managed, then changed to Administration in enterprises managed.	Same as above, in addition, salaries and subsidies during sickness	Same as above, also includes the hospitalization fees of relatives and travelling fees (if it is non-work-related illness)

Source: Hu (2009).

Similar to GIS, LIS also had problems of continued growth in spending and drug wastage. In 1966, the Ministry of Labour (the preceding agency of the Ministry of Human Resources and Social Security) and the All-China Federation of Trade Unions jointly promulgated the 'Circular on improving the medical insurance system of employees of enterprises', which increased the proportion of personal burdens on medical care service, fees that were previously paid by enterprises became workers' responsibility (Ministry of Labour and All-China Federation of Trade Unions, 1966).

Work-Related Injury Insurance: Two Systems

Work-related injuries insurance in urban China also consisted of two systems, one for the enterprise employees and one for staff members in government agencies and public institutions.

The work injury insurance for enterprise employees was also based on related provisions in the 'Labour Insurance Regulation'. The 'Regulation' clearly stipulated the eligibility for work-related injuries insurance and the standard of treatments. The coverage was the same as for pensions and health insurance, only those who worked for state-operated, joint state-private, private and cooperative factories, mines and their subsidiary units and business management organizations, which employed more than 100 workers and staff members and railway, shipping, postal and telecommunications enterprises and their subsidiary units were eligible for work injury insurance benefits (Party Literature Research Center of the CPC Central Committee, 1992b, p. 55). As mentioned earlier workers did not have to contribute: contributions equivalent to three per cent of total wages of all the workers and staff members were all paid by the administration or the enterprise. Only 70 per cent of these contributions were available for use as labour insurance funds, and not only for work injury insurance, but also pension and health insurance.

According to article 12 of the 'Labour Insurance Regulation' in 1951, if a worker or a staff member is certified to be disabled due to a work-related injury, benefits for the disabled

worker would be paid monthly under the labour insurance funds. Specific provisions included three circumstances 1) disabled workers who completely lost the ability to work and needed other people's assistance in every aspects of daily life after discharge, 'the sums of the pensions for his or her disability caused while on duty shall be 75 per cent of his or her wages, which shall be paid until his or her death'; 2) disabled workers who completely lost the ability to work but did not need other people's assistance in in eating and drinking and other aspects of daily life after discharge, 'the sums of the pensions for his or her disability caused while on duty shall be 60 per cent of his or her wages, which shall be paid until the restoration of his or her ability to work or until his or her death'; 3) if the worker's working ability was partially impaired but he or she could still work, the administration or capital of the enterprise should assign him or her to a suitable job and pay him or her the subsidies for the disability caused while on duty according to the degrees of the loss of his or her ability until his or her retirement or until his or her death. 'the sums shall be five to twenty per cent of his or her wages before the disability, but the total of them with the addition of his or her wages when he or she returns to work shall not exceed his or her original wages before the disability' (Party Literature Research Center of the CPC Central Committee, 1992b).

After the amendment to the 'Regulation' in 1953, coverage was expanded to more industries and the benefit levels for partially disabled workers because of work-related injuries were increase from 5-20 per cent of his or her wages before the disability to 10-30 per cent. It also raised the funeral expenses for those whose relatives passed away while on duty from two months' average wages of all the workers and staff members to three months (Party Literature Research Center of the CPC Central Committee, 1992b). In the meantime, a work-related injuries insurance system was first introduced in 1950 when the Ministry of Internal Affairs issued the 'Interim Regulations on Pensions and Preferential Treatments for Revolutionary Casualties' and the 'Interim Regulations on Pensions and Preferential Treatments for Revolutionary Disabled Servicemen' (Ministry of Internal Affairs, 1950). The regulations stipulated the benefit levels of work-related injuries, but only for revolutionary staff members. However, the regulations were modified three times, in 1952, 1953 and 1955, when staff

members in other government institutions were added and the benefit level was improved gradually.

With industrial development in China the problem of occupational diseases had become increasingly serious. In 1957, the Ministry of Health promulgated the ‘Regulations on the Range of Occupational Diseases and the Treatment Measures for Patients of Occupational Diseases’, it formally brought 14 kinds of diseases related to occupational activities into the scope of occupational diseases, and made them as ‘statutory occupational diseases’ (Ministry of Health, 1957). It was the first time that occupational diseases were included in the range of the protection of work-related injuries insurance.

Rural Areas: Introduction of ‘Five-Guarantees’ and Rural Cooperative Medical Service System

The rural social security system started in the early 1950s when the urban social security system had been initially established. Because the traditional rural social security system was mainly based on family protection and land protection, the development of social security system in rural areas was limited, mainly represented by the ‘Five-Guarantees’ scheme and the rural cooperative medical service system (Dong, 2008; Hu, 2009; Zheng et al., 2010).

‘Five-Guarantees’ for rural residents under a system of collective support

On 30th June 1956, the Third Session of the First National People’s Congress (NPC) passed the ‘Model Regulations for Advanced Agricultural Producers’ Cooperatives’. According to article 53 of the regulations,

the agricultural production cooperative should make proper arrangements and take care of the elderly, the disabled commune members as well as those who are disadvantaged in the labour market. The cooperative should guarantee the food, clothing and heating supply for those who qualified, and guarantee the

education for children and the interment for the elderly after they died (Party Literature Research Center of the CPC Central Committee, 1992c, vol. 8, p. 422-423).

In the same year, 'The National Agriculture Development Guidelines for 1956-1976' (draft) was first brought forward by the Political Bureau of the CPC Central Committee. In April 1960, the Second Session of the Second NPC finally approved the 'Guidelines', it stipulated that 'the agriculture production cooperative should guarantee the food, clothing, fuel, education and interment supply for the widower, the widow, the orphan and the childless' (Party Literature Research Center of the CPC Central Committee, 1992c, vol. 8, p. 47). In the cooperatives period, cooperative public funds were the main source of finance. The cooperatives provided resources collectively to take care of the elderly without children through a department called 'homes for the aged'. The 'Five-Guarantees' provided a regular supply of food, clothing, housing, and medical care for those without family support, such as the elderly, disabled, children, and whose inability to work during the central planned period. However, the benefit level of 'Five-Guarantees' was extremely low, it was subsistence level and might only be able to solve beneficiaries' subsistence needs.

The rural cooperative medical service system

Before the establishment of the People's Republic of China, the Cooperative Medical System (CMS) first emerged in rural areas, however, the system was formally established in 1955, along with the agricultural cooperative movement (Lin, 2002; Song, 2007; Dong, 2008; Zheng et al., 2010). At the beginning of 1955, Shanxi Province was the first to introduce the cooperative medical service by implementing a medical fund that consisted of local people's health care fees and the production cooperative's subsidies. Its main approaches included: 1) under the leadership of local government, health clinics were built by the agricultural production cooperatives and local residents; 2) Peasants were able to enjoy preventative health care services and free registration and treatment fees by paying a small amount of health care fees voluntarily; 3) health clinic funds came from health care fees paid by peasants,

subsidies from the cooperative and incomes obtained through offering medical services; 4) the salaries of doctors in health clinics were paid by cash and work points (Shao et al., 2007; Zheng et al., 2010). This approach was highly appreciated by the central government and officially confirmed by the Ministry of Health in the 1959 National Rural Working Conference held in Ji County, Shanxi Province. Article 51, Chapter 9 of the 'Model Regulations for Advanced Agricultural Producers' Cooperatives' passed by the Third Session of the First National People's Congress (NPC) in 1956 stipulated that 'for members who are ill or wounded while on duty, the cooperatives are responsible for their medical treatment expenses, in some circumstances, certain amount of working days can be allowed to use as grant for those who are qualified' (Party Literature Research Center of the CPC Central Committee, 1992c, vol. 8, p. 422). As a result of Chairman Mao's comment and instruction on the medical experience of Leyuan Cooperative in Changyang County, Hubei Province, he pointed out that 'this is a great revolution on the battlefield of medical care' and 'it solve the difficulties that rural masses cannot afford to pay the fees of medical care services' (*People's Daily*, 05-12-1968). His words soon became the driver of the wide expansion of the rural cooperative medical system during the Cultural Revolution.

Cultural Revolution 1966-1976

During the Cultural Revolution, only the trade unions and labour departments were responsible for providing social security, social insurance. Government affairs were paralyzed, and both the operation and administration of social protection became disordered. Furthermore, the Ministry of Finance promulgated the 'Opinions on the reform of certain financial systems in SOEs (draft)' in February 1969, which stipulated 'all SOEs shall stop drawing labour insurance premiums from their revenue. All kinds of insurance expenditures, including pensions and allowance for the retirees and long-term sick employees, and other expenses related to labour protection must be listed as non-business expenses' (Ministry of Finance, 1969). This measure abolished the social insurance pooling system stipulated by Labour Insurance regulations, and social protection reverted to an enterprise-based system. Social relief and social welfare departments were dissolved, as were some work-unit-based

welfare programmes. Not only was the development of urban social security system destroyed during this period, the 'Five-Guarantees' scheme in rural areas experienced the same, the whole system almost stopped running. Because of the profoundly negative influences on the social security system, some researchers treat the Cultural Revolution period as a separate stage in the development of China's social security system (Dong, 2003; Xu, 2005).

From 1978 to The Early 1990s: The Start of Market-Oriented Reforms

This period was divided into two periods according to some researchers (Dong and Ye, 2003; Dong, 2008), for the reason that the social security system in China was gradually recovering after the Cultural Revolution in the first period (from 1978 to 1985), whereas the second period (from 1985 to the early 1990s) represents a period of exploring new approaches and attempting to reform the old system. However, some of them prefer to combine these two phases into one (Zheng et al., 2009 and 2010), for the reason that all attempts and explorations from 1978 to the early 1990s, no matter if it was a recovery or an exploration period, can be considered as the preparation phase for the future reform which came in the late 1990s and which eventually established the framework and principles of social insurance in China.

The social security system was damaged and almost abolished during the Cultural Revolution, however, the state took immediate action to re-build the system after the Cultural Revolution turned into an end. With the official opening of the Third Plenary Session of the 11th Central Committee of the CPC in Beijing in 1978, China's transition into a socialist market economy had begun. The communiqué of this session emphasised that the focus of both the party and the state should be transferred from class struggle to economic development. The concept of 'four modernisations' of industry, agriculture, national defence and science was brought forward and was considered as the main tasks in the next few years. China started shifting from 'class struggle-oriented' to 'economic construction-oriented', from 'semi-rigid/rigid' to comprehensive reform, and, from 'semi-closed/closed' to 'opening up' (*People's Daily*, 29-10-2008). From now on, the social security system started to recover from the damage

caused by the Cultural Revolution and it began to explore a new way to adapt to the new socio-economic environment. However, it still retained many features of the old-system and could not catch up with economic reform (Dong and Ye, 2003).

The Recovery of the State/Enterprise Insurance and the Exploration of Old Age Insurance for Employees in Collective-Owned Enterprises (1978-1984)

In 1978, the State Council issued the ‘State Council Temporary Measures on Providing for Old, Weak, Sick, and Handicapped Cadres’ and the ‘State Council Temporary Measures on Workers’ Retirement and Resignation’ (State Council Document No. 148, 1978). The promulgation and the implementation of this document represented the beginning of the recovery of old age insurance in China.

It had four main changes in comparison with the provision in the ‘Temporary Provisional Regulations of the State Council Concerning the Retirement of Workers and Staff Members’ in 1958 (State Council, 1958). First, it comprised two parts, one was for cadres working in governments and public institutions and the other was for workers working in state-owned enterprises. This document divided the pension system into two parts again since the combination of pensions for cadres and workers which took place in 1958. Such segmentation lasts to the present as well as the segmentation between urban and rural areas, and they have never been united again. Second, it adjusted the retirement ages. Standard retirements have a different age requirement from early retirements because of the assumption of the loss of labour abilities. The early retirement age was 50 for male workers/cadres and 45 for female, but only those who were complete incapability were eligible for early retirement. Third, it first formally added the provision that cadres/workers who became disabled during work were eligible for early retirement into the state’s retirement system. Fourth, it changed the benefit rates from 50-70 per cent to 60-90 per cent for normal retirement and reduced the early retirement benefit rates from 40-70 per cent to 40 per cent (State Council, 1978).

Furthermore, the State Council issued a series of circulars and regulations aimed at providing a special pension system for veteran cadres, including the 'Interim Provisions of the State Council for Veteran Cadres to Leave Their Posts in Order to Rest' in 1980 (State Council Document No. 253, 1980), the 'Decision of the Central Committee of the Communist Party of China on Establishing a Veteran Cadre Retirement System' (Central Committee Document No. 13, 1982) and the 'Provisions of the State Council for the Veteran Cadre Retirement System' (State Council Document No. 62, 1982). The newly established retirement system for veteran cadres mainly consisted of the following three sections: 1) coverage: it covered those who joined the revolution led by the CCP, joined the revolution in the liberated areas to take the advantage of employment and the special provision of free life necessities including food, clothing, housing, transportation and other essentials to veteran cadres and some staff members working in the government or public institutions; in enemy territory engaged in underground revolutionary work before the foundation of RPC and those who had already retired but met the qualifications mentioned above should likewise be treated as veteran cadres; 2) age requirements: the retirement age ranged from 55 to 65 based on one's position and gender, for instance, the retirement age for national- and provincial-level party leaders were 65 (chief) and 60 (deputy), but for local-level party leaders it was 60 for all cadres, there was no difference between chief and deputy position; 3) benefits: after retiring from their positions, veteran cadres' benefit levels should remain the same as their wage levels before retirement, and their other benefits should also remain unchanged, they should also be given the priority in medical care, housing, transport and the supply of daily necessities. In addition, according to when and how long they had joined the revolution and their administrative ranks, a certain level of living allowance equal to one or two months' wage was added (State Council, 1980; Central Committee, 1982). The structure of the retirement system for veteran cadres formulated by these regulations is still in effect today.

From 1981, the state and the People's Insurance Company of China (PICC) started to introduce several trial pension programmes for workers in collective-owned enterprises in cities like Shanghai and Chongqing. There were two main trial programmes at that time. The first was the life insurance model in Shanghai, which was conducted by the PICC. This

insurance programme only included pensions, medical care and funeral expenses. The pension was defined by the amount of contributions paid by the insurer and the number of years they contributed. The second one was the social insurance model in Chongqing. The collective-owned enterprises needed to contribute 15 per cent of the total wage of workers and workers had to contribute 2 per cent of their standard wages into an insurance fund. When they retired, based on the length of continuous employment, they would receive pensions equal to 50-80 per cent of their previous standard salaries (Zheng et al., 2010). A few years later, the Ministry of Labour and Personnel and the PICC jointly published the 'Letter on Principles and Management Issues of the Establishment of Old Age Insurance System in Collective-Owned Enterprises in Cities and Towns' based on the experience gained from trial programmes in 1984. It pointed out that

Referring to the work on insurance and welfare, it is imperative to solve the pension problem for employees in collective-owned enterprises in cities and towns, to enable employees a sense of security and dignity in their old age, in the mean time, to solve their fears of trouble in the rear. In order to do that, we must first consider the establishment of a statutory pension insurance system for collective-owned enterprises in cities and towns. Pension contributions should apply the principle of common sharing by enterprises and employees ... but enterprises should bear more ... the People's Insurance Company of China is responsible for the operation and management of pension funds ... (Ministry of Labour and Personnel and the PICC, 1984).

Although this document tended to adopt the pension accumulation fund system for collective-owned enterprises promoted by the PICC, it also allowed areas to continue their current trial programmes if they had been approved to implement them already (Ministry of Labour and Personnel and the PICC, 1984). Since then, the co-existence of separate pension programmes for collective-owned enterprises continued until the establishment of the new old age insurance in the 1990s.

Attempts to Reform: From State/Enterprise Insurance to Social Insurance (1985-1992)

In the mid-1980s social security reform was seriously lagging behind the general economic reform in the PRC. In October 1984, the Third Plenary Session of the 12th CPC Central Committee promulgated the ‘Decision of the CPC Central Committee on reform of the economic system’ in order to solve the problem, and it represented the reform from a central planned to a socialist market economy was in full swing. It reaffirmed that ‘the policy of encouraging some people to become rich first is in line with the law of the development of socialism, and it is the only way for our society to prosperity’ (Central Committee, 1984). A critical feature of these reforms was the reform of SOEs. It required enterprises to take full responsibility for their own profits and losses, to practice independent accounting and to operate under ‘hard budget constraints’. The traditional relationship between the government and work-units, ‘from cradle to grave’ social security system, was thus collapsed. Now each enterprise was fully responsible for its own insurance outlays, meanwhile, a serious crisis of the state/enterprise old age insurance system was ongoing. However, due to the crisis, the state started to reform the old insurance system and made a number of attempts to introduce a new system with social pooling, no longer work unit pooling. For the purpose of establishing a new social security system which suited the system of a socialist market economy, a series of radical reforms aimed at thoroughly replacing the traditional state/enterprise insurance system have been implemented since the mid-1980s.

Also, the ‘Decision of the CPC Central Committee on reform of the economic system’ (Central Committee, 1984) urged to ‘accelerate the reform of labour system’. Later, in 1986, the State Council promulgated the ‘Provisional Regulations on Institution of Labour Contract System in SOEs’ in order to reform ‘the labour system in SOEs, strengthening their vitality, tapping to the full the initiative and creativeness of the workers, protecting their legitimate rights and interests, and promoting socialist modernization’ (State Council, 1986, Article 1) (Chapter 5 clearly specifies the provisions for pension systems for employees under labour contract system).

There were several major changes in the pension system for labour contract workers compared with pensions for SOEs employees. First, in terms of contributions, the prototype of tripartite contribution initially appeared. ‘A social security system shall be instituted by the State for retired contract workers. Sources of the retirement fund are payments made by the enterprise and the contract worker. When the pension fund is insufficient, the shortfall shall be appropriately made up by the State’ (State Council, 1986, Article 26). Second, it determined the contribution rates to be paid by enterprises and employees. The enterprises should ‘contribute to the retirement fund an amount equivalent to 15 per cent of the total wages of contract workers before paying the income tax’. For employees, ‘contract workers shall pay to the retirement fund an amount not more than 3 per cent of their standard wage’. Third, it explained how to collect contributions. The contribution paid by enterprises should be ‘automatically withheld monthly by the enterprise's bank, and transferred to the special pension fund in a bank account opened by the social security organisation affiliated to the local labour administration’, and the contribution paid by employees should be ‘deducted monthly by the enterprise from their wages and turned over to the social security organisation under the local labour administration’. Fourth, it adopted the accumulation fund system as the method of managing social insurance funds. ‘The bank shall pay interest to the retirement fund deposits at personal deposit rates, and transfer the interest to the pension fund’ (State Council, 1986, Article 26). Fifth, the retirement benefits of contract workers included the pension (plus additional subsidies and allowances issued according to State regulations), medical expenses, funeral allowances, and pension and relief payment to their survivors. After retirement, contract workers are entitled to a monthly pension until they die. Sixth, the way to decide the benefit level was the method of Defined Contribution (DC). ‘Its amount shall be decided by the length of time and amount of contributions to the pension fund, and the average wage over a certain period of time. Seventh, it appointed the social security institution under the labour administration to raise and manage the fund, as well as to manage the retirees. ‘The retirement of contract workers is to be placed under the charge of the social security organisation under the labour administration. Its main functions are the raising of the retirement fund, payment of pensions, and management of the retirees’ (State Council, 1986, Article 28). Last but not least, ‘medical expenses and funeral subsidy, and the pension and

relief payment to the survivors shall be issued according to State regulations. Workers who have paid in to the retirement fund for only a comparatively short period of time, shall receive their pension in a lump sum' (State Council, 1986, Article 27).

The old work-unit-based insurance pooling system began to disintegrate and new social problems began to arise after the economic reform, such as the unbalanced burdens of pensions born by different ownership of enterprises and the failure of some SOEs to pay pensions to employees. In order to solve these problems, the PRC launched a pilot project of social pooling of the old age insurance in some cities, including Taizhou in Jiangsu province and Dongguan in Guangdong province (Dong and Ye, 2003; Peng et al., 2007). In addition, in 1985, the 'Proposal for formulating the 7th Five-Year Blueprint for China's Economic and Social Development' (hereafter referred to as the 'Proposal') was proposed at the Fifth Plenum of the 12th Central Committee of the Communist Party of China. The 'Proposal' stated that

The work of social security must adhere to the reform direction of combining social management with work-unit management, but social management is the primary method. Social Security Institutions shall unify the management, the planning and the coordination of the work of social insurance, social welfare and social relief ... meanwhile, it needs to cohere with the process of economic reform. Therefore, during the seventh Five-Year Blueprint period, we must establish the basic framework of social security system, and then improve it along with the economic development (Central Committee, 1985).

The trial project of social pooling of pensions was expanded after then. And the proportion of enterprises' pension expenditure in areas implementing unified pension system followed the principle of 'expenditure being determined by revenue with a slight surplus' (Dong, 2003). Based on previous experience from local pilot reform projects, in June 1991, the 'Decision of the State Council on the Reform of the Pension System for Staff and Workers of Enterprises' was promulgated by the state (State Council Document No. 33, 1991). It was the first major

official document related to the old age insurance after the economic reform. This document soon became the most important official guideline for the pension reform in China and it is still effective. It not only decided to gradually establish a multi-tier pension system, which included ‘the basic old age insurance, the occupational complementary old age insurance and personal savings’ (Leung, 2003), but also required employees to contribute for the purpose of replacing the traditional state/enterprise pension which the enterprise or the state was the only contributor with the new system which the state, employers and employees all have to contribute. It also stipulated the principle of pension fund collection that was ‘revenue is determined by expenditure, with a slight surplus, and partially accumulated’. However, it was only the beginning of a series of radical reforms and it had its shortcomings. For instance, pension reforms in this period had never touched on the issue of benefit calculation and payment methods (Dong and Ye, 2003; Hu, 2009).

Trial Reforms on the Health Insurance System

The decision of changing China’s economy structure from a central planned to a market economy was made at the Third Plenary Session of the 11th Central Committee of the CPC. Then various forms of enterprise ownership appeared and the original SOEs dominated market structure was no longer existed. In this situation, the GIS and LIS increasingly became unaccommodated to the new system. The institutional background for the Chinese health protection system had begun to experience radical transformation. On the one hand, the coverage of the old system of health insurance was limited, plenty of employees in enterprises with new forms of ownership did not have any health insurance; on the other, rising medical costs brought pressures and difficulties to SOEs during their restricting period. In short, the old health insurance system, namely the GIS and LIS, was closely related to the planned economy in China before the 1980s, however, because of the transition from planned to market economy, the economic foundation of which the old health insurance system relied on, no longer existed (Dong, 2008). Its problems also became increasingly prominent, and with the on-going pressure on national finances, the state tried to reform its health insurance system in following aspects (Zheng et al., 2010).

First, reforms of the GIS aimed at reducing the burden of the state and increasing medical expenses paid by individuals. In 1978, the Ministry of Health and the Ministry of Finance jointly issued the 'Notice on Rectifying and Strengthening the Administration of Free Medical Care Services', it pointed out that 'along with the overspending of free medical care expenses, not only increasing the burden of local finance departments, but also crowding out expenses on health care and other departments, seriously affect the development of health care'. As a result, the 'Notice' suggested that both health and finance departments at every level should make sure of the source of free medical care service fund, strengthen the management of free medical care service, introduce the designated health care services, and clear the boundaries between free medical care service and self-paid service (Ministry of Health and the Ministry of Finance, 1978). Also, in 1984, in order to solve the problem of medicine wastage and the overuse of medical care funds in the GIS, the 'Notice on Further Strengthening the Administration of Free Medical Care Services' was issued by the Ministry of Health and the Ministry of Finance. It emphasised the need to clarify the coverage and the reimbursement range of GIS and urged to implement the designated health care service (Ministry of Health and the Ministry of Finance, 1984). A few years later, in 1989, the Ministry of Health and the Ministry of Finance, again, jointly promulgated the 'Measures on the Administration of Free Medical Care Services' (Ministry of Health and the Ministry of Finance, 1989). It was not only a summary of the past thirty years' experience of free medical care, but also the basis of future medical care reforms. In terms of coverage, it clearly listed that there were twelve types of people who were eligible for free medical care services. In terms of benefits, especially the reimbursement of medical expenses, it specified every situation which could or could not be reimbursed. There were 11 kinds of situations for reimbursement and 13 situations which could not be reimbursed. Meanwhile, there were regulations on the management, supervision and inspection of free medical care services and funds and the duties of relevant institutions. In summary, the free medical care system (GIS) did not have any substantive reform or radical change during this period, and it still kept the character of the system at the time of the planned economy.

Second, reforms of the LIS began by introducing trial projects on health insurance social pooling. There were two main aspects of LIS reforms in the 1980s (Dong, 2008; Zheng et al., 2010). First, local governments initiated the reform of the social pooling of medical expenses for veteran cadres and retirees. For instance, Shijiazhuang, in Hebei province, began to launch a pilot project in six counties in 1985. Second, there was a pooling scheme for urban employees when they suffered serious illness. In 1987, a vegetable company in Beijing was the first one to implement the scheme for its employees. The scheme was soon promoted by the Ministry of Labour nationwide and later, Sichuan, Hebei and other provinces started to implement it. Based on these local experiences, the Ministry of Labour issued the ‘Opinion of the Ministry of Labour on the Pilot Implementation of Social Pooling for Employees’ Serious Illness Medical Expenses’ in 1992. It decided to allow SOEs, collective-owned enterprises above county level, private companies and enterprises with foreign investments in qualified areas to implement the social pooling scheme first, and the funds were pooled at city or county level (Ministry of Labour, 1992). The major contribution of LIS reforms during this period was the social pooling of medical expenses which might be seen as a departure from the previous system of ‘work-unit’ health insurance.

Third, tripartite contributions became the main trend of health insurance reforms in the early 1990s. For the purpose of comprehensively reforming health insurance, in 1988, the State Council approved the establishment of a special research group consisting of the Ministry of Health, the Ministry of Labour, the Ministry of Finance and five other departments. The mission of this special group was to propose a proper reform plan for both GIS and LIS, and to guide trial reforms on health care (Dong, 2008). In July 1988, the group brought forward a proposal to the State Council, which suggested that China should gradually establish a multi-tier health insurance system that contributions should be shared rationally by the state, employers and employees (Zheng et al., 2010). In 1989, according to ‘The State Council Circular on Approving the Main Points of the 1989 Economic Restructuring by the State Commission for Restructuring the Economy’ (SCRE) (State Council Document No. 24, 1989), the State Council formally decided to initiate trial reforms of medical insurance in four cities,

Dandong, Siping, Huangshi and Zhuzhou. In the meantime, a comprehensive social security trial reform was introduced in Shenzhen and Hainan (State Council, 1989).

In sum, health insurance reforms mainly comprised two stages in this period: first, the system which was destroyed during the Cultural Revolution was put back on track; second, the state began to search for a new model because of problems existing in both GIS and LIS. However, almost all the reforms carried out in the second stage were trial reforms and the social pooling of medical expenses was only for veteran cadres, retirees and those who were seriously ill.

'Unemployment Insurance' for People Who Are 'Waiting for Employment'

Under the influence of the planned economy employment patterns and the ideology of 'there is no unemployment in socialism', only a few assistance programmes were introduced for unemployed workers before the market economy reform (Zheng et al., 2010). Under the system of public ownership, the government was able to effectively keep unemployment under control through full and lifelong employment, job creation and guarantee job assignments through administrative procedures and labour immobility, therefore employment assistance was considered unnecessary (Leung, 2003). However, in the mid 1980s, when China entered the era of full economic reform, high unemployment soon became the major problem and the introduction of unemployment insurance was put on the agenda.

Unlike the old age and health insurance, unemployment insurance was a new feature of China's economy. At first, unemployment was not accepted and there was no unemployment insurance as such under the state planning system. In this context, enterprises hired employees according to the regulations of labour or administrative departments and had no right to discharge their employees or to unilaterally terminate the employment contract without the permission of the state. As a result, the labour supply was in surplus, and there were a large number of redundant personnel in SOEs. Moreover, the sense of lifelong employment was formed among employees. In July 1986, in order to support the transition of SOEs to be fully responsible for their own profits and losses, permissions were given for SOEs to lay off

workers. With the reforms of the SOEs and the introduction of a labour market in the early 1980s, laid-off (xia gang) workers became a common issue for SOEs. Then, in the same year, the State Council promulgated the ‘Provisional regulations on job-waiting insurance for employees of state-run enterprises’ (abbreviated as Provisional regulations of 1986 hereafter), which guaranteed a basic level of living allowance to employees who were ‘job-waiting’ (dai ye). It stipulated that enterprises had to contribute 1 per cent of their annual standard average wage of all employees, and local governments sometimes needed to subsidise from their fiscal budgets (State Council, 1986). The term ‘job-waiting’ was first introduced to describe those who were either looking for their first jobs or who had been laid-off from SOEs. Laid-off workers were those who had lost their jobs, but who had not terminated the labour contracts with their employers. Job-waiting insurance became a major approach of providing assistance to the unemployed in the early 1990s as the unemployment rate rose. However, the Provisional regulations of 1986 had several limitations in providing benefits for unemployed/laid-off workers during that time. First, its coverage was very narrow. Beneficiaries were mainly SOEs’ workers, either they were dismissed workers whose employment contracts had been terminated or long-term lay-offs who had spent at least 24 months in re-employment training centres but still had been unable to find a job. The scheme catered for employees who worked in SOEs but these SOEs were bankrupt, and their labour contracts were terminated and they were dismissed by their employers (Leung, 2003). Second, the amount of benefits unemployed employees could receive was low. The scheme offered a basic living allowance to the unemployed workers for only up to two years, depending on their working years. For example, if the length of service was more than five years (including five years), one could receive ‘job-waiting’ benefits for up to 24 months; however, if it was less than five years, the maximum was 12 months (State Council, 1986). Also, unemployment benefits were initially tied to the wage levels. The replacement rate of ‘job-waiting insurance’ was only equal to 25 per cent of the average wage of SOEs at that time (Dong, 2008; Dong and Ye, 2003).

The Decline of Social Security System in Rural Areas

The 'five-guarantees' programme

The institutional foundations for the collective social security system in rural areas were abolished by the implementation of the Household Responsibility System. Since then, households replaced collectives and became the new basic production unit in rural areas (Zheng et al., 2010). Consequently, rural communities lost their revenue resources previously provided by the collective system to support the most needed ones under the Five-Guarantees system. As a result, the collapse of the collective support system had a considerable influence on funding for the Five-Guarantees programme (Zhang and Sun, 2011). Also, the basic guarantees traditionally provided by the collectives, including employment, incomes and pensions, now became individuals' responsibilities. With the dismantlement of the collective economy in rural areas, rural residents could no longer benefit from income security and medical care programmes that were effectively provided by collectives, even though the state promoted to establish a double-track management system that combined all rural schemes (Wang, 2005).

The health system

The cooperative medical system was written into the Constitution of the People's Republic of China ratified by the Fifth National People's Congress in 1978. Later, in 1979, the Ministry of Health, the Ministry of Agriculture and the Ministry of Finance issued the 'Guidelines on Rural Cooperative Medical Care (draft)'. After that, rural areas had gradually established a three-level health care system with three major functions: prevention, treatment and protection. Under this system, the county-level medical institution played a leading role, the township-level medical institution was the principal part and village clinics were the basis (Zhang and Sun, 2011). According to Zhang and Liu (2007), approximately 90 per cent of the administrative villages in rural areas had introduced this system. There were 510,000 licensed doctors, 1.46 million barefoot doctors, 2.36 million health workers and 630,000 midwives

(Zhang and Sun, 2011). The cooperative medical system in rural China overcame the problem of medical resources shortage during the planned economy period and raised the health status of the Chinese above the level expected at China's level of development (Zheng, 2002; Yang, 2003; Lin, 2002). Its success had attracted the world's attention.

As China has moved away from centrally planned towards a market economy, its health system has been subject to, i.e. not accidental, marketisation (Jamison 1984; Chen and Zhu 1984). The access to health care services was increasingly dependent on one's ability to pay, the same as the experience in the economic sector. Public village clinics were no longer existed because of the abolishment of the collective system during the early 1980s. Instead of choosing county hospitals, rural residents often chose to go for the village clinics when they were ill as the costs were relatively low and they could pay by means of working credits they had earned. Only if they had severe illnesses, they would seek for treatments form county or higher level hospitals. By the end of the 1980s, the rural cooperative medical system (RCMS) encountered severe problems of fund shortages and the number of villages that had a RCMS dropped from 90 per cent to 5 per cent (Zhang and Sun, 2011). Thus, the transition from the collective system to the household responsibility system weakened the financial base of the RCMS and caused the collapse of RCMS in rural areas (Liu and Rao, 2006; Zhang and Sun, 2011). The RCMS was eventually replaced by the new RCMS in the 2000s.

The initial establishment of a rural pension system

In the planned economy era, most older people were supported by their families, whereas those who did not have family members were supported by village collectives. After the economic reform, the proportion of rural elderly support institutions declined dramatically because of the lack of sufficient funding. In 1986, China began to reform the old age insurance system in some of the rural areas and urban areas almost simultaneously. In the report of the 7th Five Year Plan for National Economic and Social Development (1986-1990), it was suggested 'to explore, study and build a social insurance system for rural self-employed workers, the introduction of such a system should start with pilot projects and gradually

implement' (State Council, 1985). Then the Ministry of Civil Affairs started to pay attention on policies of rural elderly support insurance schemes. Pilot pension schemes were introduced at the village level in rural areas, but most of these schemes were implemented in relatively wealthy regions, such as Shandong, Beijing and Shanghai, and they eventually turned out to be not very successful (Zhang and Sun, 2011). In 1991, the State Council decided to select five counties in Shandong Province to experiment with the county-level rural elderly support insurance policy. In the 'Decision on the Reform of Old Age Insurance for Enterprises Employees', the State Council appointed the Ministry of Civil Affairs to take charge of the reform of old age insurance in rural areas, including town/county enterprises (State Council Document No. 33, 1991).

1992-1998: A Social Pooled and Individual Accounts

In November 1993, the Third Plenary Session of 14th CPC Central Committee passed the 'Decision of the Central Committee of the Communist Party of China on Issues Concerning the Establishment of a Socialist Market Economic System', which detailed a roadmap to establish a socialist market economy (*Beijing Review*, 22-11-1993). A major turning point of China's economy occurred in 1992 as Deng Xiaoping began his inspection tour to the southern China. In October 1992, the 14th CPC National Congress was held, and the establishment of a socialist market economy was first defined as the goal of China's economic reform. The Decision made at this session not only elaborated the goal and basic principles of China's economic reform in a systemic and specific manner, but also required SOEs to reform their operations, establish modern enterprise mechanisms, clarify property rights, separate ownership from daily management, and employ scientific management approaches. In sum, the Decision had set out several crucial principles on economic institutions, the labour redistribution system and the social security system. With regard to the economy, 'to establish a socialist market economy' replaced the concept of 'socialist commodity economy' which was brought forward during the Third Plenary Session of 12th CPC Central Committee. Concerning the redistribution system, the Decision stipulated that 'individual income distribution shall adhere to the distribution system whereby distribution according to work is

dominant and multiple forms of distribution exist side by side, gives priority to efficiency while taking fairness into account'. In terms of social security, it proposed 'to establish a multi-tier social security system' and 'to implement an insurance system combining social pooled and individual accounts' and these became the main objectives (*People's Daily*, 17-11- 1993).

Pensions

The development of the old age insurance system was pushed forward by three major documents. First, the 'Decision of the Central Committee of the Communist Party of China on Issues Concerning the Establishment of a Socialist Market Economic System' (abbreviated as the Decision hereafter) was passed by the Third Plenary Session of 14th CPC Central Committee in 1993. The Decision stipulated:

The establishment of a multi-layered social security system is of great importance to the deepening of the reform of enterprises and institutions, maintaining social stability and the smooth establishment of a socialist market economic structure. We should unify social security policies and legalize their management. The level of social security should suit the development of China's social productive forces and acceptability to all concerned. Mutual help in society should be encouraged. Commercial insurance will be developed as a supplement to social insurance. (Lieberthal, 1995, p. 430-431)

To 'establish a multi-layered social security system', 'focus on improving enterprise pension system', 'combine social pooling with individual accounts' and 'establish a unified social security administration department' were the main objectives. Meanwhile, the Decision clearly defined China's social security system, 'the social security system includes social insurance, social assistance, social welfare, preferential treatment (the special care and placement system), mutual help and individual savings' (*People's Daily*, 17-11-1993).

Second, in 1995, the State Council issued the ‘Notice Regarding the Deepening of the Reform of the Old Age Insurance System for Employees in Enterprise’, known as the State Council Document No. 6 (1995) (abbreviated as the Notice hereafter) (State Council, 1995). The Notice proposed two operational methods for provincial level governments to choose to integrate unified funds and individual accounts. In short, the fundamental difference between these two models was the extent of the individual accounts. More importantly, there was a transition from the former pay-as-you-go system towards a partial accumulation-based one because of the introduction of individual accounts (Dong and Ye, 2003; Leung, 2003).

The initial aims of providing these two models were to encourage individual contributions and fund accumulation through individual accounts and to pay for existing retirees and those retirees with insufficient years of contribution. However, without clear guidelines and because local governments have the authority to adopt different models with different proportions of pooled funds and individual accounts, regional variations, uneven development and a fragmented pension system all resulted (Leung, 2003; Zheng et al., 2010).

Third, in 1997, based on the experiences of a number of pilot projects, the State Council promulgated the ‘Decision on Establishing a Unified Basic Pension Insurance System for Enterprise Employees’ (abbreviated as the Decision hereafter) (State Council Document No. 26, 1997). This Decision was intended to unify the extent of individual accounts, the source of funds, the contribution rate, operation methods and the calculation of benefits. Meanwhile, the government aimed to gradually increase the individual contribution and decrease the work unit’s contribution.

Table 3.2 Comparison of the Two Methods for Pension Reform

		Method 1	Methods 2
The collection of contributions	Employers' contribution	The contribution rate will be a certain proportion of total payroll	Based on All employees' monthly average wage last year, the contribution rate will be determined by local governments
	Employees' contribution	Based on the employee's monthly average wage last year (60-200% or 300% of local workers' average wage), the contribution rate starts from 3%, then increases 1% every two years, eventually reach 8%	Based on the employee's monthly average wage last year (60-300% of local workers' average wage), the contribution rate will be determined by local governments
Individual Accounts		16% of employee's total wage	All or part of individual contribution, part of employer's contribution plus the interest
Monthly pensions	Requirement	Employees have to contribute at least 15 years or have to be continually in employment for 10 years before the reform	Employees have to contribute at least 10 years
	Calculation and payment	Total amount of individual account / 120	Basic pension: about 20-25% of local average wage Contributory pension: the average indexed monthly earning * contribution years * index (1-1.4%) Individual account: total amount of individual account (regular payment or lump sum payment)
Lump sum pensions		Total amount of individual account	Total amount of individual account plus 2 months' local average wage * years of contribution to basic pension and contributory pension
The remaining of Individual Accounts		Nominated beneficiaries or legal heirs will inherit the amount contributed by employees or retirees in individual accounts when they pass away	Nominated beneficiaries or legal heirs will inherit the amount contributed by employees or retirees in individual accounts when they pass away

Source: State Council, 1995.

It specified that the total contribution to the individual account would be equal to 11 per cent of the employee's monthly salary, individual contributions should all be allocated to the individual account and the rest would come from employer's contribution, with an increase of employee's contributions, the employer's contribution should gradually decrease to 3 per cent. The contribution rate paid by the enterprise was up to the provincial government, but the maximum rate (including contributions to the unified fund and individual accounts) could not exceed 20 per cent of the total wage bill. The employee's contribution rate should not fall below 4 per cent in 1997, and it would increase by 1 per cent every two years and would eventually reach 8 per cent of the employee's payable wage (State Council, 1997).

In addition, in 1998, the State Council issued the 'Circular on Implementing the Pooling of Basic Pension for Enterprise Employees at the Provincial Level and Transferring the Management of Pension Funds to Local Administration' (State Council Document No. 28, 1998). This Circular required the eleven nationally organized trade sectors, for example the Ministry of Railways, the Ministry of Transport and the bank system, to transfer the former trade sector-based pooling of old age insurance to local governments.

Health Insurance

Similar to changes in the old age insurance system, the Decision ('Decision of the Central Committee of the Communist Party of China on Issues Concerning the Establishment of a Socialist Market Economic System') in 1993 stated that 'the contributions to the old age and health insurance should be paid by both employees and their employers, employing a method that combines unified fund with individual accounts' (*People's Daily*, 17-11-1993). Then in 1994, several ministries jointly drew up the 'Opinions on the Pilot Operation of Health Insurance Reform for Employees', later it was approved by the State Council and began to introduce its pilot project in two cities: Zhenjiang in Jiangsu province and Jiujiang in Jiangxi province. The main elements of the reform were, first, to make sure the sources of health insurance funding come from both employers and employees' contributions;

second, to establish a system which social pooling of insurance premiums would be combined with individual accounts; third, medical expenses would be paid by individual accounts first, then the unified fund would cover the rest which the individual accounts could not afford (Zheng et al., 2010).

The pilot programme was soon introduced in other areas, such as Shenzhen city and Hainan Province and three typical models of health insurance schemes were developed, the differences between these three models are in the uses of unified fund and individual accounts. The first one was the 'three paths' mode in which the unified fund covered the higher medical expense and individual accounts covered the smaller medical expense. The second one was the 'combination' mode which providing different methods for different groups of people. The third one was the 'double tracks' mode which the unified fund was responsible for hospitalization expenses but individual accounts were responsible for outpatient expenses (Hu, 2009; Zheng et al., 2010). Drawing on the experiences of pilot projects in Zhenjiang and Jiujiang cities, the State Council began to expand the coverage of the reform, it circulated the 'Opinions on the Expansion of Pilot Projects of Health Insurance Reform for Employees'. The pilot programme was no longer limited in SOEs, but also expanded to other types of corporations (State Council Document No. 16, 1996). Later, in 1998, the State Council officially issued the 'Decision on the Establishment of the Basic Health Insurance System for Employees in Urban Areas' (State Council Document No. 44, 1998). In terms of coverage, the new health insurance covered employees from all kinds of enterprises and corporations in urban areas; in terms of pooling level, the pooling of health insurance fund was at city level, not provincial level; regarding the contribution rate, employers have to contribution 6 per cent of total wage bill and employees have to contribution 2 per cent of monthly salary. The unified fund only contains contributions paid by employers, but the individual accounts include not only employees' contributions but also a proportion of employers' contributions. The Decision also specified the range and percentage of medical expenses that should be paid from individual accounts (State Council Document No. 44, 1998).

'Unemployment Insurance' for Laid-Offs

In 1993, the State Council published the 'Regulations on Job-Waiting Insurance for Employees in SOEs', in the meantime, the previous 'Provisional Regulations' from 1986 were abolished (State Council Document No. 110, 1993). According to the regulations in 1993, there were several amendments compared with the 1986 regulations. First, the coverage of the revised regulations in 1993 was extended to cover seven categories of the unemployed. Second, because the former benefit level was below the local poverty line, it was slightly increased to a point between 120 per cent and 150 per cent of the local poverty line, local authorities could still decide the level by themselves (State Council Document No. 110, 1993). However, the contribution rate, 1 per cent of the total payroll of the participating enterprises, stayed unchanged and employers were still the only contributors. In addition, no matter whether the 1986 or the 1993 regulations, their coverage was both limited to SOEs' employees.

In June 1998, the CPC Central Committee and the State Council issued 'Circular on Guaranteeing the Basic Life of Laid-off Workers of SOEs and Making Arrangements for Their Reemployment'. According to this 'Circular', all SOEs must set up a reemployment service centre for their laid-off workers, in order to guarantee their basic living standards and encourage their reemployment. Policies related to laid-off workers remained effective until the fully establishment of the unemployment compensation programme. The enterprises were not responsible for people who lost their jobs anymore and they were automatically enrolled in the 'job-waiting' insurance schemes (Dong and Ye, 2003).

Work-Related Injury Insurance

The reform of work-injury insurance had started later than the other insurance systems, such as old age and health insurance. The framework of the work-injury insurance system inherited from the 1951 'Labour Insurance Regulations' had been in use for decades until the promulgation of the 'Trial Measures on Work-Related Injury Insurance for Employees

in Enterprises' by the Ministry of Labour in 1996 (abbreviated as the Measures hereafter) (Ministry of Labour Document No. 266, 1996). The Measures stipulated that all enterprises, individual business operators and their employees in China were covered by work injury insurance. The protection scope was extended to cover not only injuries during work, occupational diseases and death or injuries during rescue and relief work, but also work-related traffic accident. Also, the old 'enterprise insurance' system was replaced by the new work injury insurance fund and implemented the social pooling of work injury insurance at city level. In addition, two new functions of work injury insurance were added, work injury prevention and rehabilitation, which changed the situation in the past which work injury had only one function that was work injury compensation. Only employers but not employees are required to contribute.

Rural Areas

The old age insurance in rural areas

After a period of experiment, the Ministry of Civil Affairs issued the 'Basic Guideline on the Old Age Insurance at the County-Level' in 1992, which meant the old age insurance were introduced at the county or township level. The state aimed at building a rural social old age insurance system within counties as the basic protection programmes. China had established a rural pension system that was funded by 'individual contributions, supplemental collective sponsored contributions and governmental policy support' (Wang, 2005, p. 6), and managed by the county level governments. Contributions for the old age insurance funds in rural areas were paid by individuals, subsidised from the collectives and local governments. The state also encouraged parents with only one child to participate in this programme by offering a higher level of collective subsidies (Wang, 2005). Individual contributions accounted for more than 50 per cent of the revenue of social insurance funds and other contributions to the funds were from local governments or from township and village enterprises. When a person reached the retirement age (usually 60 years old), he/she could receive a pension according to the total amount in his/her social insurance account (Zhang and Sun, 2011).

But after 1998, a series of problems has arisen during the development of the rural old age insurance system. For instance, pension funds had been misappropriated, mis-investment and corruption (Zheng et al., 2010). Then the government transferred the work of rural pension schemes from the Ministry of Civil Affairs to the Ministry of Labour and Social Security and tried to restructure the system in 1998 (Wang, 2005). In July 1999, the State Council issued a Notice, which pointed out that it was impossible to implement the old age insurance on a large scale in rural areas due to the absence of certain conditions. The state decided to reform the system, stop accepting new participants, and to encourage some people to participate in commercial insurance programmes (State Council Document No. 14, 1999). Therefore, there was a decline in the proportion of rural residents with the old age insurance and an increase in difficulties in the management of the old age insurance funds due to the institutional and policy changes in this period.

The 'five-guarantees' support scheme

In January 1994, the State Council promulgated the first regulation on the system of Five-Guarantees in rural areas, the 'Regulations Concerning the Work of Providing the Five-Guarantees in Rural Areas' (State Council Document No. 141, 1994). It specified the procedures and operational details for the 'Five-Guarantees' support scheme and stipulated that

Elderly people, disabled people and minors meeting the following conditions in rural areas can enjoy the 'Five-Guarantees' of food, clothing, housing, medicare and burial expenses (plus compulsory education for minors): those who have no legal guardian to provide for them, or whose legal guardians are unable to provide for them; those who have no working ability; and those who have no source of income (*People's Daily*, 07-09-2004).

However, funding had always been a problem because the Regulation required individual villages to cover the major cost of the ‘Five-Guarantees’ programme but most villages did not have enough revenue to support the scheme financially (Zhang and Sun, 2011).

The downturn in the rural cooperative medical system

The state had started to reform the RCMS since the early 1990s. In 1993, according to the ‘Decision of the Central Committee of the Communist Party of China on Issues Concerning the Establishment of a Socialist Market Economic System’, the state decided to redevelop and improve the RCMS. Both the State Council and the Ministry of Health had taken several steps to achieve this goal. For example, in 1994, the State Council Research Department, the Ministry of Health and the World Health Organisation jointly initiated a pilot project and research on the reform of the RCMS in seven provinces and fourteen counties in China (Zhang and Sun, 2011). In addition, in 1997, the Central Committee of the CCP and the State Council stated that ‘the growth rate in public health care expenditure should exceed growth rate in fiscal revenues’ in the ‘Decision of the Central Committee and the State Council on the Reform and Development of Healthcare’ (Central Committee of the CCP Document No. 3, 1997). This ‘Decision’ provided policy assurance from both the central and provincial governments for the expansion of public health services in rural areas. However, although these attempts helped the recovery of RCMS to some extent, the results turned out to be unsatisfactory because of the low participation rate and the limited coverage of the RCMS.

The 2000s: Initial Establishment of a Social Security System

Pensions

Contributions to the unified funds had decreased as individual social insurance accounts had been established. Because of the need to pay for the pension benefits of existing retirees the money in individual accounts of the pension funds has often been used to make current pension payments. The initial aim of establishing individual accounts was to transfer the former pay-as-you-go pension system to a partially accumulation-based system,

but now it seems like a continuation of the pay-as-you-go system as the funds in individual accounts were often used to pay pensions to current retirees (Zheng et al., 2010). Furthermore, according to the World Bank (1997), individual accounts became notional in reality because of the confused administration of individual accounts and their investment returns, and the unified funds.

In 1999, the State Council issued the ‘Temporary Regulations on Collecting Social Insurance Contributions’, which tried to further improve the collection of the contribution and the coverage of social insurance. However, according to Leung (2003), despite the fact that the ‘Temporary Regulations on Collecting Social Insurance Contributions’ has come into force, it still remains difficult to collect social insurance contributions from small enterprises, the self-employed and the SOEs.

In order to solve these problems, the State Council promulgated the ‘Plan for the Pilot Project of Improving Social Security System in Urban Areas’ in 2000 (abbreviated as the Plan hereafter), the central government chose Liaoning Province as the first place to conduct the trial reform, then to explore ways to separate the management and operation of the unified fund from individual accounts of pension schemes (State Council Document No. 42, 2000). Some of the major tasks of the trial reform in Liaoning province, a heavily burdened industrial base in the northeast, were

... to adjust and perfect the current pension insurance system being practiced in urban areas, to speed up the establishment of a basic medicare system for urban employees, to replace the basic living allowance for laid-off workers with unemployment insurance, to improve the minimum standard of living for city residents, to strengthen the pooling and management of social security funds, and to make a social security law as soon as possible. (*People’s Daily*, 09-07-2001)

The reason why the state chose Liaoning as the only place to implement the trial project

might be ‘the situation in Liaoning is typical and representative in China’, said Zhang Zuoji who was the minister of labor and social security in the capital city of Liaoning. According to the *People’s Daily* (2001), ‘Liaoning is home to one tenth of the country’s large and mid-sized SOEs. Two million SOE workers have been laid off in recent years and more than 10% of them are covered by the pension insurance’. ‘The province does have some protruding social security problems derived from its tremendous amount of SOEs, retired and laid-off workers, and financial difficulties’, Zhang said. In the circumstances, ‘if Liaoning succeeds in the experiment, it would be a great boost to the confidence and determination of the central government to establish a nationwide social security system’, said the minister (*People’s Daily*, 09-07- 2001).

The Plan also regulated that the contribution rate of the individual accounts will be decreased to no more than 8 per cent of employee’s wage, instead of previous 11 per cent. Individual accounts will be comprised of employees’ contributions only, employers’ contributions will no longer allocated to individual accounts. In addition, the individual accounts will be administratively separated from social pooling funds, and funds in individual accounts cannot be occupied, no matter under what circumstances. The deposits in individual accounts are all used to purchase government bonds in order to keep and increase its value, and the interest rate cannot be lower than the bank deposit rate over the same period (State Council Document No. 42, 2000).

Since the promotion of a ‘three-pillar’ pension system in 1991, the basic pension system in China has only had one pillar for a very long time. However, in 2000, the state started to encourage both occupational pension schemes and private pension schemes. The Plan (State Council Document No. 42, 2000) stated that ‘qualified enterprises are allowed to build up their own occupational pension schemes for their employees ... meanwhile, to encourage private pension schemes’. Furthermore, the Ministry of Labour and Social Security issued the ‘Trial Measures for Enterprise Annuities’ (Ministry of Labour and Social Security Document No. 20, 2004) and the ‘Trial Measures for the Management of Enterprise Annuities Fund’ in 2004 (Ministry of Labour and Social Security Document No. 23, 2004). These two trial

Measures have defined the occupational pension schemes as Defined Contribution schemes.

Moreover, China decided to set up a National Social Security Foundation and a Foundation Council in 2000, approved by the Communist Party of China (CPC) Central Committee, in order to deal with the long existing problem of low investment returns of social insurance funds and to provide necessary subsidies to local authorities that face difficulties in paying benefits to those who have been laid-off and those who need financial aids (*People's Daily*, 25-09-2000; Zheng et al., 2010). According to *People's Daily* (2000) the move aimed to 'help perfect China's social security system and create a stable social environment for the country's reform and opening-up drive', because China was at a crucial stage of SOE reform at that time.

Regulations on Unemployment Insurance and Regulations on Work-Related Injury Insurance

In January 1999, the State Council promulgated the 'Regulations on Unemployment Insurance' (State Council Document No. 258, 1999), indicating that the unemployment insurance system in China had changed in several ways, compared with the 'Provisional Regulations on Job-waiting Insurance for Employees of SOEs' in 1986. First, the term 'job-waiting insurance' was formally replaced by 'unemployment insurance, and the ideological influence of 'there is no unemployment in China' came to an end. Second, the coverage was extended from SOEs only to include all types of enterprises and public sectors in urban areas. Third, it adjusted the contribution rate: individual employees have to contribute 1 per cent of their wage and employers must contribute 2 per cent of their total payroll. Fourth, the unemployment benefit level has been linked to the local minimum wage and social assistance line, but the regulations only prescribed it to be between these two indexes, without providing a specific number (State Council Document No. 258, 1999). Also, this 'Regulations on Unemployment Insurance' was described as the foundation of current unemployment insurance system.

Because the 'Trial Measures on Work-Related Injury Insurance for Employees in Enterprises'

in 1996 was promulgated by the Ministry of Labour, its legal effects are limited, a number of legal disputes related to work-related injuries cannot be resolved by an authoritative law or regulation. At the same time, employees from some high-risk industries could not be protected because of the limited coverage of work-related injury insurance schemes. Under the circumstances, in 2003, the State Council issued the ‘Regulations on Work-Related Injury Insurance’ (State Council Document No. 375, 2003). According to these, the purpose of enacting the Regulations was to guarantee the workers who are injured from accidents arising from work or who are suffering from occupational diseases to obtain medical care and economic compensation, as well as to promote the work-related injury prevention and occupational rehabilitation from work-related injuries, and to disperse the work-related injury risks for employing entities. The coverage defined by the Regulations was that ‘all types of enterprises, self-employed entrepreneurs which hiring employees inside the territory of the People’s Republic of China should, in accordance with the present regulation, participate in work-related injury insurance schemes and pay work-related injury insurance premiums for all their employees or worker they hired’ (State Council Document No. 375, 2003). Because the State Council represents the highest authority in stimulating regulations and laws, any regulation issued by the State Council is considered as a much more formal document than those issued by Ministries. When there is no law on social insurance, regulations issued by the State Council could play a role as a law in regulating and stipulating provision. So the promulgation of the ‘Regulations on Work-Related Injury Insurance’ increased the legislation level of work-related injury insurance from ministerial level to state level.

Rural Areas

The old age insurance for rural residents

In 2006, a proposal of establishing a social security system for both rural and urban residents was made at the Sixth Plenary Session of the 16th Central Committee of the CPC (*People’s Daily*, 12-10-2006). Later, the Third Plenary Session of the 17th Central Committee of the CPC further pointed out that the state should ‘accelerate the establishment of rural social

security system; the establishment of new rural old age insurance system should in accordance with the principle that contribution comes from individual payments and subsidies from the collective and government' (*People's Daily*, 20-10-2008). In the same year, the Ministry of Labour and Social Security issued the first official document that set the development of rural old age insurance as one of the most important goals of the year. The document encouraged local governments to explore and establish new rural old age insurance programmes that were compatible with the development of local economies. The new rural old age insurance system was funded by contributions from both individuals and local governments. In 2008, the State Council decided to start pilot projects on new rural pension schemes in 2009 (Zhang and Sun, 2011; Zheng et al., 2010).

During the experimental stage of the new rural old age insurance scheme, detailed policies had not yet been set up, policies varied among different regions. Some areas were still using the old fund-raising policy that contributions come from 'payments from the individual, subsidy from the collective and certain supports from the government' as proposed in the Basic Guideline of 1992 (Zhang and Sun, 2011). Until 2009, the central government began to actively accelerate the establishment of the new rural old age insurance. In September 2009, the State Council issued the 'Guidance of Launching the Trial Project of the New Rural Old Age Insurance' (State Council Document No. 32, 2009). The objective set in the 'Guidance' was to cover about 10 per cent of the counties in China, then expand to cover 23 per cent in 2010 (State Council Document No. 32, 2009).

According to Zhang and Sun (2011), there were three types of pilot projects during the trial period. The first type was the individual account only model. Contributions made by individuals, subsidies from the collective and supports from local governments would be directly contributed into the individual accounts. The benefit level was calculated based on the total contributions accumulated in the individual accounts. The second type was similar to the urban pension insurance system. Social insurance funds came from individuals' contributions, subsidies from the collective and supports from local governments. Both individuals' contributions and collective subsidies were contributed into the individual

accounts, but local governments' supports were contributed into the social pooling fund. The pension one could receive came from both the individual account and the social pooling fund. A basic pension was added to the third type. Contributions made by individuals, subsidies from the collective and the government were all contributed into the individual accounts. The total pension one could receive was the basic pension directly provided by the government plus pensions calculated based on the total contributions in the individual account. The third type was the most popular rural old age insurance scheme at that time (Zhang and Sun, 2011).

Social insurance, especially pensions, for migrant workers was also being discussed and gradually developed during this period, for instance, there were three prototypes of pension scheme for migrant workers and the 'Measures for Rural-Urban Migrant Workers to Participate Old Age Insurance Schemes (draft for comment)' issued by the Ministry of Human Resources and Social Security in 2009 (*People's Daily*, 11-02-2009) (this is discussed in detail in the next chapter).

The new cooperative medical system

In October 2002, the Central Committee of the Chinese Communist Party and the State Council issued the 'Decision of the Central Committee and the State Council on Further Strengthening the Rural Medical System' and decided to gradually set up a new rural cooperative medical system from the year of 2003, but it required all provinces, autonomous regions and municipalities to choose several counties to launch trial projects first and then to scale up gradually (Central Committee of the CCP Document No. 13, 2002). In 2003, the State Council General Office assigned the Ministry of Health, the Ministry of Finance and the Ministry of Agriculture to establish a new cooperative medical system (NCMS). The plan aimed to ensure all rural residents were covered by the NCMS by 2010. The NCMS was funded not only by individuals, but also local governments and the central government, and it was managed by county level governments. In terms of benefit levels, individual contributions should be at least 10 RMB per year (it was increased to 20 RMB in 2006). The state encouraged local governments in more developed areas to subsidise the local NCMS

more. In addition, county level governments were responsible for making detailed policies for local NCMS. Moreover, the state required local finance bureaus to subsidise no less than 10 RMB per capita per year in order to attract individuals to participate in the NCMS. Even the Ministry of Finance would also need to subsidise the NCMS in the central and western areas (an annual subsidy of 10 RMB per participant) (General office of the State Council Document No. 3, 2003).

In 2006, the Ministry of Health and the National Development and Reform Commission jointly issued the ‘Circular on Accelerating the Development of NCMS Pilot Projects’, in order to increase the government’s financial support to the RCMS. Also, the Ministry of Finance raised its annual subsidies to the participants of the NCMS from 10 RMB to 20 RMB. Moreover, local governments also increased their annual subsidies by 10 RMB per participant (Ministry of Health and Ministry of Agriculture Document No. 13, 2006). The ‘Circular’ emphasised that additional local subsidies should be financed by provincial finance departments in order to reduce the fiscal burden of lower level governments.

Further reforms of the ‘five-guarantees’ support scheme

In 2004, the Ministry of Civil Affairs, the Ministry of Finance and the National Development and Reform Commission jointly issued the ‘Circular on Improving the Practice of the Five-Guarantee Support Scheme’ (Ministry of Civil Affairs Document No. 145, 2004). The ‘Circular’ required village level governments to allocate certain amounts of funds from the local revenues to subsidise the ‘Five-Guarantees’ support scheme. If a government encountered financial difficulties, the higher level governments should provide appropriate assistance. However, there was a considerable reduction of local revenues due to the abolishment agricultural taxes in 2006, moreover, villages were prohibited from collecting fees from rural residents after the tax reform in 2004. Therefore, the funds used to finance the ‘Five-Guarantees’ scheme was decreased remarkably, the problem of how to make sure there were sufficient financial resources for the Five-Guarantees scheme has worsened, and the

burden had been shifted to governments at the county and provincial level (Ministry of Civil Affairs Document No. 145, 2004).

In 2006, the State Council issued the revised ‘Regulations on Rural Five-Guarantees Support Scheme (amendment)’ (Abbreviated as new Regulations hereafter) (State Council Document No. 456, 2006). The new Regulations stipulated that funding for the ‘Five-Guarantees’ scheme should be included in the local governments’ fiscal budgets. Funding could come from the operational incomes of rural collectives if applicable. Also, the Ministry of Finance would provide subsidies to areas with fiscal difficulties. It also stipulated that the benefit levels for the ‘Five-Guarantees’ scheme should not be lower than the average local living standards and should be compatible the increase in local living standards. In addition, the Ministry of Civil Affairs urged local governments to explore and develop a new ‘Five-Guarantees’ support scheme (State Council Document No. 456, 2006).

The Minimum Living Standard Guarantee System for Both Urban and Rural Residents

Before the establishment of the Minimum Living Standard Guarantee System, social assistance in China only consisted of a couple of programmes aimed to deal with disasters and certain groups of people, and ‘three nos’ (those with no source of income, no capacity to work and no family support) for urban residents and ‘Five-Guarantees’ for rural residents (Dong, 2008; Leung, 2003).

China’s Minimum Living Standard Guarantee System was originally started in urban areas. As discussed earlier, one key element of the economic reforms, particularly the SOE reform, was to encourage diverse forms of enterprise ownership to compete with SOEs. The proportion of GDP produced by the non-state-owned enterprises in the industrial and service sectors increased dramatically from zero to more than 50 per cent in the past decades (Zhang and Sun, 2011). On the one hand, the development of the non-state enterprises contributed hugely to the economic growth and provided enormous employment opportunities; on the other hand, it posed fierce competition to the SOEs. The state introduced a programme to

reform and restructure the SOEs in 1996 in order to provide new impetus to them. The main purpose of the SOE reforms was to transfer most welfare and public service obligations, such as pension, healthcare and housing, from the enterprises to individuals.

On the one hand, these SOEs reforms had eliminated the work-unit-based lifetime welfare system for employees, and had offered a certain level of flexibility for employees to choose jobs and achieve career success. Workers' wages were determined by the force of the market and this was more consistent with their abilities. On the other hand, these reforms and fierce competition from the non-state-owned enterprises had led to massive economic losses of SOEs and collective-owned enterprises and the 'laid-off' of a large number of workers. In addition, unemployment had become a major social problem since then. Because the absence of a well-developed social safety net, liberalisation of the welfare system may have made some social groups more vulnerable to social risks. In consequence, in the 1990s, the income inequality and poverty in urban areas increased largely (Fang et al., 2002; Leung, 2003).

In order to help the new vulnerable groups and alleviate poverty in urban areas, the government began to build up a Minimum Living Standard Guarantee System for urban residents in 1993, and Shanghai was the one who first conducted a trial programme (Zheng et al., 2010). Later, in 1997, the State Council promulgated the 'Circular on the Establishment of a National Minimum Living Standard Guarantee System for Urban Residents', it stipulated that all cities should establish the system by the end of 1998 and all counties should implement the system by the end of 1999. However, it was only available for urban residents (State Council Document No. 29, 1997). In 1999, the Minimum Living Standard Guarantee System for urban residents was formally established because the 'Regulations on the Minimum Living Standard Guarantee' was issued by the State Council (State Council Document No. 271, 1999). The Minimum Living Standard Guarantee was a means-tested programme and only persons with urban Hukou status could receive the benefits. The benefit levels were calculated based on the minimum standard of living which comes from surveys of low income households and local authority's financial capacity. Also, the Regulation stipulated that the minimum standard of living should in accordance with the local standards

of living costs that would merely cover basic food, clothing and housing costs, the expenses of fuel, rental, medical care and tuition fees should also be taken into account (State Council Document No. 271, 1999; Leung and Wong, 1999; Leung, 2003). Leung (2005: p. 65) argues that the Minimum Living Standard Guarantee System is ‘an attempt to fill the gap between the inadequacy of the social insurance programmes and the falling ability of families to provide support’.

For rural areas, in 1996, the Ministry of Civil Affairs issued the ‘Suggestions on Accelerating the Development of Rural Social Security System’, which stated that wherever the rural social security system is developed, attentions should always be paid to the improvement of the minimum living standard guarantee system and, if necessary, the standards could be set up at a low level (Ministry of Civil Affairs Document No. 28, 1996). Nevertheless, the exemption of agricultural taxation in 2006 greatly reduced the resources of local funding for the Rural Minimum Living Standard Guarantee System. In 2007, the State Council issued the ‘Circular on Establishing a National Rural Minimum Living Standard Guarantee System’, aimed to set up a nationwide Minimum Living Standard Guarantee system that covers both urban and rural residents (State Council Document No. 19, 2007). In August 2007, the Ministry of Finance and the Ministry of Civil Affairs jointly issued the ‘Notice Related to the Subsidies of Rural Minimum Living Standard Guarantee’, the Notice decided to subsidise the rural minimum living standard guarantee system with an amount of 30 hundred million yuan in order to help areas with financial difficulties to set up and improve the system (Ministry of Finance Document No. 102, 2007). Since then, the Rural Minimum Living Standard Guarantee System was finally established.

The Social Insurance Law 2010: A New Phase of Social Insurance in China?

In 2010 the Social Insurance Law of the People’s Republic of China (Law) was passed by the Standing Committee of the National People’s Congress, and was fully enacted on 1 July 2011 (Order of the President of the Peoples Republic of China No. 35, 2010). Its establishment means that China finally has its first comprehensive law on social security after decades of

exploring and developing. The aim of establishing a comprehensive social insurance system is, as stated in the second article of the Social Insurance Law, ‘the State establishes social insurance institutions such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance in order to protect its citizens have the right to receive material assistance from the State and the society in accordance with the law in the case of old age, sickness, work injury, unemployment and birth giving’ (Order of the President of the Peoples Republic of China No. 35, 2010). The Social Insurance Law is administered by the Ministry of Human Resources and Social Security and covers five types of social insurances, including the old age insurance, health insurance, unemployment insurance, work-related injury insurance and maternity insurance. However, the housing fund, although it is considered as the sixth type of social insurance by most employees, is administered by the Ministry of Housing and Urban-Rural Development and is not covered by the Social Insurance Law.

The Social Insurance Law 2010 aims to consolidate existing rules and regulations under a standardised and unified national social security framework. Some specific implementation details, such as the minimum contribution period required for receiving pension and unemployment benefits, were set up, as well as details of the new rural old age insurance and the new cooperative medical system. Also, in the article 95 of the law, it stipulated that rural-urban migrant workers should also participate in social insurance programmes according to the law (Order of the President of the Peoples Republic of China No. 35, 2010). However, the Law is flawed in several aspects, and experienced several difficulties during the implementation stage (*China Labour Bulletin*, 08-08-2012). First, compared with the specific implementation details that are already established in the Social Insurance Law, most of the implementation details were left for future regulations to clarify, sentences such as ‘specific regulations should be stimulated by the State Council’ repeatedly appeared in the law. In other words, ‘the Social Insurance Law functions more as a statement of broad principles’ (*China Labour Bulletin*, 08-08-2012). Second, the law repeatedly affirms the portability of the social insurance accounts and benefits (social insurance benefits remain with workers if they work at different places), but the reality is that it is difficult to comply with this principle in practice

due to many obstacles, such as difference institutional arrangement of social insurance management in different provinces. Third, the enforcement of the law in general remains very relaxed, and this results in the exclusion of many migrant workers from the social security benefits they are legally entitled to.

Since the 18th National Congress of the Communist Party of China in 2012, improving and strengthening the social security system has become one of the main objectives of the state's development strategies. It was stated in the Report of Work on the Government 2013 that the state

should improve the social security system should continue to follow the policy of making coverage universal, ensuring basic care, and providing multi-tiered and sustainable social security..... expand the coverage of social security, turn over the overall management of social security accounts to higher-level authorities, raise social security benefits, improve and coordinate all social security programs, make social security more equitable and sustainable, and facilitate the smooth transfer of social security accounts between localities (State Council, 2013)

Also, in the report of the 19th National Congress of the Communist Party of China in 2017, it stated that

Strengthening the social security system we will act on the policy requirements to help those most in need, to build a tightly woven safety net, and to build the necessary institutions, as we work to develop a sustainable multi-tiered social security system that covers the entire population in both urban and rural areas, with clearly defined rights and responsibilities, and support that hits the right level. We will work to see that everyone has access to social security. We will improve the basic pension schemes for urban employees and for rural and non-working urban residents, and quickly bring

pension schemes under national unified management. We will improve the unified systems of basic medical insurance and serious disease insurance for rural and non-working urban residents, and improve unemployment insurance and work-related injury insurance. We will establish a unified national platform for social security public services (19th National Congress of the Communist Party of China, 2017).

Then the state promulgated several regulations and made the first step to unify the social insurance system. In 2014, the ‘Opinions of the State Council on Establishing a Unified Basic Pension System for Urban and Rural Residents’ was issued, it combined the social insurance schemes for urban non-working residents with social insurance programmes for rural residents, and it clarified a unified standard of contribution rates, benefit levels, fund and information management for both urban and rural residents (State Council Document No. 8, 2014). Later in 2016, the State Council published the ‘Opinions of the State Council on Integrating the Health Insurance System for Urban and Rural Residents’ and it indicates the beginning of the integration of health insurance for urban residents and the new cooperative medical system.

Moreover, two regulations issued by the Ministry of Human Resources and Social Security aim to solve the difficulty of transferring social insurance accounts. The ‘Implementation of the Interim Measures for the Transfer between Pension Insurance Systems for Urban Employees and Rural Residents’ (Ministry of Human Resources and Social Security Document No. 17, 2014) stated that under some certain conditions, urban employees can transfer their social insurance account from social insurance schemes for urban employees to social insurance schemes for rural residents or the opposite. Also, the ‘Notice of the Ministry of Human Resources and Social Security on Several Issues Concerning the Transfer and Continuation of the Basic Pension Insurance of Urban Employees’ (Ministry of Human Resources and Social Security Document No. 5, 2016) clarified the benefit levels for those urban employees when they transferring from one province to another.

In addition, the state has reduced the contribution rates for unemployment insurance, work-related injuries insurance and maternity insurance in order to attract people to participate in social insurance schemes and increase the coverage. The government also keeps emphasising the importance of a balanced ‘three-pillars’ pension system and encouraging employers to build up a comprehensive occupational pension schemes for their employees, as well as personal pension savings. All the evidence shows that ‘sustainable, multi-tiered, full coverage and unified’ will be the key guideline for the future development of social security system in China.

Conclusion

This chapter summarised the development of social insurance in China and the main policy changes related to social insurance since 1949. By reviewing the laws, regulations and other government documents, this chapter has divided the development of China’s social insurance system after the foundation of the People’s Republic of China into five periods. China’s social insurance reform always came after economic reform. At the beginning, social insurance was introduced as labour insurance for SOEs workers. With the introduction of socialist market economy and the reform of SOEs, the set up of individual accounts was encouraged by the state and it gradually replaced social pooling. Since then, the ‘from cradle to grave’ welfare system no longer existed and a social security system was gradually established. However, it is clear that each period contained two social insurance systems, one for urban areas and the other for rural areas. Social insurance in urban areas is much more comprehensive than social insurance in rural areas (Figure 3.1).

In urban areas, the social insurance system eventually developed into a system consisting of five schemes, including old age insurance, health insurance, unemployment insurance, work-related injuries insurance and maternity insurance. In the first period, 1949-1978, social insurance was called ‘labour insurance’, and there was no unemployment insurance for workers as there was impossible to become unemployed in the planned economy era. But ‘labour insurance’ was separated into two different systems, the protection for government

officials was different from the protection for SOEs workers. For example, as shown in Table 3.1, the source of funds for GIS came from fiscal budget but SOEs could only provide social protection for their workers at their own welfare expense.

Table 3. 3 The Administration of Social Insurance

Time/Period	Pooling Level	Administration Authority
1949 - 1968	National	All-China Federation of Trade Unions: labour insurance for enterprise workers Ministry of the Interior (Predecessor of the Ministry of Civil Affairs): labour insurance for government officials Ministry of Health: Rural Cooperative Medical system
1969 - 1977	Work-Unit/Enterprise	Work-units and enterprises were responsible for the administration and delivery of social insurance because most of the administration authorities were abolished during the Culture Revolution. Ministry of Health: Rural Cooperative Medical system
1978 - the late 1990s	Industrial Level City/County Level	Decentralised Ministry of Labour: social insurance for enterprise employees Ministry of Personnel: social insurance for government officials Ministry of Civil Affairs: social insurance for rural resident (mainly pension) Ministry of Health: free medical service for government officials and rural cooperative medical system The People's Insurance Company of China (PICC): pension for collective enterprise employees 11 Industries (including railway, electricity, aviation, and petrol and natural gas) could have its own management for social insurance funds and benefits
The 2000s - present	Provincial Level	Centralised Ministry of Human Resources and Social Security: it is the only administration authority for social insurance But the Ministry of Health is still responsible for the new rural cooperative medical system

Source: Hu (2009).

Such work-unit-based insurance pooling system began to disintegrate under the new economic reforms since 1978, social pooling as a method of collecting funds for social insurance was brought forward to solve the problem. Employees were required to contribute to the pool for the purpose of replacing the old method which the enterprise or the state was the only contributor.

In this period, the system was still separated into two different sub-systems, one for government officials and one for other workers. Unemployment insurance was first introduced at this time as laid-off workers became a major issue in SOEs. But the full name for this type of insurance was called ‘unemployment insurance for people who are waiting for employment’ or ‘job-waiting insurance’. From 1992 to 1998, to establish a multi-layered social security system’, ‘combine social pooling with individual accounts’ and ‘establish a unified social security administration department’ were the main objectives of the state in this period. Because of the introduction of individual accounts, social insurance system experienced a transition from the former pay-as-you-go system towards a partial accumulation-based system.

However, because of the administration and management of social insurance funds were not set up clearly by the state, the social insurance system seemed like a continuation of the pay-as-you-go system after the introduction of individual accounts. In order to solve this problem, the state promulgated several regulations for the purpose of separating the management and operation of the unified fund from individual accounts of social insurance schemes. The state also raised the pooling level of social insurance funds from industrial level or city/county level to provincial level (as shown in Table 3.3).

In rural areas, residents could only benefit from two social protection schemes, the ‘Five Guarantees’ and rural cooperative medical service system. The ‘Five Guarantees’ programmes provided a regular supply of food, clothing, housing and medical care for those who could not receive any family support. The source of finance mainly came from cooperative public funds but the benefit level was very low. Under the system of rural cooperative medical service

system, health clinics were built by the agricultural production cooperatives and rural residents, residents could receive free medical service by paying only a small amount of health care fee in voluntary. The health care fees together with subsidies from the cooperative were the source of fund, and doctors' salaries came from the fund. During the opening-up period, because of the economic reform and the introduction of the Hukou system, the collective system in rural areas started to collapse, as a result, both the 'Five Guarantees' and the cooperative medical service system were affected. But the state launched several pilot projects of rural pension schemes in this period indicated the initial establishment of a rural pension system.

In the 1990s, the state officially set up a rural pension system which was mainly funded by individual contributions, subsidies from collectives and local governments. But due to poor management of pension funds, institutional and policy changes, the development of rural pension schemes had experienced a decline in the number of participants and an increase in difficulties in the operation. The problem of insufficient funds for the 'Five Guarantee' and the cooperative medical system in rural areas caused by the collapse of collective system became much more serious. In the 2000s, the financing of the rural pension schemes were still unclear, under the guideline of the state, local governments implemented several pilot programmes with different fund-raising methods. In this period, a new cooperative medical system which was funded by not only individuals, but also local governments and the central government replaced the old rural medical system.

After 2010, although the social insurance law was published and the state stipulated a number of regulations, laws and policies to reform and unify the social insurance system, many difficulties and problems were exposed when these policies and reforms were implemented. This chapter helps us to understand the structure, development and policy changes of social insurance system in China. Based on this background, Chapter 4 will explore the principles underling China's current social insurance system and the problems it faces.

CHAPTER 4

SOCIAL INSURANCE IN CHINA: PRINCIPLES AND PROBLEMS

Introduction

This chapter explores possible path dependencies in institutional arrangements, policy preferences and social insurance provisions. First, despite economic discontinuity caused by the significant economic reform since 1978, political continuity is always recognised. In China, the importance of the role of the state cannot be ignored. Second, after the reform of SOEs, large-sized SOEs are still remaining. These enterprises either have a vital impact on the national economic lifeline and state security or have involved industries related to the construction of public infrastructures and natural resources such as railways, electricity and water. Even though these SOEs are running on a deficit basis. Third, there is the inconsistent administration system of social security programmes, as shown in Table 4.1. Fourth, there are two main institutional divides in China's social insurance system, one is the split between urban and rural areas, while the other is the divide within urban residents, between employees in governments, public services institutions and those in other sectors. The services and benefits they receive are at different levels. Fifth, 'family' and 'community' still play an important role in China's current welfare system.

Although the social security system has experienced significant development since the 1970s, the current system still has several problems and shortcomings. This chapter discusses some of the main problems of current social insurance system in China, including low participation rate, coverage and benefit level; a decentralised system; fragmentation; limited portability; regional disparities and gender differences.

Path Dependency

In Chapter 3 the development of China's social security system and its reforms were discussed according to different time periods. Since the introduction of the market economy

reforms in 1978, China has experienced several challenges including significant changes in economic structures, ageing population, globalisation and changes in family structures, both in urban and rural areas (World Bank, 2013; Gao et al., 2013; Williamson and Deitelbaum, 2005; Khan and Riskin, 2005; Saunders and Shang, 2001). In order to catch up with the accelerating economic development, the state began to pay attention to social security reforms.

The following points (Table 4.1) can be used to highlight the major features of social security system in the pre-1978 and post-1978 periods (Chen, 2003; White, 1998). In the pre-1978 era, the underlying principles of social security were equity (mainly within the group of priority employees) and social stability. In the post-1978 period, the economic reform and reforms to the social security system initially focused on efficiency and political stability, but when inequality and poverty became more serious, social justice and equality were brought onto the agenda (Saunders and Shang, 2001).

Table 4. 1 Features of Social Security in Pre-1978 and Post-1978 Periods

Pre-1978	Post-1978
<ul style="list-style-type: none"> • SOEs/Work units were responsible for all kinds of benefits (mainly social insurance-type benefits) to their employees. • Rural residents relied on the commune system. 	<ul style="list-style-type: none"> • Tripartite contributions, combination of social risk-pooling and individual account. • Pension schemes for rural residents, household responsibility system, still heavily relied on the community and family.
<ul style="list-style-type: none"> • ‘From cradle to grave’ welfare system for employees in SOEs, including pension, free medical treatment, allowances, subsidies and on-site facilities. • Rural residents literally enjoyed no welfare, only a few social relief programmes. 	<ul style="list-style-type: none"> • Social insurance for urban employees and social assistance for ‘three-nos’ in urban areas. • Pension, NCMS and ‘five guarantees’.
<ul style="list-style-type: none"> • Work units were the actual management and financing departments. 	<ul style="list-style-type: none"> • Different Ministries were responsible for different programmes until the establishment of the Ministry of Human Resources and Social Security.

Sources: Chen, 2003 and White, 1998.

On the surface, it is easy to identify several major departures and discontinuities from the past in China, as illustrated in Table 4.1. However, beneath the surface, continuities, path dependencies in institutional arrangements, policy preference and provisions do also exist (Ngok and Huang, 2014; Zhu and Zou, 2006; Williamson and Deitelbaum, 2005; Solinger, 2005; Chen, 2003; Saunders and Shang, 2001; Nee and Matthews, 1996).

First, after the introduction of the market economy reform, the socialist ideologies of ‘from each according to his ability, to each according to his needs’ (Marx, 2008) and ‘eating from the same big pot’ in the pre-1978 planned economy period were replaced by the so-called ‘socialist market economy’ idea that allows market norms of profit and competition, and encourages ‘distribution according to one’s work’. With the market economy reform, the economic, industry and social structure have changed a great deal. The diverse forms of ownership soon altered the market structure which was originally dominated by SOEs. The number of traditional state-owned and collective enterprises declined dramatically, whereas the number of other forms of enterprises gradually increased year by year. Employees working in the state-owned economy reduced by 0.8 per cent per year, from the 74.51 million in 1978, and accounted for 78.4 per cent of the economically active population in urban areas, to 61.48 million in 2007, which was 53.8 per cent of the economically active population in urban areas. However, the number of people who worked in other types of ownership increased significantly from 0.37 million in 1984, (0.3 per cent of the economically active population in urban areas), to 45.95 million in 2007, (40.2 per cent of the economically active population in urban areas) (China Labour Statistical Year Book, 2008). Also, the employment rate in the first industry was decreased but the employment rate in the second and third industries rose increasingly (National Statistical Year Book, 2013). Furthermore, with the acceleration of the Chinese industrialisation process and the rapid growth of urbanisation in China, millions of rural residents were migrating into urban areas to find jobs, and they are described as a ‘floating population’ (the migration issue will be discussed in more detail in the next chapter). The structure of rural and urban population has changed dramatically, the proportion of rural to urban residents changed from 81.6 to 19.4 in 1980 to 54.3 to 45.7 (Saunders and Shang, 2001; Hu, 2009).

However, despite this economic discontinuity, political continuity is observed. According to White (1998), the economic reform was always accompanied by a series of significant political reforms which broke the path of one-party Leninist politics in the post-socialist states of Eastern Europe and the former Soviet Union. But China has been following a different pathway compared with those countries. China's radical market economy reform has not been accompanied by any reform aiming to change the political system and institutional structure. He also pointed out two ambiguous consequences for welfare reform if the one-party regime in China continues. One of them is that if China attempts to introduce changes and reforms in more depth and increases the pace of change, the continuity of the one-party regime would have severe negative influences and limits on implementing the future reforms. For example, the remaining formidable power of the previous administrative agencies and the role of new institutions, such as private insurance companies and NGOs, has not been recognised or been allowed to operate in a larger and more effective way.

Second, there were reforms of enterprise ownership and the SOEs (Saunders and Shang, 2001). These reforms required enterprises to take full responsibility for their own profits and losses, to practice independent accounting and to operate under 'hard budget constraints' (Dong, 2003; Zhou and Zhang, 2017). The traditional relationship between the state and work-unit-based 'from cradle to grave' social security system (the 'danwei' system) was thus collapsed. It also altered the relationship between the state and SOEs. Before the economic reforms, any profits and losses produced by SOEs was a burden on the state, and the welfare benefits expenditures could be calculated as part of the cost of production, but now each enterprise became fully responsible for their own insurance outlays. Furthermore, because of the competition from other types of enterprises, a number of SOEs and collective enterprises were privatised and a large number of employees became 'unemployed' ('laid-off' workers).

Nevertheless, are these SOEs really separate from the state? Especially given the fact that the reform of SOEs is the most important part of China's overall economic and social reforms. But, confronted with increasing market competition, the fact of the matter is that a large number of SOEs are still running on a deficit basis. It has been indicated that, between 1992

and 1996, the percentage of SOEs running on a deficit basis increased by 24 percentage points, from 26 to 50 per cent (Chow et al., 2001). It seems that the ownership reform was not able to solve the increasingly serious problems that SOEs experienced, including loss of assets, falsification of accounts, and fabrication of financial data and low efficiency (Liu and Liu, 2013). After the reform of SOEs, the remaining ones are mainly large-sized SOEs that have a vital impact on the national economic lifeline and state security and SOEs in fields such as important infrastructures and natural resources. The state would not allow them to become bankrupt, so it has often tended to take care of these enterprises. A combination of low-interest loans and subsidies have been provided to help these companies fill their budget deficits. However, such practices have further slowed down the development of the Chinese money market as these financial burdens have been transferred eventually to national banks (Chen, 2003) and impeded the formation of a proper environment for developing private insurance since the state has introduced a three-tier pension scheme followed the World Bank's suggestion (Zhu and Zou, 2006; World Bank, 1994).

Moreover, although a number of former employees who used to work in the SOEs are being 'laid-off', they are not literally unemployed. They are still attached to their former employers. To be more precise: the work units still keep their work registration records within the enterprises' human resources department as they can go on receiving various kinds of allowances and benefits. They are not required to register as unemployed, and that is why the real unemployment rate in China estimated by international organisations or other researchers was higher than the rate provided by the Chinese statistical department (World Bank, 1994; Li et al., 2001; Li et al., 2000). Although the benefits laid-off workers can receive are at a relatively low level compared to their situation when they were still in employment, their historically privileged position as former employees in SOEs offers them better treatment than other unemployed people (Sanders and Shang, 2001). They benefit from a range of special services and measures designed for laid-off workers only in order to assist them overcoming the difficulties in the transition from an enterprise-based welfare system to a state-run system. Measures including the establishment of nationwide Re-employment Service Centres which was financed by the state, their former employers and the unemployment insurance fund.

Services such as vocational training, job placement and employment services were designed to help laid-off workers find a new job (Ministry of Labour and Social Security, 1999).

Laid-off SOE workers are not only eligible for services provided in Re-employment Service Centres, but also can receive a certain amount of subsidy for up to 3 years as long as they are still not being re-employed. But after 3 years, they are transferred to unemployment insurance and are eligible to receive unemployment benefits for up to a further 2 years if they are still unemployed. If workers are still unable to find a job after 5 years, they will be transferred to means-tested income support benefits if his family income is below the local minimum living standard line (Sanders and Shang, 2001). Unlike the laid-off workers, unemployment insurance provision is more restricted for regular unemployed people. Only those who have contributed for at least 10 years are eligible to receive up to 2 years' benefits, whereas those who have contributed between 5 and 10 years can receive benefits for up to 18 months and those who have contributed between 1 year and 5 years are only able to receive unemployment benefits for up to 12 months (Social Insurance Law, Article 46, 2010).

Third, there is the inconsistent administration system of social security programmes in China (Zhu and Zou, 2006; Solinger, 2005; White, 1998). As shown on Table 3.1 in Chapter 3, between 1949 and 1968, the 'labour insurance' was pooled and supervised at national level, The All-China Federation of Trade Unions was responsible for labour insurance for enterprise workers, the Ministry of the Interior (Predecessor of the Ministry of Civil Affairs) was in charge of labour insurance for government officials and the Ministry of Health was responsible for the Rural Cooperative Medical system. But later, in the period of 1969 to 1977, the welfare system became enterprise-based, work-units and enterprises were responsible for both the administration and delivery of social insurance because most of the administration authorities were abolished during the Culture Revolution, and this situation lasted for years afterwards. But the Rural Cooperative Medical system was still the responsibility of the Ministry of Health.

In the post-reform period, especially between 1978 and the early 2000s, different social security programmes were administered by different Ministries in China. All social insurance programmes such as the old age, health, unemployment, work-related injury, maternity insurance for enterprise employees were in the supervision of the Ministry of Labour and social insurance programmes for government officials were in the supervision of the Ministry of Personnel. Meanwhile, the Ministry of Civil Affairs was the administrative authority for social insurance programmes, mainly pension schemes, targeting rural residents and the Minimum Living Standard schemes both in urban and rural area. The role of the Ministry of Health remained almost unchanged, and it played the core role in the regulation of free medical services for government officials and the new type of rural cooperative medical system, which has been in trial in many counties since 2003. The People's Insurance Company of China (PICC) was responsible for the management of pensions for collective enterprise employees. Furthermore, some enterprises in national industries could have their own management for social insurance funds and benefits (Wang, 2001). These industries include railway, coal mining, water conservancy, civil aviation, banking, ferrous metals, electric power, transportation, construction, petrol and gas, and postal service (Zhu and Zou, 2006).

The situation of inconsistent administration was reformed after the Ministry of Human Resources and Social Security was founded in 2008: the social insurance programmes, no matter whether they target urban or rural residents, civil servants or enterprise employees, have all been uniformly administered under the regulation of this Ministry. Also the state aims to raise the pooling level from city or county level to provincial level. The regulation of the new rural cooperative medical system still belongs to the Ministry of Health. However, according to Li et al. (2005), the social insurance funds contributed by local enterprises and employees were managed by more than 2,000 local social security bureau and could not integrated into a national fund. Only provinces that have the competency and fulfill the requirements have successfully raised the pooling level of the old age insurance to the provincial level, whereas most of the social insurance funds have only been pooled at city or county level.

Furthermore, the roles and responsibilities of different tiers of government are still unclear (Saunders and Shang, 2001). Policy design and development are major roles of the central government, but the regional governments, usually at the provincial level, play the main roles of delivering the benefits, collecting contributions, managing funds and administration of most social security programmes. Under such a division of responsibility between the local and central government, the extent of implementation and delivery of policies may diverge from the goals of policy makers, meanwhile the central government may become too far removed from what is happening ‘on the ground’ (Saunders and Shang, 2001, p. 286).

Fourth, the social security system in China is dualistic because it is split between the urban and rural areas and within the urban areas (Saunders and Shang, 2001). The first split is the difference between dominant principles and welfare arrangements for the rural and urban residents. For the urban population, the state has implemented a relatively comprehensive social security system including social insurance and social assistance, whereas, under the household responsibility system, the rural residents have to rely on their family, relatives or local community to receive financial support when misfortunes happened to them, no matter whether those contingencies are market-related or non-market-related, the state only takes residual responsibility for them (White 1998). According to Chen (1994), the ‘Five Guarantees’ programmes in rural areas, major element of the community-based social assistance system, played an important role in providing services for the most vulnerable groups. Moreover, the Hukou system that designed to prevent large population movements between rural and urban areas also reinforced the split between these two areas.

The second institutional divide is within the urban residents, between employees in the ‘danwei’ or ‘work unit’ system, such as governments, public institutions, SOEs and collectively owned enterprises, and employees outside these sectors, such as privately employed persons (White, 1998; Chen, 2003; Saunders and Shang, 2001). Employees in the public sector were able to receive comprehensive social insurance coverage provided by the state or enterprises, and they were well protected by the state because of the close relationship between the ‘work units’ and the state (White and Shang, 1997). However, these ‘work units’

had to bear extremely heavy responsibility for providing comprehensive benefits to their employees.

In contrast, workers in the non-state-owned sectors could only depend on themselves, and seek support and assistance from their families and the market. Social assistance provided by the state was the only form of social security and only the most vulnerable groups (such as the 'three-nos' and extremely poor households) were eligible for it. The benefit level of the social assistance system at that time was set at a very low level, and one must satisfy a strict means test in order to qualify. According to Chen (1994) it was often considered as the subject of social stigma. Therefore, the social security system before the economic reform indicated the structure of the economic, industrial and public sectors in both rural and urban areas in China (Saunders and Shang, 2001). In urban areas, the full employment policy, the work-unit-based lifetime employment and welfare system, the comprehensive work-related social insurance system and the guaranteed low-price food supply formed the social security system.

In the post-reform period, it becomes increasingly improper to separate the social security system into two parts, and free movement of resources and a high level of labour mobility are necessary for the development of the society. According to Saunders and Shang (2001) the divisions between rural and urban areas caused by the Hukou system and the household responsibility system in rural areas have gradually disassembled because of the increasing number of rural-urban migrants who live a marginal life in the fringe of the cities.

Fifth, the functions of 'family' and 'community' are still much emphasised (White, 1998). The Confucian ideology is emphasised by the central government and has led to a growing stress on the Chinese 'traditional' customs of family support. It considers families as the dominant suppliers of welfare services. One of the main reasons for such an emphasis is to free government from the increasing costs of offering social services. This can also be seen from the imbalance between the two welfare systems of social insurance and social assistance (Saunders and Shang, 2001; White, 1998). High priority was given to social insurance programmes since the introduction of the 'Labour Insurance Regulation'. According to White

(1998), this is because social insurance programmes mainly involve politically important groups, especially in urban areas. However, rural residents, rural-urban migrant workers in the cities and workers work for small businesses in urban areas and self-employed persons are excluded from the insurance net. White (1998, p. 187) argues that vulnerable groups, such as older or disabled people, are less able to receive benefits and aids from the government because of its unwillingness to 'spend money for welfare purposes perceived as politically and economically unproductive'. Also, during the 1990s, there has been a tendency towards official recognition of the notion that 'people should not be 'dependent' on the state, with an implicit stigmatization of this kind of welfare recipient as potentially parasitic and feckless' (White, 1998, p. 187).

The current social security system in China requires further improvement and enhancement on social assistance in order to build a comprehensive social safety net. The emergence of increasing unemployment in urban areas and an increase in urban poverty, as a result, presents a new challenge to current social security system (Saunders and Shang, 2001). Furthermore, the alleviation of poverty has not been recognised as a crucial part of the social security reform in China for the past decades, where the emphasis has been on income replacement schemes and social insurance. However, this has changed ever since, as the market economy reform creates not only income inequality, but also social inequality. The establishment of a minimum income support system can be seen as a milestone in emphasising the role of social assistance. It is the basic safety net for those in poverty. But, there are still some policies that need to be improved, for example, sufficient attentions have to be paid to the interaction between the minimum income support system and other social security programmes.

Current Social Insurance System and Its Problems

Despite overall path dependence, the Chinese social security system has developed hugely since the 1970s, and the framework of social security has built up since the 1990s. Table 4.2 illustrates the details of current social insurance programmes in urban and rural areas in China. In urban areas, there is a comprehensive social insurance system including the old age

insurance, health insurance, unemployment insurance, work-related injury insurance and maternity insurance for urban employees and residents. However, in rural areas, there are only two social insurance programmes for rural residents, they are the basic pension scheme and the NCMS.

As shown in Table 4.2, in urban areas, the old age insurance is segmented and it can be divided into three parts, the first one is for employees work for the government and public institutions, the second is for employees work in urban enterprises, and the third part is for unemployed urban residents, self-employed and sometimes for rural-urban migrant workers (it depends on which province or city those migrant workers are in, and this issue is discussed in the next chapter).

In 2015, the State Council issued the ‘Decision of the State Council on the Reform of the Pension System for Employees of State Departments and Public Institutions’ (State Council Document No. 2, 2015). It stipulated that state departments and public institutions should start to set up the occupational pension system for their employees. Employers should contribute 8 per cent of the total payroll and individuals should contribute 4 per cent of their monthly salary. The details of how to implement this provision will be published by the Ministry of Human Resources and Social Security and the Ministry of Finance. This reform acts as the first step to eliminate the ‘dual-track’ of the current pension system. But it makes the current system more complicated. After the Decision had been made, government officials have been classified into three groups: the old one, the middle one and the new one. The ‘old one’ means those who retired before 1st Oct 2014; the ‘middle one’ refers to those who started to work before 1st Oct 2014 and will retire after this date; the ‘new one’ refers to those who started to work after 1st Oct 2014. The occupational pension scheme only applies to the ‘new one’. Each group has its own methods to calculate pensions.

Table 4. 2 Current Social Insurance Programmes in Urban and Rural Areas (National Level)

Programmes	Urban	Rural
<p>Pensions (social pooling plus individual account)</p>	<p>Government officials (three groups):</p> <ol style="list-style-type: none"> 1. The old one (retired before 2014): a traditional defined benefit pension schemes, paid by the state. 2. The middle one (started to work before 2014 and not yet retired): basic pensions (the government contributes 20% of total payroll into social pooling account), individual account pensions (individuals contribute 8% of their monthly wage into individual accounts) and supplementary pensions paid by the state. 3. The new one (started to work after 2014): basic pensions, individual accounts and occupational pensions (the state contributes 8% of total payroll and individuals contribute 4% of their monthly wage). 	<p>Voluntary participation.</p> <p>Individual account: individuals' contributions range from 100 to 2000 yuan a year according to 12 scales. Local governments may increase the number of scales. Local governments must contribute at least 30 yuan a year per insured person into the individual account.</p>
	<p>Urban employees: employers contribute up to 20% of total payroll and employees contribute 8% of their wages for at least 15 years.</p> <p>Benefits: 1% of local average wage for each contribution year from social pooling account plus total amount in individual account divide by an index determined by the state.</p>	<p>Benefits (aged 60, contributes at least 15 years): includes basic pensions (at least 88 yuan per month is paid by the state) and individual account pensions (the total amount of pensions in individual account divide by 139 is paid monthly).</p>
	<p>Urban residents: voluntary participation, varies across regions, very similar to pensions in rural areas, usually contributions range from 100 to 2000 yuan a year according to 12 scales. Local governments could contribute more based on their financial abilities.</p>	

(Continued)

Table 4.2 Current Social Insurance Programmes in Urban and Rural Areas (National Level) (Continued)

<p>Health Insurance</p>	<p>Employers contribute 6%, of which 70% of the contribution goes to a pooling fund account, and 30% is allocated to the employee’s individual account. Employees then contribute 2% of their wage to individual accounts. Benefits: cost sharing, up to 10% of the average annual wage from individual account, above 10% and up to 600% of the local average annual wage paid from the pooling fund.</p>	<p>Individual account: An average annual flat-rate contribution of 180 yuan for rural residents The state: a contribution (combined central and local governments) of around 450 yuan per person. The actual amount of the contribution varies by province. Benefits: reimburse up to 50% of outpatient costs and up to 75% of inpatient costs.</p>
<p>Work Injury Insurance</p>	<p>Contributions only collected from the employers. Contribution rates range from 0.2% to 1.9% of total payroll, according to eight categories of industry and the assessed degree of risk. Benefits: awarded according to 10 degrees of assessed disability; the maximum period is 12 months.</p>	<p>None</p>
<p>Unemployment Insurance</p>	<p>Employers contribute 1% of payroll whereas employees contribute no more than 1% of their gross earnings. Conditions include at least one year’s employment history, involuntarily unemployed, not receiving pensions and so on. Benefits: a level higher than the local ‘dibao’ threshold but lower than the local minimum wage, up to 24 months.</p>	<p>None</p>

Sources: Social Insurance Law (2010), the Ministry of Human Resources and Social Security of the People’s Republic of China (2019)

The old age insurance system for employees working for private enterprises is different from the system for government official. At present, the social pooling of pensions is at provincial level. Because of different economic development levels and the ratio of working population and retired population between different provinces, each province can establish its own contribution rate for employers. For example, the number of working population is much larger than retired population in Shenzhen, employers' contribution rate is 10 per cent of total payroll, whereas the employers' contribution rate is 16 per cent in Zhejiang. Normally, the state regulated that the employers' contribution rate should be no more than 20 per cent of total payroll, but there are always exceptions. For example, the employers' contribution rate is over 20 per cent in Liaoning, as Liaoning used to be one of the Old Northeast Industrial Bases, the number of retired population is huge, and contributions from employees all go into the individual account (8 per cent of employees' salary) (Ministry of Human Resources and Social Security, 2012). The amount of pension a person could receive after the retirement includes two parts: 1) pensions from the social pooling account: 1 per cent of the mean value of local average monthly wage and the indexation of personal monthly wage for each contribution year (For instance, the mean value of local average monthly wage and the indexation of Li's monthly wage is 5000 yuan per month, and Li has contributed for 20 years, then Li could receive 1000 yuan (20 per cent*5000) per month as Li's basic pension; 2) pensions from the individual account: the total amount in the individual account divided by the qualifying months. Qualifying months is an index calculated by the population's average life expectancy, retirement age, interest rates and some other elements.

The State Council issued the 'Opinions of the State Council on Establishing a Unified Basic Old Age Insurance System for Urban and Rural Residents' in 2014 (State Council Document No. 8, 2014). This regulation clarified that citizens who are aged 16 or over, not working at state departments or public institutions, and not covered by the old age insurance scheme for urban employees, can participate in the old age insurance for urban and rural residents at their own Hukou places. Individuals' contribution rates range from 100 to 2000 yuan a year according to 12 scales (100, 200, 300, 400, 500, 600, 700, 800, 900, 1000, 1500, 2000). Local governments have the power to increase the number of scales and set their own contribution

rates based on their circumstances. Also, local governments must contribute at least 30 yuan a year per insured person into the individual account. The beneficiary must reach age 60 and has contributed for 15 years in order to receive pensions. It includes basic pensions (at least 88 yuan per month is paid by the state) and individual account pensions (the total amount in individual account divide by 139 is paid monthly) (Ministry of Human Resources and Social Security Document No. 3, 2018). Although the state tried to unify the old age insurance system for both urban and rural residents, this regulation still allows local governments to set their own contribution and benefit levels, and this will cause further regional disparities in social insurance.

The health insurance system is also divided into urban and rural areas. In urban areas, employers contribute 6 per cent of total payroll, of which 70 per cent of the contribution goes to a pooling fund account, and 30 per cent is allocated to the employee's individual account. Employees contribute 2 per cent of their salaries to individual accounts. Beneficiaries will be reimbursed up to 10 per cent of the local average annual wage from individual account, above 10 per cent and up to 600 per cent of the local average annual wage will be paid from the pooling fund (Ministry of Human Resources and Social Security, 2012). In rural areas, residents usually have to contribute an average annual flat-rate contribution of 180 yuan per year into the individual account. The state's contribution is around 450 yuan per person annually. However, the actual amount of the contribution varies by province. Basically, beneficiaries can be reimbursed up to 50 per cent of outpatient costs and up to 75 per cent of inpatient costs (National Health Commission Document No. 20, 2017).

Contributions for work-related injury insurance are only collected from employers. Contribution rates range from 0.2 per cent to 1.9 per cent of total payroll, according to eight categories of industry and the assessed degree of risk. The compensation is allocated according to 10 degrees of assessed disability and the maximum period is 12 months (Ministry of Human Resources and Social Security Document No. 71, 2015 and document no. 58, 2017). The state has also gradually reduced the contribution rate for unemployment insurance. Employers' contribution rate was reduced from 3 to 2 per cent in 2015, then to

1-1.5 per cent in 2016. In 2017, the Ministry of Human Resources and Social Security stated that employers' contribution rate for unemployment insurance must all reduce to 1 per cent by 30th April 2018. A person must meet the following requirements to receive benefits: at least one year's employment history, involuntarily unemployment, not receiving pensions and so on. The benefit level is higher than the local 'dibao' threshold but lower than the local minimum wage, and the beneficial period is up to 24 months (Ministry of Human Resources and Social Security Document No. 24, 2015 and Document No. 14, 2017).

While acknowledging the success of the building of a basic social insurance system, we should understand that there are still several problems that need to be solved, such as low coverage and low benefit levels, the fragmentation of the system, limited portability and regional differences, especially the regional disparities are the focus here.

Low Participation Rate, Coverage and Benefit Levels

After constant and continuing efforts at reforming the social insurance system for more than 60 years, a social security framework suitable to the current socialist market economic structure and economic development levels has been established in China. This means the transformation of the social security system from welfare provisions by working units for workers to a relative solidarity system has been accomplished, a major change from a system covering workers in urban areas to a system covering residents in both urban and rural areas has begun although it still in a very early stage. More and more residents in urban and rural areas now benefit from social insurance system, its coverage is extended to new groups (e.g. migrant workers) and its benefit level has increased. However, the participation rate, the coverage and benefit levels of social insurance in China still remain at a very low level by international standards (Reutersward, 2005; Salditt et al., 2007; Li, 2010; Giles et al., 2015). For instance, pensions for urban employees was around 2,700 yuan (equal to 395.56 dollars) per month in 2015 and, the old age insurance participation rate was 64.9; the replacement rate for old age insurance was 45.5 per cent in 2015 (Zheng, 2017).

According to Giles et al. (2015), there are two crucial disincentives that have an impact on the participation rate of social insurance programmes. One disincentive for participation by both employers and employees is the high social insurance contribution rate. They argue that on the one hand, the high social insurance contribution rate will produce an extremely high ‘labour tax wedge’ (OECD, 2007); on the other hand, the minimum payments design of social insurance would cause difficulties in contributing for low income workers, especially part-time workers, self-employed and rural-urban migrant workers, the contribution rate for them will be even higher than others. More specifically, the calculation of urban social insurance contribution rates is based on local average wages. The lower earning threshold used to calculate contributions are 60 per cent of the previous year’s local average wage. The upper earning threshold used to calculate contributions varies across regions, it might be as high as 300 per cent of the previous year’s local average wage. For those workers whose earnings are below 60 per cent of the local average wage, the contribution rate for them is calculated as 60 per cent of the local average wage. In other words, workers earn less than 60 per cent of the local average annual wage must contribute the same amount as workers earn exactly 60 per cent of the local average annual wage (Giles et al., 2015). For them, this leads to a significant disincentive for both low wage workers and their employers to participate in social insurance.

Another disincentive for participation in social insurance programmes is caused by the institutional fragmentation of the system. Because both of the mandatory programmes for urban employees and the voluntary programmes for self-employed, urban unemployed, informal employees and rural residents are funded and administered by local governments, social insurance provision, such as the level of protection, the degree of pooling and the quality of management may vary across provinces. Giles et al. (2015) argue that because of the decentralised implementation characteristic of China’s economic reform process, the decentralisation and regional differences in social insurance programmes seem to be unsurprised, but they will lead to limited portability and create disincentives for workers to participate in social insurance schemes, especially for the floating workforce such as rural-urban migrant workers.

In addition, Salditt et al. (2007) identify low coverage and the high contribution rate of China's pension scheme as two issues that highlight some difficulties in effectiveness, sustainability and fairness. According to their analysis, not only the institutional segregation between urban and rural workers and the complex administrative system and procedures would exclude non-urban workers from benefiting from the pension system and hinder the participation rate, the lack of public trust and the unattractive fund investment returns may also be explanations for the low participation rate and coverage. Similar problems have also been identified and discussed by Li (2010) and Reutersward (2005).

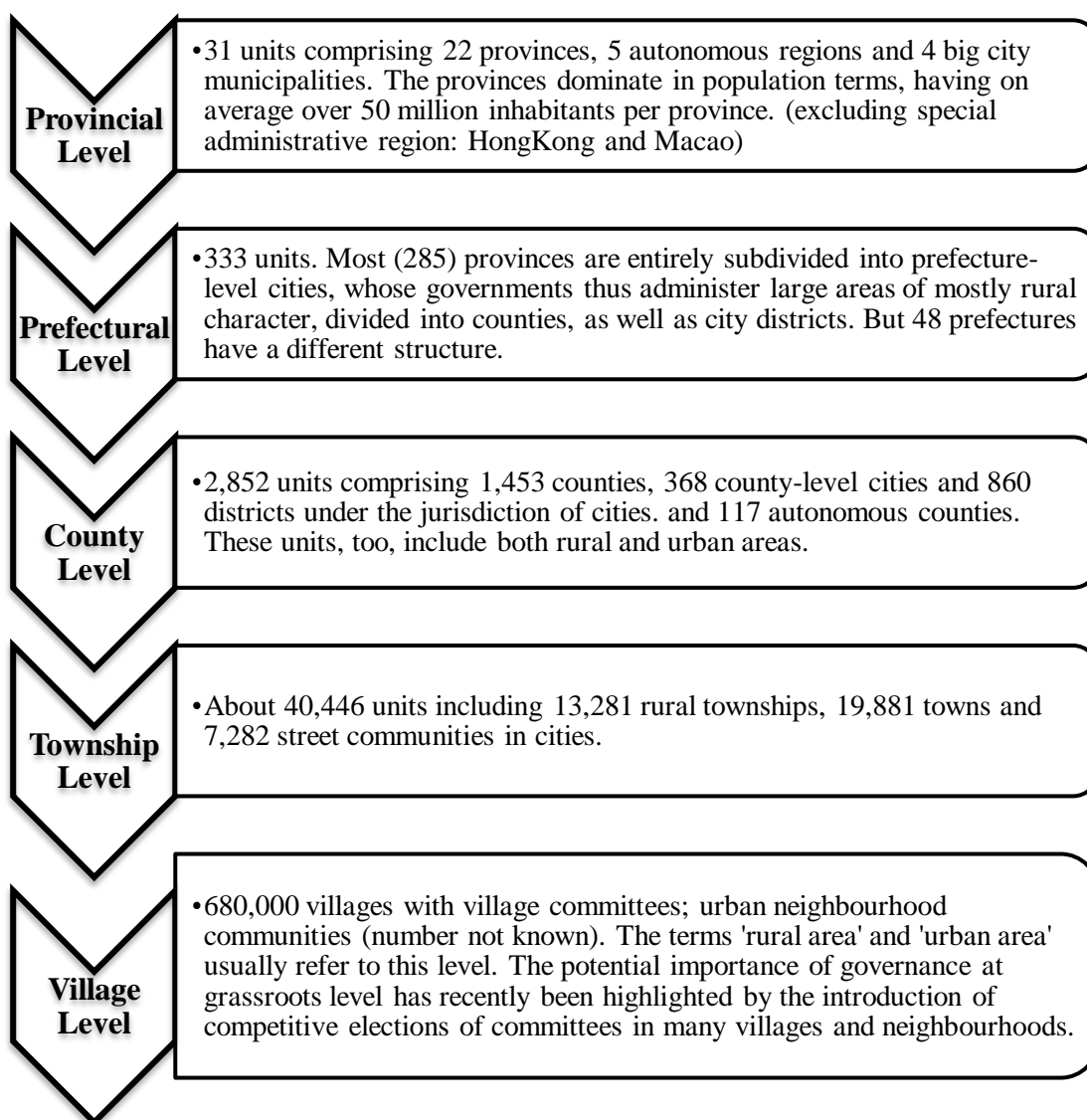
A Decentralised System

China's decentralised approach to reforming the social insurance system has given local governments the authority and responsibility to introduce reforms with local characteristics and suitable to local fiscal capabilities. But such a decentralised approach has been criticised by many researchers and they all believe there is a negative role of decentralisation on both economic and social development (Wu, 2013; Giles et al., 2015; Reutersward, 2005; Zhang and Zou, 1998; Rondinelli et al., 1989; Stepan, 2000; Prud'Homme, 1995). Zhang and Zou (1998) indicate that, under certain conditions, fiscal decentralisation may have negative correlation with economic development. There are also debates on how decentralisation affects the quality and efficiency of social service delivery. According to Rondinelli et al. (1989) and Stepan (2000), decentralisation does not necessarily improve the quality of public service delivery by local governments in developing countries, as they indicate that local governments often lack certain abilities, such as the motivations, sufficient funds, technical skills, and management capacity, to provide social services for the public. Furthermore, decentralisation could not only cause regional disparities and segregation, but also jeopardize social stability and undermine efficiency (Wu et al., 2017). Some argue that it is the decentralised system that leads to the fragmentation of social insurance and inhibits its integration, and then the fragmentation creates low coverage and participation rates and regional disparities between urban and rural, and between provinces (Wu, 2013; Giles et al., 2015; Reutersward, 2005). Wu (2013, p. 33) focuses on social welfare for migrant workers

and disagrees with the traditional assumption that ‘decentralisation promotes social welfare by bringing the government closer to the people’, at least in certain institutional arrangements, it is not uniformly so. She argued that decentralization policies in contemporary China indeed bring more powers to local governments and allow them to bear responsibilities for providing social welfare to their local citizens, but these policies also undermine the incentives for local governments to extend the welfare coverage to new groups, especially for migrant workers. Under this circumstance, decentralisation has played a negative role in the integration process of unifying the social insurance for urban residents and rural residents and in the promotion of equity within social welfare delivery at a national level in China.

At the beginning of social insurance reform, funds were pooled at county, city or industry level, also funds of different programmes were managed by different Ministries (as shown in Table 3.3 in Chapter 3). However, since the mid-1990s, the central government has begun to make efforts to raise the pooling level to a higher level, promoting pooling across larger geographic areas and populations, especially for pensions and medical insurance. The recent social insurance law (Order of the President of the Peoples Republic of China No. 35, 2010) sets a target of pooling pensions at the national level, and the provincial level for other social insurance schemes. It stated that ‘the basic pension insurance fund will be coordinated gradually at a national level and the other social insurance funds will be coordinated gradually at provincial level. The specific time frame and steps will be prescribed by the State Council (Social Insurance Law, 2010, Article 64). At present, 31 provinces, autonomous regions and municipalities have introduced regulations related to raising the pooling of basic pension funds, basic pension funds are now basically achieving provincial pooling. For health insurance, funds for urban workers and residents are pooled at prefecture city level in most provinces, funds for rural residents are pooled at lower levels. Other social insurance schemes are now still pooled at prefecture city level. However, obstacles are unavoidable when the state tries to raise the pooling level and some issues related to the political economy must be overcome in order to re-centralised the system (Giles et al., 2015).

Figure 4. 1 Divisions of Administrative Areas in China



Source: China Statistics Yearbook, 2013.

The administrative divisions in China include five sub-national levels: provincial level, prefectural level, county level, township level and village level, of which the first four constitute the state administration, the fifth being purely local. According to the China Statistical Yearbook (2013, Table 1-1, p. 3), by the end of 2012 the numbers of units were as shown in Figure 4.1. As China has 333 prefecture cities and 31 provinces, social insurance funds are still pooled at a low level at present. Giles et al. (2015) argue that raising the pooling level to a higher administrative one would facilitate more efficient operation of the labour market, but affluent provinces and local authorities with more natural and fiscal

resources are concerned if they are required to subsidise the social insurance funds of poorer provinces.

Fragmentation

The fragmentation of China's social security system has long been recognised and discussed by many researchers (Chen and Turner, 2014, 2015; Hong and Kongshøj, 2014; Cai and Cheng, 2014; Giles et al., 2015). According to them, 'fragmentation' not only refers to institutional fragmentation (Chen and Turner, 2014, 2015; Hong and Kongshøj, 2014) but also geographic of fragmentation (regionally fragmented) in China (Giles et al., 2015; Cai and Cheng, 2014). Some believe that the highly decentralised managing and financing arrangements cause the fragmentation of the social insurance system in China (Hong and Kongshøj, 2014; World Bank, 2014; Giles et al., 2015), but some indicate that it arises in part due to the household registration system (Hukou) which separates employees into two groups: urban and rural workers (Chen and Turner, 2015).

In terms of geographic of fragmentation, Giles et al. (2015) point out that China's social insurance system is fragmented across jurisdiction areas, in other words, social insurance system is different from region to region. There are differences in basic programme designs across localities, differences in the management of social insurance programmes as decentralisation allows the management, such as accounting and budgeting, of social insurance programmes to be localised, and differences in the financial capacity of local governments. For instance, according to Chen and Turner (2015), the contribution rates for the old age insurance in Guangzhou and Shanghai are 12 per cent and 22 per cent respectively, due to the reason that these two cities have different levels of population ageing. As a result, rural-urban migrant workers are experiencing social insurance differences across provinces, and even cities or counties within provinces, in some important social insurance provisions such as contribution rates, benefit levels, minimum income thresholds and rules for indexation. Moreover, social insurance programmes cannot 'talk to each other' (Chen and Turner, 2015) across different regions and provide integrated services to those who migrate geographically

and frequently. Localised management of social insurance programmes may cause limited portability of social insurance contributions and benefits, and have disincentive influences on the social insurance participation of migrant workers as they usually claim accumulations from individual accounts only when migrating to work in another city or province (Giles et al., 2015).

As noted, fragmentation in China's social insurance system also refers to the different institutional arrangements between urban and rural areas (Cai and Cheng, 2014; World Bank, 2014, p. 183; Peng, 2011). The differences between urban and rural social insurance programmes are illustrated in Table 4.2. In addition, as Chen and Turner (2015) have indicated, institutional fragmentation occurs when different groups are covered by different social insurance programmes. The social insurance system is highly fragmented in China because there is not an integrated social insurance programme for all citizens. For example, social insurance for civil servant is totally different from social insurance for urban employees who work in private companies. Fragmentation in the social insurance system arises in part because each of these groups of workers is treated differently (Chen and Turner, 2015). Actually, China's population can be divided into six groups with regard to social insurance: government officials, urban employed workers, urban unemployed workers, rural-urban migrant workers, rural residents who still have lands and rural residents who have had their land appropriated by the government. Each group is covered by a particular social insurance programme that is custom-made for its group members.

Taking the 'dual-track' pension system as an example, first, government officials who work in both central and local government and other public institutions are benefiting from a special pension scheme which requires no contributions from beneficiaries, and in which payments are totally paid from general tax revenues. According to Zheng (2012), this particular system for government officials costs 0.7 per cent of GDP per year. Moreover, An (2012) shows that the benefit level of government employees is much higher than the benefit level of other groups of retirees, with an average replacement rate of 90 per cent. A survey conducted by Netease (2014) showed that the pension level of 92.3 per cent of government retirees was

over 4,000 yuan per month. However, second, urban employees have to contribute 8 per cent to an individual account and their employers also have to contribute, but the exact contribution rate for the social account can be decided by local government, and can be higher or lower than the 20 per cent suggested by the central government. The average benefit level of retirees who are participating in the old age insurance scheme for urban employees was only 1,721 yuan per month in 2012, and it was increased to 1,900 yuan per month in 2013 (State Council, 2013). Furthermore, the replacement rate of the old age insurance for urban employees was about 45 per cent in average (An, 2012). Both the benefit level and the replacement rate of social insurance for urban employees were much lower when comparing to government officials (4,000 yuan monthly pension and a 90 per cent replacement rate).

The differences between these two pension schemes are well known as the ‘double-track’ system in China whereby the state only pays the contributions for employees work in government departments and public institutions, but employees who work in private enterprises have to pay the contributions by themselves. In general, employees of government departments and public institutions receive more pensions than enterprise employees. The ‘double-track’ system emphasises the many differences between these two groups. The pensions of enterprise employees only increase marginally with inflation, but former employees of government departments and public institutions receive pensions that increase in coordinate with the rise of salaries in their old workplace, leading to a widening gap between the two groups (*China Daily*, 25-06-2012).

At the end of 2014, Vice Premier Ma Kai published a report about China’s social security system at the ongoing bi-monthly session of the National People’s Congress (NPC) Standing Committee, indicating that China will reform the pension system for staff in government and public institutions, and the purpose of the reform is to establish an integrated pension system for all urban employees. According to the central government’s policy guidelines, several Ministries had drafted an initial plan for the pension reform and, later, the draft was approved by the State Council and by the Standing Committee of the Political Bureau of the CPC Central Committee. The reform aims to establish a unified pension system for employees in

governments and public institutions as well as for enterprise employee, and to eliminate the long existing dualistic pension system (*Beijing Review*, 04-01-2015).

In addition to these programmes, there are several old age insurance schemes for urban unemployed residents, rural residents, rural-urban migrants and for those peasants who lost their lands due to urbanisation ('land-appropriated peasants') separately. Article 95 and Article 96 in Social Insurance Law (2010) have stated the regulations on social insurance for migrant workers and 'land-appropriated peasants' respectively. But Chen and Turner (2015) argue that social security provision for them has aggravated the fragmentation problem in China's social security system. But, a change to reduce the fragmentation in pensions is that several provincial level administrative regions have established unified pension systems for unemployed urban residents and rural residents since the end of 2013 (*China Daily*, 11-02-2014).

Limited Portability

Social insurance schemes are still not fully portable for workers. Those who change jobs frequently between different administrative areas (county, city or provincial level) are, in many cases, still unable to bring contributions in their individual accounts with them to the next administrative area, and risk losing the entitlement to claim social insurance benefits from local social insurance funds to which they have contributed for years in earlier jobs.

The limited portability of social insurance can be attributed to several reasons. One is the inherent administrative difficulties in both horizontally and vertically transferring savings in individual accounts and social insurance entitlements across regions (Salditt et al., 2007). Although the state aimed to achieve the goal of pension pooling at a provincial level, a number of social insurance funds are mainly operated at city or even lower levels. There are over 2,000 social insurance funds for old age, health and unemployment insurance programmes that are managed by local authorities in China and they are more or less slightly different from each other, thus it is very difficult to make them portable in practice (Li, 2010).

Workers, especially migrants (not only rural-urban migrants, but also urban-urban ones), experience difficulties in transferring and continuing their social insurance record after they change jobs. Pooling at a local level might be the simplest way to organise social insurance funds within a populous and geographically large country like China. However, according to Salditt et al., (2007), the current administrative system of social insurance is incapable of caring for large parts of the population because of the large migration movement. Second, Li (2010) and Giles et al. (2015) indicate that the non-portability of social insurance accounts in China is driven by the institutional fragmentation of the current social insurance system. Li (2010) also stated that two policy arrangements in the current social insurance system also inhibit the portability of social insurance records of migrant workers. The first one is the requirement that social insurance claimants should have worked in one place for at least 15 years before they are entitled to social insurance benefits. The second one is, for migrant workers, only savings contributed by individuals can be transferred with them, but not the social pooling part contributed by their employers and the state. These two policy arrangements have excluded migrant workers from their accredited rights of social pooling component. Furthermore, in some areas, due to the social insurance fund pressure, local social insurance agencies place policy obstacles on purpose for impeding social insurance record transfer.

Another main reason for the lack of portability is because of the Hukou system in China that separates the population into two main groups: rural residents and urban residents. Every Chinese citizen must carry a household register booklet, called Hukou, issued by the locality of residence. There are two main categories of households, the first one is the ‘agricultural (Rural)’ household that gives the holders a right to have a small piece of land in rural areas but they have the responsibilities to cultivate it; the second type is the ‘non-agricultural (Urban)’ household that gives the holders a right to enjoy urban public services in registered locality (Reutersward, 2005). The Hukou system in China was first established in the late 1950s. As a household registration system, it registers the residents in rural and urban areas separately. The Hukou system identified the population by their rural or urban birth places, and it determines the legitimate residence of Chinese citizens. The alteration of Hukou status

from rural to urban is only under specific conditions and requirements, and the criteria for such alterations are extremely strict. In fact, the Hukou system restricts rural residents' rights of free migration (Cai, 2011). However, since the 1980s, the policy has become looser, migrants can apply for temporary registration certificate from where they live, but it can still be extremely difficult to get a permanent Hukou in urban areas. Cai (2011) stated that there are still 20 per cent of most big cities' residents who do not hold an urban Hukou, thus they are excluded from certain public services that are only available to resident who holds an urban Hukou. He argues that the primary motive of the Hukou system was to 'serve as an invisible wall to prevent the rural labor force from moving out of agriculture', to 'closely tied to an exclusive employment system in urban sectors', and 'to guarantee basic living and minimum social welfare for urban residents' (Cai, 2011, p. 34). Because the 'floating' feature of rural-urban migrant workers and the 'rural' Hukou they are having, it is difficult for rural migrant workers to participate in social insurance programmes in urban areas and transfer their social insurance accounts from one city to another (Chapter 6 will discuss more about how the Hukou system acts as a major institutional barrier and impede the portability of social insurance, especially for rural-urban migrant workers).

According to Salditt et al. (2007), the limited portability feature of social insurance in China has negative effects on migrant workers and the labour market. First, the lack of portability would lead to the insufficient protection of migrant workers and their families against poverty in old age. However, by increasing the portability of social insurance entitlements for migrant workers, especially rural-urban migrants, could therefore reduce the poverty and improve the situation of the older population in rural areas, when migrants getting old, they could return home with pensions. Second, non-portable social insurance claims would impede the mobilisation of labour market. Migrant workers are more willing to stay in one place rather than moving across administrative areas as they are afraid of losing their social insurance savings. As a result, a less mobile and flexible labour market is shaped, and it could be disadvantageous and create market distortions. Also, Giles et al. (2015) point out that the limited portability of social insurance may discourage the participation of migrant workers. In response to uncertainty about future benefit entitlements, rural migrant workers tend to

withdraw individual account accumulations each year before returning to their home villages during Chinese Spring Festival.

Regional Disparities

The development of regions has played an important role in accelerating China's economic development, considering the size and other geographical features of China. Thus, a regional dimension has been an important component of China's development policies. In fact, most of China's regional development policies are based on three zones: east, central and west. In general, the eastern region includes 11 provinces and municipalities: Beijing, Fujian, Guangdong, Hainan, Hebei, Jiangsu, Liaoning, Shandong, Shanghai, Tianjin, and Zhejiang. The central region includes 8 provinces: Anhui, Heilongjiang, Henan, Hubei, Hunan, Jiangxi, Jilin and Shanxi. The western region includes 12 provinces and municipalities: Chongqing, Gansu, Guangxi, Guizhou, Inner Mongolia, Ningxia, Qinghai, Shaanxi, Sichuan, Tibet, Xinjiang, and Yunnan. The open door policy and the strategy of letting coastal regions develop first in the 1980s and 1990s strongly favoured the eastern areas and have created and enhanced interregional inequality significantly. Although the National Bureau of Statistics has used a new method to divide China into four regions, namely Eastern (10 provinces and municipalities: Beijing, Fujian, Guangdong, Hainan, Hebei, Jiangsu, Shandong, Shanghai, Tianjin, and Zhejiang), Middle (6 provinces: Anhui, Henan, Hubei, Hunan, Jiangxi and Shanxi), Western (12 provinces and municipalities: Chongqing, Gansu, Guangxi, Guizhou, Inner Mongolia, Ningxia, Qinghai, Shaanxi, Sichuan, Tibet, Xinjiang, and Yunnan) and Northeast China (3 provinces: Liaoning, Heilongjiang and Jilin) (National Bureau of Statistics, 2013).

This thesis still employs the old divisional measures (as shown in Table 4.3) because the divisional method of 'three divisions' is based on the economic development level of each province, as the Eastern region is the relative developed area in China and each province in this area has a higher GDP than others, whereas the Western region is the underdeveloped

area and it has the lowest level of GDP in average, and the Middle region's economic development level is between the Eastern and the Western region (Zou, 2008).

Table 4. 3 Regional Divisions by Economic Development Levels in China

Regions	Provinces
Eastern	11 provinces and municipalities: Beijing, Fujian, Guangdong, Hainan, Hebei, Jiangsu, Liaoning, Shandong, Shanghai, Tianjin, and Zhejiang
Middle	8 provinces: Anhui, Heilongjiang, Henan, Hubei, Hunan, Jiangxi, Jilin and Shanxi
Western	12 provinces and municipalities: Chongqing, Gansu, Guangxi, Guizhou, Inner Mongolia, Ningxia, Qinghai, Shaanxi, Sichuan, Tibet, Xinjiang, and Yunnan

Source: National Bureau of Statistics, 2013.

However, the Northeastern three provinces, although they are classified as a political region, their economies have experienced a dramatic decline since the market economy reform in the 1970s. As the reform of SOEs proceeded, the original 'old industrial base', which greatly relied on the heavy industries, a large number of SOEs had to face a series of difficulties including the privatisation of a number of previous SOEs, which meant a large number of laid-off workers and declining GDP. These all led to the economic development in the area lagging behind the Eastern region but staying at a similar level to the Middle region (Liu, 2009). According to the 'three divisions' method, among the three provinces in the Northeast area, only Liaoning province belongs to the Eastern region, but the other two provinces are classified into the Middle area.

Regional inequality and differences in both economic and social development

Since the market-oriented reform and open door policy China has achieved significant economic growth, with its real GDP growing at an astounding rate which more than 9 per cent per year during the past decades. However, the resources have not been distributed equally

across different regions in China. In the early stage of the reform, preferential treatment policies were given to coastal regions in China and allowed these regions to develop first, such preferential treatment magnificently promoted both their economic and social development. In the meantime, regional inequalities are largely owed to these unequal development policies (Chen and Zheng, 2008; Fan et al., 2011).

Regional inequality is a ‘multidimensional phenomenon’ in China (Chen and Zheng, 2008, p. 1). First, the increasing economic inequality between different regions in China has been well discussed. For example, economic disparity or income inequality in terms of per capita GDP in 2007 in both central and western regions was less than half of that in the coastal regions. The difference is even larger if the comparison is made between provinces. For example, per capita GDP in Shanghai is 10 times as large as in Guizhou province (Fan et al., 2011). The disparities between coastal and the other two regions in China has increased since the early 1980s when the processes of urbanisation and industrial reform started, and these disparities have enlarged since Deng Xiaoping’s Southern China tour in 1992 which urged the implementation of larger scale and more intensive reforms.

Historically, provinces in the coastal regions of China have always been ahead of other provinces in terms of social and economic development, as well as modernisation, even before the PRC was established in 1949. In the pre-reform period (from 1949 to the late 1970s), under the leadership of chairman Mao, one of the main policies of the state was to provide substantial industrial support to the inland provinces. However, the rigid and overly centralised economic planning system brought about a series of problems, including the distorted market mechanism, misallocation of resources, and an inefficient economy system. As a result, the problem of the inequality in regional development had not been improved during the Mao era. Since the implementation of the radical economic reform in the late 1970s, the problem of unequal regional development has become more serious. Under the leadership of Deng Xiaoping, the central government adopted a number of new policies that were in the opposite direction to the egalitarianism in the Mao era. These new policies aimed to ‘let some people and some areas get rich first’, the state no longer took overly control of

the market, and let the market mechanism played its role in allocating resources. Furthermore, the state put more emphases on the decentralisation of decision-making. These new market-oriented strategies and the political and economic decentralisation eventually resulted in greater regional disparities (Chen and Zheng, 2008).

However, the spill-over effects from the better off coastal areas to inland areas diminish as distance increases. The strategy of ‘trickle down’ (yidian daimian) has not had the expected results. In contrast, such strategy has divided China’s provinces into three regional economic groups, corresponding to the eastern, central and western regions. The rich areas become richer and the poor areas get poorer. There is strong evidence that as two powerful drivers of China’s economic growth, the uneven geographical distribution of exports and foreign direct investment has exacerbated regional imbalances and inequalities in economic development. These new development policies advocated rapid and continual growth in the coastal/eastern regions, but only paid a little attention on the central and western regions. The continuously widening gap between the coastal and other inland provinces also led to many economic, social and political repercussions. Large-scale investment first stimulates regional economic development and provides a great number of employment opportunities. Then it further attracts low skilled labourers and highly skilled personnel, from rural areas to coastal cities, or from the less developed inland provinces to the prosperous coastal areas. Once again, it exacerbates the unbalanced and unequal development among regions (Wang, 2008).

During the Ninth Five Year Plan period (1996-2000), regional inequality was categorised as one of the most pressing issues by the state. From then on, the state continuously emphasised the political significance of regional disparities. As highlighted in the Eleventh Five Year plan (2006-2010), one of the state’s top priorities was to reduce the regional disparities between the coastal areas and inland provinces (Wei, 2002). As policy responses to the state’s attempts to promote the development in both the central and western regions, several regional development programmes were introduced. However, the effect of these programmes seems to be very small (Chen and Zheng, 2008). For example, in the late 1990s, a programme called the ‘Great Western Development Strategy’ was implemented by the central government for

the purpose of increasing the economic growth in the western areas. Later, in 2003, the central government introduced the 'Northeast Revitalisation Strategy' in order to revive the economy in the northeastern regions, such as Heilongjiang, Jilin and Liaoning provinces. These provinces used to be the old industrial base and had many SOEs during the centrally planned economy period in China. In 2004, Premier Wen Jiabao announced the implementation of the plan of 'The Rise of Central China'. This plan aimed to accelerate the development of the central areas, and the state has invested a lot in infrastructure, natural resources and environment improving programmes in these areas (Chen and Zheng, 2008).

In 1998, the central government began to promote the 'Great Western Development Strategy' (xibu da kaifa). Other than facilitating the economic development in the western areas, the other purpose of this regional development programme was to help to alleviate the significant social and economic discontent resulting from the uneven regional development. Since the 'Northeast Revitalisation Strategy' (zhenxing dongbei) was implemented in 2003, local authorities in these northeast provinces, especially Heilongjiang, Jilin and Liaoning, have tried their best to accelerate the speed of the reform of SOEs, in order to revitalise their backward industrial bases and catch up with the speed of economic reforms in the coastal areas. In the pre-reform period, SOEs played a dominant role in China's economy, at present, the presence of SOEs in the inland provinces is still stronger than the coastal provinces. However, the radical SOE reforms resulted in a massive number of redundant (laid-off) workers, the majority of whom were in those inland provinces. Therefore, these reforms not only deteriorated the disparities and inequalities among regions, but also caused social unease and some other social issues, such as laid-off workers' protests. Many of the protests happened in those old industry bases in the northeastern areas. In order to achieve a well-balanced regional development, the state accelerated the pace of development in the central regions by introducing 'The Rise of Central China' plan.

However, according to Chen and Zheng (2008), despite the great efforts made by the state, regional disparities continued to widen during the period from the late 1990s to the early 2000s, and it is becoming increasingly difficult for the state to control and guide the economy.

As the market mechanism has become stronger and the economy has gradually become liberalised, the state also gradually loses its absolute control. Hence, the policies of the central government and even the administrative means, cannot directly reach the bottom of the economy. Chen and Zheng (2008, p. 6) argued that ‘various negative consequences of liberalisation had also appeared, such as regional inequality, income disparity, a backward social welfare system, and unemployment’.

Second, regional differences in social security are also identified in China, and some believe that it was the increasing economic inequality and income gap that caused the regional inequality and disparity in social security (Ouyang and Ding, 2011; Ke, 2009; Lin, 2004; Wan et al., 2005; Pei, 2007; Wang, 2008; Jiang et al., 2012). For instance, Lin (2004) applies the proportion of social security expenditure in the GDP across the country, the proportion of overall social security expenditure in the fiscal expenditure, ratio between revenue and expenditure of the old-age social insurance funds, shortfall, pension replacement rate and the dependency ratio as indicators to analyse the regional disparities in China’s social security system. In addition, she uses old age insurance as a specific study case and indicates that regional disparities in social security do not solely rely on the factor of economic development, but also correlate with population structure, product mix, and economic system.

However, indicators used in Lin’s (2004) research were quite simple and it did not classify provinces into clusters/regimes. Whereas Pei (2007) identified regional variations in the participation rate, the revenue of pension funds, the benefit levels and the replacement rate through the analysis of old age insurance programmes in different regions in China. She indicates that not only economic factors have an impact on regional differences in pension schemes, but also factors such as population structures, the maturation level of an institution, history experience and local cultures. But, most agree that regional disparities in social insurance are attributed to the decentralisation that allows local governments to introduce, manage and responsible for their own social insurance programmes (Giles et al., 2015; Guo and Tang, 2013; Wu, 2013).

Most domestic research on regional disparities in social security focus on social security expenditures and use them as indicators for analysis (Peng, 2007; Ke, 2008; Ouyang and Ding, 2011), but few focus on variations in provision across regions (Chen and Gallagher, 2013). For example, Peng (2007) employs generalised entropy measures to analyse the regional disparities in social security expenditures in China, and she concluded that there is a declining trend of regional disparities in social security expenditures, and she argues that the variation of expenditure within a region is larger than between regions. Ouyang and Ding (2011) provide a similar conclusion to Peng (2007) that is the total regional disparities in social security is declining and the differences within regions is greater than between regions, especial in coastal areas. Ke (2008) identified several regional disparities in social security expenditures after the tax reform in 1994, and suggested that the regional variations in providing social security are indirectly determined by the unbalanced development of regional economies.

Indeed, the social expenditure gap between different provinces is large, for instance, the ratio of outlays in social security to GDP in Qinghai in 2008 was the highest at 11.66 per cent, whereas it was only 2.89 per cent in Guangdong province (Ouyang and Ding, 2011). But regional disparities on social security not only refer to variations in expenditures but also indicate differences in both the quality and quantity of social security service (Leung, 1994), its arrangements and provision, such as the coverage, participation rate, contribution rate, eligibility, benefit level and so on. Some researchers define such phenomenon as 'segmentation' (Zheng and Sun, 2008).

On the one hand, the contribution rates, benefit levels and the entitlement to social insurance programmes differ from one province to another, even though the national law and regulations limit the range of local variations and make them comply with the objective criteria set by the state, regional variations in provision are still acceptable. According to Chen and Gallagher (2013), although the social insurance reforms were initiated at the national level, the implementation of these regulations was delegated to local governments, which led to great disparities in social insurance provision across provinces, autonomous regions and

municipalities. For example, the maximum benefit level of unemployment insurance must be set between the minimum wage and the minimum living standard (usually used for means-tested social assistance). These two parameters also need to follow certain mandatory rules and take into account local prices. In addition, the contribution rate for each social insurance scheme in different provinces can vary around the national criteria set by the state, from which most deviations have probably been determined by the respective social insurance funds' financial status in different regions (Reutersuard, 2005). According to Yin et al. (2012), the employers' contribution rates for old age insurance is 10 per cent in Shenzhen, 16 per cent in Zhejiang, and more than 20 per cent in Liaoning. They explained that the reason for the variations in pension contribution rate in different provinces is that Shenzhen has a large number of employed people and a small amount of retirees, so employers in Shenzhen only need to contribute 10 per cent of their employees total wages, however, because Liaoning belongs to the old industrial bases in the North-east area, the number of retirees is more than other areas, so employer's contribution rate is more than 20 per cent (Yin et al., 2012).

Also, access to social insurance coverage varies dramatically across regions (Chen and Gallagher, 2013). Chen and Gallagher (2013, p. 11) examined the participation rates of three social insurance programmes, namely the old age, health and unemployment insurance, in four cities from four different provinces, and found that workers in Wuxi (in Jiangsu provinces, eastern region) had the highest participation rates of all three schemes, about three-quarters of workers participated in the old age and health insurance and more than half participated in the unemployment insurance. Foshan (in Guangzhou province, also belongs to the eastern area) ranked second among the four cities, followed by Shenyang (in Liaoning province, belongs to the North-east area). Whereas workers in Chongqing (it is a municipality, belongs to the Western region) had the worst social insurance coverage: only about 44 per cent of workers participated in the old age insurance and health insurance, and less than one-quarter were covered by the unemployment insurance.

On the other hand, the management of social insurance is also being localized, and there are regional differences in social insurance management (Chen and Gallagher, 2013). Concerning

unemployment insurance, administrative arrangement differs at local level, varying practices are found in terms of the collection of employers and employees' contributions, a task carried out in some provinces by labour bureau, but elsewhere by tax authorities (Reutersuard, 2005).

Although there are divergences between provinces, some of them might share certain similarities and they can be classified as one group, usually they are provinces come from the same region. According to Wang (2008), a region with a higher level of economic development also has a higher level of social insurance development. In general, the level of social insurance development is consistent with the level of economic development across regions. For example, Guangdong, Shanghai, and Zhejiang were ranked the top three, whereas Hainan, Tibet, and Chongqing were ranked the bottom three in both social insurance and economic development. He found out that the eastern/coastal areas have the highest development levels in terms of social insurance, followed by the central regions, and the western areas were at the lowest level.

Guo and Tang's (2013) research indicates that regional disparities do exist in the social security system in China. After the analysis of the ration of social security input and output in different provinces, they argue that there are four categories of welfare regimes in China and classify each province into different regimes. Welfare regime I represents those provinces with both high levels of social security input and output, they are Liaoning, Heilongjiang, Hainan, Jilin and Hubei. Welfare regime II includes Qinghai, Chongqing, Hunan, Gansu, Shanxi, Yunnan, Shanxi, Neimenggu, Anhui, Jiangxi, Heilong and Hebei, these are provinces with high levels of social security input but low levels of output. Welfare regime III indicates those with low levels of social security input but high levels of output, it consists of Beijing, Shanghai, Zhejiang, Guangdong, Jiangsu, Xinjiang and Tianjin. Provinces with low levels of social security input and output are categorised as Welfare regime IV, they are Sichuan, Shandong, Fujian, Ningxia, Guangxi, Guizhou and Tibet. According to them, local government's fiscal capability is one of the most important factors that cause the inequality in social security.

Huang (2015) applies cluster analysis in his research and divides China's 31 provinces into four clusters. Its calculation was based on the coverage and generosity of social health insurance programmes in different provinces. According to his results, the first cluster includes Shandong, Jiangsu, Zhejiang, Fujian, Guangdong and Tibet, its average coverage score is 12 and generosity score is 8. The second group includes Beijing, Shanghai, Tianjin, Xinjiang, Ningxia and Qinghai, its average coverage score is 27 and generosity score is 5. The third includes Heilongjiang, Jilin, Liaoning, Neimenggu, Hebei, Shanxi, Shanxi, Hubei, Guangxi, Hainan and Yunnan, its average coverage score is 21 and generosity score is 22. The fourth cluster consists of Henan, Anhui, Jiangxi, Hunan, Gansu, Sichuan, Chongqing and Guizhou, its average coverage score is 5 and its generosity score is 23. He explains that for those provinces with high scores in generosity, some provinces increase the generosity of their social security programmes with the increase of the coverage, just because their 'prosperous local economies are sufficient to support' (Huang, 2015, p. 23) (such as Shandong, Guangdong, Jiangsu and Zhejiang provinces, but some, such as Xinjiang, Ningxia, Beijing, Tianjin and Shanghai, they are pioneers in raising the benefit level of social insurance programmes mostly because they are the so called 'privileged' regions and often receive either abundant fiscal transfers or political favour from the central government. Huang (2015) concludes that local authorities' policy choices are shaped by socioeconomic conditions, especially labour mobility and fiscal resources and thus lead to the different regional patterns in China's social insurance system.

Gender Differences

In pre-reform socialist China, the 'Iron Rice Bowl' system provided workers in China not only with guaranteed occupational and income security, but also an access to welfare benefits through state-owned work units, including free health care, pensions and educational opportunities. During that time, women had the equal right with men to enter paid work and access to social rights. Industrial workers were assigned to state-owned work units where workers could receive wage and welfare benefits determined by a centrally determined and egalitarian grading system, there was no differences between male and female employees

(Rickne, 2010). Under this system, according to Croll (1995), women's pay experienced a significant improvement and the gender wage differential in urban areas, particularly, had been narrowed down to a low level in an international comparison. However, after the market-oriented reforms in the late 1970s, today's firms, no matter under which forms of ownership, have the right to hire and fire workers, and once employed, the firms can decide the level of work compensations for employees. As a result of privatisation and marketisation, the labour force is no longer allocated through administration but through the market. One consequence of such reforms is the wage gap between male and female workers has increased in urban China (Wang and Cai, 2008; Rickne, 2010; Gustafsson and Li, 2000; Maurer-Fazio et al., 1999) and so has the gender inequality in social security (Drew, 2011; Rickne, 2010; Pei, 2011).

Gender segregation and the wage gap

Women's employment rate in China has increased rapidly during the past decades. However, China's labour market is segmented and gender segregated, which has negative effects on women's access to social security, even though China's Constitution and other laws and regulations have clearly stipulated women also have the equal right to access to employment and equal pay (Drew, 2011). According to a report published by UNDP (United Nations Development Programme), women are often under-represented at work, and among the white collar workforce, the number of female employees is smaller than male, also, women tend to receive lower pay than men (UNDP, 2005). As in other countries, occupational segregation by gender has resulted in wage gaps and the gap is increasing, particularly in urban areas (ADB, 2006; UNDP, 2005). However, the UNDP argues that these gender differences tend to be much lower in the state-owned sectors than in the non-state-owned sectors where wages are higher in general and determined by the market. Also, some early research has confirmed that gender gaps in salaries were higher in the private sector than public sector (Liu et al., 2000; Maurer-Fazio and Hughes, 2002). Furthermore, some scholars argue that there is a trend that the gender gap has gradually ceased to grow and the gap primarily persists among those who

are less educated or those who work in the lower end of the wage distribution (Liu, 2011; Chi and Li, 2008; Li and Song, 2013).

Gender inequality in social insurance

Gender issues have only been treated as a separate programme in the current social security system reform, and not been integrated into the whole social security system Thus, the social security system tends to ignore the different concerns and interests of men and women. (ADB, 2006, p. 40)

Indeed, China has recently recognised that social security has undeniable effects on promoting gender equality. According to Drew (2011), men and women are affected differently by social security system. She argues that unequal social security regulations and practices, differences in the need for and use of social security can both cause gender differences and inequalities. So social security is an effective way to reduce gender inequality and pension schemes are most relevant to women. In addition, Pan (2002) found out that the early retirement age of women could lead to a loss of pension, especially for female employees with a longer life expectancy. Also, Wu (2002) emphasised the importance of considering gender difference when making pension policies and stipulating related regulations and laws. Li (2004) provided the evidence that female employees are having a lower level of pensions than the male in the current old age insurance system in China, and such differences between female and male employees is widening continuously. Li and Chen (2004) discussed the relationship between female employees' retirement age and pension benefits level, also, the gender difference was found in pension payments. Generally speaking, both the length of working record and the wage level of female workers are less than those of male employees. Zhu (2005) presumed that there were two main factors related to the gender differences in social insurance schemes. One was gender discrimination within occupations, which means that the number of female employees participated in social insurance programmes is far less than the number of male employees. The other was the gender wage

gap which caused a lower level of social insurance contributions by female employees' than by male employees.

A survey conducted by the China Research Centre on Aging in 2000, highlighted the gender differences in pension coverage, while 84.7 per cent of elderly men were receiving a pension, only 56.48 per cent of elderly women were in receipt of a pension in urban areas. There are also significant gender variations in pension coverage between regions of China. The coverage rate of pension schemes for female retirees was highest in the Eastern region (61.19 per cent) and was lowest in the Western region (46.42 per cent) (UNDP, 2005, p. 6.3). Furthermore, the amount paid to pensioners also varied according to gender and some other factors. Payment to urban men pensioners was 759 yuan per month while only 541 yuan to urban women pensioners. A similar gap was also identified among rural pensioners. Rural male pensioners can receive 420 yuan per month but women can only receive 277 yuan. The gender gap in pension payments was lowest in the central region but highest in the western region (Drew, 2011).

In addition to gender inequality in old age insurance, gender differences can also be found in other social insurance programmes. For example, male and female employees do not benefit equally from the unemployment insurance for the reason that women are concentrated in sectors or industries with lower wages and less stable working hours, hence their accumulated unemployment insurance contributions are generally lower than that of men. Therefore, women are usually in a disadvantaged position in the social insurance system (ADB 2006). According to Dong and Du (2007) women tend to have higher unemployment rates and longer unemployment spells than men. They show that women experience disadvantages in job searching progress as they lack of access to social networks, unequal entitlements to reemployment services and unfair treatment regarding their retirements (Dong and Du, 2007). According to Drew (2008), the gender gap also exists in work injury insurance, while the coverage for men was 47.7 per cent but only 37.2 per cent for women. Moreover, for maternity insurance, the payments are not in compatible with the costs of deliveries, women

often have to pay some extra fees by themselves in order to receive better services when they are giving birth (ADB, 2006).

Conclusion

Despite the dramatic and rapid social and economic changes, it is obvious that there is a path dependence in the policy making process in the past decades in China. To some extent this is related to the current social insurance problems that are discussed in this chapter. The first problem identified is the low participation rate, coverage and benefit levels of social insurance programmes. Disincentives such as high contribution rates, institutional segregation or complicated administrative system may not be the fundamental factors that influence rural-urban migrant workers to participate in social insurance schemes. As the Confucian ideology has been one of the main ideologies in China for two thousand years, families and communities have been the dominant suppliers of welfare services for a long time. When people are facing risks, they tend to first seek family care or support. Although the family structure has changed a lot since the implementation of the one child policy, and a family's ability to support its family members has been weakened by population ageing, fertility declining or smaller family size, families still remain the main providers of care and support (Phillips and Feng, 2015; Jiang et al., 2016).

The decentralised social insurance system is caused by the decentralised political system. After the market economic reform, 'efficiency comes first, equity is the second' had been the main development guideline for the whole country for a long time. The central government passed the responsibility for social welfare to lower level governments, local authorities have the power to make decisions in welfare service providing and delivering. During this period, local governments have built up their own social insurance system according to their level of economic development. However, as China has 31 administrations at provincial level, 33 administrations at prefectural level, 2852 at county level, 40,446 at township level and 680,000 administrations at village level (Figure 4.1), the management of social insurance at different levels is complex.

In recent years the state has started to focus on social equity, measures such as raising the pooling level of social insurance funds, unifying social insurance systems that was originally designed for different social groups. The state has gradually re-centralised its power and responsibility for providing welfare services. However, the path of one-party regime has never been broken, the state always plays a crucial role in every step of China's development process. Although local governments have power in many aspects, they must follow the guidelines and directions set up by the state.

The following two chapters will discuss the trends and characteristics of rural-urban migration and its impact on and relationships with current social insurance system.

CHAPTER 5

MIGRATION IN CHINA

Introduction

During the central planning period (1958-1978), migration was strictly controlled by the state through the household registration system (Hukou). However, since the initiation of the market economy reform in 1978, the country has experienced a large wave of migration, mainly those who migrate from rural to urban areas (Cai, 2006). The motivations for such migration could be the huge regional income gaps, surplus rural labour because of the increasing productivity of agriculture industry and the rising labour demand in urban areas due to the high speed of urbanisation (Cai and Chan, 2009).

With the development of industrialisation and urbanisation since the late 1980s, a large number of rural residents have joined the labour market (rural-urban migrant workers) in urban areas. While mass migration has contributed to China's enormous economic growth (Wang, 2010), rural migrants are subject to not only economic but also social constraints and discrimination in their everyday lives (Chen, 2011; Park and Wang, 2010). The vital contribution made by migrants to China's economic 'miracle' is little recognised, not to speak of their welfare. Not only are their salaries and living standards much lower than urban residents, but also their work is more dangerous than that of urban employees. Without local urban Hukou status they are not entitled to certain jobs, subsidised housing and most social benefits and services, such as the minimum living allowance for low paid workers, the right to participate in social insurance programmes, and their children are excluded from free education services (Chan, 2009).

Because of the precarious situation these rural-urban migrants face, the government might be expected to put some emphasis on their health and living conditions. On the contrary, none of them were covered by any kind of social insurance until the early 2000s when China started to

pay more attention to rural-urban migrant workers. Some regulations and suggestions on social insurance for rural-urban migrants were introduced against industrial accidents, illness and delayed pay. However, the economic reforms have created or strengthened several new forms of inequality between coastal and inland areas and between cities and the countryside, especially differences in access to social security, social welfare, housing, education and health care for rural-urban migrant workers, and these inequalities have become increasingly acute between different regions. The lack of social protection for migrant workers seems to be more serious in poor areas, especially the western regions (Huang and Pieke, 2003; Li and Piachaud, 2004).

The first section of this chapter discusses the inconsistent definition of migration and ‘floating population’ in China and the differences between different categories of migration, such as permanent migrants, temporary migrants, rural urban migrants and the new generation. The second section illustrates the recent trends and characteristics of migrants, especially rural urban migrant workers, and how they changed over the past decades. The last section explores some potential causes and determinants of rural-urban migration in China.

The Definition of Rural-Urban Migrant Workers

At present, the issue of how to define migration is still a matter of debate and there is still no consistent definition in China (Scharping, 1997; Chan et al., 1999; Goodkind and West, 2002; Wang, 2008; Chen, 2011; Chan, 2013; Cheng et al., 2014). According to Scharping (1997), the question of ‘how to define migration’ has been causing difficulties to social scientists ever since the inception of migration studies, and to define migration in the Chinese context is even more difficult as the Chinese usage of the term ‘migration’ differs from international conventions. As a result, the legal conceptualization of migration has been of key importance in China (Goodkind and West, 2002).

In China, the inconsistent definition of migration is not only between governments and academia, but also within major data sources (e.g. censuses, national surveys, statistical

yearbook) and scholars. Multiple dimensions in categorizing migration are recognised by Scharping (1997), including time, space, legal status, activity and actor (Scharping, 1997). Officially, the Chinese notion of ‘migration’ (qianyi) had a broader meaning during the first half of 1950s but, with the implementation of the household registration system in the late 1950s and the tightening of migration policies in the 1960s, the term ‘migration’ was limited to a permanent change of household registration records. It requires the migrants to have approval from both the former and the new local public security authorities, no matter if the migration is crossing provinces, cities or towns. This approval is only granted when there are proper reasons for the proposed move or the move serves (or at least is not against) the central or local governments’ interests and policies. For example, labour recruitment and expropriation of agricultural land by the state were major drivers of Hukou change in the past. Also, the Hukou is used as a method to ‘save’ the declining urban housing market (as in 2008) and to attract skilled professionals to urban areas in recent years (Chan, 2013). Sometimes, approval is subject to allocated quotas (Chan and Zhang, 1999). Moreover, moving up the administrative hierarchy level (county level city to prefecture level city or to province level city) is much more difficult than moving within the same administrative hierarchy level (e.g. village to village, county level city to county level city) (Goodkind and West, 2002; Wang, 2005; Chan, 2009). This definition of ‘migration’ (a permanent change of household registration records) is still being used today in many official material and academic studies.

In contrast to migrants who have changed their household registration records permanently, those who move without such a permanent change in their household registration records are classified as ‘floating population’ (liudong renkou). The ‘floating population’ implies a ‘temporary’ move to a destination where the person is not supposed to, and is not legally entitled to, stay permanently. Scharping (1997, p. 16) argues that the term ‘floating population’ or ‘mobile population’ is imprecise because ‘there is no universally agreed criteria for defining its temporal and spatial dimensions’. But Goodkind and West (2002) classify the ‘floating population’ into several sub-categories based on the duration of stay. First, the standard definition of the ‘floating population’ used in China’s city surveys is based on the shortest duration of stay, 24 hours, which contains not only people who are simply visiting

relatives, on vacation and on overnight working trips, but also those away for longer periods of time. But such a broad definition based on a short duration seems over-inclusive, so Goodkind and West (2002) bring forward a second sub-group of the ‘floating population’ which includes seasonal migrant labourers who move away from their official residence for weeks or even months at a certain time. The third sub-group includes those migrants who are away from their permanent household registration locations for more than a year, and they have no intention to return.

In addition, some of these sub-categories of the ‘floating population’ are officially approved by the state. For example, according to regulations stipulated by the state, seasonal migrants and longer-term migrants can register their temporary residency with local governments at the destination (Goodkind and West, 2002). After registration, they will be granted a ‘temporary residence certificate’ (zanzhu zheng) and then referred to as temporary residents (linshi or zanzhu renkou). Thus, Goodkind and West (2002) argue that features usually used to sub-divide the ‘floating population’ include the duration of stay at the destination, purpose of stay, whether or not they have official temporary registration, location of origin and even the particular migration patterns they are undertaking (such as rural to rural, rural to urban, intra-provincial or not). However, they indicate that even this more limited concept of ‘floating population’ is not always well defined, these categories often overlap in incongruent ways. Also, Scharping (1997) suggests a broader and more realistic definition of migration would therefore have to include both persons moving with and without a change of household registration.

Similarly, Chan (2013) categorises the migrants into two main groups: migration with a household registration record change (Hukou migration) and migration without such change (non-Hukou migration). Nevertheless, he divides the second group (non-Hukou migration) into five sub-groups, and all five sub-groups also belong to the notion of the ‘floating population’ or the ‘mobile population’. The first sub-group is the broadest and most widely used definition of the ‘floating population’, which includes anyone without local Hukou staying in the destination, regardless the length of the stay in a place. The length of stay can

be as short as several hours or as long as several years. The second one is a narrower definition as it is based on the actual number of migrants. According to a regulation issued by the Ministry of Public Security in 1995, it is stipulated that anyone who plans to temporarily stay in places other than his/her place of household registration for more than one month should register with the police and apply for a temporary residence certificate (*zanzhu zheng*). Consequently, this group is also categorised as ‘temporary population’ (*zanzhu renkou*) by local authorities. The third and the fourth sub-groups stem from the definition used by the National Bureau of Statistical (NBS) and their minimum residence requirements are far longer than the previous two sub-groups, which are 6 months and one year respectively. The last sub-group refers to what is generally known as the ‘rural-urban migrant workers’ (*nongmingong*). This is the largest constituent group of the ‘floating population’ and it only consists of the working population with rural household registration record and which does not have local household registration record in the destination. However, Wang (2008) defines internal migration in China as four different types according to the places of out- and in-migration, which are rural to urban, rural to rural, urban to rural and urban to urban migrations. He also indicates that the rural to urban migration is the main type of internal migration in China.

Rural to urban migration, also known as rural-urban migrant workers and *nongmingong* in Chinese, was first written into a document with the role of administrative regulations issued by the central government in 2006 (Li and Li, 2007). In January 2006, the state council passed the ‘Several Opinions of the State Council on Solving the Issues Related to Rural-Urban Migrant Workers’, and it defines the term ‘rural-urban migrant workers’ as ‘a new by emerged labour force during the process of China’s economic reform, industrialisation and urbanisation. Their household registration records are still in rural areas, and they are mainly engaged in non-agriculture industries. Some of them might only come to cities to find jobs in the slack season and will return to rural areas in the harvest season; some of them might work in cities for a long time as long-term employees’ (State Council Document No. 5, 2006).

Table 5.1 Categories of Migration in China

Migration in international conventions	‘Migration’ in Chinese contexts	Permanently change someone’s household registration status from one place to another	
	Floating/Mobile Population	Chan (2013)	Goodkind and West (2002)
		Overnight or more	24 hours
		1 month or more	Weeks to months
		More than 6 months	
		More than one year	More than one year
Rural-urban migration			

Sources: Goodking and West (2002) and Chan (2013)

According to Li and Li (2007), labour forces that shifted from agricultural industry to non-agricultural industries were called as ‘rural-urban migrant workers’ in China. The term ‘rural-urban migrant workers’ mainly means those labourers whose household registration status is still as peasants and who still own contracted lands in rural areas, but mainly engaged in non-agricultural works and reliant on salaries as the main income source. Differing from Chan’s (2013) definition above, Li and Li (2007) classify the ‘rural-urban migrant workers’ into two categories, and they believe these two groups should all be considered as rural to urban migration. The first includes those who work in township and village enterprises within the same township, and we call them ‘rural-urban migrants who leave their land but not their hometown’. The second includes the ‘floating migrants’ who leave their hometown and to seek jobs in other places. The numbers of the latter are always larger than the former category. According to the report of the National Monitoring Survey of Rural-Urban Migrant Workers published by the National Bureau of Statistical in 2017, there were 281.71 million rural-urban migrants in 2016, including 169.34 million ‘floating migrants’ and 112.37 million migrant workers who work in places where their Hukou locate (National Bureau of Statistical, 2018).

In addition, according to the National Bureau of Statistics, migrant workers who go and work in a non-Hukou location can also be divided into two categories: inter-provincial floating and intra-provincial floating migrant workers (National Bureau of Statistical, 2014).

Intra-provincial floating migrants refers to those who migrate within the province of their Hukou registration and are currently resident in it, whereas inter-provincial floating migrants refers to those who migrate from the province of their Hukou registration to another province and are currently resident in the province they migrate to (Taylor, 2011). In 2014, the number of inter-provincial migrants reached the highest, 78.67 million and the number of intra-provincial migrants was slightly higher at, which was 89.54 million (National Bureau of Statistical, 2015). In 2016, the number of inter-provincial migrants declined slightly to 76.66 million, on the contrast, the number of intra-provincial migrants reached its highest number in the past two decades, which was 92.68 million (National Bureau of Statistical, 2017).

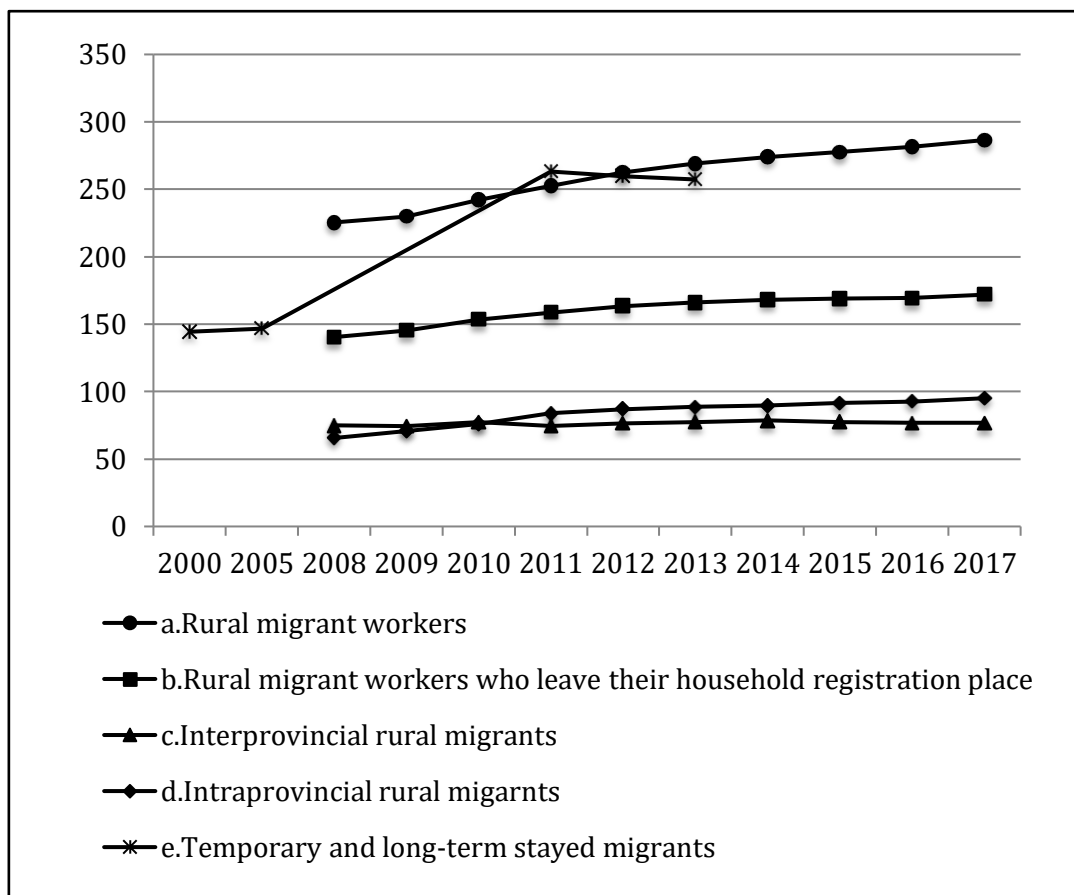
Moreover, with many older migrants returning home, a new generation of rural migrants, also known as the second generation, has become the major migrant labour force in urban China (Wang, 2010). According to the definition made by the National Bureau of Statistics, the new generation of rural-urban migrants refers to those who were born after 1980 whereas the old generation of rural migrants was defined as those born before 1980. The division between the first generation and the second generation of rural-urban migrant workers has also been used by some researchers (Cheng et al., 2014; Chen, 2011; Wang, 2010; Ji and Zhu, 2011). Also, the state has paid more attentions on the new generation of migrant worker because of their distinctive characteristics and significant contributions to the country's economic and social development (Chen, 2011). Compared with their predecessors, the new generation of migrant workers were brought up in the reform era with better living standards, and they were better educated and adapted to the urban life, even though the rural urban division is widening during this period. Most of them have no experience of farming and migrate to cities immediately after graduating from high schools.

According to Pun and Lu (2010, p. 495), the younger generation of migrant workers tend to have 'a greater disposition toward individualism, an increased proclivity for urban consumer culture, less constrained economic circumstances and greater pursuit of personal development and freedom'. Better education provides them with better knowledge of their legal rights but less tolerant of abuse and discrimination than their predecessors. However, without local

urban Hukou status, they are still experiencing various socio-economic constraints similar to those experienced by their predecessors. In addition, their wage levels merely allow them ‘to survive but not to thrive; nor can migrants become part of the urban citizenry’ (Chan, 2010a, p. 672). As Pun and Lun (2010) pointed out, a huge gap between their expectations of integrating into the city and their experience of being excluded has occurred (Pun and Lu, 2010). This may also lead to social tensions between the new generation of migrants, enterprises and local governments. Labour disputes and social movements have increased in the past years, with the new generation of migrants started to ask for higher pay and a better working environment (Chan, 2010b).

Figure 5.1 summarises the scale of migrant workers according to different definitions in China 2000-2017. Line ‘a’ represents the numbers of rural migrant workers between 2008-2017, the definition of rural migrant workers comes from the ‘Monitoring and Investigating Report on Rural Migrant Workers published by the National Bureau of Statistics since 2009. It defines the term ‘rural migrant workers’ as those labourers whose household registration records are still in rural areas, but are engaged in non-agricultural industry within their household registration areas or have jobs outside the registered areas for more than six months. It includes the ‘local rural migrant workers’ and the ‘outgoing rural migrant workers’ (National Bureau of Statistics, 2014). These two types of rural migrant workers are the same as the classification made by Li and Li (2007), ‘local rural migrant workers’ means migrant workers who work in township and village enterprises within the same township, and ‘outgoing rural migrant workers’ refers to those who leave their hometown and to seek jobs in a place where they do not have a local residential status. Line ‘b’ refers only to the numbers of rural migrant workers who leave the place of their household registration and find jobs in some other towns or cities, and it fits well to the definition of rural urban migrant workers used by Chan (2013) in his research on China’s internal migration.

Figure 5.1 The Size of the Migrant Population Based on Different Definitions, 2000-2017 (in millions)



Notes: a. labourers whose household registration records are still in rural areas, but work in non-agricultural industry in their household registration areas or have jobs outside the registered areas for more than six months, including the ‘local rural migrant workers’ and the ‘outgoing rural migrant workers’

b. only the ‘outgoing rural migrant workers’

e. temporary stayed means less than 6 months, long-term stayed means more than 6 months

Sources: National Bureau of Statistics (2010-2018); China Statistical Yearbook (2012, 2013, 2014); 2000 Census; 2005 1% Population Sampling Survey.

Line ‘e’ in Figure 5.1 represents the scale of migrants without a local registration household record. These numbers come from the 2000 census, the 1 per cent population sampling survey in 2005 and China Statistical Yearbooks. However, Wang (2008, p. 2) argues that the 2000 census and the 2005 population sampling have ‘as criterion for identifying migrants that they have stayed in their destination areas for six months or more, and identifies townships in rural areas and districts in urban areas as the basic geographical units’. He also concluded that it is because people who migrate for less than six months are excluded from the totals, the scale of

internal migration in the 2000 census and population sampling are underestimates. But Wang misunderstood the definition of migrants in the 2000 census and the 2005 population sampling. Respondents were classified as floating migrants if, at the time of the survey, they were residing in a location where they did not have Hukou (further classified into two sub groups based on their duration of stay: less than 6 months temporary stayed migrants and more than 6 months long-term stayed migrants), and had been away from their place of Hukou registration for more than six months. Taylor (2011, p. 11-12) argues that this was ‘an improvement on surveys and censuses carried out prior to 1995, where respondents were only classified as migrants if they had been away from their place of registration continuously for more than a year’.

As discussed previously, the definition of rural migrant workers is still inconsistent in China. According to the National Bureau of Statistics, the term rural migrant workers refers to both migrant workers who have worked for six months or above in urban areas other than their hometown and those who are engaged in non-agricultural works for at least six months in their hometown (National Bureau of Statistics, 2014).

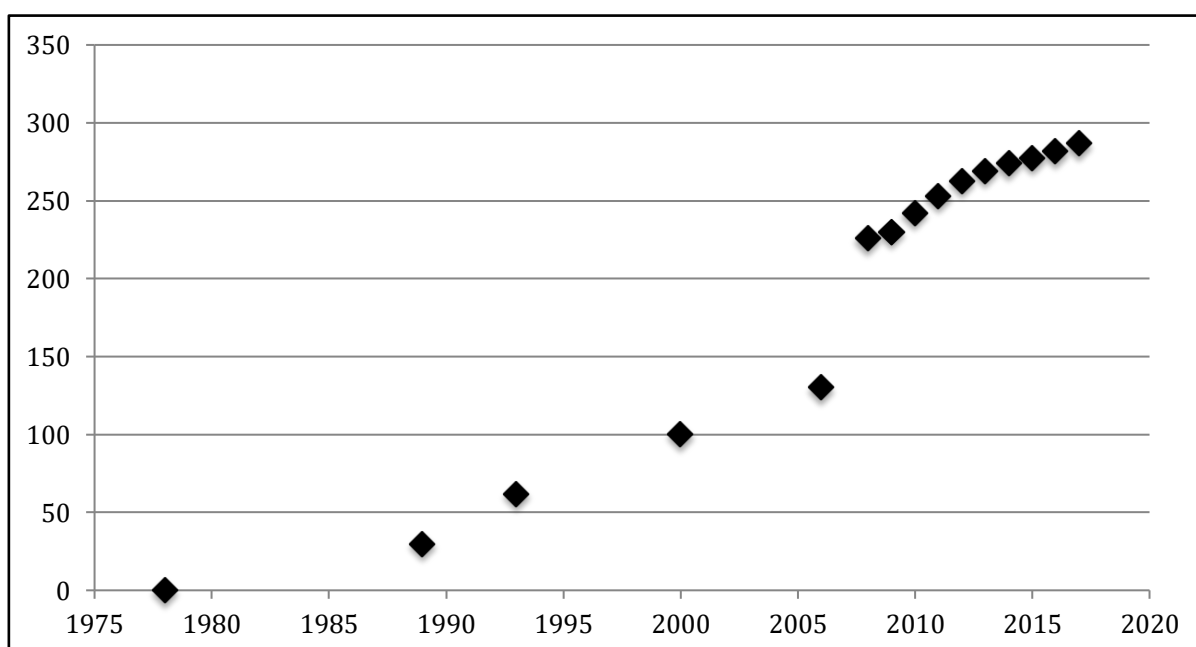
Trends and Characteristics of Migrant Workers

The Scale of Rural Migration

Migration is closely associated with the household registration system (Zhang and Luo, 2013; Ngok, 2012; ILO, 2011; State Council Research Team, 2006). The period between 1949 and 1978 was recognised as the first period of policy interventions concerning migration, the orientation in migration policy varied from ‘free migration’ to ‘strict control’ due to the introduction of the Hukou system in 1958, which created a dual system involving a division between rural and urban areas. The number of rural to urban migration was strictly controlled under the Hukou system, and, according to the Research Report on Rural Migrant Workers in China, published by the State Council’s Research Office in 2006, this led to stagnated urbanisation, the loss of opportunities to develop rapidly and low living standards of peasants (State Council Research Team, 2006).

Later, with the implementation of the market economic reform, the old system of people's communes based on collective farming in rural areas was replaced by the new rural household contract responsibility system, and many agree that this new system increase the productivity in agriculture production and created a labour surplus in rural areas (Ngok, 2012; ILO, 2011). On the other hand, the gradual relaxation of the Hukou restriction and the huge demand for labour in urban areas, especially in the eastern coastal areas, because of the rapid economic growth, attracted migrant workers into cities. The term 'rural migrant workers' first appeared in 1984, and it has been widely used since then (State Council Research Team, 2006).

Figure 5.2 Number of Rural Migrant Workers, 1978-2017 (in millions)



Sources: National Bureau of Statistics (2010, 2013-2018); ILO (2011).

In the following discussion, we will adopt the definition of 'rural migrant workers', whose household registration records are still in rural areas, but work in non-agricultural industry in their household registration areas or have jobs outside the registered areas for more than six months, including the 'local rural migrant workers' and the 'outgoing rural-urban migrant workers', the same definition as line 'a' in Figure 5.1. As shown in Figure 5.2, the number of rural migrant workers increased significantly, from less than 2 million in the early period of

the economic reform to 30 million in 1989. This period between 1978 and 1992 was called the period that moving from ‘leaving the land without leaving the village’ to ‘leaving both the land and the village’ by the State (State Council Research Team, 2006).

After Deng Xiaoping’s speech during the famous ‘Southern Tour’ in 1992, China began a new round of economic reform and growth, in the meantime, large scale movements of migrant workers had begun. By the end of 1993, the number of rural migrant workers exceeded 62 million, doubling the figures in 1989 in only four years, among 22 million were interprovincial migrant workers. As shown in Figure 5.2, the years since the early 1990s have witnessed a continuous growth in the scale of rural migrant workers, in 2000 the number rose to 100 million. After 2000, the state has issued a number of regulations on improving the income, working conditions, training opportunities and public services for rural migrant workers (State Council Research Team, 2006). This generated another migrant labour wave, the scale of rural urban migrant workers ascended from 100 million in 2000 to nearly 225.78 million in 2008. From 2008 to 2017, the increase of the number of rural-urban migrant workers has been slowed down, the growth is 60.74 million in 9 years, from 225.78 million in 2008 to 286.52 million in 2017 (Figure 5.2).

Gender and Age

The majority of rural migrant workers are male and the proportion of young rural migrant workers is gradually declining. In 2012, male migrants accounted for 66.4 per cent and female migrants accounted for 33.6 per cent of the total number of rural migrant workers. The ratio of male migrants and female migrants did not change too much in the past few years. In 2017, male migrants accounted for 65.6 per cent and female migrants 34.4 per cent of the total number of rural migrant workers (National Bureau of Statistics, 2017). One of the reasons for the higher number of male migrant workers might be, according to Taylor (2011), the earlier marriage age of women than men in China and, usually, women tend to return home and marry a partner who is also from the same village. However, Wang (2008) shows that the proportion of female migrant workers was higher in the eastern regions than in the central and

western regions, the ratios were 37.4 per cent, 26.0 per cent and 23.6 per cent in 2004, respectively. The main reason might be the gender division of labour in transitional China (Fan, 2003), as male rural migrant workers find it easier to get a job in urban areas than female ones, as most of the jobs are ‘dirty, dangerous and demeaning’ jobs and these jobs are almost exclusively held by men (Huang and Pieke, 2003).

Table 5.2 Distribution of Rural Migrant Workers by Age (2008-2017) %

Age Group	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
16-20	10.7	8.5	6.5	6.3	4.9	4.7	3.5	3.7	3.3	2.6
21-30	35.3	35.8	35.9	32.7	31.9	30.8	30.2	29.2	28.6	27.3
31-40	24	23.6	23.5	22.7	22.5	22.9	22.8	22.3	22.0	22.5
41-50	18.6	19.9	21.2	24	25.6	26.4	26.4	26.9	27	26.3
50+	11.4	12.2	12.9	14.3	15.1	15.2	17.1	17.9	19.1	21.3

Sources: National Bureau of Statistics (2008-2018).

In terms of age, as shown in Table 5.2, rural migrant workers are primarily young people whose ages were between 21 and 30, even though the number has decreased from 35.3 per cent in 2008 to 27.3 per cent in 2017. In 2017, the percentage of rural migrant workers whose were 30 years old and below was 29.9 per cent, whereas age between 31 and 40 accounted for 22.5 per cent, age between 41 and 50 accounted for 26.3 per cent and the percentage of migrant workers who were aged above 50 was 21.3 per cent. The increase in migrant workers who were aged above 50 was more significant than for other age groups. Table 5.2 illustrates that the proportion of migrant workers whose age was under 40 has been decreasing annually, declining from 70 per cent in 2008 to 52.4 per cent in 2017, on the contrary, the percentage of migrant workers who were older than 40 years old has increased from 30 per cent to 47.6 per cent. Meanwhile, the average age of rural migrant workers increased from 34 to 39.7 years (National Bureau of Statistics, 2017).

Table 5.3 Distribution of Rural Migrant Workers by Education Level (%)

	2006	2011	2012	2013	2014	2015	2016	2017
Illiterate	1.7	1.5	1.5	1.2	1.1	1.1	1.0	1.0
Primary School	14.3	14.4	14.3	15.4	14.8	14.0	13.2	13.0
Junior High School	67.0	61.1	60.5	60.6	60.3	59.7	59.4	58.6
High School	11.1	13.2	13.3	16.1	16.5	16.9	17.0	17.1
Technical secondary school		4.5	4.7					
Junior College and above	5.8	5.3	5.7	6.7	7.3	8.3	9.4	10.3

Sources: National Bureau of Statistics (2006-2018), Wang (2008).

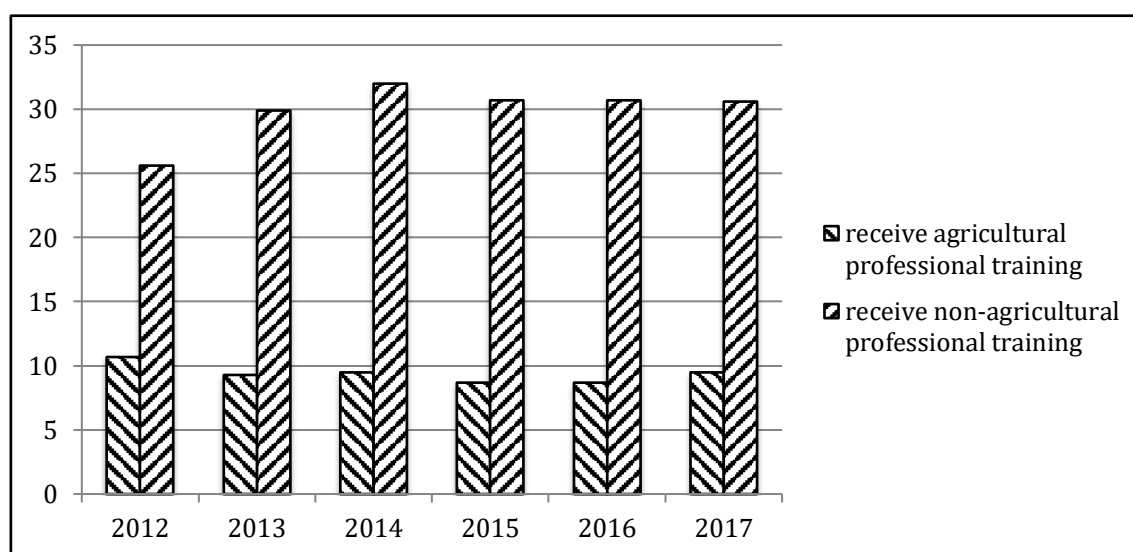
Education Level, Skills and Training

According to the Monitoring Report on Rural Migrant Workers published by the National Bureau of Statistics and Wang (2008), the majority of the rural migrant workers have a junior high school education, the proportion was as high as 67 per cent of total migrant workers in 2006, and it still accounted for more than half of migrant workers in 2017. From 2006 to 2017, as shown in Table 5.3, the percentage of rural migrant workers who were illiterate or had only primary school education only declined by 2 per cent, from 16 per cent to 14 per cent, also the proportion of rural migrants who had junior high school education dropped by 8.4 per cent, while migrants with high school and above increased dramatically, from 16.9 per cent to 27.4 per cent of total migrant workers. Particularly, the number of migrants with a degree of technical secondary school and above in 2012 nearly doubled the number in 2006, increasing from 5.8 per cent in 2006 to 10.4 per cent in 2012 (Wang, 2008).

In terms of training, the total number of rural migrant workers who received various forms of training also increased over time. From 2012 to 2017, the proportion of rural migrants who received agricultural or non-agricultural professional training rose from 36.3 per cent to 40.1 per cent. However, as Figure 5.3 shows, this increase mainly came from the growth in the number of migrant workers who received non-agricultural professional training, whereas less migrant workers received agricultural training in 2017 than in 2012, the number of migrant workers who received agricultural training has dropped gradually. It declined from 10.7 per cent in 2012 to 8.7 per cent in 2016, but it rose to 9.5 per cent in 2017. While the percentage

of migrant workers who received non-agricultural professional training ascended from 25.6 per cent in 2012 to 32 per cent in 2014, but the number slightly dropped to 30.6 in 2017. This might indicate that rural migrant workers nowadays prefer to learn non-agricultural skills. Nevertheless, the total number of migrants who received professional training is still at a very low level, not even exceeding 50 per cent.

Figure 5.3 Percentage of Rural Migrant Workers Who Receive Training (%)



Sources: National Bureau of Statistics (2013-2018).

Employment and Income

As shown in Table 5.4, rural migrant workers mainly work in the manufacturing, construction, wholesale and retail trade industries. Manufacturing remains the largest sector that absorbs rural migrant workers, even though the proportion of rural migrant workers who were employed in the manufacturing sector dropped from 36 per cent in 2011 to 29.9 per cent in 2017. The proportion of rural migrants who are engaged in the construction industry has gradually increased between 2011 and 2014, from 17.7 to 22.3 per cent; but the proportion decreased to 18.9 per cent in 2017.

In 2017, 12.3 per cent of migrant workers were engaged in the wholesale and retail trade sector, 6.6 per cent of migrant workers in the transportation, storage and postal sector, the accommodation and catering sector accounted for 6.2 per cent, and 11.3 per cent of them worked in the resident services, repair and other services sector. The numbers changed significantly in both the manufacturing and the construction industry, the number of migrant workers worked in these two sectors reduced from 53.7 per cent in 2011 to 48.8 per cent in 2017, it decreased by 4.9 per cent during this period.

In addition, when comparing regions, rural migrant workers in the eastern areas are concentrated in the manufacturing sector, 43.1 per cent of rural migrant residents in the eastern areas were engaged in the manufacturing sector in 2013, whereas migrant workers in the middle and western areas are concentrated in the construction sector, 28.5 and 30 per cent of migrant workers worked in the construction sector in 2013 respectively. This may reflect the fact that most of China's manufacturing industries are located in the eastern areas, especially the Yangzi river area, like Shanghai, Zhejiang and Jiangsu province. Furthermore, more migrant workers worked in construction sectors in the middle and western areas may refer that less developed cities in these areas are experiencing dramatic social and economic changes.

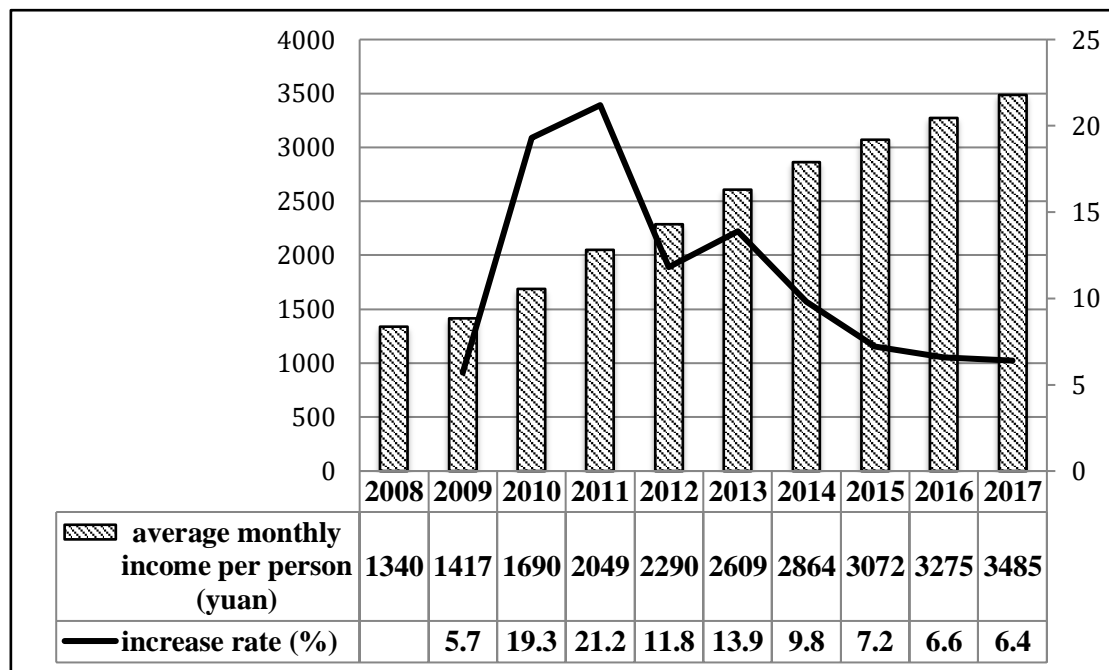
In terms of the income of rural migrant workers, Figure 5.4 shows that how the monthly average wages of rural migrant workers per person changed between 2008 and 2017. The wage rose from 1340 Yuan in 2008 to 3485 Yuan in 2016, a rise of 160.1 per cent. The increase rate in rural migrant workers' monthly average wage reached its highest in 2011, at 21.2 per cent, then it immediately reduced to 11.8 per cent in 2012 and slightly increased to 13.9 per cent in 2013. The increase rate declined significantly since then and, in 2017, it was only 6.4 per cent.

Table 5.4 Distribution of Rural Migrant Workers by Industries and Regions (%)

Industry	2011				2013				2014	2015	2016	2017
	Total	Eastern	Middle	Western	Total	Eastern	Middle	Western	Total	Total	Total	Total
Manufacturing	36	44.8	23	15.4	31.4	43.1	20.1	13.2	31.2	31.1	30.5	29.9
Construction	17.7	13.4	24.7	27.4	22.2	17.5	28.5	30	22.3	21.1	19.7	18.9
Wholesale and retail trade	10.1	8.7	13.1	12.5	11.3	10.2	12.9	13.2	11.4	11.9	12.3	12.3
Transportation, storage and postal	6.6	5.5	8.1	9.3	6.3	5.3	7.3	8.2	6.5	6.4	6.4	6.6
Accommodation and Catering	5.3	4.5	5.9	7.3	5.9	5	6.2	8.1	6	5.8	5.9	6.2
Resident services, repairs and other services	12.2	12.3	11.4	12.2	10.6	9.9	11.1	12.2	10.2	10.6	11.1	11.3
Others	12.1	10.8	8.2	15.9	12.3	9	13.9	15.1	12.4	13	11	11.6

Source: National Bureau of Statistics (2013-2018).

Figure 5.4 Monthly Average Wage of Rural Migrant Workers (2008-2017) (in Chinese Yuan)



Notes: 1 Chinese Yuan equals approximately 0.11 British pounds.

Sources: National Bureau of Statistics (2008-2018).

Also, there were income disparities among rural migrants across the regions. According to Table 5.5, in 2008, the eastern areas had the highest average wage which was 1,352 yuan per person per month, whereas 1,275 yuan in the central and 1,273 yuan in the western areas. The wage differences between the eastern areas and the central and western areas were 77 yuan and 79 yuan, and the average wage in eastern areas was even higher than the national one. However, the gap is narrowing. In 2017, the average monthly wage of rural migrant workers was 3,677 yuan in the eastern areas, while it was 3,331 yuan in the central and 3,350 yuan in the western areas.

From 2008 to 2017, the wage difference rose from 77 to 322 yuan between the eastern and the central regions and from 79 to 327 yuan between the eastern and the western areas. In addition, according to the National Bureau of Statistics (2013), there were differences in the monthly average wages between rural migrant workers that worked in different levels of cities. In 2012, migrants who worked in prefectural cities earned 2,561 yuan per person per month,

those who worked in capital cities and county level cities received 2,277 yuan and 2,240 yuan per person per month, and migrant workers in small towns only earned 2,204 yuan per month, a 357 yuan difference from the wage level in the prefectural cities.

Table 5.5 The Monthly Average Wage of Rural Migrant Workers by Region (2008-2017) (in Chinese Yuan)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
National	1340	1417	1690	2049	2290	2609	2864	3072	3275	3485
Eastern	1352	1422	1696	2053	2286	2693	2966	3213	3454	3677
Central	1275	1350	1632	2006	2257	2534	2761	2918	3132	3331
Western	1273	1378	1643	1990	2226	2551	2797	2964	3117	3350

Notes: a. the eastern, middle and western regions are not the only destination area of rural migrant workers, 0.3% of 'outgoing rural migrant workers' are currently working in Hong Kong, Macau, Taiwan and foreign countries, and their monthly average wage is 5550 Yuan.

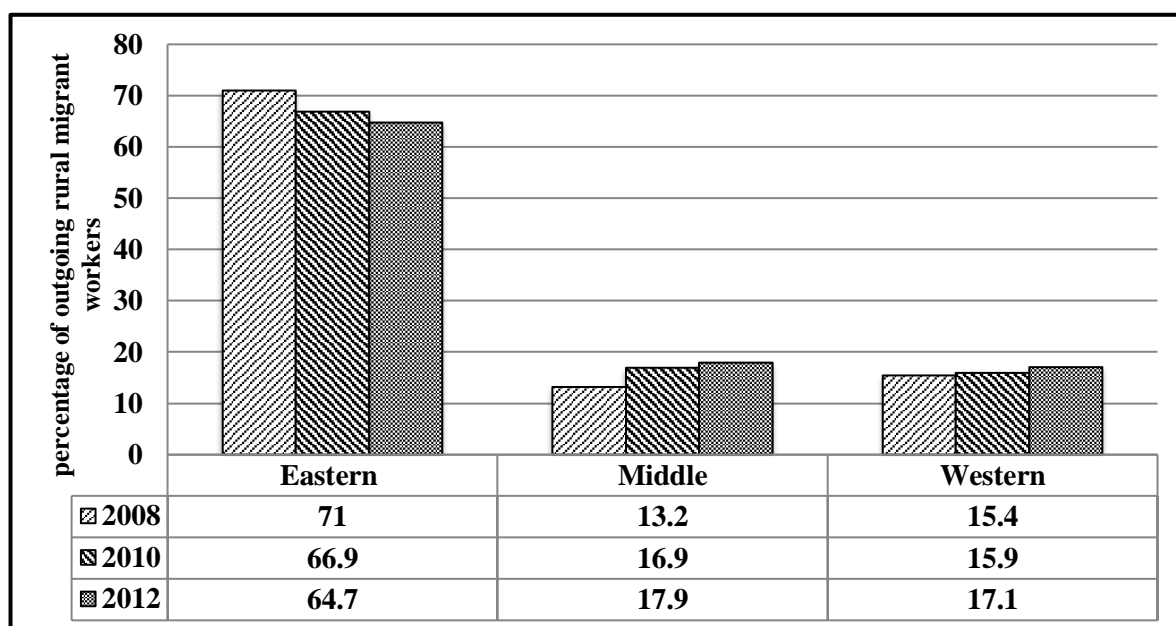
b. 1 Chinese Yuan is equals to approximately 0.11 British pound.

Source: National Bureau of Statistics (2008-2018).

Regional Distribution

As Figure 5.5 illustrates, rural migrant workers are highly concentrated in the eastern regions. In 2008, 71 per cent of rural migrant workers stayed in the eastern regions, while only 13.2 per cent worked in the central areas and 15.4 per cent worked in the western regions. Although the number had slightly declined to 64.7 per cent in 2012, it still accounted for more than two-thirds of the total number of rural migrant workers. From 2008 to 2012, the proportion of migrant workers who worked in the eastern areas slightly decreased from 71 to 64.7 per cent, whereas the numbers in both the central and western areas only increased a small amount, from 13.2 to 17.9 in the central and from 15.4 to 17.1 per cent in the western regions.

Figure 5.5 Regional Distribution of Outgoing Rural Migrant Workers (%)



Notes: the eastern, middle and western regions are not the only destination area of rural migrant workers, 0.3% of 'outgoing rural migrant workers' are currently working in Hong Kong, Macau, Taiwan and foreign countries.
Source: National Bureau of Statistics (2009, 2012, 2013).

Also, rural migrant workers favour medium or large cities, such as the capital cities or the prefectural cities (Wang, 2008; National Bureau of Statistics, 2014), presumably because the demand for labour is greater there than other smaller cities. 30.5 per cent of rural migrant workers worked in the capital cities and the prefectural cities, considering the limited number of these cities (23 capital cities and 4 prefectural cities) the proportion was quite large (National Bureau of Statistics, 2014). In 2013, there were 77.39 million interprovincial rural migrant workers, and 66.02 million of them migrated to the eastern regions, accounting for 85.3 per cent of total number of rural migrant workers, while 10.68 million moved to the central and western regions, accounting for only 13.8 per cent.

In 2012, the top three sending provinces of rural migrant workers were Sichuan, Henan and Guangdong. In the case of Guangdong the migrants were mostly intraprovincial. Meanwhile, the top three receiving provinces were Guangdong, Zhejiang and Jiangsu. According to Wang (2008), the increasing concentration of rural migration in eastern areas and large cities is closely related to the income disparities and large development gaps across regions. However,

Lin et al. (2004) argue that the income inequality has increased even though migrant workers are becoming more responsive to income disparities and the labour mobility is increasing. They concluded that this might be mainly because of the Hukou system and factors that keep widening the income gap and worsening regional disparities.

The Second Generation of Rural Migrant Workers

Scale

The increased number of new rural migrant workers has attracted not only policy but also academic interest because of this group's distinctive characteristics and significance to the country's economic and social development (State Council, 2010; Pun and Lu, 2010; Cheng et al., 2014; Chen, 2011; Wang, 2010; Ji and Zhu, 2011). In the Annual Report on Rural Migrant Workers in 2013, the issue of the new generation of rural migrant workers was first discussed and defined as those who were born after 1980 (National Bureau of Statistics, 2014). As shown in Table 5.6, the number of the second generation of rural migrant workers was 125.28 million, accounting for 46.6 per cent of total rural migrant workers and 65.5 of total rural labour force born after 1980. According to the National Bureau of Statistics (2018), the proportion of the second generation of rural migrant workers first over 50 per cent, it achieved 50.5 per cent in 2017.

Table 5.6 Comparison of Two Generations of Migrants in 2013 (in millions)

	Total	Percentage (%)	Outgoing rural migrant workers	Local rural migrant workers
Second generation	125.28	46.6	100.61	24.67
First generation	143.66	53.4	65.49	78.17

Sources: National Bureau of Statistics (2014).

Basic Features

In terms of the education level, Table 5.7 points to a trend that the new generation of rural migrant workers has a higher educational level than the older one: 60.6 per cent of them have a junior high school degree, 20.5 per cent have high school education, and the percentage of the new generation who has a degree of junior college and above is 12.8. The new generation of rural migrant workers with a high school education and above has reached 32.7 per cent, 19.2 per cent higher than the first generation.

The distribution preference of these younger rural migrant workers is very similar to the old ones. In 2013, 64.8 per cent of rural migrant workers stayed in the eastern regions, while only 17.7 per cent worked in the central areas and 17.2 per cent worked in the western regions. Moreover, there is a larger amount of them who favour working in the capital cities and the prefectural cities, 54.9 per cent of total new generation of rural migrant workers choose to work in the capital cities and the prefectural cities in 2013, whereas only 26 per cent for the first generation.

Table 5.7 Comparison of the Education Level of the New and the First Generation of Rural Migrant Workers in 2013 (%)

	Primary School and Under	Junior High School	High School	Technical Secondary School, Junior College and Above
New generation	6.1	60.6	20.5	12.8
First generation	24.7	61.2	12.3	1.8

Sources: National Bureau of Statistics (2014).

According to Table 4.6, there are 100.61 million young outgoing rural migrant workers, accounting for 80.3 per cent of the total number of the new generation, and only 24.67 million are local rural migrant workers. The number of outgoing rural migrant workers of the younger generation is much larger than the local rural migrant workers. In the case of the older

generation, the situation is the opposite, 65.49 million are outgoing migrants, while 78.17 million are local. Compared with the distribution pattern by industries of the first generation of rural migrant workers, more are engaged in manufacturing industry and less work in the construction industry (National Bureau of Statistics, 2014).

Causes and Determinants of Migration

General/Global Causes of Migration

A review of the general causes of migration, no matter whether internal or international, will help to better understand migration in China. But, at present, there is no single, coherent theory of migration, only a fragmented set of theories. As a result, there are various causes and determinants of migration according to different migration theories. Massey et al. (1994) is a ground-breaking work in the migration literature that discusses and integrates different migration theories. They divided current migration theories into two parts, the first is the initiation of migration, especially international migration, and the second is about the perpetuation of migration that explicates theories that account for why migration persists over time and across space. On the basis of Massey et al. (1994), Hagen-Zanker (2008) classified causes of migration into three levels, namely micro-, meso-, and macro-level causes. According to her, micro-level theories focus on individual migration decisions, e.g. survival, increasing income and improve wealth, whereas macro-level theories emphasise the aggregate migration trends and explain these trends with macro-level explanation, such as economic structure. She argues that micro-level analysis can only explain the causes of migration, while macro-level theories can explain not only causes but also the perpetuation of migration, and because the meso-level is in between the micro- and macro-level, so it can also explain both causes and perpetuation of migration.

According the neoclassical macro migration theory, migration happens as a consequence of economic development. Internal migration results from geographical differences in labour supply and demand, especially the differences between the rural traditional agricultural sector and the urban modern industrial sectors (Massey et al., 1994; Hagen-Zanker, 2008).

Differences in the supply and demand of labour lead to a differential in wages, which causes workers from the rural low-wage areas to move to the high-wage urban areas. As long as the income differential exists, rural urban migration occurs. Lee (1966) was the first to explain migration in a push-pull framework from the perspective of an individual, looking for causes of migration from both the supply and demand side. According to his theories, the decision to migrate is determined by the following factors: (push) factors associated with the area of origin (e.g. poor medical care, less opportunity or poor housing), (pull) factors associated with the area of destination (e.g. job opportunity, better living conditions or education), so-called intervening obstacles (such as distance, physical barriers, immigration laws, and so on) and personal factors.

Until now, the previous two explanations of why people migrate both assume that individuals independently make the decision to migrate, while the role of the family or household in the decision making process of migration is neglected. However, Stark and Bloom's (1985) theory of the economics of migration provides the insight that migration decisions are not made by isolated individual actors, but collectively by families or households. Family members act collectively to maximize expected income and minimize risks, and make decisions that are the best for the wellbeing of the family as a whole. From this view, family members' opinions can cause an individual to migrate or not.

In sum, as Massey et al. (1994, p. 433) point out that 'individuals act to maximize income while families minimize risk, and that the context within which both decisions are made is shaped by structural forces operating at the national and international levels', various causes can simultaneously lead to a decision of migration.

Migration in China

A number of studies have also examined the determinants of migration, especially rural-urban migration, in China, and most of them use Lee's (1966) framework of push and pull factors (Li, 2004; Chen, 2011). Some emphasised the changes in rural areas and the agricultural

sector were the reasons that migrants left rural areas (Shen, 1995; Huang, 1999). Shen (1995) and Huang (1999) argued that, in comparison with the urban areas, the slower income growth and the lack of work opportunities in rural areas might be the main determinants. Some focused on the economic conditions in urban areas, Zhang and Song (2003) argued that it was the rapid urban economic growth and the high income level in urban areas that attracted the migrants to migrate from rural to urban. Also, government policies were identified as one of the main determinants of migration in several studies, for instance, government policies on urbanisation accelerating both the economic and social development in urban areas that attract rural residents to migrate to cities to find jobs, and the slowness progress to reform the household registration system in order to grant migrants a permanent and official household registration in the place they chose to live (Yang and Goldstein, 1990; Solinger, 1999c; Zhao, 1999; McErlean and Wu, 2003).

Based on Lee's (1966) work on the interaction of push- and pull-factors in migration theory, Chen (2011, p. 327) classified the determinants of rural-urban migration in China into two groups, the pull factors include higher income level, more skill learning, training and career opportunities and modern lifestyles in urban areas, and the push factors comprise surplus rural labour, limited land and less profitable agricultural production in rural areas. Among the pull factors in migration, she argues that the income factor is one of the most important, she particularly emphasises the widening income gap between rural and urban areas the huge regional income disparity which reinforced the gap, and that this income gap is the largest motivation for peasants to migrate to cities. Moreover, as a method to invest in human capital through migration, migrants' searching for training and career development opportunities seems to be particularly relevant to the younger generation of migrants. In addition, she pointed out that modern lifestyles as one of the pull factors are not consistent with the amenity explanation in China as it is in the western literature, due to the reason that migrants are excluded from urban public services as they do not have a local residential status, in other words, they cannot take part in the urban household registration system.

Migrants' social networks have a positive and crucial impact on migration and therefore lead to the perpetuation of migration (Massey, 1990). It is argued that migration might have a diffusion effect as it affects not only family members and close relatives but also people from the same place. The social networks of migrants can provide job information and community supports and assistance to migrant workers, thereafter to reduce the cost of migration and increase the incentive of migration (Zhao, 2002; Hagen-Zanker, 2008). For example, once a migrant worker has the information about job vacancies or opportunities, he/she tends to share this information or recommend it to workers who come from the same place. As Liang (2001) described, a group of female migrant workers who came from Anhui province became maids through their migrant networks. Also, according to Liang and Morooka (2004), female migrants rely more on the networks, while younger migrants and those with higher educational level are less dependent on the networks.

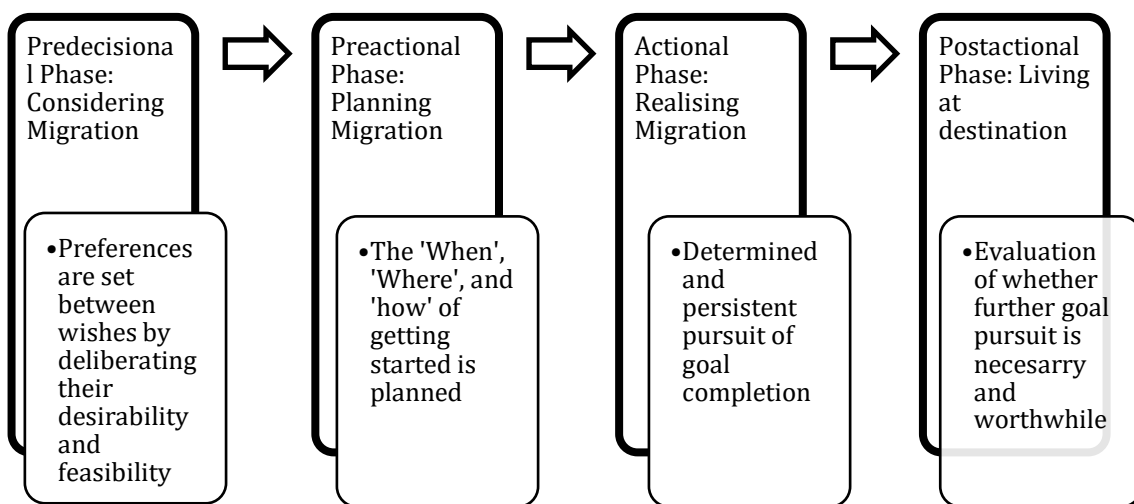
A New Framework of Internal Labour Migration in China?

Many agree that there are stages in the migration process (Heckhausen, 1991; Gollwitzer, 1996; Boyd and Grieco, 2003; Kley, 2011), and migration behaviour involves a decision making process and consider migrants as decision makers (Liu, 2007; Kley, 2011; McAuliffe, 2017).

Liu (2007) has thoroughly analysed the decision making process of rural urban migration and examined factors that may shape and influence the process of decision making such as household and social networks of migrant workers. Although he acknowledged that both macro factors (such as income, distance, organisations, social networks and process of industrialisation) and micro factors (such as the costs and benefits to the individual, their information and motivation) are the determinants of migration decision-making process, he neglected that these macro and micro factors might influence migration decision at different stages of migration.

Liu (2007) also proposed a multilevel theoretical framework to analyse individual migration decision-making. This framework consists of the analysis of the influences of costs and benefits calculation (individual level), of attitudes and social norms (at village level) and of institutions (at macro level) relevant to migration decision making. He considers decisions on ‘whether to migrate’, ‘what to do’, ‘where to go’ as the most important concern associated with attitudes to migration. However, according to Kley (2011), decisions relate to ‘when’, ‘where’ and ‘how’ are part of the planning stage of migration. Adapted from works of Heckhausen (1991) and Gollwitzer (1996), Kley (2011) argues that there are four stages of the decision making process of migration (Figure 5.6).

Figure 5.6 Stages of the Decision Making Process of Migration



Sources: Kley (2011).

Nevertheless, both Liu (2007) and Kley (2011) agree that the decision is made by an individual, and they neglect the possibility that the household or family as a whole acts as the decision maker. Despite the current literature have provided various explanations and theories of migration, but the migration in China is specific and complex, it may not be fully explained by current theories, and current explanations and theories need further developed to fit China’s situation. Based on the current literature on migration theory and migration decision making process, I propose two possible frameworks for rural migrants in China, one considers decision makers in the decision making process as individuals, the other considers the

decision makers as households. This needs further examination and analysis to test which one works the best with rural migrant workers in China.

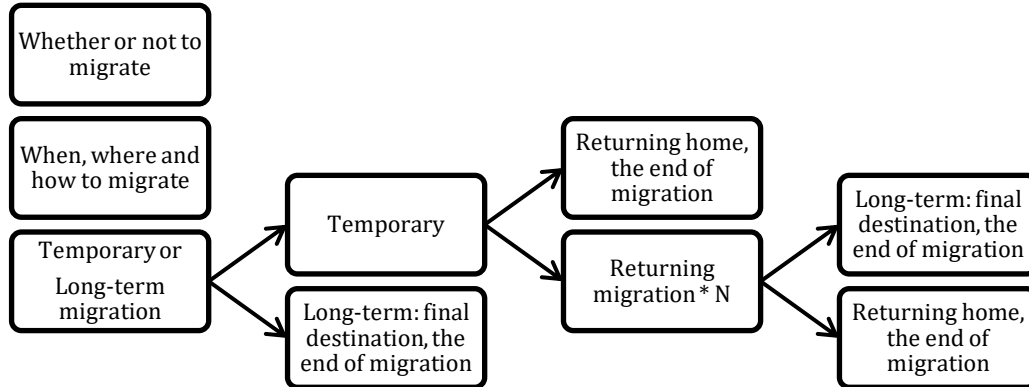
As shown in Figure 5.7, for hypothesis one which considers individuals as the decision makers, there are three main stages of decision-making process of migration. Stage one is about whether or not to migrate, it is similar to the pre-decisional phase when decision maker is considering migration. Once the decision maker has made a decision to migrate, he/she will have to decide when, where and how to migrate, and to prepare for migration in the second stage. When the migrant has arrived at his/her destination and has stayed there for some time, he/she has to consider whether to make this a temporary or a long-term stay in the third stage.

If the migrant chooses to stay, then the first destination will be the final destination, however, if the migrant decides to make it a temporary migration, then there will be two options, to stay at home for good or change the destination. Migrant workers are groups with high mobility, they tend to migrate to several places and temporarily stay in each before they finally settle down in one place or go back to the place of their origin.

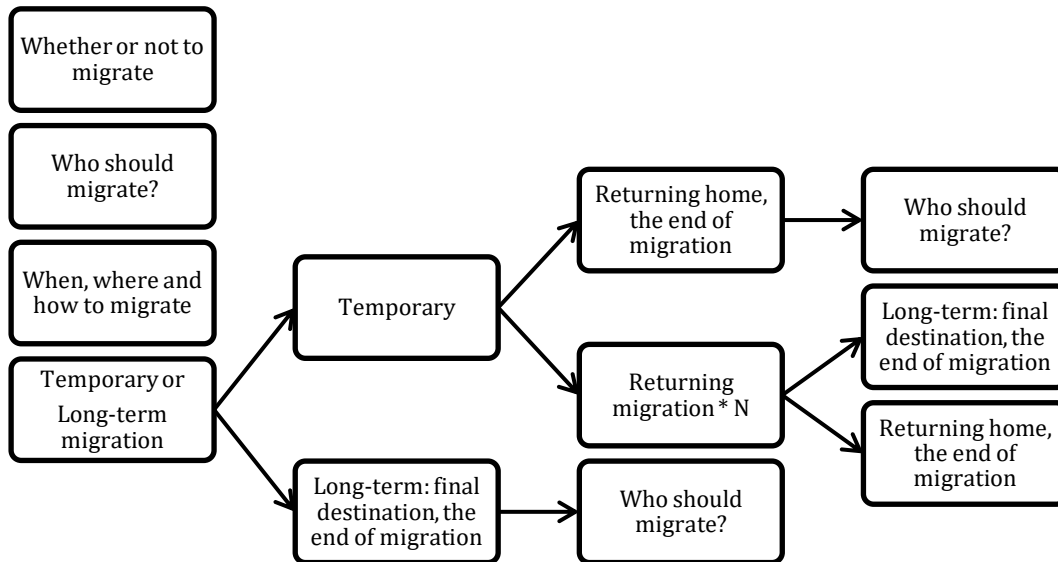
In this framework, migration behaviour is influenced by a number of factors, according to Massey et al. (1994), various causes can simultaneously lead to a decision to migrate. So factors that may have an impact on the decision to migrate consist of wage differences, the cost and benefit calculation, household, institutional factors, social networks and many others. However, different stages of migration may have different determinants, and it is possible that only household plays an important role in the first stage, whereas the wage difference and the cost and benefit analysis of migration determines where to migrate in the second stage. In the third stage of decision making, institutional factors and the migrant's social networks have the greatest influence.

Figure 5.7 Two Hypothesised Frameworks for Rural Labour Migration in China

Hypothesis 1: individual as decision maker



Hypothesis 2: household as decision maker



Unlike the first hypothesis, the second one regards a household as a single decision maker. In this framework, the whole family makes decisions, and the household no longer acts as one of the factors that cause the migration, it has huge influence over the process of migration, every decision is made by the household. The second difference is that there is one more stage in the second hypothesis, the household has to decide who should migrate and assign a family member to do it. Furthermore, when the first migrant in the family has returned home or

decided to stay in one place for a long time, or during the migration process of the first migrant, the family may need to make a decision on whether or not should send a second family member out and who should be selected.

Conclusion

In this chapter the inconsistency of definitions of rural-urban migration in the research of China's internal migration were discussed, as well as different definitions of migration and how these definitions would affect the future analysis of the study of migration in China. The length of stay in a place and migrants' destinations are the two main factors that would affect the definition of rural migration. For example, migrants can be defined as temporary migrants if their duration of stay in one place is less than six months, or, if the duration of stay is more than six months, they are classified as long term stayed migrants (Wang, 2008). In this research, rural migrant workers were defined as 'those labourers whose household registration records are still in rural areas, but are engaged in non-agricultural industry within their household registration areas or have jobs outside the registered areas for more than six months' (National Bureau of Statistics, 2017). However, this definition can be classified into two sub-groups: 'local rural migrant workers' (those who work in township and village enterprises within the same township) and 'outgoing rural migrant workers' (those who leave their hometown and to seek jobs in a place where they do not have a local residential status). As shown in Figure 5.1, the scale of 'outgoing rural migrant workers' is larger than 'local rural migrant workers', we might conclude that most rural migrant workers prefer to seek jobs outside their hometown. Moreover, 'outgoing rural migrant workers' can also be divided into two groups: interprovincial rural migrants and intraprovincial rural migrants. Line 'c' and line 'd' in Figure 5.1 clearly illustrated how these two groups of migrants changed over time. At the beginning, the number of interprovincial rural migrants was larger than intraprovincial rural migrants. However, the number of interprovincial rural migrants experienced a decrease in 2011 and did not change too much in the past years. On contrary, the number of intraprovincial rural migrants has steadily increased since 2008. Until the end of 2017, there

were 95.1 million of intraprovincial rural migrants, 18.35 million more than interprovincial rural migrants.

The number of rural-urban migrants experienced a significant increase in the past decades, according to Figure 5.2, there were 286.52 million rural-urban migrant workers in 2017, nearly ten times of the number in 1990 (30 million). However, this increase has slowed down recently. Although a high salary is one of the main reasons that most migrant workers chose to migrate to urban areas, the wages of rural migrant workers are lower than the average national wage. In addition, salaries for rural migrant workers in eastern areas are always higher than central and western areas, in a result, more migrant workers chose to work in eastern areas because of the better paid (as Shown in Figure 5.4, Table 5.5 and Figure 5.5). Migrant workers' low education levels might be one of the reasons for their low wage levels. According to Table 4.3, migrant workers' educational levels were mainly below high school level, and only a few of them had a college degree, not to mention a Bachelor degree. The second generation of migrant workers refers to those who were born after 1980 (National Bureau of Statistics, 2014). They have attracted both policy and academic interest, they are considered as the younger generation of migrant workers that tend to have 'a greater disposition toward individualism, an increased proclivity for urban consumer culture, less constrained economic circumstances and greater pursuit of personal development and freedom' (Pun and Lu, 2010, p. 495). With the increasing number of the second generation of migrant workers, their distinctive characteristics and significance to the country's economic and social development would be soon recognised (Cheng et al., 2014).

Lastly, this chapter briefly discussed the potential causes and determinants of rural-urban migration in China. Some scholars believed that changes in the agricultural sector in rural areas were the main reasons that migrants left rural areas (Shen, 1995; Huang, 1999). But some argued that migrants chose to migrate from rural to urban areas was because of the rapid urban economic growth and the high income level in urban areas (Zhang and Song, 2003). Chen (2011) summarised that determinants of rural-urban migration in China consist of higher income level, more skill learning, training and career opportunities and modern

lifestyles in urban areas (pull factors); as well as surplus rural labour, limited land and less profitable agricultural production in rural areas (push factors). Among these causes and determinants, this research found that the higher income level and migrant's networks are the two main factors that determine migrants' migration behavior. This will be further discussed in Chapter 9. At the end of this chapter I proposed two hypothesized frameworks for rural migration in China and try to find out whether rural migrants' decision to migrate is an individual decision making process or a household decision making process, how migrants themselves and their families affect their decisions. Hopefully this question could be answered in future studies.

CHAPTER 6

SOCIAL IMPACT OF RURAL MIGRATION AND SOCIAL INSURANCE

Introduction

With the rapid economic growth after the economic reform, a new social group called ‘rural-urban migrant workers’ has grown in China. As shown in Chapter 5, over the past four decades, over 280 million rural residents migrated from their home origins to urban areas. However, a number of social problems have accompanied such rapid economic and migration growth. Because of the division between urban and rural areas, rural-urban migrants are excluded from the society in many aspects. An institutional barrier called Hukou hinders rural-urban migrants from having the same social and political rights as urban residents. They are excluded from welfare services, public education, public housing and some other public services. Because of not having an urban Hukou, rural-urban migrant workers usually experience different forms of labour market discrimination, such as poor working conditions, underpayment, extremely long working hours, wage delay and so on. Female migrant workers have more such difficulties than male migrant workers.

In the 2000s, the state stipulated a series of regulations and policies that aimed to integrate rural-urban migrant workers into the society. Also, some local governments, such as Beijing, Shanghai and Zhejiang, have extended their several social insurance systems to cover rural-urban migrant workers. However, these reforms turned out to be ineffective, as rural-urban migrant workers are still experiencing severe social exclusion and there is still a lack of social protection for them. Provincial differences in social insurance provision, high contribution rates, limited portability and some other reasons keep them from participating social insurance schemes, as rural-urban migrant workers are usually highly labour mobility, they change jobs and working places frequently, and it is difficult for them to have stable job. They are still considered as ‘outsiders’ or ‘non-local’ because of their Hukou status.

In this chapter, the discrimination and social exclusion that rural-urban migrants are experiencing will be discussed first. Then the second section discusses the recent policy reforms by the state and local governments that aim to improve the social protection system for rural-urban migrant workers. Then disincentives for migrant workers to participate in social insurance schemes are explored. In the last section, regional disparities of social insurance for rural-urban migrant workers and the possible reasons for these divergences are discussed.

Social Exclusion and Discrimination

Social exclusion, is a topic that has been widely discussed in the western literature and is defined as ‘lack of recognition of basic rights, or where that recognition existed, lack of access to political and legal systems necessary to make those rights a reality’, according to a research conducted by the United Nations Development Programme (Burchardt et al., 2002, p. 3). It can also be described as ‘a shorthand label for what can happen when individuals or areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high crime environments, bad health and family breakdown’ (SEU, 2001, p. 10). Also, social exclusion can be seen as a process rather than a status, and it refers to ‘the dynamic process of being shut out, fully or partially, from any of the social, economic, political and cultural systems which determine the social integration of a person in society’ (Walker and Walker, 1997, p. 8). Social exclusion is a multidimensional concept, and its definition varies among studies. According to Burchardt et al. (1999, p. 230), ‘an individual is socially excluded if he or she is a geographical resident in a society, but for reasons beyond his or her control, he or she cannot participate in normal activities of citizens in that society’. Individual’s activities of participation may vary with the change of social contexts, so participation can be seen as an important intermediate to understanding social exclusion (Burchardt et al., 1999; Gordon et al., 2000; Percy-Smith, 2000).

Furthermore, the concept of ‘social exclusion’ is not only about vertical social inequality but also refers to horizontal social inequality. The traditional vertical meaning of social exclusion

normally indicates that societies are hierarchically ordered because of domination and submission, and the horizontal meaning of social exclusion indicates the relationship between centre and margin, and insider and outsider (Steinert, 2003; Touraine, 1991). For Giddens (1998, p. 102), 'exclusion is not about gradations of inequality, but about mechanisms that act to detach groups of people from the social mainstream'. Steinert (2003, p. 45) emphasises that those 'who want to come in from the outside and whom we make it very hard to be included'. According to Jordan (1996, p. 5), 'social exclusion essentially indicates how human beings, interacting in all kinds of collectivities, come to include some individuals and exclude others from the benefits of membership, and at what costs to the rest of the members'. Therefore, the process of social exclusion will tell us who are excluded, why they are excluded, from what they are excluded and how the exclusion is maintained.

Based on these definitions of social exclusion, the discussion below will reveal that rural migrant workers in China are currently suffering social exclusion in various ways, such as their poor working conditions, low income level, employment discriminations, lack of access to social security and public service, and the institutional barriers they are facing because of the Hukou system. According to some researchers, rural migrant workers are gradually becoming an 'urban underclass' (Smith and Fan, 1995; Solinger, 1999) or a second-class group in the cities (Ngok, 2012).

The Hukou System as A Major Institutional Barrier

The Hukou system has been discussed widely in the literature (Zhang et al., 2014; Chen, 2011; Chan, 2009; Wang, 2010; State Council Research Team, 2006; Windrow and Guha, 2005; Wang, 2005; Huang and Pieke, 2006; Chan and Zhang; 1999; Solinger, 1999; Cheng and Selden, 1994; Chan, 1994). It is the most important institutional factor that has a profound influence on migration in China. As mentioned in Chapter 4, the Hukou system was created in the 1950s as a social control and administrative mechanism to prevent unauthorised migration during that period. It requires that every citizen in China has to be registered in the system as either a rural resident (agricultural) or an urban resident (non-agricultural), based on the place

at birth (rural or urban) (Cheng and Selden, 1994). According to Zhang et al. (2014), there are two main functions of the Hukou system. First, it classifies citizens into two groups based on their employment and the area they live. Those who live in urban areas and work for the SOEs are authorised by an urban Hukou, whereas citizens who live in the countryside and make a living on farming are classified as rural Hukou. Second, the government can control the scale of migration through strictly limiting the transfer of Hukou status. Zhang et al. (2014, p. 1442) also identified five main purposes of the Hukou system since the 1960s, they are ‘non-Hukou-transfer rural-urban migration control; Hukou transfer control; Hukou-based resource distribution; Hukou-based policymaking and governance; and as a data source for (detecting) population changes’.

As a residence permit, Hukou is also closely linked with social and political rights. At first, every rural resident with ‘agricultural’ Hukou were granted a right to a small piece of land but with a responsibility to cultivate it. It was compulsory for rural residents to work in village communes, and the selling prices (usually very low) of the products and foods they produced were set by the central government (Reutersward, 2005; Wang, 2005). Meanwhile, their access to benefits was very limited, all they could depend on was the land and the family-based support networks. In contrast, urban residents with urban Hukou were entitled to state-allocated foods, employment opportunities, housing and social benefits, including pensions and medical insurance and some other social protections; sometimes, their family member could also fully or partly enjoy these benefits. Chan (1994) described these restrictions and barriers that the Hukou system built as ‘an invisible wall’ which preventing rural Hukou holders from integrating into the urban society, resulting in a bifurcation of the privileged urban areas and the underprivileged rural areas. Since then, a division between the rural and urban areas was officially created.

Several important reform steps have been taken in the past decades. Since the early 1980s, the government started to gradually reform the Hukou system and allow rural residents to migrate to cities under certain conditions, for example, they need to apply for a temporary stay certificate. However, some scholars have argued that despite a number of reforms of the

Hukou system, it still remains a critical barrier (Zhang et al., 2014; Chan and Buckingham, 2008). As Chan and Buckingham (2008, p. 582, 604-605) argue:

The cumulative effect of these reforms is not abolition of the Hukou, but devolution of responsibility for Hukou policies to local governments, which in many cases actually makes permanent migration of peasants to cities harder than before ... the Hukou system, as a major divide between the rural and urban population, remains potent and intact ... continues to be a major wall in preventing China's rural population from settling in the city.

In the 1990s, mainly the eastern areas plus Sichuan and Anhui provinces started regional pilot experiments in reforming Hukou system. In these areas, rural residents can apply for urban Hukou in a city as long as they can find a permanent work and residence there. In 2003, the State Council issued the 'Notice on the Management of and Services for Rural People Coming to Work in Cities' (State Council Document No. 1, 2003) and stipulated that: 1) administrative controls of enterprises hiring rural workers, restrictions concerning the job categories in which migrant worker can be hired, procedures and fees that have been imposed only on migrant workers must be all removed and abolished; 2) a labour contract must be signed between the employer and the migrant worker, and he/she can enjoy all rights stipulated by the Labour Law. If dismissal happens, employers should pay a lump-sum compensation to the dismissed migrant worker. Labour bureaux should reinforce their inspection of migrant workers' labour contracts; 3) migrant workers should join the work injury insurance scheme and local governments should set up health care insurance for them if they can afford it. Cai (2011, p. 37) argues that, although several reforms were introduced, the Hukou system still served two traditional roles which are it has guaranteed the priority of urban workers to obtain employment in urban sectors and it has excluded migrant workers from obtaining equal access to social welfare.

Several studies of rural migrant workers' access to social insurance have hypothesised that the rural Hukou status that rural migrant workers have results in the lower, or even zero, access to

social insurance of them, moreover, the rural urban division results in the inequality access to social insurance (Fu and Ren, 2010; Fan, 2008, 2004; Wong et al., 2007; Wang, 2005; Wu and Treiman, 2004; Yang and Cai, 2003; Hussain, 2003; Knight and Song, 1999; Knight and Li, 1996). For instance, according to Wong et al. (2007), the reason that rural migrant workers are largely excluded from social security and other benefits in urban areas is because of the lack of an official urban resident status. They also point out that when rural migrant workers and workers with local Hukou work in the same enterprise, only local workers are entitled to unemployment benefits, not rural migrant workers with a rural Hukou. In response, the State Council Research Team (2006) argues that the current social security system in urban areas does not exclude rural migrant workers with legal employment, but the system is not suitable for them, e.g. the high contribution rate and limited portability. Also, according to Huang and Guo (2017), with the extension of social insurance programmes that were designed to accommodate the increase in the number of rural-urban migrant workers, the relationship between acquiring an urban Hukou and social insurance participation has gradually weakened, and social insurance coverage is more closely linked to employment and personal social insurance contributions.

Cheng et al. (2014) used a binary logistic regression model to examine the role of signing a labor contract in determining rural migrant workers' participation in social insurance schemes. They conclude that the importance of rural Hukou status as a source of discrimination has declined, and whether or not rural-urban migrant workers have signed an employment contract has become a more important determinant of social insurance participation. Zhan (2011) argues that the importance of Hukou in determining migrant workers' life chances has declined substantially, but social exclusion through identity-based exclusion and separation of social networks and the market will continue to play a significant role on limiting migrant workers' life chances. Therefore, migrant workers' life chances would not be significantly improved even if China were to abolish the Hukou system and equalise the legal treatment of rural and urban residents.

However, Zhang et al. (2014) argue that, the limited access to social insurance, the lack of labour contract or the identity-based social exclusion, these Hukou-based discriminations against rural migrant workers can all be considered as a unique institution, the ‘institution of Hukou-based social exclusion’. Zhang et al. (2014, p. 1441) define the ‘institution of Hukou-based social exclusion’ as ‘a combination of regulative rules, norms, cognitive templates and patterned practices that constitute a socioeconomic system under which (rural migrant workers) are suffering social exclusion ... due to their Hukou status’. According to Zhang et al. (2014), the Hukou system divides the population into two distinct groups, the rural and the urban, and this division has evolved into a social identity that can be transferred across generations. It also gives rise to a unique social group, the rural migrant workers.

Solinger (1999) calls the system an ‘urban public goods regime’ because, under this system, urban Hukou holders can have a range of benefits and entitlements that rural Hukou holders can not enjoy. Even though the government has introduced several reforms, the majority of benefit entitlements, such as training allowances, the minimum living guarantee, low price housing and political rights, are only available to local Hukou or urban Hukou holders, whereas rural migrant workers are still unable to have a full citizenship right in urban areas. Moreover, rural migrant workers are suffering a series of Hukou-based labour regulation discriminations, such as the occupation reservation system which decent jobs only reserve for urban residents and the ‘Three-D’ jobs (dangerous, dirty and demeaning) are allocated to rural migrant workers, low wages and employers’ evasion of social insurance contributions. In summary, as Zhang et al. (2014, p. 1451) conclude ‘Hukou-based discrimination against rural-Hukou holders has been institutionalised and solidified into social norms and taken-for-granted routines ... (rural migrant workers) are negatively labeled, stereotyped, separated from urban society and stigmatised’.

In 2014, a radical reform of the Hukou system was introduced. The State Council issued the ‘Opinions of the State Council on Further Reforming the Hukou System’, which stipulated that ‘to establish a unified household registration system and abolish the separation of agricultural and non-agricultural households’ (State Council, 2014, No. 25). With this reform

and some other reforms related to labour contracts, the Hukou system plays a less important role in preventing rural-urban migrant workers from participating social insurance schemes in urban areas. And with social insurance contribution records, migrant workers will have an opportunity to obtain an urban Hukou. However, according to the experience of rural-urban migrant workers, they are still considered as ‘non-local’ or ‘outsiders’, and still are experiencing some discrimination and exclusion (Chapter 8 and 9 discuss the reasons in more detail).

Labour Market Discrimination

Due to the discriminatory employment policy and labour market regulations between the 1980s and the early 2000s, rural migrant workers experienced a number of forms of labour market discrimination, including poor working conditions, large wage differentials, long working hours and frequent wage delay. During that period, the central government issued a number of labour market regulations on restricting the employment of rural migrant workers and protecting the privileges of urban labourers (Li, 2004; Huang and Pieke, 2003; Meng, 2001). For example, there was an occupation reservation system which reserved certain jobs to local residents and set quotas on the number of rural migrant employees in the SOEs, and it has become a common practice for local governments to assign the ‘Three-D’ jobs, only to rural migrant workers just because the local or urban workers reject to take these jobs (State Council Research Team, 2006; Li, 2004). In addition, those discriminatory labour market regulations gave local governments the power to detain or fine a rural migrant for migrating into the cities, or even send him back to their original place. Moreover, apart from the temporary resident certificate, rural migrant workers had to apply for numerous permits and certificate in order to work and live in urban areas, such as a leaving permission to allow them to work away from their hometown and a work permit for the destination city. They also had to pay a ‘large’ amount of application fee for those permits and certificates (comparing with their income level, the application fee was too much for them) (Zhang et al., 2014).

The discriminatory employment and labour market regulations were abolished in 2003, as the State Council issued two circulars, requiring local government to improve the employment environment in urban areas for rural urban workers and to make sure they are being well managed and receiving good service (State Council Research Team, 2006). However, evidence suggests that rural migrant workers continue to be treated unequally. First, they still cannot enjoy equal pay for equal work with their urban counterparts. In 2013, the monthly average wage of urban employees was approximately 3806 Yuan, whereas the average wage of rural migrant workers was only 2609 Yuan per person per month, the difference was 1197 Yuan per month between these two groups (National Bureau Statistics, 2014).

Second, most of them still have precarious jobs. As discussed before, rural migrant workers mainly work in the manufacturing and construction industries, few of them has a job in government or public institutions. Discriminatory policies were issued by some local government against rural-urban migrants in order to protect the employment of local urban citizens and local interests. For instance, Beijing used to stipulate that rural-urban migrant workers could not be employed in secretarial jobs, whereas four star hotels and above could not hire rural-urban migrant workers in Shanghai. These policies nearly excluded rural migrants from the formal labour market, and forced them to find jobs in the informal one. It will not only enhance the labour mobility of rural migrants but also the social and economic costs of the society. At the same time, rural migrants are facing more difficulties in employment and unemployment (Gao, 2008). Furthermore, they usually work long hours without overtime pay (Wang, 2008). According to the National Bureau of Statistics, in 2013, the average working hours of rural migrant workers per day was 8.8 hours and the average working days per month was 25.2 days. The percentage of rural migrant workers who worked over 8 hours per day was 41 per cent and 84.7 per cent of rural migrant workers worked over 44 hours per week in 2013.

Third, most of the rural migrant workers cannot receive proper legal protection because the low rate of formal signed labour contracts. Some employers hire rural migrant workers as temporary employees and do not sign a labour contract with them in order to reduce the cost

of production and avoid paying tax. Some employers treat them as probationary staff who can only receive a basic level of salary, once the probationary period is over, the employers will dismiss the rural migrant workers and find some new (State Council Research Team, 2006). In 2009, only 43.8 per cent of rural migrant workers had signed a labour contract, and this situation was even worse in the construction industry, only 26.4 per cent of rural migrant workers had signed a labour contract with their employers (National Bureau Statistics, 2010). The rate was decreased to 41.3 per cent in 2013 (National Bureau Statistics, 2014). In summary, as some researchers argued, most of the labour market differentials between rural migrant workers and urban employees could not be fully explained by the productivity differences between these two groups, but the continuous differential treatment of migrants in urban labour markets (Meng and Zhang, 2001; Chen, 2011).

Limited Access to Public Services: Health Care, Housing and Education

As discussed above, there is no an integrated health insurance system in China. Because of the division between urban and rural health care system, rural residents are excluded from being entitled to urban public health service. The situation is more complex with rural migrant workers as they are urban workers with rural Hukou, most of them are not entitled to or only have a very limited access to health service. In the case of illness, they have to pay a large amount of money for medication or health care (Li, 2006). Li (2006) conducted several interviews with rural migrant workers in Tianjing in China. Almost all the interviewees claimed that they were healthy enough to overcome minor health problems or never got ill, and when they were asked what they would do if they became seriously ill, there was no other option but to go back to their villages, because none of them had health insurance.

Housing is another important aspect of urban life in China but rural migrant workers cannot participate in it. Due to the relationship between the Hukou system and urban housing distribution, rural migrants are excluded from the public housing system, which means they are not eligible to rent social housing or purchase government subsidised housing (Wu, 2002). Moreover, most rural migrant workers' earnings cannot afford them to buy commercial

houses via the market. Therefore, they usually live on work sites (such as temporary work sheds or dormitories provided by their employers) or rent rooms near their workplaces (mostly in deteriorated residential areas in the city or suburbs) (Wang, 2005; Wang, 2008). The housing conditions are often very poor for rural migrant workers. A survey conducted by Wu and Wang (2002) in Beijing and Shanghai showed that the average space per migrant was 7.8 square meters, only one-third of a local resident. The low income level of rural migrant workers are not the only reason for poor housing of rural migrant workers. According to Zheng et al. (2009), they argue that it might be due to their weak motivation for housing consumption, which means rural migrant workers are reluctant to spend on housing. However, this explanation only focused on migrants and neglected the absence of the state in promoting housing for rural migrant workers. For example, there is a system of housing funds for urban employees, under which these employees and their employers need to contribute for certain times (from months to years), then when an employee needs money to pay for his/her new home, he/she can regularly withdraw certain amount of money from the housing fund, its mechanism is very similar to social insurance programmes. But there is no such fund for migrant workers. Chen (2011) indicates that the reason why migrant workers will not spend money on housing is because of their high mobility, and they tend to stay in one city for a short time. But this reason is too simplistic to explain rural migrant workers' behaviour, and there might be some other reasons such as they need to save money in order to send remittances home.

The education of rural migrant workers' children has become a critical social problem. In the past rural migrant workers' children were excluded from urban compulsory education. Without a local urban Hukou, migrant children have been experiencing difficulties and inequalities in access to schools in urban areas. Migrant families are facing both economic and institutional barriers at the same time. Usually, the alternative way for migrant children to enroll in urban public schools, which is distinct from usual admission procedure, is to pay a fee called a 'sponsorship charge' (Xiang, 2007; Li, 2006). The amount of the 'sponsorship charge' fees can be unaffordable for migrant parents with low incomes, the it will prevent many migrant children from getting enrolled in public schools (Liang and Chen, 2010).

Although there are some improvements on relaxing the requirements for migrant children to access urban public schools in recent years, and some governments have stipulated that ‘sponsorship’ fees are prohibited, a large number of migrant children are still excluded from the urban public education system (Hu, 2012).

Gender Differences

As discussed in Chapter 5, the majority of rural migrant workers are male. The number of male migrant workers are almost twice as that of female migrant workers. The ratio of male and female migrant workers did not change too much in the past years. Male migrants accounted for 66.4 per cent and female migrants 33.6 per cent of the total number of rural migrant workers in 2012. The proportion changed to 65.6 per cent for male and 34.4 per cent for female migrant workers in 2017 (National Bureau of Statistics, 2017). Evidence of gender inequalities among rural-urban migrants in the Chinese labour market has been widely discussed by a number of scholars (Sutherland and Yao, 2011; Duan et al., 2010; Zhang and Dong, 2008; Fan, 2003; Huang, 2001; Liang and Chen, 2004). They found that there is a systematic female disadvantage among migrant workers in the urban labour market in terms of occupational attainment, wages, gender segregation of migrant jobs, and a strong preference for young and single migrant women on the part of employers.

As pointed out earlier in this chapter, the central government has adopted new laws and regulations to protect the basic rights of migrant workers, increase their entitlements to urban public services and social benefits, and last but not least, to eliminate discrimination against rural migrant workers. However, these efforts have had very limited success. Migrant workers are usually willing to work in cities or urban areas, even though their salaries are much lower than urban employees. In general, they surrender to unequal treatment and discrimination for their jobs and earnings (Smart and Smart, 2001; Qin et al., 2016). In China, female migrants generally consist of the majority of workers in the informal labour market, they usually work in low productivity sectors, and their relations with the formal labour market are marginalised. Moreover, they constitute the lower stratum of the informal labour market, where they involve

themselves in community and home-based workshops. Very few of them have the capacity to accumulate their own private capital and ascend the employment ladder (Wang et al., 2006).

In general, in the case of controlling for some social, demographic and family variables, the earnings of female migrant workers are still lower than their male counterparts (Duan et al., 2010; Wang, 2010). Female migrant workers with low education levels are considered as the cheapest source of labour in the labour market. Recently, many young unmarried female migrants from rural areas have been attracted by joint enterprises in export-oriented industries to engage in works with long working hours and poor working conditions. Some companies did not fully comply with the law, for instance, they did not sign labour contracts with female employees; they hired girl child labour; they were reluctant to provide certain basic and necessary labour protections for female employees (State Council, 2005). Cases of work-related injuries among female migrant workers were identified and reported publications which focus on the infringements of female workers' labour rights and interests (Nan, 2003; Tan, 2000 and 2004; Yi, 2003).

However, the gender wage gap in the distribution of migrants' wages is not consistent, which means the wage differentials at the top of the distribution are much higher than at the bottom and the middle. Furthermore, both human capital and migrant workers' features may have a positive impact on the income levels of female migrant workers (Magnani and Zhu, 2012). According to Magnani and Zhu (2012), the distributional gender wage differentials are largely caused by the gender occupation and industry segregation problem. In addition, young, unmarried, well-educated migrants with urban Hukou status generally had better earning potential than their older, less-educated counterparts with rural Hukou status. Inter-provincial migration, long-term urban residence migration and employment-driven migration are also significantly associated with higher incomes (Wang and Cai, 2008; Duan et al., 2010).

Overall, the discussion above reflects a wide coverage gap in China's social protection system. Most rural-urban migrants have constantly been excluded from the urban welfare system and deprived of rights of signing labour contracts and enjoying social benefits as stipulated by the

laws. Because they are categorised as marginal groups in urban areas, they have to endure discriminatory practices as well as substantial exploitation.

Social Insurance for Rural Migrant Workers

Policy Responses and Reforms

As discussed in previous chapters, social insurance in China is divided into two systems, the urban and the rural. While the urban social insurance system is developing rapidly, that of social insurance in rural areas lags far behind. Only employees with urban Hukou can participate in all five social insurance programmes in urban areas whereas rural residents can only benefit from rural pension, rural medical health insurance and some other social assistance schemes. However, with the millions of rural labourers migrated into urban areas to find jobs, rural migrant workers find it difficult to obtain social protection from either the government or their employers, because they are urban workers without urban Hukou. Migrant workers have become the largest category of non-agricultural labour force in China since the late 1980s, but because of their rural Hukou status and their geographical mobility feature, urban social security programmes based on place of residence and contributions to local social insurance pools are not suitable for them (Watson, 2009).

Since the 2000s, the development of social security for migrant workers has become a priority for the Chinese government. A series of policy announcements stipulated after 2003 addressed issues related to migrant workers' employment, welfare, education and training. In 2006, the State Council promulgated the 'Several Opinions of the State Council on Solving the Issues Related to Rural-Urban Migrant Workers', it not only pointed out many social problems related to migrant workers, but also declared the state's commitment to solve these problems (State Council Document No. 5, 2006). Moreover, this document acknowledged rural-urban migrant workers' major contributions to both the development in rural areas and the economic and social transformation in urban areas. It also emphasised the necessary to protect migrant workers' rights, to improve their working and living conditions, and to eliminate

discrimination against them. In respect of social insurance, the document also set out the basic principles for policy development:

...actively and stably solve the issue of social security for rural migrant workers... put a high value on the work on social insurance for rural migrant workers, priority will be given to work injuries insurance and health insurance, then gradually solve the issue of old age insurance form rural migrant workers... rural migrant workers should be included into the coverage of work-related injuries insurance according by the ‘Regulation on the Work-related Injuries Insurance’; urgently address the problem of health insurance for rural migrant workers in the case of serious illness; explore a scheme for old-age insurance that suits the characteristics of migrant workers (State Council Document No. 5, 2006, Chapter 6, article 16-19).

Thus, according to Watson (2009, p. 86), rural migrant workers were increasingly seen ‘as a group that needed policy support rather than a group to be excluded from local social welfare services’ after the release of Document No. 5. However, the challenge now is to develop practical policies that are consistent with migrant workers’ high mobility feature and some other characteristics in a context where the constitution of most social policies remains highly related to the Hukou system. Given the fact that the wide range of institutional and social barriers generated by the dual economy system during the central planned period, these policy goals will be difficult to achieved. In essence, the issue is a matter of social justice, and it is closely related to the rights of all Chinese citizens to enjoy equal treatment and equal opportunity.

Then, in February 2009, the Ministry of Human Resources and Social Security put forward a new policy and asked for public comments, entitled the ‘Procedure for Rural Migrant Workers Participation in Basic Old Age Insurance’ (Ministry of Human Resources and Social Security, 2009). The purpose of this new policy is to establish a basic old age insurance scheme for rural-urban migrant workers with a low contribution rate and wide coverage, and it should be

transferable and easy to connect to the urban social insurance system. It consists of three main points. First, the low income levels of rural migrant workers are taken into consideration by reducing employers' contribution rates for rural migrant workers to 12 per cent, whereas employers' contribution rates remain at 20 per cent for urban employees in the urban social insurance system; as for rural migrant workers themselves, they have to contribute from 4-8 per cent of their salaries. Second, in relation to rural migrant workers' high mobility feature, their contribution records can be transferred and continued. Third, a minimum contribution period of 15 years is required in order to receive pension.

However, this draft policy was left open for public comments for nearly one year, and eventually, it was not implemented successfully. Instead, the MOHRSS promulgated the 'Temporary Procedure for the Transfer of Basic Old Age Insurance Registration for Urban Enterprises Employees' in December 2009, and rural migrant workers were included in this document (State Council Office Document No. 66, 2009). This indicates that a separate social insurance scheme for rural-urban migrant workers is no longer being considered by the central government, and migrant workers will now have to participate in urban social insurance programmes provided by local governments. This shift is of major significance for rural migrant workers. This document also describes how the old age insurance contribution records of both urban employees and rural migrant workers can be transferred: the entire contributions in a person's individual account and 12 per cent of his/her employer's contribution can be transferred between jurisdictions.

Again, Zhang et al. (2012) pointed out that these documents and regulations relating to rural migrant workers' social insurance try to integrate rural migrant workers into the basic urban old age insurance system by modifying the local distribution of benefits and by addressing various obstacles to an appropriate old age insurance in order to guarantee the legal rights of the rural migrant workers. However, in practice, rural migrant workers still face difficulties in accessing social insurance schemes and securing their pensions and other benefits due to the imperfections of China's social security system.

Problems of Current Social Insurance Systems for Rural Migrant Workers

Although the state has stipulated that rural migrant workers have the same right to join social insurance programmes as urban resident employees and local governments have introduced their own social insurance schemes for rural migrant workers, the social insurance participation rate of rural migrant workers is still at a very low level, no more than 30 per cent.

Table 6. 1 Participation Rates Among Different Social Insurance Schemes (%)

	2008	2009	2010	2011	2012	2013	2014
Old-age	9.8	7.6	9.5	13.9	14.3	15.7	16.7
Work-Relate Injuries	24.1	21.8	24.1	23.6	24	28.5	26.2
Health	13.1	12.2	14.3	16.7	16.9	17.6	17.6
Unemployment	3.7	3.9	4.9	8.0	8.4	9.1	10.5

Sources: National Bureau of Statistics (2009-2015).

Table 6.1 presents the participation rates by different social insurance schemes of rural migrant workers from 2008 to 2013. It indicates that most rural migrant workers decide not to participate in social insurance system. However, current social assistance system in urban areas only covers urban residents, without an urban Hukou, rural migrant workers cannot enjoy the minimum living standard social protection schemes or any other types of public service in urban areas, even though they contribute to local economic development as well as local residents. Especially when their lives become extremely difficult because of contingencies such as unemployment, illness or accidental injuries, they are on their own, and have nowhere to go for help.

In addition to the low participation rates, the withdrawal rate is also high (Gong, 2007; Jin, 2014). As the current system allows rural migrant workers to opt out from social insurance, it leads to a special phenomenon that rural migrant workers repeatedly participate in and opt out from social insurance every time when they change their places of job to other cities. Some of

them do this even when they only change jobs but not cities. For example, the withdrawal rate of rural migrant workers in some cities in Guangdong province reached to 95 per cent in 2006 (Tan, 2006).

Scholars have identified a number of special characteristics of the current social insurance system that act as major barriers to the participation of rural migrant workers (State Council Research Team, 2006; Gong, 2007; Watson, 2009; Zheng et al., 2010; Wang, 2011; Zhang et al., 2012). Except for the discriminatory household registration system, most agree that the current social insurance system is mainly designed for workers who are urban residents and employees in SOEs. It is obviously unsuitable for rural-urban migrant workers, the contribution rates are too high, the limited portability and there are difficulties to transfer accounts (State Council Research Team, 2006; Watson, 2009; Wang, 2011).

First, the contribution rates are too high. The average contributions an enterprise should pay for basic pension, medical and unemployment insurance can be as high as 28 per cent of its total wage bill, and individual workers have to contribute 11 per cent of their wages. Currently, the large income gap between migrant workers and urban employees indicates that the total amount of contributions required to obtain a certain amount of pension would, on average, impose a greater burden on migrant workers (Zhang et al., 2012). Because of the high contribution rates, both enterprises and rural migrant workers feel that the financial burden of participating in social insurance is too heavy, and it further discourages employers and rural migrant workers from participating in the social insurance system (State Council Research Team, 2006).

Second, the national social insurance system is managed as a set of parallel local schemes but not as an integrated system. These local social insurance schemes are managed at the local level. Each local scheme has its own social insurance funds and specific social insurance provision, for example, the levels of contributions and benefits may vary across provinces. Furthermore, there is no unified national computer system to manage these local social insurance schemes. Although efforts are being made to raise the pooling level to provincial

pooling or even national pooling, there are currently over 2,000 social insurance pools across China, and most of them are at county level (Watson, 2009). These factors together making it difficult to maintain contributory continuity as migrant workers move from one place to another (Wang, 2011). Hence, the transfer of social insurance accounts between cities and regions is complicated and difficult for both urban employees and rural-urban migrant workers. Especially for migrant workers as they move frequently between jobs and regions, and will definitely do so many times in the whole life of their careers.

Furthermore, at first, when rural migrant workers have to transfer their social insurance accounts because their working places are changed, only individual funds can be transferred, but not the social pooling funds. In 2009, according to the ‘Temporary Procedure for the Transfer of Basic Old Age Insurance Registration for Urban Enterprises Employees’ (State Council Office Document No. 66, 2009), 12 per cent of the social pooling fund can be transferred together with his/her individual fund if a rural migrant worker makes a transfer. However, this document stipulated that in cases where the basic pension account is not registered at the individual’s permanent household registration place, and contributions have been made less than 10 years in each previous working place where they have an insurance record, then the basic pension insurance account and the related funds shall be designated to the local social security department at the place of the individual’s permanent household registration to handle the procedures, and the individual shall receive pensions at local level (State Council Office Document No. 66, 2009, Article 6.4). This means that most rural-urban migrant workers have to return to their permanent household registered places in order to receive their pensions, as most rural migrant workers undergo not only job mobility but also regional mobility (Watson, 2009). Few of them are able to work in one position and one place for more than a decade.

However, because rural migrant workers’ household registration places are in rural areas, the level of economic development often differs significantly from and is lower than the urban area, which is the location of rural migrant workers’ employment. The provision set in the ‘Temporary Procedure for the Transfer of Basic Old Age Insurance Registration for Urban

Enterprises Employees' may indicate that migrant workers who do not work in one place for ten years will have to pay a relatively high level of contributions in their place of employment and receive a smaller amount of pension in their region of residence. The requirement of such a long period of social insurance contributions and less benefits after retirement is likely to be a disincentive to social insurance participation among rural migrants. It will also have negative influences on the rights and interests of rural-urban migrant workers (Zhang et al., 2012).

Regional Variations and Spatial Inequalities in Social Insurance

As discussed in Chapter 4, the decentralised political system enables local authorities the power to stipulate their own regulations on social insurance, to introduce localised social insurance programmes and to manage their social funds based on the guideline of the central government. This decentralisation has caused the divergence and fragmentation of China's social insurance system. There are variations, or, should we say, inequalities, between provinces in social insurance programmes, and these have caused a number of difficulties and obstacles for rural migrant workers to participate in social insurance schemes.

Regional social insurance schemes for rural migrant workers

Before the central government started to pay attention to social insurance for rural migrant workers, several local governments had introduced some pilot social insurance schemes and issued some local regulations on social insurance for rural migrant workers in the 1990s. Most research into local social insurance schemes for rural-urban migration in China has focused on one or two municipalities and eastern provinces, such as Shanghai, Tianjin and Guangdong (Zhang et al., 2012; Hua, 2009; Zhao, 2007; Jing et al., 2010; Li and Peng, 2006; Li, 2008). For example, Shanghai and Guangdong are two pioneers in the introduction of social insurance for migrant workers and they represent two different models of social insurance (Zhang, 2007; Huang and Guo, 2017). Guangdong provides an equal social insurance system for both migrants and urban residents, whereas Shanghai was the first to introduce a

comprehensive social insurance system, including work-related injuries insurance, pension schemes and health insurance, for rural migrant workers. But it is slightly different from social insurance for city residents (Wang and Zhao, 2006; Hua, 2009; Zhao, 2007, Zhang et al., 2012).

Based on the original social insurance system for urban employees, Guangzhou extended its social insurance coverage to rural-urban migrant workers. It was one of the earliest cities to implement a unified social insurance for both urban employees and migrant workers. Since the provincial government in Guangdong promulgated the provincial ‘Regulation on Social Insurance and Measures on the Implementation of Social Insurance for Private Enterprises and Flexible Employees’ in 1998, rural-urban migrant workers were integrated into the urban social insurance system. The contribution rate was the same as that for urban employees but used a lower contribution threshold. Migrant workers would receive their pensions after a 15-year contribution period. At first, migrant workers could only participate in the old age insurance in Guangdong. However, the social insurance system had been extensively expanded since 2000, and the social insurance programmes for rural migrants had gradually extended to include work-related injuries insurance, health insurance, maternity insurance and unemployment insurance (Human Resources and Social Security Department of Guangdong Province, 2006, 2007a, 2007b, 2009, 2010, 2011, 2012 and 2014).

There are two important features of Guangzhou government’s measures to extend its social insurance coverage to rural migrant workers. First, the attitude of the local government to reform the system has become more positive, therefore, rural migrants would have more opportunities and rights to access social insurance entitlements. The legitimization of rural-urban migrant workers’ participation in social insurance programmes and the implementation of labour protection regulations for migrant workers are regarded as the main tasks of both the central and local governments, such as the promulgation of ‘the National Labour Contract Law’. Meanwhile, a number of policies, which were once implemented separately for urban employees and migrant workers, were integrated for both groups of workers (*Xinhua Net*, 2013).

Second, social insurance entitlements are more closely linked to people's employment status and formal labour contracts than their Hukou status. Especially with the extension of the coverage of social insurance programmes to the increasing number of migrant workers, the relationship between social insurance entitlements and Hukou status has weakened. The social insurance benefits are determined by the amount of the contributions to the social insurance pool, which means the more you contribute the more you will gain. It has no relation with the employee's position and Hukou status.

A labour contract is considered as the foundation of labour arbitration and supervision by clearly defining the rights and obligations of social insurance contribution for both employers and employees. A formal labour contract plays a crucial role in determining workers' welfare benefits, wages and wellbeing (Wang et al. 2013; Cheng et al. 2015). However, it is difficult to protect the rights for workers who work in the informal labour market. Normally, they are mobile, unstable and often take jobs without signing formal labour contracts with their employers. It is better for those migrant workers who work in the informal labour market and migrate frequently to participate in social insurance programmes, even if their employers are not willing to contribute for them. However, most informally employed migrant workers, many of whom have low wage levels, would consider that the social insurance contribution rates are too high to be beneficial.

Compared with Guangzhou, Shanghai launched a separate social insurance system to extend the coverage to workers without local Hukou in 2002. This system was in parallel with the urban social insurance system, and was called the 'comprehensive social insurance system' (CSIS). It was a social insurance scheme that covered payments for work-related injuries, hospital treatments and pensions. The social insurance fund of CSIS was managed and operated by a commercial insurance company. The employer was the only contributor to the social insurance account, and the contribution rate was set at a lower rate than that of social insurance programmes for urban employees. The CSIS had more flexibility to attract participants because there was no requirement of the length of the contribution period. As long as the participant reaches the retirement age (60 for males, 50 for females), participants

could claim benefits from commercial insurance companies designated by the government. However, the benefit level was way too low and this system has little incentive for migrants and self-employed workers to participate.

Similar to Guangzhou, the Shanghai model aimed not only at extending the social insurance coverage, but also at integrating various social insurance programmes/systems within the city. In 2009 and 2010, the Shanghai government issued several regulations concerning the old age insurance and health insurance in urban areas, which focused on the integration of migrants into the social insurance system for urban employees, and eventually, the unification of the divided social insurance system in Shanghai. According to these regulations, urban-urban migrants have the priority to participate in all five social insurance programmes as local urban employees do. While rural-urban migrant workers, only those who have already participated in the CSIS and still under their contracts, can choose whether to stay in the CSIS or to transfer to urban social insurance programmes if they have agreements with their employers. If rural-urban migrant workers decide to transfer to urban social insurance schemes, there will be a five-year transitional period. During this period, the contribution rates for rural migrant workers are still lower than the urban schemes. After this period, their contribution rates and beneficial levels will be the same as those of urban employees. It is compulsory for rural-urban migrants to participate in at least three urban social insurance programmes, which are the old age insurance, health insurance and work-related injuries insurance. Alternatively, they can participate in all five social insurance programmes if their employers are willing to contribute. Nevertheless, these policies remain the feature of transition and selectivity because the transfer to urban social insurance is not mandatory (Huang and Cheng, 2014).

Differences in social insurance participation rates, contribution rates, benefit levels, duration, eligibility criteria and other aspects were identified among regional social insurance programmes for rural-urban migrant workers (Li and Peng, 2006; Li, 2008; Zhu and Lin, 2011; Jing et al., 2010; National Bureau of Statistics of China, 2012). Zhang et al. (2012) made a comparison of current pension insurance policies for rural migrant workers in three provinces and found that each of these pension schemes has its unique benefit criteria, contribution rate,

contribution time limit, basic wage and payment frequency. Jing et al. (2010) chose three cities in each region (eastern, central and western) as representatives to study regional disparities in social insurance for rural-urban migrant workers. They made a comparative analysis of: 1) what concerns rural-urban workers most; 2) which insurance programme they need most; 3) income levels; and 4) participation rates in each individual insurance programme. They found that there are significant regional differences in terms of either the degree of social security or specific concerns of migrant workers from place to place. Zhang (2007) and Zhao (2007) show some pros and cons of Shanghai and Guangdong's social insurance systems after comparing these two regions' social insurance for rural workers. Zhao (2007) concludes that the major problem of the development of social insurance in contemporary China is regional differences and it will not conducive to the formation of a unified labour market and it will lead to social exclusion.

According to the National Report on Rural-Urban Migrant Workers 2014 (National Statistics Bureau, 2015), the social insurance participation rates of rural-urban migrant workers in the eastern region were the highest, whereas the participation rates in the middle and western regions increased fastest. As shown in Table 6.2, in 2014, the participation rates for the old age insurance, health, unemployment and work injury insurance in the eastern areas were 20, 20.4, 12.4 and 29.8 per cent respectively. Whereas the social insurance participation rates in the middle areas were the lowest, they were 10.7, 11.8, 6.9 and 17.8 per cent for the old age, health, unemployment and work injury insurance programmes respectively, only half of the numbers in the eastern areas.

The contribution base of the CIS for rural-urban migrant workers in Shanghai was 60 per cent of the average monthly wage in the previous year, both employers and self-employed migrant workers need to contribute 12.5 per cent, whereas enterprises which are not locally registered only need to contribute 7.5 per cent, employed migrant workers do not need to contribute. In Shenzhen, the contribution rates of the old age insurance for rural-urban migrant workers are 8 per cent for employers and 5 per cent for employees, a total of 11 per cent will contribute to the individual account, and rest 2 per cent will be with the social pooling account. The

contribution base is 60-300 per cent of the average monthly wage of the previous year. Again, only the individual account can be transferred or returned to migrant workers if they do not work in Shenzhen anymore or withdraw from the social insurance system.

Table 6. 2 Participation Rates for Each Social Insurance Schemes by Regions in 2014 (%)

Regions	Pension	Health	Unemployment	Work Injury
Eastern	20	20.4	12.4	29.8
Middle	10.7	11.8	6.9	17.8
Western	11.4	13.6	7.7	21.9
Increase rate				
Eastern	0.4	0.1	0.7	1
Middle	0.7	1.2	1	1.6
Western	0.7	0.8	1.1	0.4

Sources: National Statistics Bureau, 2015.

The experience of introducing social insurance for rural-urban migrant workers was divided into two periods in Zhejiang province. Before 2003, only the old age insurance and the unemployment insurance were available for rural-urban migrant workers. In July 2003, Zhejiang stipulated ‘The Suggestion on the Improvement of the ‘Low Contribution Rate and Low Benefit Level’ Method of the Old Age Insurance for Employees’, it lowered the contribution rates of the old age insurance to 12 per cent for employers and 4 per cent for rural migrant workers, whereas 22 per cent and 8 per cent for urban employees (Human Resources and Social Security Department of Zhejiang Province, 2003).

These two pilot extended social insurance programmes for rural-urban migrant workers initiated by local governments have some similarities. The first is that both cities’ governments encourage rural migrant workers with formal employment to participate in urban social insurance programmes. Employment stability and formal contracts are two main determinants of contribution capability, which will further affect migrant workers’ decisions to participate in social insurance programmes. The second similarity is that social insurance

expansion schemes in both cities focus more on personal responsibilities than on the government's welfare responsibilities, which may lead to disincentives of informally employed migrants and self-employed migrants to join these social insurance schemes, as they have to pay all the social insurance contributions by themselves. In addition, participants without a local Hukou in these two cities have been excluded from the social assistance system. Migrant workers who have become unemployed and impoverished cannot receive any benefits from the urban social assistance system, they can only seek assistance from informal networks or return to their place of origin in rural areas. Although the Guangzhou model adopted a bolder approach than the Shanghai model in terms of reducing the division between migrants and local urban residents, it is still impossible for migrants, especially rural-urban migrant workers, to have entitlements to other welfare services in urban areas.

The third similarity is that rural-urban migrant workers are still excluded from the urban social insurance system because of some fundamental problems in both cities' extended social insurance programmes. The portability of social insurance accounts between different regions has not yet been adequately addressed. In general, social insurance benefits are determined by contributions to the local social insurance fund, therefore, it will have influences on the level of local social and economic development. As part of social insurance benefits, the social-pooling fund is managed, operated and redistributed at the local level as well. The decentralised management of the social insurance system might cause local protectionism, which results in local government's negative attitudes towards the outflows of social insurance funds in the form of social insurance payouts. Similarly, migrant receiving regions are probably reluctant to encourage people who have reached a relatively old age to participate in local social insurance programmes as they can only contribute to the local social insurance fund for a short period. For instance, the Shanghai government issued a regulation stipulating that male migrant workers who are over 50 years of age and female migrant workers who are above 40 years of age should participate in those social insurance programmes provided by the government at their places of origin (Huang and Guo, 2017).

The difficulty in transferring social insurance accounts is further aggravated by the fragmentation of the social insurance system and the regional differences and time inconsistencies in the policies for migrants. For example, in 2009, the ‘New Rural Pension Scheme’ was first implemented, which regulated that rural residents who were aged 16 and above, including rural-urban migrants, were all entitled to this new pension scheme. However, in July 2014, the state council introduced a ‘New Urban and Rural Resident Pension Scheme’, which integrated the ‘New Rural Pension Scheme’ for rural residents with the urban basic old-age insurance system for unemployed urban residents (State Council Document No. 8, 2014). Therefore, depending on their employment status, Hukou status and the places of living, rural-urban migrants are eligible for three pension schemes. They can choose to either participate in the ‘New Rural Pension Scheme’ in rural areas, or the ‘New Urban and Rural Resident Pension Scheme’ in an affiliated small town, or the old age insurance for urban employees in the cities they work. However, the contribution rates, contribution thresholds, benefit levels and some other social insurance provision vary significantly among these policies and across regions. In essence, the issue of social insurance portability reflects the complexity and difficulty of coordinating fragmented and inconsistent social insurance systems across different administrative jurisdictions.

In the context of globalisation, many local governments have extended their social insurance coverage to rural-urban migrant workers, as they believe that cheap labour forces, especially rural-urban migrant workers, are the most competitive means of attracting foreign investments. In the past few decades, under the policy guidance of the central government, local GDP growth rate was considered as one of the most important government performance indicators. Local governments’ top political priority was to maintain a high economic growth rate. In order to achieve the goal of fast economic growth and maintain social stability at the same time, local governments often had little incentive to reform their welfare systems. It is worth noting that the growing contradictions between the central and local governments are impeding the process of reforming the welfare system. In December 2007, the State Council issued a new version of the ‘Labour Law’, which detailed various provisions related to labour contracts and protections for migrant workers. Furthermore, the ‘Social Insurance Law’ was

enacted in late 2010 and officially came into force on the day of 1st July 2011. The promulgation of these laws indicates a major shift in the state's policy in terms of labour protection and social welfare development. However, the success of this shift still relies on local governments' support, implementation and supervision.

Possible explanations for regional disparities and inequalities

Currently, most research on inequalities in China focus on income inequality, only a few analyses are available on inequality in other dimensions of social development (Aaberge and Li, 1997; Chen and Martin, 1996; Demurger et al., 2002; Hussain et al., 1994; Kanbur and Zhang, 1999, 2005; Khan et al., 1993; Lyons, 1991; Tsui, 1991; Yang, 1999). Although most of the research considered so far has discussed the differences in social insurance programmes for rural migrant workers between cities or regions, few of them have explained the causes for those regional disparities and variations, if they have, they tend to emphasise income inequalities (Li and Peng, 2006; Li, 2008; Zhu and Lin, 2011; Jing et al., 2010; Zhang et al., 2012; Candelaria et al., 2013).

For instance, Candelaria et al. (2013) use provincial statistics to show that regional inequality, especially wage inequality, has been persistent in the last two decades in China. In order to find out what are the causes for this persistent inequality, they analyse several possible explanatory variables at provincial level, such as the quality of labour (education level); labour productivity (industrial composition); labour supply elasticity (the share of agricultural population); access to export markets (the size and presence of large sea ports); cross-province government transfers. Based on this analysis they find that only government transfers cannot help to explain wage differentials, but all other factors can explain a substantial portion of wage inequality across provinces. Furthermore, they examined the relationship between migration and wage inequality, and they concluded that although

inter-provincial migration is mostly driven by wage differences, migration seems to have no influence on reducing regional inequality because labour mobility is still limited and migrants are still constrained by institutional barriers such as the Hukou system. Their findings are consistent with the literature, Chan and Buckingham (2008), Whalley and Zhang (2007) and Bao et al. (2011) all find that the Hukou system hinders labour mobility in China, and suggest that the removal of the Hukou system may result in a sizable reduction in regional inequality.

Some have different explanations of spatial disparities or inequalities in development. After analysing evidence on the extent of spatial inequalities in over fifty developing countries, including China, Kanbur and Venables (2007) found that the increasing inequality in developing countries could be attributed to the uneven influence of trade openness and globalisation, regional inequalities are major contributors to overall inequality. They argue that there are two central causal factors that help to explain high and increasing spatial inequalities: public infrastructure and openness to international trade. Kanbur and Zhang's (2005) research has indicated that, when the variable 'trade openness' is properly measured, it can at least partially explain the increasing regional inequality in China since 1978. Kanbur and Venables (2007) also proposed that with policy interventions to guarantee a more spatially equal allocation of infrastructure and public and ensure a freer environment for migration, the inequality problem would be improved.

However, Li and Peng (2006, p. 3) stated that in addition to income inequality, inequality in access to social security, housing, education and healthcare have become increasingly serious, because 'market driven forms replace the old system of collective provision'. They argue that all of these increasing inequalities between urban and rural, coastal and interior areas were due to the state's policy choices. They believe that the market-oriented reform was based on a deliberate premise of 'letting some get rich first'. The state gave some areas (the coastal regions such as Shanghai and Zhejiang province) and groups (for example, the urban 'new rich' who are well educated) the priority to participate in the reform, and be the first to benefit from it. And the state was expecting that a gradual 'trickle-down' effect to the rest areas and groups would take place later on. For instance, in the strategy of southern coastal

development, the state established several special economic zones in Shenzhen, Xiamen, Zhuhai and Shantou, and opened the market of 14 cities, including Beijing, Shanghai and Tianjin, along the east coast, to the world. The problem of inequality arose and has become serious nowadays, even though the government tried to solve the problem in the last few years, but little has changed.

Ratigan (2014) argued that variations in social spending on social security and pensions might be due to the reason that those economically developed provinces, such as Shanghai and Guangdong, are relatively autonomous in terms of social policy provision. They tend to have much more political and economic power to set out their own regulations and policies under the guideline of the central government. And this autonomy allows them to react earlier to new social risks. In contrast, those less economic developed provinces, such as Sichuan and Yunnan, are more reliant on fiscal subsidies from the central government.

Both Li and Peng (2006) and Ratigan (2014) have provided some possible explanations of regional disparities and inequalities in public service and welfare areas. But Li and Peng (2006) only emphasise the qualitative causes, not the quantitative ones, such as local fiscal revenue and GDP level, while Ratigan's (2014) typology of welfare regimes in China is too simple to explain the complex regional variations across provinces.

Qian (2011, p. 88) has conducted research on regional inequality in healthcare in China, and he find that 'inequalities of health care arise as a consequence of regional disparity of both health financing and health care utilisation'. He argues that there are two fundamental causes of regional disparity: first, with the transformation from the central plan economy to the market economy, most public health services were transformed into market oriented services. Consequently, health resources are not distributed equally and they tend to concentrate on wealthier areas. Therefore, to a large extent, disparities of local economic conditions account for the unequal distribution of health resources. Second, local fiscal condition is another cause of regional variations. Because the central government decentralised its financial responsibility for public health services to local governments, it is now the responsibility of

local governments to fund healthcare service and health insurance. However, the fiscal budgets of governments in less developed regions are usually very limited and not enough to fund health services. This will reinforce regional inequality in healthcare between wealthy and poor regions. However, Qian's (2011) research only focused on healthcare and did not discuss regional inequality in other areas. Moreover, it only used aggregate data to explain the variation, but without using provincial data.

Huang (2015) conducted a regression analysis using coverage and generosity of health insurance as dependent variables and several social, economic and political indicators represent local socioeconomic conditions as explanatory variables, including labour mobility, dependency ratio, local fiscal revenue, fiscal transfers; GDP, urbanisation and bureaucratic integration score. The results from the regression analysis indicate significant correlations, both positive and negative, between these local socioeconomic conditions and the coverage and generosity of health insurance. In particular, fiscal resources are significantly and positively correlated with both the generosity and coverage of health insurance.

However, the level of urbanisation indicates a negative correlation with health insurance coverage but a positive association with health insurance generosity. This result refers to the fact that despite the high urbanisation rate, the coverage of health insurance still remains relatively low, due to the reason that most residents lived in urban areas are not entitled to urban health insurance, as they are migrant workers without an urban Hukou. The researcher also uses qualitative evidence from interviews to further support his findings from quantitative analyses. The findings from interviews with government officials and health insurance administrators at both national and local levels, suggest that local officials' priorities and policy choices in social health insurance reform vary markedly with local socioeconomic conditions.

Although there is little research on regional disparities and inequalities in social insurance for rural migrant workers, research discussed above can still provide several potential variables for future analysis of regional disparities in the social insurance system, particularly for

rural-urban migrant workers, in China. As shown in Table 6.3, useful variables include the generosity or the coverage of social insurance programmes, local GDP, fiscal transfer from the central government to local governments, number of migrants, urbanisation level and so on.

Table 6. 3 Possible Dependent and Independent Variables in Regional Inequalities

Dependent Variables	Independent Variables	
Generosity (Benefit level)	Local GDP level	Social spending on social insurance for rural
Coverage (Participation rate)	Central to local fiscal transfer	Level of openness
	Local fiscal revenue	Public infrastructure coverages
	Urbanisation level	Migrant workers' education level
	The number of migration in a province	Industrial composition
	The level of policy autonomy	Sea ports or not

Sources: Daly et al. (2013), Huang (2014), Qian (2011), Li and Peng (2006) and Ratigan (2014), Kanbur and Venables (2005).

Conclusion

According to the definition by Levitas et al. (2007, p. 9), social exclusion ‘involves the lack of denial of resources, rights, goods and services, and the inability to participate in the normal relationships and activities... whether in economic, social, cultural or political arenas’, so there are various forms of social exclusion, people might suffer from social exclusion due to the language they are speaking, religious, gender or age. Rural-urban migrant workers are currently experiencing a number of discriminations and social exclusion. They are excluded from the formal labour market and force to take jobs in the informal labour market, and these jobs are usually characterised as low paid, poor working conditions, long working hours and wage delays. Migrant workers are also excluded from most of the urban public services that provided by local governments, such as public housing and education. Particularly, most researchers agree that the Hukou-related exclusion is the main factor that preventing

rural-urban migrants from integrating into the urban atmosphere. But would social exclusion of rural migrant workers disappear if the Hukou system was abolished? The answer is no, even though the state has announced that the Hukou system will be gradually abolished in the future (State Council document no. 24, 2014), the social exclusion and discrimination against rural migrant workers still remains (this is discussed in Chapters 8 and 9).

Since the 2000s, the state has started to pay attention to issues related to rural-urban migrant workers, especially social protection for them. One of major steps made by the state was to expand social insurance coverage, especially the old age insurance, to cover rural-urban migrant workers. Several provincial governments introduced their own social insurance programmes for rural-urban migrant workers as pilot programmes. However, the effect of these reforms seems to be not very positive. The social insurance participation rates remained at a very low level, from 2008 to 2013, the participation rates for each social insurance programme increased no more than 5 per cent (National Statistics Bureau, 2014). Furthermore, the different provincial social insurance schemes for rural migrants did not improve anything, but made the system more complicated and fragment.

In last section of this chapter, regional variations and inequalities in social insurance for rural migrant workers were examined, and efforts were made to find out the possible explanations for these disparities and inequalities. The findings showed that there are differences in participation rates, the contribution rates, benefit levels, contribution periods, eligible criteria and other social insurance provision. But what causes these differences? Many researchers found that economic factors are the main cause, which means regions/provinces with higher economic development level will have a better social protection system. However, Huang (2015) provided some other variables that may be able to explain regional disparities in social insurance, including urbanisation level, dependency ratio, fiscal transfer, social insurance expenditures, migration's education level and so on. The discussion in the last section provided some ideas for the analysis in the next chapter, and the discussion of welfare regimes in China.

CHAPTER 7

CLUSTER ANALYSIS OF SOCIAL INSURANCE SYSTEM IN CHINA

Introduction

The last section of Chapter 6 discussed the regional variations and spatial inequalities of social insurance in China, which are caused by the economic and political decentralisation from the state to lower levels of government. Based on this discussion, this chapter explores whether China's provincial welfare systems can be grouped by each province's welfare efforts and outcomes. The chapter first reviews literatures on welfare state regimes in the West and on the typology of China's welfare system, this provides the theoretical foundation for the subsequent analysis and discussion. The second section reports the results of the SPSS cluster analyses to classify China's welfare system. The methods, data, variables and the results of this research are explained. The results show that 30 municipalities and provinces (excluding Tibet) could be classified into four types: A) the prototype welfare regime; B) the welfare regime with broad coverage and low generosity; C) the moderate welfare regime; and D) the poor performance welfare regime. Four provinces. Shanghai, Guangdong, Hainan and Chengdu, were chosen as examples of each cluster and their social insurance provisions are discussed. Then possible explanations for the lack of consistency in cluster C and D are discussed. The last section looks at the possibility of categorising different social insurance schemes for rural-urban migrant workers in China.

Welfare Regimes in the West

In the literature on welfare regimes the one that is most widely recognised and frequently used is Esping-Andersen's (1990) typology of welfare capitalism. Based on the analysis of the levels of two crucial indicators: de-commodification and stratification, he found that there are 'three worlds' of welfare capitalism. The first one is the 'social democratic' world. Its purpose is to achieve equality of the highest living standards, not only the minimum. Generous universal benefits and a high level of decommodification are its characteristics. The

prototypes are Scandinavia countries, such as Denmark and Sweden. The second type is the 'liberal' which is dominated by means-tested assistance, modest universal transfers or modest social insurance schemes. The criteria of entitlement are strict and benefit levels are usually moderate. The prototypes of this model are the US, Canada and Australia. The third cluster is the 'conservative' or 'corporative' type of welfare regime. It is characterised by the preservation of status differentials and traditional familyhood. Social insurance plays a predominant role, but it typically excludes certain groups, such as non-working wives. The prototype examples are Germany, France, Austria and Italy (Esping-Andersen, 1990: p. 27).

Many scholars agree with this categorisation (Offe, 1991; Cnaan, 1992; Hicks, 1991). However, some researchers argue that, in addition to the three welfare regimes that Esping-Andersen (1990) identified, there is a fourth regime which can be labelled as Mediterranean (Ferrera, 1996; Bonoli, 1997), Latin Rim (Leibfried, 1992) or Radical (Castles and Mitchell, 1993). Leibfried (1992) identified four poverty (or social insurance policy) regimes within European countries: the Scandinavian (modern policy model), the 'Bismarck' countries (institutional policy model), the Anglo-Saxon countries (residual policy model) and the Latin Rim countries (rudimentary policy model). His classification is mainly based on two indicators: the different functions of welfare state institutions in fighting poverty and social policy differences related to the development of social citizenship. Leibfried added the Latin Rim regime, such as Portugal, Greece and Spain, to Esping-Anderson's original categorization. He describes these countries as 'rudimentary' because they were at the beginning of constructing welfare states at that time. He pointed out that the lack of comprehensive social minimum protection and a right to welfare is a crucial characteristic of the Latin Rim countries.

However, things have changed over the past decades. Southern Europe welfare states are not rudimentary anymore (Palme et al., 2009; Petmesidou, 2013) because these countries have introduced a number of landmark reforms, such as the establishment of national health systems and the shift to a multi-pillar social insurance system in most southern Europe countries, accompanied by an upward trend of social expenditure since the 1980s. Palme et al.

(2009, p. 24) describe such welfare developments observed in Southern Europe countries in recent decades as ‘remarkable progress from rudimentary to some fully fledged welfare states’.

According to Ferrera (1996), there are four clusters of welfare capitalism: Anglo-Saxon, Bismarck, Scandinavian and Southern. He clustered Greece, Spain, Italy and Portugal into the Southern type of welfare states because they shared similar traits, such as ‘fragmented system of income guarantees linked to work position; generous benefits without articulated net of minimum social protection; health care as a right of citizenship; particularism in payments of cash benefits and financing; financing through contributions and fiscal revenues’ (Pierson and Castles, 2006, p. 179). Similar to Ferrera (1996), Bonoli (1997) used two different indicators, the Bismarck and Beveridge models and the quantity of social expenditure, to classify Europe countries into four types of welfare states: 1) British: Low percentage of social expenditure financed through contributions (Beveridgean) with low social expenditure; 2) Continental: High percentage of social expenditure financed through contributions (Bismarckian) with high quantity of welfare expenditure; 3) Nordic: Low percentage of social expenditure financed through contributions (Beveridgean) with high social expenditure; 4) Southern: High percentage of social expenditure financed through contributions (Bismarckian) with low quantity of welfare expenditure.

A relatively simple division of the welfare systems of different countries has been presented by the European Commission (1995, p. 34). It divided the then 15 members of the European Union (EU) before enlargement into four ‘geo-social’ clusters: 1) Scandinavia, where there is universal coverage seen as a right of citizenship (Marshall, 1950), and most financing is through general taxation; 2) the UK and Ireland, which have universal coverage but with benefits at much lower cash levels than in Scandinavia. Insurance contributions also play an important role in the entitlement to benefits; 3) the ‘Bismarkian’ systems, of Germany, France, Austria, Belgium, the Netherlands and Luxembourg, which have benefits based on a strong insurance principle, often with different rules for different occupations. Social assistance plugs any gaps in insured coverage; 4) Italy, Spain, Portugal and Greece, where there is some

evidence of 'Bismarkian' schemes, including generous pension schemes, but no minimum income schemes and large gaps in scheme coverage.

Based on the arguments about the classification of welfare regimes made by Leibfried (1992), Ferrera (1996) and Bonoli (1997) above, it appears that they all provide a fourth type of welfare state regime: the Mediterranean one. They all agree that this fourth regime is not considered to belong to a subcategory of one particular model, but to a new prototype (Arts and Gelissen, 2002). But, their classifications, especially their first three types of welfare states, share some similarities with those of Esping-Anderson (1990). It is particularly important that their classifications are, more or less, in support of the Esping-Andersen's model. His model still stands.

In addition, with the economic and political globalisation and the aspiration to join the EU, most Eastern European countries and the former USSR were experiencing a transition from the old state socialism to capitalism during the 1990s. Their old centralised, command economies and one-party political system were replaced by market economies and democratic political systems. Based on these changes, Deacon (1993) proposed a possible new classification of these countries as an additional type to Esping-Anderson's (1990) typology. This new type was defined as 'post-communist conservative corporatist' welfare regime, and, according to Deacon (1993, p. 195-197), this expression 'captures the ideological and practical commitment to socialist values, the maintenance in power of some of the old guard, and the social deal struck with major labour interests'. However, there are debates about whether to categorise the development of former communist Eastern European countries as an emergence of a new welfare regime or as a variation or sub-group of an existing welfare regime (Esping-Anderson, 1996; Abrahamson, 1999; Rys, 2001; Fenger, 2007; Aidukaite, 2009). Esping-Anderson (1996) denied the existence of a new type of welfare regime in Eastern European countries, and argued that the reason that these countries could not fit into any of his proposed three welfare types was because they were still in a transitional phase. In order to assess whether the post-communist Eastern European countries could be slotted in to any of Esping-Anderson's (1990) welfare types or not, Fenger (2007) conducted a cluster

analysis using social situation, political participation and government spending variables to classify the welfare states of Central and Eastern European countries. The results showed that Eastern European countries could be classified as a separate group. They have their distinctive characteristics and are clearly distinguished from other European countries. These Eastern European countries can be further divided into three sub-types: 1) former USSR type, including Belarus, Estonia, Latvia, Lithuania, Russia and Ukraine; 2) post-communist European type, including Bulgaria, Croatia, Czech Republic, Hungary, Poland and Slovakia; 3) developing welfare states type, including Georgia, Romania and Moldova.

However, there are several critiques of Esping-Andersen's typology (Lewis; 1992, 1997; O'Connor, 1993; Orloff; 1993; Walker and Wong, 2004, 2005; Cox, 1998; Baldwin, 1990; Overbye, 1996; Kloosterman, 1995). First, gender researchers were critical of Esping-Andersen's model because it failed to take into account additional factors such as the role of families in the provision of welfare and care, women's places in their families, the labour market and the welfare, and the relationship between paid work, unpaid work, and welfare (Taylor-Gooby, 1991). Lewis (1992, 1997), O'Connor (1993) and Orloff (1993) argue that Esping-Andersen only focused on the relationship between paid work and welfare, but missed the importance of unpaid work and the fact that women play a vital role in doing such unpaid work in their families. They believe that the division of paid work and unpaid work, especially the care for children, elderly people and disabled relatives, should be added to the typology of welfare regimes. Furthermore, based on a variety of indicators of gender equality and inequality in work and welfare, Siaroff (1994) distinguishes four welfare regimes, a Protestant social-democratic, a Protestant liberal, an Advanced Christian-democratic and a Late Female Mobilization.

Second, some researchers agree with the description that today's comparative social policy research is either the 'ethnocentric Western social research' (Jones, 1993, p. 106) or the 'anglocentric frame of reference' (Powell and Hewitt, 1997, p. 12). Walker and Wong (2004) argue that there is an exclusion of East Asian welfare regimes existing in contemporary comparative social policy studies, especially in the typology of welfare regimes. East Asian

societies such as Singapore, Hong Kong, Taiwan and China are usually ignored by most western studies on welfare or institutions and they are rarely classified as welfare state even though they do provide relatively generous social programmes to their citizens, sometimes even more generous than some western countries. The reasons for this exclusion might be 1) the construction of democracy or capitalism is either absent or at the very beginning stage in these societies and this is seen as in contradiction to the western model which can be characterised as both capitalist and democratic; 2) the role of the state is of importance in these societies and political leaders are unwilling to accept the term of welfare state or reject to provide public services (Walker and Wong, 2004 and 2005). Thus, to take into account sources such as gender and to include the East Asian welfare regimes in the analysis of welfare might help us to achieve a better understanding of the similarities and differences between all welfare models around the world.

Third, the assumption of 'path dependency' in Esping-Andersen's welfare regime typology has been criticised by Cox (1998). He argues that the 'path dependency' assumption is oversimplified and overlooks the impact of the 'current profile' on the welfare state and on the welfare state's response to new pressures and policy issues. He argues that there will be a cumulative effect on the welfare state by adding every little change together. Cox (1998, p. 6) first identified four main types of welfare reform, namely austerity measures, actuarial pension reforms, administrative reforms and efforts to enforce the duties of citizenship. After analysing the effect of each type of welfare reform he found that there is a similarity among countries that is every reform has an effect on programme entitlements but to a different extent. However, such changes in entitlement will eventually lead to a fundamental change to a more discursive and informal view of rights. In conclusion, Cox (1998, p. 14) argues that 'path dependency' cannot properly explain how a country responds to new policy issues and the old profile is not enough or too simple to explain a country's response to new challenges because the welfare state has changed fundamentally after decades' development and reform, so we should take into consideration the 'current profile' in our analysis. Moreover, as the change of welfare principles (the notion of social right) results in a blurring of the boundaries between solidarity and universalism, topologies of welfare states become irrelevant. However,

some researchers support the ‘path dependency’ assumption and have a different view from Cox (1998). For instance, Taylor-Gooby (2004a) acknowledged that old policy patterns might have a strong impact on the understanding of new risks and the measures to solve new problems. In his words ‘it is the regime frameworks, structured by old risk policies, that are likely to exert the strongest influence on the recognition and experience of new social risks’ (Taylor-Gooby, 2004a, p. 22).

According to Clasen (1997), McKay and Rowlingson (1999), Hinrichs (2002) and Naegele and Walker (2007), there are three main types of social insurance systems: flat-rate (Beveridgean); earnings-related (Bismackian) and a mixed or hybrid system which shares either some features of ‘Beveridgean’ system or has the main characteristics of ‘Bismackian’ system. The ‘Bismackian’ model relies heavily on social insurance and its contributions and benefits are highly linked to earnings, and there are often separate schemes for different groups of employees in different occupations (McKay and Rowlingson, 1999). It can be characterised by three points (CESifo DICE Report, 2008): 1) the insured persons are employees or gainfully employed; 2) the financing is via contributions, graduated according to income; 3) the contributions to be paid are based on wages or salaries.

The ‘Beveridgean’ model is based on flat-rate benefits and is universal across all groups in society, and the benefits are often met from tax revenue (McKay and Rowlingson, 1999). However, as Baldwin and Falkingham (1994, p. 3) pointed out the Beveridge Model was far from universal and excluded many individuals from full citizenship. The term ‘universal’ only means those in employment, therefore, some non-contributory benefits were added, particularly for disabled people who are unable to work. Also, some earnings-related aspects were added, but then were removed in the post-war period. It can also be characterized by three elements (CESifo DICE Report, 2008) it includes the entire population; 2) it is primarily financed from the state budget; 3) it calls for uniform, lump-sum contributions. The aim of the Bismarck system is thus to assure the contributor of a standard of living while the Beveridge system focuses on securing a universal subsistence level.

In other words, the Bismarckian system aims to maintain the income status of insured people while poverty alleviation is the purpose of the Beveridgean system (Rimlinger, 1968; Hinrichs, 2002). Many European countries have features of whether their paths of development are based on the ideas and approaches of either Bismarck or Beveridge. However, neither system is found in such a pure form (Mckay and Rowlingson, 1999) and no single model of welfare state regimes is dominant (Naegele and Walker, 2007), but many systems lean towards one rather than the other and are usually hybrid cases (Arts and Gelissen, 2002). Over time, there are also some shifts towards the Beveridge or the Bismarck model. According to Hinrichs (2002), during the 1960s, four countries, including Sweden, Finland, Canada and Norway, which might be called early birds, topped up their basic pension schemes with a second public pillar and this was considered as a transformation from originally Beveridge countries into the Bismarck cluster. Later, in the 1970s, five more countries, which might be called latecomers, Switzerland, Australia, Netherlands, Denmark and the United Kingdom, joined the Bismarck group with the introduction of earnings-related occupational pension schemes (except the State Earnings-Related Pension Scheme: SERPS in the UK). This means that a clear system allocation is not always possible (Berié and Fink, 2000) and the distinction is still blurred and complicated.

Welfare Regimes in China?

The variation of social insurance provision in different provinces leads to different outcomes, such as provincial disparities in social insurance participation rates, social security expenditures and the size of rural urban migrant workers. And the research question here is whether these provinces can be classified into small clusters through examining the similarities and dissimilarities of social insurance related variables in each province.

Ba et al. (2013) conducted a cluster analysis using regional social security expenditures from 2001 to 2010 as indicators to classify China's 31 provinces into 4 clusters. The first group includes Liaoning, Shanghai, Beijing. The second cluster has only one province: Qinghai. The third group contains 16 provinces, including Sichuan, Zhejiang, Hebei, Jiangsu, Anhui, Fujian,

Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Guizhou, Yunnan and Ningxia. The fourth group consist of 11 provinces, Tianjing, Shanxi, Neimenggu, Jilin, Heilongjiang, Hainan, Chongqing, Tibet, Shannxi, Gansu and Xinjiang. They concluded that the first cluster has a relatively high economic development level, so has its social security expenditures. Whereas provinces in the fourth group mainly came from the western region of China, and because of the state's 'western development' strategy, these regions benefit a lot from the central government's fiscal transfer. As a result, although these provinces have a relatively low level of social security provision, their rate of increase in social security expenditures remains at a high level. The third cluster was defined as 'the most unfavourable regions' as provinces in this group have a low level of economic development and social security capacities (compared to the first cluster) and have less fiscal support from the state (compared to the fourth group).

Similar to Ba et al. (2013), Huang (2015) conducted a cluster analysis of health insurance in China using indicators that describe the coverage and generosity of health insurance programmes. He also classified 31 provinces into 4 types. The first cluster (dual type) shows both high levels of the coverage and generosity. The second cluster (privileged type) only emphasised on the generosity of health insurance. The third cluster (status quo type) is just the opposite of the first cluster, both of the coverage and generosity are at a low level. The last group (risk-pooling type) prefers broader coverage than generosity. He argued that 'the regional patterns of social health insurance correspond to regional socio-economic differences' (Huang, 2015, p. 460). The status quo type mainly consists of the northern and north-east provinces, whereas the dual type largely includes the east coastal provinces. Provinces along the Changjiang, such as Sichuan, Hunan, Hubei, Jiangxi and Anhui, belong to the risk-pooling type. These provinces normally have large populations. Meanwhile, the privileged type includes large cities such as Beijing and Shanghai, and the ethnic minority autonomous provinces.

Lin (2004) analysed regional disparities in social security in combination with the economic development in each province in China by income per capita and GDP per capita. The

findings showed that there were three categories: 1) economically developed regions which their social security expenditure as proportions of fiscal expenditure are equivalent to their economic strengths and financial powers, this group includes provinces such as Guangdong, Fujian, Shanghai, Beijing, Zhejiang and Jiangsu; 2) economically developed regions but with low levels of social security expenditure, this group includes provinces like Liaoning, Tianjin, Chongqing, and Heilongjiang; 3) less economically developed regions but with much higher levels of social security expenditure than those economically developed regions, this group includes provinces such as Tibet, Guizhou, Guangxi, Sichuan, and Gansu.

Table 7.1 Proportion of Social Policy Spending on Social Security and Pensions (2008-2012)

Percentage	Provinces/	Investor or Guardian
6-9	Guangdong, Fujian, Zhejiang, Shanghai, Jiangsu, Tibet	Investor Provinces
9-12	Beijing, Tianjing, Shandong, Ningxia, Guizhou, Guangxi, Xinjiang	
12-14	Inner Mongol, Hebei, Henan, Anhui, Jiangxi, Sichuan, Yunnan, Hainan	Guardian Provinces
14-16	Heilongjiang, Jilin, Shanxi, Shaanxi, Hubei, Chongqing, Hunan, Gansu	
16-20	Liaoning, Qinghai	

Sources: Ratigan (2014) p. 15, Figure 5.

Ratigan (2014) has proposed a new typology to illustrate the distinct and divergent approach to social welfare in China's provinces. This typology is based on a cluster analysis of social priorities in each province and it divided provinces into two clusters: investor and guardian provinces. Investor provinces include Beijing, Tianjing, Shandong, Ningxia, Guizhou, Guangxi, Xinjiang, Guangdong, Fujian, Zhejiang, Shanghai, Jiangsu and Tibet, whereas Guardian provinces include Inner Mongol, Hebei, Henan, Anhui, Jiangxi, Sichuan, Yunnan, Hainan, Heilongjiang, Jilin, Shanxi, Shaanxi, Hubei, Chongqing, Hunan, Gansu, Liaoning and Qinghai. He then classified provinces in China into five different groups according to the proportion of social policy spending on social security and pensions between 2008 and 2012, and find that all investor provinces belong to the first two groups which spent less than 12 per

cent of their social spending on social security and pensions, while their counter parts, guardian provinces, spent more than 12 per cent.

Ratigan argues that the reasons for these variations in social spending on social security and pensions might be: first, investor provinces tend to be more economically developed and wealthier than guardian provinces, they are receiving less direct support from the central government for social policy, and in terms of social policy provision, they are relatively autonomous. For example, within broad guidelines set by the central government, investor provinces have much more power in setting out the specific regulation and policy implementation that suit best to their local socioeconomic conditions. Also, this greater autonomy enables them to adopt new policies earlier or to be the first to introduce reforms to solve new social problems. In contrast to the investor provinces, the guardian provinces are less economically developed and therefore are more reliant on central government subsidies.

Cluster Analysis: Hierarchical and Non-Hierarchical Clustering

According to Abu Sharkh and Gough (2010), two aspects need particular attention when applying the term regime to the analysis of the developing world, one is the notion of 'regime' the other is the concept of 'state', these two aspects are commonly presupposed in the literature of western welfare studies. As this research only explores possible welfare regimes of 31 provinces in China, it only needs to pay attention to the notion of 'regime'. The investigation of the consistency of clusters meets the requirements of the 'regime' label. The 'regime' label indicates 'a temporal consistency (or stickiness) of welfare inputs and outputs' (Aabu Sharkh and Gough, 2010, p. 2). As a result, regions that are clustered in the same group at one point in time should share a reasonably common path of development over time. While the notion of regime indicates consistency (or stickiness), the notion of development implies dramatic or rapid changes with probably different outcomes across regions. We may be able to test this hypothesis by examining the cluster arrangements and patterns over time.

The best approach to verify this hypothesis is cluster analysis, because, according to (Abu Sharkh and Gough, 2010, p. 4), ‘the regime concept rests on the idea that linear scoring approaches do not capture the systemic realities of country welfare or ‘illfare’ systems because variations are not linearly distributed’. This research also tests a hypothesis that is related with the concept of regime, it assumes that by clustering the same group of regions at two points in time would prove the consistency of membership of regime clusters over time.

For the purposes of this research welfare regime was defined as a combination of welfare efforts and welfare outcomes. Welfare efforts refer to the resources that a government used to enhance or improve a society’s welfare and social security. The welfare outcomes refer to welfare achievements in the society.

Methods

As explained in Chapter 2, cluster analysis was undertaken in two stages: hierarchical cluster analysis (Ward’s method) and non-hierarchical cluster analysis (k-means). The process of hierarchical analysis attempts to identify relatively homogeneous groups of cases based on selected variables, according to an algorithm that starts with each case in a separate cluster and combines clusters until all cases are grouped into one cluster (SPSS, 2000). Similar to some other statistical analysis, the hierarchical analysis is also very sensitive to omitted variable bias. As a result, each relevant variable and related characteristics must be carefully analysed in order to determine the exact number of clusters. This procedure hugely depends on the observer/researcher’s observation and analysis. When using SPSS to operate a hierarchical analysis, a ‘dendrogram’ will be presented. A ‘dendrogram’ is defined as ‘a visual representation of the steps in a hierarchical clustering solution that shows the clusters being combined and the values of the distance coefficients at each step. By rescaling the actual distances to numbers between 0 and 31, the dendrogram maintains the distance-ratio between steps’ (SPSS, 2000). Dendograms can not only be used as a visual aid to evaluate the cohesiveness of the clusters generated during the process of hierarchical analysis, but also can provide information about the appropriate number of clusters for the following analyses

(SPSS, 2000). Nevertheless, the final decision of the number of clusters still rests with the researcher's judgment.

At the second stage, the k-means analysis was used to improve and further verify the analysis and judgment at the first stage. The purpose of the k-means analysis is to identify relatively homogeneous groups of cases based on selected variables, according to an algorithm that requires the researcher to pre-specify the number of clusters. Unlike the hierarchical analysis, the k-means analysis can recombine cases and clusters by repeated iterations. Each case is assigned in turn to the cluster with the closest centre in order to form the initial cluster centers, and then the centre is updated, this process will continue until final cluster centers are determined. The researcher can pre-specify the number of clusters based on related theories or previous observations.

In this research, the number of clusters was determined by observation of the dendograms produced by the hierarchical analysis stage. As shown in Appendix 7.2, the dendogram that was generated by the Ward's method at the first stage of analysis clearly shows that it is appropriate to have 4 clusters. The k-means analysis also provides useful statistical information. For example, as requested by the researcher, SPSS conducted the analysis of variance F statistics. The relative size of the statistics in this analysis provides information about each variable's contribution to the separation of the groups. However, these statistics are opportunistic, because the analysis procedure tries to form groups that do differ (SPSS, 2000). The statistics were used to distinguish between numbers of k-means, which means clusters that each variable contributes equally to the cluster differentiation are preferred over clusters that only one or two variables contributed. In addition, the researcher can link clusters according to the distance between clusters. Also, as illustrated in the following discussions, an ordering of clusters was generated.

Therefore, cluster analysis requires the researcher to spend a lot of time on running numerous analyses based on different combinations of variables and the numbers of clusters.

Cases and Variables

This research used both 2013 and 2017 provincial-level data compiled from the China Statistical Yearbooks 2014 and 2018 (National Statistical Bureau, 2014 and 2018). The dataset covers data from 31 provinces and province-level cities, but it excluded regions with semi-autonomous or contested status, including Hong Kong, Macao, and Taiwan. Of the 31 provinces, four are municipalities with province-level administrative status: Beijing, Tianjin, Shanghai, and Chongqing. Each of these municipalities is a metropolis with a population of over 12 million in the greater municipal area and a dynamic economy that is comparable to a province and, therefore, these municipalities are treated as provinces in the dataset.

Two fundamental components of welfare regimes, welfare effort and welfare outcome, were used in the following analysis. The welfare effort refers to the resources that a government used to enhance or improve a society's welfare and social security in this research. To illustrate the extent of governmental and public responsibility for critical social resources, I used 8 variables concerning the coverage of social insurance, social insurance expenditures and revenues, and social security service delivery. These variables including participation rates of four social insurance programmes, regional revenues and expenditures of social insurance funds (as a proxy for provision of social insurance contribution rates and benefit levels), social security expenditures per capita and social security expenditures as a share of regional GDP. Welfare outcomes usually refer to what a society achieved in terms of social problem indicators, such as poverty rate, social exclusion indicator and social inequality indicator. This research used 3 variables as measures of welfare outcomes. As there is no way to find provincial poverty rates in China, I used an indicator that describes the difference between average annual incomes of rural residents and the national poverty line to indicate the poverty level of each region. Second, the proportion of rural residents was used to indicate the process of urbanisation and citizenship development of a region, the lower the indicator the better. The third indicator is the average annual wage of urban employees in private enterprises as this describes the regional income inequality in urban areas. The last indicator

used in the cluster analysis was regional GDP, in order to show the level of local economic development.

Cluster Results

Welfare regimes in 2013 and 2017

Table 7.2 below shows the clusters generated for 2013 and 2017 data using the k-means clustering method with k equals 10. In both years, cases were both classified into four cluster groups. The clusters for both years are ordered as shown in Table 7.2 and the tables in Appendix 7.2 show the final results of k-means clustering.

The first table in Appendix 7.2 is the result of comparing the distances between final cluster centers. The magnitude of the F values from the analysis of variance (ANOVA) performed on each dimension indicates the role of each variable in discriminating between the clusters (Appendix 7.2). As shown in the ANOVA table in Appendix 7.2, in both 2013 and 2017, both regional GDP and the percentage of rural residents play a significant role. Average annual wage of urban employees in private enterprises and differences between the average annual incomes of rural residents and the national poverty line also play a major role, whereas two indicators relating to social security expenditures play a relatively minor role. In general, there is a reasonable discriminatory role for each variable in both years.

In both years the cluster with the highest scores for welfare inputs and outcomes is labelled A and that most distant is labelled D. In order to understand the differences between these four clusters, Tables 7.3 and 7.4 present the mean values for each variable in 2013 and 2017, respectively.

Table 7.2 China's Welfare Regime Clusters 2013 and 2017

2013	2017
Cluster A	
Beijing	Beijing
Tianjing	Tianjing
Shanghai	Shanghai
Cluster B	
Neimenggu	Jiangsu
Liaoning	Zhejiang
Jiangsu	Fujian
Zhejiang	Shandong
Fujian	Guangdong
Shandong	
Guangdong	
Cluster C	
Hebei	Neimenggu
Shanxi	Liaoning
Jilin	Jilin
Heilongjiang	Hubei
Henan	Hunan
Hubei	Hainan
Hunan	Chongqing
Hainan	Shannxi
Chongqing	Ningxia
Shannxi	
Qinghai	
Ningxia	
Xinjiang	
Cluster D	
Anhui	Hebei
Jiangxi	Shanxi
Guangxi	Heilongjiang
Sichuan	Anhui
Guizhou	Jiangxi
Yunnan	Henan
Gansu	Guangxi
	Sichuan
	Guizhou
	Yunnan
	Gansu
	Qinghai
	Xinjiang

Cluster characteristics in 2013 and 2017

This section summarises the main characteristics of each cluster in 2013 and 2017, as shown in Table 7.2. However, we must be cautious to apply the word ‘welfare regime’ in the following discussions until we can prove that cases in each cluster share ‘common identifiable and plausible characteristics and these are consistent over time’ (Abu Sharkh and Gough, 2010, p. 9).

Cluster characteristics in 2013

Table 7.3 exhibits mean values of each variable by cluster in 2013. It is obvious that almost all variables show a descending trend from cluster A to cluster D, except expenditures of local social insurance funds per capita, regional social security expenditures per capita, ratio of regional social security expenditures and regional GDP and ratio of rural and total residents.

Table 7.3 Welfare Regime Indicators: Mean Values by Cluster 2013

Cluster variables	Cluster A	Cluster B	Cluster C	Cluster D
Participation rate of old age insurance	0.6036	0.4972	0.4018	0.3050
Participation rate of unemployment insurance	0.3606	0.2549	0.2002	0.1435
Participation rate of health insurance	0.5984	0.4234	0.3417	0.2704
Participation rate of work injury insurance	0.3999	0.3207	0.2316	0.1791
Revenues of local social insurance funds per capita	0.8781	0.4497	0.4165	0.3148
Expenditures of local social insurance funds per capita	0.6979	0.3521	0.3650	0.2710
Regional social security expenditures per capita	0.1905	0.1057	0.1303	0.0998
Ratio of regional social security expenditures and regional GDP	0.0206	0.0166	0.0339	0.0345
Average annual wage of urban employees in private enterprises	40,943	34,715	28,298	27,991
Differences between incomes of rural residents and poverty line	14,920.7	9,603	6,298.1	5,126.9
Ratio of rural and total residents	0.1404	0.3778	0.4879	0.5548
Regional GDP per capita	95,249	63,979	38,827	30,427

Cluster A had the highest participation rate of the four social insurance schemes, whereas cluster D was the lowest. In this research, revenues of local social insurance funds per capita and expenditures of local social insurance funds per capita, these two variables are used to reflect the levels of contribution rate and benefit in each province respectively. We may assume that both contribution rates and benefit levels of cluster A were higher than for other clusters (it has been verified by previous discussions in this chapter), and according to Table 7.3, revenues and expenditures of local social insurance funds per head of cluster A were at least twice higher than the other clusters. As for social security expenditures, even with the highest number, social security expenditures of cluster D accounted only 3.45 per cent of local GDP, and cluster D had the lowest levels of social expenditures per capita and GDP per capita.

In contrast the social security expenditures of clusters with higher GDP per capita, especially clusters A and C, accounted for a lower percentage of local GDP and had higher number of social security expenditures per capita. The annual wage of urban employees in private enterprises of cluster A was 40,943 yuan whereas for cluster D was 27,991; the difference being 12,952 yuan per year. Moreover, cluster A had the lowest number of rural residents and their annual incomes were much higher than the poverty line set by the state (2,300 yuan per year in 2013), whereas over half of the residents of cluster D were rural residents, and their annual incomes were only 5,126.9 yuan higher than the poverty line.

Cluster A

Cluster A included three municipalities, Beijing, Tianjin and Shanghai. This cluster exhibited the highest level of welfare efforts and outcomes. It had the highest number of social insurance participation rates, social security expenditures per person, income levels for both urban employees and rural residents, and GDP. Finally its number of rural residents was the lowest, only 14.04 per cent of total residents.

Cluster B

This cluster of provinces exhibited a relatively lower level of social insurance participation rate than cluster A. However, its revenues and expenditures of social insurance funds were only half of cluster A's. This might be due to the different social insurance provision in the provinces in this cluster. For example, in 2013, the contribution rates of the old age insurance in Shanghai were 21 per cent for employers and 8 per cent for employees (retrieved from www.shanghai.gov.cn), whereas 13.4 per cent for employers and 8 per cent for employees in Guangdong (retrieved from www.gdsi.gov.cn) (details will be discussed later in this chapter). In addition, this cluster had the second highest level of GDP per capita, but its social security expenditure per person was the second lowest; its social security expenditures only accounted for 1.66 per cent of GDP, and was the lowest. Therefore, this cluster displayed a low level of welfare effort.

Cluster C

Cluster C exhibited a low social insurance participation rate, 5-9 per cent lower than cluster B. However, its revenues of social insurance funds per capita was only slightly lower than cluster B and expenditures of social insurance funds was higher than cluster B. As for the discussion of cluster B, this might also be caused by the lower contribution rates and benefits levels in provinces of cluster B. Also, its GDP per capita was 38,827, only a little bit more than half of the GDP per capita of cluster B. But its social security expenditures per person ranked second, and its social security expenditures accounted for 3.39 per cent of GDP, which was the second highest. The average annual wage of urban employees in private enterprises was 28,298 yuan and the annual income of rural residents was 6,298.1 yuan higher than the 2013 national poverty line. As a result, this cluster exhibited moderate levels of welfare effort and outcomes.

Cluster D

This cluster showed the lowest welfare effort and outcomes. Its social insurance participation rates were the lowest, so was its revenues and expenditures of social insurance funds. Although its GDP per capita was the lowest its social security spending accounted for 3.45 per cent of local GDP. However, the number of social security expenditures per person was the lowest, only 0.0998 (100 million per 10,000 people). It had the highest proportion of rural residents, which was 55.48 per cent, so more than half of total residents came from rural areas. Moreover, the average annual income of rural residents was only 5,126.9 yuan higher than the 2013 poverty line.

Cluster characteristics in 2017

Was this pattern reproduced 4 years later in 2017? Table 7.4 presents the cluster patterns found in 2017, using the same groups of data and methods as for 2013. This suggests that the pattern has remained similar.

Again, cluster A had the highest social insurance participation rate, whereas cluster D was the lowest. However, this year, the participation rates in the old age insurance of both cluster A and B were more than 50 per cent. This means that in provinces of these two clusters, more than half of the urban residents had joined the pension schemes. Revenues and expenditures of local social insurance funds per head of cluster A still remained the highest. The differences between cluster A and the other clusters became larger, both of these two indicators were at least more than twice as high as the other clusters. As for social security expenditures per capita, it was the same pattern as 2013; cluster A had the highest number whereas cluster D was the lowest. What kept the same pattern as year 2013 was the size of social security expenditures as a percentage of GDP. Cluster D's social security expenditures accounted for 4.37 per cent this year, and cluster C the second (3.93 per cent), cluster A (2.93 per cent) the third and cluster B the last (1.43 per cent).

Table 7.4 Welfare Regime Indicators: Mean Values by Cluster 2017

Cluster Variables	Cluster A	Cluster B	Cluster C	Cluster D
Participation Rate of Old Age Insurance	0.6972	0.5549	0.4844	0.4051
Participation rate of unemployment insurance	0.4394	0.3004	0.1868	0.1639
Participation rate of health insurance	0.6566	0.4370	0.3336	0.2929
Participation rate of work injury insurance	0.4511	0.3660	0.2334	0.2096
Revenues of local social insurance funds per capita	1.5878	0.6739	0.6906	0.6251
Expenditures of local social insurance funds per capita	1.2470	0.5539	0.6559	0.5497
Regional social security expenditures per capita	0.3668	0.1226	0.2219	0.1792
Ratio of regional social security expenditures and regional GDP	0.0293	0.0143	0.0393	0.0437
Average annual wage of urban employees in private enterprises	60,839	50,361	38,314	38,657
Differences between incomes of rural residents and poverty line	21,654.4	15,317.2	9,555.9	8,272.6
Ratio of rural and total residents	0.1429	0.3360	0.4014	0.4790
Regional GDP per capita	124,857	87,125	56,670	41,693

The average annual wage of urban employees in private enterprises in cluster A was 60,839 yuan whereas for cluster D was 38,657, the wage gap between the highest cluster and the lowest nearly doubled from 12,952 yuan in 2013 to 22,182 yuan in 2017. The percentage of rural residents in cluster A did not change much, it increased by 0.25 per cent this year. The proportions of rural residents in the other clusters were all reduced. The gap between the annual incomes of rural residents and the poverty line in each cluster increased, as the annual incomes of rural residents increased significantly during these years, however, the poverty line only increased from 2,300 yuan per year in 2013 to 2,952 yuan in 2017.

Cluster A

In 2017, cluster A still contained the same three municipalities, Beijing, Tianjin and Shanghai. This cluster still exhibited the highest level of welfare effort and outcomes. It had the highest

number of social insurance participation rates, participation rates for both old age and health insurance were over 65 per cent. It also had the highest social security expenditures per person, annual income levels for both urban employees in private enterprises and rural residents, and GDP. Its number of rural residents remained the lowest, only 14.29 per cent of total residents were rural residents. The difference between annual incomes of rural residents and the national poverty line became 21,654.4 yuan.

Cluster B

As in 2013 this cluster of provinces exhibited a relatively low level of welfare effort. The social insurance participation rate of this cluster was lower than cluster A, and higher than clusters C and D. However, its revenues and expenditures of social insurance funds were not only lower than cluster A, but also lower than cluster C. The reason for this was the same as in 2013, as shown in Table 7.8, the social insurance contribution rate for employers in Guangdong was 17.7-18.8 per cent in 2018, whereas in Shanghai it was 30.2-31.9 per cent. There was still a difference of 12.5-13.1 per cent. In addition, this cluster had the lowest numbers of both social security expenditures per capita and social expenditures as a proportion of local GDP. Even though its GDP per capita was the second highest, these two indicators of cluster B were even lower than for clusters C and D.

Cluster C

Cluster C had a low level of social insurance participation rate, 22-33 per cent lower than cluster A and 7-14 per cent lower than cluster B. However, its revenues and expenditures of social insurance funds were ranked the second, even higher than cluster B. This was also because of the low levels of contribution rates and benefit levels of provinces in cluster B. Furthermore, its social security expenditure per person was the second highest, which was 0.2219 (100 million per 10,000 persons) and its social security expenditure accounted for 3.93 per cent of GDP, it was higher than cluster A and B, even though its GDP per capita was 56,670 yuan, lower than these two clusters. The average annual wage of urban employees in

private enterprises was 38,314 yuan and the annual incomes of rural residents were 8,272.6 yuan higher than the 2017 national poverty line. As a result, cluster C's welfare effort and outcomes remained at a moderate level.

Cluster D

Again, this cluster exhibited the lowest welfare efforts and outcomes. Both of its social insurance participation rates and its revenues and expenditures of social insurance funds were the lowest. However, although its GDP per capita was the lowest, at 41,693 yuan a year, its social security spending accounted for 4.37 per cent of local GDP. Its social security expenditure per person was the second lowest, higher than cluster B. Also, it had the highest proportion of rural residents, at 47.9 per cent and the annual incomes of rural residents were 8,272.6 yuan higher than the 2017 national poverty line.

Consistency of Cluster Membership 2013-2017

There are clearly a number of common features in the cluster patterns of these two years, however, the consistency of the membership over time should be questioned. Table 7.5 groups the provinces according to their cluster membership in 2013 and 2017. It clearly indicates a significant degree of membership constancy over the years but less so in the last two clusters.

Those grouped in cluster A in 2013 appear to be the same as they were in 2017. The 2013 cluster B is likewise mostly reproduced in 2017, but with two divergences. Two provinces: Neimenggu and Liaoning, which used to be grouped in cluster B in 2013 were classified as cluster C in 2017. As shown in Appendix 7.2, the reason these two provinces were classified as cluster B was their better economic performances. In 2013, the annual average wages for urban employees in private enterprises and the GDP per capita in these two provinces were much higher than in cluster C.

In terms of social insurance participation rates and social security expenditures, the numbers were closer to the mean values of cluster C. However, in 2017, the annual average wages for urban employees in private enterprises and the GDP per capita of Neimenggu and Liaoning were far less than provinces in cluster B, this might because the speed of economic development in Neimenggu and Liaoning was slowing down. But they exhibited much higher welfare effort, almost the highest in cluster C, this might have been caused by the large amount of transfer payment from the central government (this is discussed in more detail in the following section). For the same reason, 6 provinces that used to be in cluster C in 2013 were found in cluster D in 2017. They were: Hebei, Shanxi, Heilongjiang, Henan, Qinghai and Xinjiang.

Table 7.5 Comparison of Cluster Membership 2013 and 2017

2013 →	Cluster A	Cluster B	Cluster C	Cluster D
2017 ↓				
Cluster A	Beijing			
	Tianjing			
	Shanghai			
Cluster B		Jiangsu		
		Zhejiang		
		Fujian		
		Shandong		
		Guangdong		
Cluster C		Neimenggu	Jilin	
		Liaoning	Hubei	
			Hunan	
			Hainan	
			Chongqing	
			Shannxi	
			Ningxia	
Cluster D			Hebei	Anhui
			Shanxi	Jiangxi
			Heilongjian ^g	Guangxi
			Henan	Sichuan
			Qinghai	Guizhou
			Xinjiang	Yunnan
				Gansu

Table 7.5 indicates a reasonable degree of membership consistency over the four year period, especially at the top of the cluster hierarchy. If there was a strong ‘stickiness’, all provinces would remain on the diagonal in the table. However, there are some divergences at the lower end. One of the main factors that may have brought about these changes in cluster membership is the state’s large amount of transfer payments to these provinces helped them to produce higher welfare effort and outcomes.

Identifiable Welfare Regimes in China?

Do these clusters reveal distinct welfare regimes based on different institutions and following different paths of development? The answer is positive, it is contingent on the position of the specific cluster. The most ‘developed’ cluster A shows considerable stickiness: these municipalities show a common upward trajectory with improved welfare effort and outcomes over the four years deserving a cautious welfare regime label. But there is less but still considerable stickiness among the provinces in cluster B. However, in the less developed clusters C and D, there are considerable movements, which cause doubts about whether these clusters can be labelled as welfare regimes. Next, I will focus on the discussion of social insurance provision of each regime.

Regime A: A Prototype Welfare Regime

In 2013 and 2017, cluster A included Beijing, Shanghai and Tianjing. These municipalities represent a prototype welfare regime in China. They share in common relatively extensive commitments to social insurance provision and relatively effective delivery of social security services as measured by social security per capita. As these three municipalities are usually categorised as the most developed economic zones (Ding and Liu, 2017; Zhang and Chi, 2018), they all exhibit a higher level of economic development, as well as welfare inputs and outputs.

Table 7.6 shows the social insurance provision for four examples in each cluster. Shanghai, as a representative of cluster A, has a total 30.2-31.9 per cent contribution rate for employers and

a total 10.5 per cent for employees. Not only are the contribution rates higher than other regions, but also the contribution threshold, which is set by the local government according to the local average annual wage levels. Shanghai has the highest social insurance contribution rates and monthly contribution amount.

Regime B: Broader Coverage and Low Generosity Welfare Regime

Cluster B contains Jiangsu, Zhejiang, Fujian, Shandong and Guangdong in 2017. This cluster shows relatively poor commitment to social insurance provision and fewer efforts on the delivery of social security services. In both years, social security expenditures per capita and social security as proportion of GDP of cluster B ranked the lowest among the 4 clusters, although its social insurance participation rates and GDP was much higher than cluster C and D.

As shown in Table 7.6, Guangdong represents cluster B, and its social insurance contribution rates were 17.7-18.8 per cent for employers and 8.7-9.7 per cent for employees; much lower than Shanghai. Also, according to Yao et al. (2017), the employers' contribution rate of the old age insurance in Guangzhou was as low as 9.3 per cent in 2011. This means that the low contribution rate has become institutionalised. However, in Guangdong, as a migration inflow province, low contribution rates might attract more rural-urban migrant workers, and achieve the aim of broader coverage.

Other provinces in cluster B also have a relative low level of social insurance contribution rates for both employer and employees (China Labour Watch, 2019). However, a low level of contribution rates will result in the less revenue of the social insurance fund, and will further affect social insurance expenditures and then the generosity of social insurance. This might explain the characteristics of broader coverage and low generosity of cluster B.

Table 7.6 Regional Social Insurance Provision, 2018 (Yuan)

Province	Type of Insurance	Upper and Lower limits of Contribution Threshold	Contribution Rate		Upper and Lower limits of Monthly Amounts	
			Employers	Employees	Employers	Employees
Shanghai Cluster A	Pension	4279-21396	20%	8%	855.8-4279.2	342.32-1711.7
	Health Insurance	4279-21396	9.5%	2%	406.5-2032.6	85.58-427.9
	Unemployment Insurance	4279-21396	0.5%	0.5%	21.39-107	21.39-107
	Work Injury Insurance	4279-21396	0.2-1.9%		According to Industries	
Guangdong Cluster B	Pension	3100-20004	13%	8%	403-2600.5	248-1600.3
	Health Insurance	5599	4%	1) 0.5% 2) 1.5%	71.62	1) 28 2) 84
	Unemployment Insurance	1720-18177	0.5%	0.2%	8.6-91	3.4-36.4
	Work Injury Insurance	3635-18177	0.2-1.3%,		According to Industries	
Hainan Cluster C	Pension	3453-17265	19%	8%	656.07-3280.35	276.24-1381.2
	Health Insurance	3453-17265	8%	2%	276.24-1381.2	69.06-345.3
	Unemployment Insurance	3453-17265	0.5%	0.5%	17.27-86.33	17.27-86.33
	Work Injury Insurance	3453-17265	0.1- 0.75%		According to Industries	

(Continued)

Table 7.6 Regional Social Insurance Provision, 2018 (Continued)

Province	Type of Insurance	Upper and Lower limits of Contribution Threshold	Contribution Rate		Upper and Lower limits of Monthly Amounts	
			Employers	Employees	Employers	Employees
Sichuan Cluster D	Pension	2388-17908	19%	8%	453.7-3402.5	191-1432.6
	Health Insurance	3255-16274	7.5%	2%	244.1-1266	65.1-325.5
	Unemployment Insurance	3255-16274	0.6%	0.4%	19.5-97.6	13-65.1
	Work Injury Insurance	3255-16274	0.2-1.9%		According to Industries	

Sources: China Labour Watch, 2019.

Regime C: Moderate Welfare Regime

Cluster C consisted of 9 provinces in 2017, including Neimenggu, Liaoning, Jilin, Hubei, Hunan, Hainan, Chongqing, Shannxi and Ningxia. In both years, cluster C combined relatively moderate commitments to social insurance provision and the delivery of social security services. Its social insurance participation rates were much lower than cluster B, but its social insurance funding revenues and expenditures per person were higher than cluster B. Furthermore, although its economic development was not as good as cluster B, it spent more government revenues on providing social security services.

As shown in Table 7.6, the social insurance contribution rates in Hainan are 27.6-28.25 per cent for employers and 10.5 per cent for employee. Its social insurance provision strictly followed the standards set by the state (Ministry of Human Resources and Social Security, document no. 36, 2016 and document no. 25, 2018). Because the social insurance contribution thresholds and contribution rates were both higher than Guangdong, so were the monthly

contribution amounts. Hainan exhibited a moderate level of social insurance provision. This result fits with the discussion of the characteristics of clusters B and C.

Regime D: Poor Performance Welfare Regime

In 2017, 6 provinces that used to be in cluster C in 2013, were classified into cluster D. As discussed in Chapter 2 and earlier in this chapter, as a state socialist country, the state's role had a huge influence on regional development. In this case, because of the fiscal transfer from the central government to provincial governments in this cluster, although cluster D had the lowest level of economic development and social participation rates, it exhibited higher welfare efforts than cluster B. Its social insurance funding revenues and expenditures were at a very similar level to cluster B, and its social security expenditures per capita and as percentage of GDP were higher than cluster B.

Sichuan was chosen as the representative of cluster D. As shown in Table 7.6, Sichuan has a total of 27.3-29 per cent social insurance contribution rate for employers and 10.4 per cent for employees. Here, Sichuan's social insurance provision is similar to Hainan, only a couple of slight differences in contribution rates and the upper limit of the contribution threshold. However, what makes cluster D differ from cluster C is its lower social insurance coverage and higher social security expenditures as proportions of GDP. As shown in Appendix 7.1, the 2017 social insurance participation rate in Sichuan was lower than Hainan, but its revenues and expenditure of social insurance funds were much higher than Hainan. Moreover, its social security expenditure as a percentage of GDP was almost the same as Hainan, even though its GDP was lower than Hainan. This all fits the descriptions of the features of clusters C and D. The factors behind this phenomenon will be discussed in the following section.

Possible Explanation of Changes in The Patterns of Cluster C and D: Fiscal Transfer

As mentioned in Chapter 6, the worsening regional disparity is a prominent characteristic associated with the rapid economic growth in China in the past few decades. After the 1994

tax reform, according to the principle of centralised revenue collection and decentralised expenditure, the central government introduced an increasingly institutionalised fiscal transfer system in order to improve the fiscal inadequacy problem of local governments, hence, to ensure the sufficiency and equitability of local public services (Jiang and Zhao, 2003; Zhan, 2011). Since then, tax returns, fiscal or financial capacity subsidies and special subsidies became the three main categories of fiscal transfers in China.

Compared with tax returns and fiscal subsidies, the granting central government has stricter management and requirements for special subsidies. Special subsidies normally come with restrictions on the usage of funds or require matching funds, and are usually assigned to projects specified by the central government. This kind of fiscal transfers generally aims at promoting the development of and financing local public goods and services, such as education, health care, social security and agricultural areas (State Council, 2007). However, the purpose of fiscal subsidies is to address the problem of local fiscal insufficiency, ultimately, to alleviate the problem of increasing regional inequalities and to promote the equalisation of public services across the country. Generally, fiscal subsidies do not attach specially conditions and restrictions on the usage of funds or require matching funds, although they sometimes finance expenditures with specific purpose, for example, to increase the earning levels of state employees, or employees in areas such as ethnic minority regions or poor and remote regions.

Therefore, it is controversial that special subsidies will result in the subsidised governments' expenditures more biased towards public services. Thus, those provinces which receive more subsidies, especially special subsidies that are assigned to special social security programmes, will increase the social security expenditures in those regions. And this might be the reason why cluster D exhibited a low level of economic development, but its social security expenditures account for a larger proportion of regional GDP than the other clusters.

Table 7.7 Rankings of Realised Financial Capacity Subsidies from the Central Government, 2015-2017 (100 million)

Rank	Provinces	2015	Provinces	2016	Provinces	2017
1	Sichuan	2163.42	Sichuan	2313.14	Sichuan	2533.72
2	Henan	2033.35	Henan	2242.45	Henan	2455.62
3	Hunan	1600.82	Hunan	1779.51	Hunan	1955.52
4	Hubei	1457.95	Hubei	1608.36	Hubei	1733.11
5	Anhui	1394.66	Anhui	1544.86	Anhui	1690.48
6	Guangxi	1314.32	Guangxi	1484.66	Heilongjiang	1664.29
7	Heilongjiang	1306.34	Heilongjiang	1482.12	Hebei	1658.96
8	Hebei	1298.99	Hebei	1464.92	Guangxi	1658.71
9	Guizhou	1263.39	Guizhou	1397.89	Guizhou	1536.58
10	Xinjiang	1228.06	Yunnan	1389.95	Yunnan	1532.09
11	Yunnan	1220.47	Xinjiang	1367.58	Xinjiang	1531.52
12	Jiangxi	1132.36	Jiangxi	1261.87	Jiangxi	1373.28
13	Neimenggu	1066.09	Neimenggu	1178.08	Liaoning	1336.9
14	Shannxi	1039.64	Shannxi	1161.88	Shannxi	1301.99
15	Gansu	1030.22	Liaoning	1151.87	Neimenggu	1284.31
16	Liaoning	978.2	Gansu	1146.7	Gansu	1277.67
17	Jilin	925.36	Jilin	1045.05	Jilin	1167.07
18	Shandong	900.97	Shandong	1022.8	Shandong	1084.18
19	Shanxi	771.21	Shanxi	909.75	Shanxi	1026.19
20	Tibet	766.42	Tibet	827.85	Tibet	892.23
21	Chongqing	730	Chongqing	807.37	Chongqing	884.72
22	Qinghai	515.42	Qinghai	566.15	Qinghai	632.38
23	Fujian	444.71	Fujian	511.79	Fujian	565.2
24	Ningxia	399.93	Guangdong	465.91	Guangdong	502.3
25	Guangdong	382.95	Ningxia	445.59	Ningxia	500.71
26	Hainan	342.77	Hainan	388.16	Hainan	425.56
27	Jiangsu	305.09	Jiangsu	354.24	Jiangsu	365.92
28	Tianjing	189.92	Zhejiang	244.2	Zhejiang	246.28
29	Zhejiang	177.57	Tianjing	208.88	Tianjing	234.86
30	Shanghai	49.3	Shanghai	57.13	Shanghai	58.65
31	Beijing	45.5	Beijing	56.3	Beijing	56.93

Source: The Ministry of Finance, 2016-2018.

Table 7.8 Ranking of Special Subsidies Assigned for Pension Schemes for Urban Employees from the Central Government, 2016 (Ten Thousand Yuan)

Rank	Province	Amount
1	Sichuan	488400
2	Liaoning	448200
3	Heilongjiang	339000
4	Hubei	323000
5	Henan	301100
6	Hebei	264600
7	Hunan	259100
8	Chongqing	217800
9	Jilin	209600
10	Anhui	206500
11	Jiangxi	190600
12	Guangxi	170100
13	Neimenggu	169600
14	Shannxi	161300
15	Shanxi	158700
16	Tianjing	134100
17	Yunnan	120500
18	Gansu	95600
19	Guizhou	94400
20	Xinjiang	94200
21	Hainan	42100
22	Ningxia	37700
23	Qinghai	28600
24	Tibet	6900
25	Beijing	0
26	Shanghai	0
27	Jiangsu	0
28	Zhejiang	0
29	Fujian	0
30	Shandong	0
31	Guangdong	0

Source: The Ministry of Finance, 2017b.

Table 7.7 ranks the financial capacity subsidies that had been realised in three years, from 2015 to 2017. Also, Table 7.8 shows the ranking of special subsidies that had been assigned for pension schemes for urban employees in 2016.

As shown in Table 7.7, it is obvious that the rank did not change much between 2015-2017. And over 70 per cent of the top 15 subsidies receiving provinces in these three years were came from cluster D. Especially for the top 10 provinces, 8 of them belonged to cluster D. Furthermore, the 18 of the first 20 provinces came from cluster C and D between 2015-2017 (Except Shandong and Tibet). The circumstance is the same as for special subsidies for pension schemes for urban employees in 2016. Nineteen of the first 20 provinces that received the highest amount of special subsidies belonged to cluster D, and Tianjing was the only exception.

Clustering of Social Insurance for Rural-Urban Migrant Workers

As mentioned in previous chapters, the fragmentation of social insurance system in China has two features, the first is the multi-track nature of social insurance, the system is divided into at least four subsystems, one for government officials, one for urban employees, one for both urban and rural residents and one for rural urban migrant workers. The second feature is the regional differences in the social insurance system in China, each province can introduce its own provincial social insurance system based on the guideline stipulated by the state, provinces that are more developed, such as Beijing, Shanghai or Guangdong, tend to be the pilots in establishing a unique provincial social insurance system.

According several studies on provincial social insurance for rural migrant workers (Gong, 2007; Zhang, 2007; Zhao, 2007; Watson, 2009; Zheng et al., 2010; Jing et al., 2010; Wang, 2011; Zhang et al., 2012) and a research report published by the State Council Research Team (2006), there are five main categories of social insurance programmes for migrant workers that local governments have introduced so far, namely individual, comprehensive, absorption, low standards and national. In order to better illustrate these five types of local social

insurance schemes, Table 7.9 presents five different types of old age insurance for rural migrant workers in China, choosing Guangdong, Chengdu, Beijing and Zhejiang provinces as examples.

The first category brings rural migrant workers into the current urban social insurance system, rural migrant workers and urban employees have equal treatment on contribution rates and benefit levels. The institutional structure of the social insurance system in this category is in essence the same for both rural-urban migrant workers and employees with local Hukou, including the same social insurance entitlements and the same five social insurance schemes namely the old age insurance, health insurance, unemployment insurance, work-related injuries insurance and maternity insurance (Wang, 2011). For example, Guangdong province brought rural migrant workers into the urban social insurance system in 1994, then it gradually introduced regulations on pensions, work-related injuries and unemployment insurance, it requires both urban employees and rural migrant workers to participate in every social insurance programme. However, there are some flaws in this method, as it may lead to unequal rights and obligations between urban and rural migrant employees (State Council Research Team, 2006).

The second category applies a policy of lower standards for rural migrant workers within the current framework of urban social insurance, e.g. low contribution rates in return for relatively lower level of benefits, which the basic institutional structure still remains similar to that of the urban social security schemes (Wang, 2011). For instance, the contribution rate of old age insurance is 4 per cent for rural migrant workers and 12 per cent for their employers, whereas urban employees need to contribute 8 per cent and their employers 22 per cent.

Table 7.9 Different Types of Old Age Insurance for Rural Migrant Workers

Category	Absorption	Composite	Individual	Low standards	National
Example	Guangdong	Chengdu	Beijing	Zhejiang	--
Insurance type	Urban social insurance	Comprehensive social insurance for rural migrant workers in pensions, work injury, stationary healthcare, and motherhood benefits	Individual social insurance for rural migrant workers	Urban social insurance but with lower standards	Urban social insurance
Target group	All migrant workers, both rural and urban	Rural migrant workers	Rural migrant workers (full-time workers only)	All migrant workers, both rural and urban	All migrant workers, both rural and urban
Contribution rates	State-owned enterprises: 20% for enterprises and 8% for individual workers Private enterprises: 12% for enterprises and 8% for individual workers	Employers: 14.5% Migrant workers: 5.5% Construction enterprises pay 4% sole contributions for migrant workers, though benefits applicable only to healthcare and work injury	Employers: 19% and migrant workers: 7%	Employers: 12% and individual workers: 4%	Employers: 20% Employees: 8%
Portability	Yes, only individual account and part of social pooling account	Not yet portable, but scheduled for reform	Yes, only individual account and part of social pooling account	Yes, only individual account and part of social pooling account	Yes, only individual account and part of social pooling account

Sources: Shi (2012); Zhang et al. (2012).

Under this method, the contribution rate for rural migrant workers is much lower than for urban employees, but their benefits will only be slightly lower than those of urban employees.

Although it can attract a lot of rural migrant workers to participate in social insurance and increase the coverage because of its low contribution rate, the social insurance fund will face payment pressure in the future, as the ratio between benefits and contributions is very high: expected to be 8-10 times in Zhejiang (State Council Research Team, 2006).

The third category is based on an individual social insurance system for rural urban migrant workers. Shanghai and Chengdu, for instance, have established a comprehensive social insurance system especially for rural migrant workers. Shanghai's system includes old age, work-related injuries and health insurance, and only employers need to contribute a total 12.5 per cent (of that, 7 per cent for pension and 5.5 per cent for work-related injuries and health insurance) of 60 per cent of the average monthly wage last year (Xi, 2009).

It is managed and supervised by the local labour and social security department and is run by a commercial insurance company. The fourth includes some localities that place rural migrant workers in rural schemes (Dong, 2008; Watson, 2009; Wang, 2011). In this circumstance, future pension and medical insurance benefits that rural migrant workers can receive will be very limited.

Conclusion

The literature on the typology of welfare state regimes provided a theoretical foundation for the cluster analysis in this research. There are only a few studies that have focused on the typology of China's welfare system, even though the regional welfare disparities were well recognised. Ba et al. (2013) clustered provinces into 4 clusters based on the social security expenditures. Similar to it, Huang (2015) proposed a typology of China's health insurance system, which has 4 types: the dual type, the privileged type, the risk-pooling type and the status quo type. Furthermore, Ratigan (2014) classified China's provincial social welfare into two clusters (investor provinces and guardian provinces) by examining social priorities in each province.

This research grouped provinces in China into different welfare regimes according their welfare inputs and outputs. Indicators include participation rates for each social insurance programme, revenues and expenditures of social insurance, social security expenditure indicators, average annual incomes of both urban employees and rural residents, the number of rural residents and GDP.

This research developed a methodology for clustering provinces in China and applied it to identify a number of distinct ‘welfare regimes’. By undertaking the cluster analysis using the same indicators in two years, 2013 and 2017, it investigated the hypothesis of path dependency, although only over a much shorter period of time than we would wish. The findings show that provinces can be divided into 4 clusters: A) the prototype of welfare regime, including Beijing, Shanghai and Tianjing, this regime exhibits the highest level of both welfare effort and outcomes; B) welfare regime with a broad coverage but low generosity, including Jiangsu, Zhejiang, Fujian, Shandong and Guangdong, this regime considers expanding social insurance/security coverage as the priority, it usually has a high level of economic development but less social security expenditures; C) the moderate welfare regime, this regime’s welfare performance is moderate. Even though it has a relatively low level of economic development, its social security expenditure and effort that put into social insurance are at a relatively high level. This is because of the fiscal transfer, especially the financial capacity subsidies and special subsidies, from the state; D) the poor performance welfare regime, this regime has the lowest welfare inputs and outputs (if without the support from the state). Its economic development level is the lowest, however, its social security expenditure account for the highest amount of regional GDP among other clusters, the reason for this is that provinces in this regime received the largest amount of fiscal transfers from the state and then they can spend more on social security and public services.

The results of this research prove that there is obvious evidence that membership of regime clusters in China is constant over time. However, this consistency of a path dependency in the development of social security is most significant in the top two clusters. While we may agree

that distinct and persistent welfare regimes exist in China, the cluster membership, especially for the lower-end clusters, is highly influenced by the state's policies.

In addition, according to Ba et al. (2013), social security expenditure differences between provinces are caused by divergences in regional socio-economic development. Provinces with a high level of economic development are always those with high level of social security expenditures per person. In order to have a comprehensive and equitable social security system, it is vital to improve regional socio-economic development. However, the results in this chapter shows that, unlike the economic development, the regional disparities in welfare/social security do not present a clear division between the prosperous eastern regions and depressed western areas. It is related to the economic development but it also depends on other factors. Furthermore, it is highly correlated with population structure, welfare performance and the economic development. As the burden of employees' pensions is relatively lighter in those economically developed regions, together with higher social insurance contribution rates and larger bases of financial revenue and expenditure, the proportion of subsidies in public expenditure for welfare service paid by the state is relatively low. The amount of subsidies differs a lot between regions. Lin (2004) pointed out that the proportion of social security subsidies in fiscal expenditure varies widely across provinces, and the difference between the maximum and minimum is 6.86 times.

In sum, regional disparities in social security in China are significant and even exceeding the differences in economic development. Even though the state adopted the strategy of western development and some other methods to address regional disparities in both social and economic development, the differences remain.

The last section of this chapter discussed the possible clustering of social insurance systems that are designed for rural-urban migrant workers only. With the analysis of social insurance for rural-urban migrant workers in previous chapters, the discussion here again proves the complication and fragmentation of social insurance for rural-urban migrants. Together with the analysis in the next chapter (migrant workers' experience of social insurance), it will

provide a new perspective of China's social insurance system and social insurance for rural-urban migrant workers.

CHAPTER 8

THE EXPERIENCES OF MIGRANT WORKERS

Introduction

This chapter focuses on migrants' awareness and understanding of social insurance, their opinions about provincial variations in social insurance and their living and working conditions. The chapter begins with a summary of interview respondents and a review of both the state and Guangdong province's social insurance policies related to rural urban migrant workers. As described in Chapter 2 this analysis is based on two months in the field with observations and interviews with 34 interviewees including 28 migrant workers, 5 NGO staff and managers, and a government official who worked at city level hall on administrative approval and certificate transaction in Guangdong province (Appendix 2.1 shows some basic information about these interviewees, including age, educational level, occupation, marriage status and so on). Social insurance for migrant workers is then discussed under the three major themes that emerged from the interviews: the lack of social protection, the credibility of the state and local authorities and the exclusion from the urban society. The research found that the migrant workers had only a few formal social protections, most of them have not signed any labour contract with their employers, they usually did not participate in social insurance and it was very difficult for them to have entitlements to the range of public services provided by the urban governments. Together with discrimination, poor living and working environments and some other forms of social exclusion they experienced, there is a trust issue in that migrant workers start to doubt the credibility of the state and local governments.

Lack of Social Protection

As discussed in previous chapters, the social protection system that was built in China during the planned economy era was no longer applicable, and a new social protection system adapted to the market economy began to establish and develop after the opening-up reform

and it still needs improvements. So far, the social protection system in China includes social insurance, social assistance and social welfare. Because of the long existing division of urban and rural areas in China, the social protection system is unable to identically apply to urban and rural citizens. Moreover, coupled with the rapid development of urbanisation and industrialisation in urban areas, a constant flow of migrants from rural to urban areas occurred in the past decades. These rural-urban migrant workers are difficult to incorporate into existing social insurance schemes in urban areas.

Low Participation Rates and Lack of Awareness of Social Insurance

Studies show that the participation rate of social insurance schemes for migrant workers are at a very low level, when compared with urban citizens (Li, 2008; Guo and Gao, 2008; Song and Appleton, 2008). Guo and Gao (2008) found that only 5-7 per cent of rural-urban migrant workers participated in each of the old age insurance, health insurance and the work-related injuries insurance programme, while the participation rate of rural-urban migrant workers in any of these three programmes was at most 25 per cent. In contrast, two-thirds and three-quarters of urban employees participated in the health insurance scheme and the old age insurance scheme respectively. In addition, Song and Appleton (2008) found that only 0.2 per cent of rural residents and 5 per cent of migrant workers were covered by some sort of social protection programmes, compared with 64 per cent of urban residents. This is consistent with the migrant report published by the National Bureau of Statistics: less than 30 per cent of migrant workers participated in social insurance in 2013. Also, the results from this research indicate that only one third of the interviewees had participated in a social insurance scheme. The size of China's rural migrant labour force reached 286.52 million in 2017 but the proportion of their participation in urban social insurance schemes is quite low, 21.64 per cent for old age insurance, 21.72 per cent for health insurance, 17.09 per cent for unemployment insurance, 27.25 per cent for work related injury insurance (Ministry of Human Resources and Social Security, 2017).

The reasons for the low participation rates of social insurance by migrant workers have also been discussed. Reasons include the fact that both employers and migrant workers often lack the awareness of social insurance schemes and the monthly amount of social insurance contributions is too expensive for migrant workers (Li, 2008; Guo and Gao, 2008; Song and Appleton, 2008). Nielsen et al. (2005) explored what determined migrant workers' willingness to participate in social insurance schemes and the reason for non-participation by using the data from a survey conducted in 2003. They argued that the location of residential registration, the length of time a respondent had lived in the city and the respondent's age are the three main factors that have influences on the willingness of migrant workers to participate in social insurance.

Although previous studies have examined migrant workers' willingness to participate in social insurance and why they choose not to participate and found there are a variety of factors affecting them, including socio-demographic, employment status and institutional factors, but few of them have explored what is behind the scene and examined the connection between these factors. For example, what causes the lack of awareness of social insurance among migrant workers, what is the role of employers in determining whether or not migrant workers can join social insurance schemes, why do migrant workers worry about their contributions and what makes them so eager to withdraw their social insurance accounts? These questions will all be addressed in the following sections.

As mentioned before, the lack of information may have negative effects on migrant workers' decision making as to whether or not to participate in social insurance schemes (Li, 2008). According to Li (2008) information can be divided into two aspects, one is the awareness of existing social insurance programmes and the second is a better understanding of each separate social insurance scheme. But what can be defined as 'awareness' or 'understanding'? Will an 'understanding' of social insurance schemes make any difference and increase the participation rate of social insurance among migrant workers? Data from the interviews show that there are in fact, different levels of awareness and understanding of social insurance by migrant workers.

All respondents in the fieldwork knew about social insurance, they could name at least one or two social insurance schemes, but few of them knew what social insurance was used for, what are its functions and its provisions, such as contribution rates, benefit levels, waiting periods and so on. Their answers can be classified into several groups. The first one included migrant workers who had very little knowledge of social insurance, they could name at least one or two social insurance schemes but knew nothing about their purpose or function. The information usually came from their friends and colleagues. Their awareness of social insurance was limited to 'heard of', 'is it the compulsory things', 'I only know pension', 'it is the one you can earn money when you are getting old', they only know the existence of social insurance. Only a few migrant workers belonged to this group.

The second group contained those who were aware of every social insurance scheme, but understood only one or two schemes' purpose or function. This understanding was usually very shallow, and they were not very clear about other schemes and what each programme provides. Most of the migrant workers interviewed can be classified into this group. They are aware that there are five social insurance programmes and one provident fund for workers, and they can name these programmes individually, but when they were asked questions such as 'do you know the functions of these programmes, what they are used for', their answers were usually like this one from Wu

Well, each scheme is different, is it right? For example, pensions and unemployment insurance, they mean that when you are unemployed you will have an income for security, and when you are getting old, you can enjoy the pensions, each social scheme will has different functions at different stages, or it will provide different types of security for each situation.

Or this from Qi

For instance, the work-related injuries insurance, you can have some compensation from the government when you are injured at workplace,

maternity insurance means you can apply for a reimbursement or benefits when you are giving birth, and health insurance will allow you to use your social security card to buy medicine in pharmacies, or have some discounts when you go to see a doctor at the hospital.

The third group encompasses migrant workers who were aware of and understood each social programme's purposes and functions. Although the understanding was not very profound, they knew the content of these programmes, the contribution rates, the benefit levels and some other features of social insurance. There was only one migrant worker in the fieldwork who belonged to this group. This interviewee, Zhou, had a bachelor degree in engineering and worked at a branch of a national construction company as an engineer in Guangzhou, his salary was much higher than everyone else in the sample, and although he still held a rural Hukou, he had already bought a house in Guangzhou. He started a social insurance account when he entered the company, and he knew the contribution rates and benefit levels of every social insurance scheme, he was clear about the amount of the contribution paid by himself and his employer. He knew all this because his company sent him a form every month, which stated every detail of his social insurance account and, from time to time, the company's accountant who is responsible for social insurance would explain some details to the workers.

It seems that this low participation rate was a function of low enterprise awareness and cannot be blamed fully on migrants' low awareness of social insurance schemes. Therefore, current research focuses too much on the migrants' side, and neglects the fact that employers and local governments also play important roles in the low level of participation. First, the data from the fieldwork show that most enterprises are aware of their responsibilities and obligations to open social insurance accounts and to make contributions into these accounts for their employees. However, these enterprises are often considered as small and low profit companies which can barely survive, not to mention to contribute additional amounts of money each month for their employees. If they open accounts and contribute monthly for their employees, this would increase their costs and endanger their profits.

In addition, these small employers are often workshops which are not be able to meet the requirements set by the Bureau of Industry and Commerce to obtain a business license. Without a business license, these factories will not be able to open accounts at the Department of Social Security. Peng, a manager of an activity centre for migrant workers in Guangzhou, stated that

To my understanding, the district I worked at, there are a lot of cloth factories around, these factories, they are running illegal business, they do not have a business license, in this case, they will not qualify to open social insurance accounts for their employees. So the first thing is employers do not want to or are unable to open social insurance accounts for their employees, and then these migrant workers do not have such awareness, eventually lead to a result that many migrant workers do not have social insurance, as far as I know, the majority of these migrant workers do not have social insurance.

Second, migrant's low level of awareness of social insurance schemes is caused by 'information asymmetry' (Zhou, 2010). The concept 'information asymmetry' is often used in contract theory and economics, it refers to the study of decisions in transactions where one party has more or better information than the others (Wilkerson, 2018). This creates an imbalance of power. Here it means that, as policy makers, governments have more and better information about social insurance than migrant workers, without proper dissemination or circulation of policies, migrant workers will remain powerless, vulnerable and disadvantage when dealing with the social risks that insurance is meant to mitigate.

Migrants in this research seemed to be eager to know more about social insurance, but they did not know where to get the information and who to speak to about it. They felt powerless, especially when there is an absence of an active role by governments in disseminating information about social insurance schemes and their numerous regulations. In China, as noted in Chapter 4, it is usually the state that introduces a new policy and passes down the general guidelines to provincial governments, and provincial governments have the power to

introduce their own specific policies based on the state's guideline. The different provincial departments and lower level governments are allowed to implement these policies.

On the one hand, the government seldom disseminates its policies, especially the details, to the public. Unlike urban residents who live and work in cities all their life, rural to urban migrants have greater difficulties in receiving and digesting information regarding urban social insurance schemes, so access to these policies and information about them is more difficult for migrant workers. The governments, as migrant workers described, always remains aloof, officials will never visit the communities where migrant workers are working and living, to explain to them what is social insurance, what are its functions and why participating in social insurance schemes is important for migrant workers. Interviewees used terms such as 'they are hiding some information', 'these should be publicised', 'no dissemination, how could I know', 'they (the government) did not say a word', 'I do not know, it is all their (the government) call' and 'I do not know how to do, it is all depends on them (the government)', to complain the lack of dissemination of policies.

On the other hand, although there are some NGOs, activists and volunteers who are taking responsibility for circulating government policies to migrant worker, the effect is very limited, since most information and policy details are internal to governments, so the role of these organisations is limited. Zhang, a worker from a toilet seat factory stated that

At first, I do not know we need to join social insurance, we do not know such things, after being injured, I started to learn something, and these understandings are from Nan Feiyan (a NGO based in Foshan, Guangdong), I started to know the social insurance law, the work-related injuries law, started to understand, before that, I know nothing, and there is no dissemination, no brochure to show to us.

Migrant workers in this study did not know where to get information or had access to very limited information about social insurance. This is likely to lead to misunderstandings and

lack of familiarity with social insurance, eventually contributing to the low level of participation.

In sum, even if rural-urban migrant workers were aware of each social insurance programme and understand the importance to protect themselves against social contingencies, it was not clear that they fully understood how the system works. Even if they understood how the system worked, it was not clear that this would have improved the participation rate or increased their willingness to participate in social insurance. The unequal employment relationships and the lack of supervision and policy dissemination certainly appeared to have strong influences on the level of participation.

High Contribution Rates and Contribution Evasion

In most developing countries social insurance evasion is undoubtedly a common problem. China is no exception. According to Zhang (2014), the total amount of social insurance contributions would be 39-42.5 per cent of the total payroll if various social insurance contributions were all paid in China. Under this circumstance, employers, especially private enterprises and small workshops, tend to evade contributing. As a result, the contribution evasion rate for social insurance remains high in China. It exceeded 60 per cent before 2001 (Zhang, 2014).

As Qin pointed out, the reason that his employer refused to open a social insurance account for his employees is because after the contributions, his company would only have a small profit because of the high contribution rates of social insurance. Qin said

No, he (the employer) did not (open the account for me). Usually the employer needs contribute for you, but the employer did not want to contribute. I could not participate, what can I do, it all depends on your employer, just forget it Normally our employers are small companies, they will never open social insurance account for you, because of small profits after contributing.

Also, Bai pointed out that he did not participate in social insurance schemes because his previous employers could not afford the high contribution rates.

I changed several jobs in the past few years, some of my employers did, but some did not. Why? They could not afford it, obviously.

The high contribution rate is an important reason to explain the disincentives of rural-urban migrant workers to participate in the social insurance system in urban areas. The social insurance contribution levels for urban employees is calculated based on the average wages in urban areas, and generally, the lower contribution threshold is 60 per cent of local average wage and the cap is 300 per cent of local average wage (Zhang and Kong, 2008). Because of the high social insurance contribution rates and rural migrant workers' low wage levels, the actual total social insurance contribution rate of rural migrant workers is higher than the nominal rate. In theory, if rural migrant workers participated in all five social insurance programmes in urban areas, the nominal total social insurance contribution rate would be approximately 40 per cent of their salaries. However, due to the fact that the wages of the majority of migrant workers are less than 60 per cent of the average social wage, the actual total social insurance contribution rate of rural-urban migrant workers is obviously higher than the nominal contribution rate. According to Zhang (2014), the total social insurance contribution rate of rural migrant workers was equivalent to 50 per cent of their average wage in 2007, 9 per cent higher than the nominal contribution rate of 41 per cent in that year (Zhang, 2014).

Ren, a young woman who came from Hubei stated that the amount of money that migrant workers needed to contribute every month was too much, as their wage was just enough to cover their house rent and living costs. Not to mention that once they participate, they needed to contribute for at least 15 years, which is a long time for them.

According to my knowledge, some of my co-workers, they do not want to participate, because they think that they need to pay several hundred per month,

that is quite a lot of money for them, for a temporary time is fine, but they are afraid that they do not have that ability to afford losing this amount of money every month, for years, they do not like it.

Low Levels of Formal Labour Contracts

In 2007, the Labour Contract Law of the People's Republic of China was adopted at the 28th Session of the Standing Committee of the Tenth National People's Congress of the People's Republic of China and was passed by the National People's Congress and came into force in 2008, it stipulated that a written labour contract should be concluded in the establishment of an employment relationship (President's Order No. 65, 2007). Since its promulgation, this law has had a great impact on both employers and employees in China. As a major body of labour, migrant workers should be protected by the Labour Contract Law. They should have the same rights at the workplace as urban employees and have the right to social insurance, as stipulated in the Law. However, many migrant workers claim that they have never actually signed a contract with their employers.

The data collected in the fieldwork showed that the majority of migrant workers knew the need and the importance of signing a labour contract but, also, that whether or not to sign the labour contract is determined by their employer, and migrant workers have no influence on this matter. Li, who comes from Henan province and currently a construction worker in Guangzhou, stated that

Some (companies) will sign (a contract with you), but some do not, it will be optimistic if there are 20 or 30 who have signed a contract among 100 people, some work for the boss for only several days, but some work for more than a year.

Another interviewee, Wang, who was a newly graduated college student who had worked for two factories in Guangdong after her graduation, said that

Before I got this job, I had two jobs, both of these jobs were in cloth factories, as my major during my college was cloth design, for the first job I had, I signed a labour contract with my employer, but the second one, which was a company from Taiwan, a Taiwanese owns the factory, they just, they did not sign a contract with me.

When migrant workers spend a lot of time on job searching and finally get a job, they usually do not bother to ask their employers about signing a labour contract if their employers do not offer the contract themselves. They will never ask their employers about it because they do not want to take the risk of being fired. An interviewee, Hu, who came from Guangxi province and worked for a local supermarket in Guangzhou, said that

I have not signed a contract yet, because it is not my turn. My colleagues, they got in earlier than me, they have not signed a contract, and it is not my turn; I worked there for several months, they can fire me at any time, they can ask me to leave at any time, just like my last job, they (her colleagues) have not signed yet, how could I, many of them came and go without having a labour contract, the company, if they want to sign with you, then they will, if they do not, then they will not.

When asked 'have you ever asked for a contract', she replied:

Ask? How to ask? They will sign the labour contract with someone, if you have the power of speaking, then they will definitely sign with you, but how could you do that if you do not even have the power of speaking; if you are a leader, you have the power of speaking, you will have a contract, if you are nobody, you have nothing, you ask for it, then you have to go, they do not even bother, because you do not want to do, alright, it is easy for them to find someone to replace you.

In addition, migrant worker Chen, who had worked for a ceramic factory for the past ten years and had recently being diagnosed with an occupational disease, stated:

I signed a contract years ago, but I did not have a copy of it and did not have a chance to read the articles in the contract because my employers took the contract away right after I signed it, since then, I have never seen the contract again, not even when I was diagnosed with Pneumoconiosis.

Also, migrant workers may not have the capability to understand the meaning of the contract because of their low educational levels. They may have little reading ability to fully understand every article in a contract. As Chen pointed out:

Even though you sign the contract, you do not understand what is in the contract; even if it (the company) shows it (the contract) to you, allow you to read it, but the truth is they do not, can you understand, they have a contract but they do not allow you to read it or to have it, we do not know what is the content in the labour contract.

In mid 2007, a *China Daily* report of a poll of 5,000 migrant workers in Beijing claimed that over 50 per cent of the workers did not have a labour contract (*China Daily*, 09-07-2007), and this situation has not changed much in the past 8 years, without having a labour contract, migrant workers are exposed to a lot of contingencies at work, for instance, being fire without a reason, being unable to get equal pay, and not having social insurance to protect them from work-related injuries, unemployment or illness. All this evidence shows that migrant workers are being exploited by their employers, even though the law clearly requires that every employer must sign a labour contract with each of their employees.

Lack of Portability in Practise Causes the Complexity

Before 2010 the portability of benefits was not possible. It is difficult for migrant workers when their contributions are made at one place and they have to wait at least fifteen years before they become eligible to collect benefits at the same place. Because of the high mobility of migrant workers, few of them will stay in one enterprise for more than three years, let alone being able to contribute for a minimum period of fifteen years (Nielsen and Smith, 2008). Thus, as Nielsen et al. (2005) argued, the major concerns of migrant workers are about whether or not they can get back their previous contributions when they decide to return home or move to other cities or provinces. The lack of portability of social insurance accounts and migrant workers' concerns led to a wave of social insurance withdrawals in 2007 and 2008, especially in the coastal areas, such as Guangdong province. According to figures collected by the ACFTU, approximately 90 per cent of migrants withdraw their contributions when changing jobs (Nielsen and Smyth, 2008).

Since 2010 migrants are no longer able to withdraw their contributions and cancel their social insurance accounts and the state also started to stipulate regulations that promote the portability of social insurance accounts for migrant workers. The 'Notice of the General Office of the State Council on Forwarding the Interim Measures of the Ministry of Human Resources and Social Security and the Ministry of Finance for the Transfer and Continuation of the Basic Pension Insurance Relations of Urban Employees' circulated by the State Council in 2009 clearly stipulated that it is forbidden to end the relationship of pension insurance and withdraw from social insurance if the participant has not reached the retirement age (State Council Document No. 66, 2009). This is a good sign for migrant workers, the state's forbiddance of social insurance withdrawals means that it is starting to address the problem and make the transfer of social insurance accounts easier between cities, provinces and regions. However, the full portability of social insurance accounts seems like a migrants' dream that will never come true, because of local government's role in the implementation of state policy.

In practice, local authorities only implemented half of the state's policy. Migrant workers cannot either withdraw from the social insurance system or transfer their accounts. This has caused a much more complicated problem than the withdrawal wave, and it makes the system even more complex. Because migrant workers cannot withdraw or cancel their social insurance accounts, when they move to another city to work, the old accounts should be transferred to their new place of work, but neither the government nor their old or new employers will do that. Since the social insurance contributions and records are not transferred, their accounts are left behind, and they have to open new ones. Because of the high mobility of migrant workers, the multi-account problem is now very common. I found that most migrant workers had at least two social insurance accounts and some had more. These accounts were registered under different companies' names and located in different cities. For example, Sun, a security guard of a residential area in the city centre of Guangzhou, stated that

To be honest, I have many social insurance accounts, I was not work in Guangzhou several years ago, I worked in Shenzhen, so I have an account in Shenzhen, but transfer the account is too trouble for me, and I do not know how to transfer, so I just leave it there, I do not care, maybe somebody will care, then they will transfer.

When I asked him why he thought that transferring his social insurance account was a problem, he said

I do not know, anyway, there are a lot of people talking about it, talking about how difficult to transfer, because the authority will not cooperate, will not help us.

More importantly, although some migrant workers have worked in one city but worked for different companies for the past years, they also have several accounts located in different cities. From the perspective of migrant workers, as long as they have social insurance they do

not care much about where their accounts are and why they are in another city. From the perspective of employers, it will save them money and reduce their costs. Because the contribution base of social insurance depends on the local average monthly wage, according to the Social Insurance Law in 2010, if the employee's monthly wage is lower than 60 per cent of the local average wage, the contribution base will be equal to 60 per cent of the local average wage, otherwise, it will use the employee's actual monthly wage to calculate entitlement, unless the wage exceeds 300 per cent of local average wage, which is impossible for migrant workers to achieve. The average wage in Guangzhou is usually the highest in Guangdong province and, in 2014, the average monthly wage was near 7,000 yuan. However, migrant workers' monthly wages are much lower than that, around 2,000-3,000 yuan per month, less than 60 per cent of the city's average wage. As a result, companies based in Guangzhou but which are registered at other cities can contribute less than those companies which are registered in Guangzhou. Also, once their employees are retired, unemployed or injured at work, they can only receive a lower level of benefit even though they worked in Guangzhou for more than a decade. This is because the benefit level is also related to the average local wage.

Trust is An Issue in Social Insurance

Migrants do not participate in social insurance schemes not only because they are concerned about whether they will get their contributions back when they move to another locale or return to their hometown, but also because they doubt the credibility of the state and local authorities. For rural migrant workers, social insurance contributions mean that they will lose a proportion of their incomes before they can get paid. This is a disincentive because most migrant workers' top priority is to earn money, not social insurance. Liu, a manager from an NGO said

The first thing is, these migrant workers do not pay much attention to the concept of social insurance, they do not understand, and they will not ask or

request for it, they think that they will never use social insurance in their daily life.

Such disincentives may reduce their desire to acquire better knowledge, further resulting in poor understanding or misunderstanding. One of the respondents, Peng, mentioned that there is a so-called 'theory of useless social insurance' and he agreed with his theory. He explained that,

It is not me that chooses to participate, it is my employer, he has to pay for me, if I can choose, I would rather not to, why should I participate? You need to contribute monthly, why should I have this amount of money to do something, for example, saving, investment, at least at my age, I do not see its function at all.

The fieldwork also shows that almost every migrant worker expressed concerns about whether they will get their contributions back under the uncertain political environment. They all mentioned the word 'change', they all have a trust issue against both the state and local authorities. Some were concerned that their high mobility would have an impact on their social insurance, especially when the policy changes all the time. For example, Guo stated that

And the other thing is, the policy is changing all the time, especially for migrant workers like us, work in the city is very unstable, so participation in social insurance means little to us, unless we decide to settle down here, and there are some local policies require that, then I will consider (to join the social insurance).

Most of the interviewees worried that policy change would influence their pensions, Guo continued

When you getting old, if the state's policy suddenly changes, what to do? This is what we worry about, worry that one day, once the policy changes, we may lose our money.

In particular the fifteen years of contributions represented a really long time for them. As Peng pointed out

It does not mean that I do not want to join social insurance, it is just, I am a little bit worried about it, because I am only 25 years old now, and the pension scheme needs me to keep contributing until I retired, say 50 or 60, now it is 50 or 60, but I do not know how will these policies change in the future, I am concerned about the instability of policy, to be honest, you see, that is a lot of money, from 25 to 60, I will spend a lot on just contributing to social insurance.

In addition, some migrant workers asked for the publicity about social insurance system, and because of the asymmetric of information, local government's attitude towards migrant workers can be rude and impatient. As Long said

The social insurance system is not rational, they (the governments) are hiding some information from us, and this information should be public and everyone can access.

Chu also pointed out that,

Their attitude to us is very bad. When you have questions about your social insurance account or you do not know how to claim, you ask them, their first reaction is abusing you until you cannot say a word anymore, that is the only solution (for them to solve problems), that is it.

In conclusion, the issue of rural migrants' lack of trust in the government will last for at least many years if the government do not come up with a solution. This lack of trust is not only for local governments, but also for the state, public service providers and the entire city or society. It stems from the state authorised long-term exclusion and harsh treatment that rural-urban migrant workers have experienced (Banister and Taylor, 1989; Zhang, 1999; Zhao, 2003). Therefore, both the state and local governments need to find ways to improve and, eliminate this unreliable impression of the government, and eventually, regain the trust from rural migrants in the future. In addition, the constant frequent policy changes will not only make it difficult for both rural migrant workers and their employers to keep up with these latest policies, but also result in higher administrative and management costs for employers (Nielsen et al. 2005). As employers have to hire additional employees who are professionals on social insurance registration and some other related jobs, in order to pay attention to these policy changes and follow the latest regulations. It is not surprising that employers do not have the incentive to actively provide detailed information about social insurance to their migrant employees.

The Credibility of the State and Local Authorities

Poor Policy Implementation and Practice: Central-Local Relationships

As discussed in previous chapters, since the early 2000s, the state has introduced a number of reforms aimed at gradually bringing rural migrant workers into the urban social security system. Some pilot provinces and cities, following the reform policy, introduced trial social insurance programmes for migrant workers in order to reconcile their needs for social protection, their ability to contribute and practical difficulties (Wong and Zheng, 2008). However, the social insurance coverage rate for migrant workers remains at a very low level. The majority of migrant workers cannot successfully access the social insurance system in urban areas, the reforms seem to be ineffective in increasing the participation rate of rural migrant workers. This is mainly caused by local governments' poor implementation of the state's policies. As Li, a manager of an NGO in Guangzhou, pointed out,

All of these policies in China are good, I'm saying that, policies are good, but it depends on how to implement, if the real implementation is exactly the same as what the policy says, then I can tell that everyone will join (the social insurance), won't they? who do not want to?

In the last section, evidence showed that, from the perspectives of migrant workers, the state's policies change a lot and too quickly, they could not keep up with the pace of the reforms. However, from the perspective of the state, the purpose of frequently reforming social security system is for the good of migrant workers. In reality, however, that the state's reforms to improve rural migrant workers' welfare will never be achieved without local government cooperation. Many migrant workers who were interviewed had acknowledged that the state's reform policies were good, and they did not oppose such reforms, but only if these policies are successfully implemented and enforced, can they eventually benefit from the system. Zhang, a staff member from an NGO in Foshan, stated that,

The state's policy is superior. Making policies is one thing, but it is very different when relates to the real practise level, and then, it is, I wish the state can make sure the implementation of its policies, make sure the policy will help the general public, understand what people really want, make them become the real beneficiaries.

In Chapter 6, the role of the state and its relationship with local governments was examined, and the decentralisation in economic administration since 1978 triggered the political reform in decentralising government power (Deng, 1987). Meanwhile, the state's responsibility for social welfare has also been decentralised, with the burden of funding and management of social welfare programmes becoming a local government responsibility. The combination of the basic principle of public ownership with the basic principle of market economy, the encouragement of both society and private sector to provide social welfare together with the decentralisation of public service responsibility indicates that there was a reducing role of the state in providing social welfare services (Giles et al., 2015; Guo and Tang, 2013; Wu, 2013;

Jie and Walker, 2013). Although China has experienced a revitalization of the state's role in social welfare since the 2000s, and the state has reaffirmed its responsibility in welfare provision and strengthened its role in providing welfare services (Ngok and Huang, 2014), local authorities still have the absolute power in policy implementation.

The particularities of China's central and local relationships violate the unification of policy and programmes (Nielsen and Smyth, 2008). While 'the relationship between the centre is not necessarily one of a zero-sum game' (Saich, 2004, p. 159), the principal-agent relationship is often filled with difficulties in implementing the policies from the central government or the state. In terms of the social protection for rural migrants, the State Council has taken the moral high ground and leadership in weakening the state's role and advocating the migrant's responsibility. Moreover, relevant regulations are mainly promulgated by the Ministry of Human Resources and Social Security in the form of official notices and announcements. The practicability of these notices and announcements is very limited and their legal authority is questionable (Luo, 2006). For instance, if employers default on contributing into social insurance accounts for their employees, the state usually lacks the means and access to enforce compliance. In general, the decentralisation of policy implementation to local governments does not guarantee the actual compliance.

Wang, one of the interviewees, employed a metaphor that described the current decentralised China as the ancient Spring and Autumn and Warring States period (771-221 BC), the period in which each vassal state had its own power and they restricted each other (Lewis, 1999). Wang stated that,

The institution has to reform, without reforming the institution you can do nothing, China, nowadays, is like, vassal states, you know? Local areas, provinces, are vassal states, at first glance, it seems like the central government is governing the country, however, it does not have the power to control many things, so, it (the central government) has to offer some 'sweets' or something (to the local governments).

The relationship between the central and local governments points to an inherent problem in the process of policy implementation in China. That is, when local governments do not cooperate or have no incentive to implement, the central government will be in a passive position. According to Wong and Zheng (2008), alternatives in which the central government is directly involved in the process of policy implementation and providing resources to local governments are unfeasible. The aspiration of the central government is to generate a unified social security system which includes not only urban citizens but also rural migrant workers, however, the reality is local governments' poor implementation of reform policies and, therefore, a gap between the aspiration and reality has emerged. In order to improve migrant workers' welfare, the state needs to find a solution which can make the aspiration a reality (possible solutions are discussed in Chapter 10).

Regional Variations: Intergovernmental Relationships

As discussed in Chapter 5, before the central government's intention to bring rural migrant workers into the social security system, some areas introduced their own pilot social insurance programmes for migrant workers in the 1990s. Although the state introduced a national plan of social insurance arrangements for migrant workers, these pilot provinces and cities still keep their own schemes effective, which results in regional differences in social insurance for migrant workers (Zhang et al., 2012; Hua, 2009; Zhao, 2007; Jing et al., 2010; Li and Peng, 2006; Li, 2008). But when interviewees were being asked whether or not they were aware of the existence of regional variations in social insurance for migrant workers, almost all of them gave a negative answer, 'no, I do not know' and 'I have never heard of that' were the most common responses. However, although migrant workers are not aware and do not seem to care about the existing regional disparities in social insurance, they all expressed an expectation of having a unified social insurance system. For example, Chen, stated that,

It is very simple, it is really simple, a national unified system would be fine, the state should have a national standard, provincial differences must be prohibited.

The reasons for such a contradictory statement might be: first, migrant workers are eager for equal rights. Even though they do not know what are regional/provincial differences in social insurance, but migrant workers, a unique population in the modernisation process of China, who have been marginalised for decades, appear to be eager for equality. Many interviewees stated that they had been treated unfairly in the past, and injustice happens almost everywhere in their daily lives. As a result, when workers heard words like differences, variations or disparities, they might equate these to words such as inequality, discrimination or exclusion, for migrant workers, a unified social insurance system might be a way to equality. As Ma said,

I think it should not exist, differences, variations should not exist, why?
Because we are all within one country's institution, why people at some level can benefit more, people at other levels should benefit less? I think it has to improve, change into a unified system.

Second, China's social insurance system is exceptionally complex, there are not only differences between provinces, but also variations in social insurance provision between cities, and even between different districts within one city. Migrant workers were not aware or did not understand provincial differences, but they did know about or had heard of differences between cities or within their city of residence. According to Lin's understanding, there are regional differences in both contribution rates and benefit levels. He said that,

I might know a little bit (about the regional difference). Let's take work injury insurance as an example, Guangdong's benefit level is not the highest, Jiangsu is. But Guangdong's contribution rate is quite high, at least higher than my hometown Henan.

Migrant workers may have felt as if they were being discriminated against or excluded because of such differences, as a result, they asked for a unified social insurance system. Zhou, a migrant worker who was suffering from an occupational disease stated that,

According to the Law of Work-Related Injury Insurance, we only need to contribute to health insurance, but I am still contributing for not only health insurance, but some other insurance programmes, according to my understanding, other cities in Guangdong province, they do not need to contribute; local governments should enforce these insurance laws, follow the state's guideline, do not, this area has one system, the other has a different system, it must be unified.

The failure to find a viable social insurance programme or programmes that are compatible with the specific needs of rural-urban migrant workers has become an obstruction to the development of the social security system in China. Although there have been some local pilot programmes for rural migrants to participate in social insurance, but these are still rather limited. Currently, all social insurance programmes are run locally and it is exceedingly difficult to transfer social insurance accounts across regions. There is no a unified and integrated social insurance system that runs by the central government. As long as the conflicts of interests between the migrant importing and exporting areas persist, the chances to find a common solution are basically zero. On the one hand, in the migrant importing areas, local governments are reluctant to impose additional costs on enterprises by enforcing employers to contribute for migrant workers, as this may result in these enterprises investing elsewhere and further influence local economic development. Even if migrant workers are able to participate in local social insurance schemes, local governments often impose restrictions on the portability of social insurance accounts in order to stop social insurance funds from being transferred to other areas. On the other hand, the migrant exporting areas generally lack the resources, financial capability and motivation to develop their social insurance schemes for their absent residents.

Peng, a staff member in an NGO in Guangzhou explained that,

I think it (the social insurance) should unify. Differences will cause the reluctance of local governments with higher financial abilities to unify. For

instance, the annual income of social insurance fund in Guangdong is about 5 billion, however Henan is only 2 billion, the gap is huge. This is the reason why social insurance could not integrate, social insurance accounts could not transfer.

The best solution to solve this problem is to design a programme that can satisfy the interests of different local areas. However, it seems radical and unfeasible for the central government to introduce such an integrated programme as it would impede the interests of certain groups (this issue is discussed in Chapter 10).

Potential Corruption

The social security system reflects the process of resources redistribution by the state among different social groups, in the form of social programmes such as the old age insurance, family allowances and benefits for the long-term unemployed (Lynch, 2003). While social protection programmes vary greatly in terms of the size, coverage, benefit entitlements and some other aspects across countries, they may also provide opportunities for corrupt and fraudulent practices as they involve in the distribution of a large amount of public resources. According to Chêne (2015), there are several drivers of fraud and corruption in social security, including failing oversight and independent monitoring, complexity and opacity of the regulations, institutional design of social security administrations and lack of technical and administrative capacity. Also, there are different forms of corruption in social security services, such as fraud and corruption in defining eligibility, collusion, corruption in public pension funds, and embezzlement and mismanagement.

The interviews with migrant workers revealed several signs of potential corruption in China's social insurance system. First, as Van Stolk and Tesliuc (2010, p. 7) described, there may be collusion between staff who administrate social security programmes and the claimants, as well as between staff who process benefit claims and those paying out benefits. But migrant

workers indicated that there are also possibilities for collusion between staff in the social security department and employers.

Qu, a migrant worker from Henan who worked in manufacturing industry for at least ten years, stated that,

For example, the inpatient imbursement fee is 35 yuan per day, but the social insurance department asked my employer to collect the imbursement fees for me, but what I received in the end was only 20 yuan per day, where is the rest money? The government must be on the same side of my employer. The government's supervision is not enough.

The support of both employers and employees determines whether social insurance can be successfully expanded to benefit migrant workers. Employers are generally reluctant to take on more social insurance responsibilities as paying social insurance contributions for migrant workers will definitely increase employers' labour costs. Furthermore, many local governments have taken up a stance of protecting local enterprises for the purpose of enhancing the competitiveness of the local economies (Wong and Zheng, 2008). As a result, local governments usually turn a blind eye to some medium and small companies, allowing them to escape their responsibilities to open social insurance accounts and make contributions for their employees, until that is, the central government starts an investigation or an inspection.

Liu gave an example of how the state's policy and requirements influence their access to social insurance schemes. When the state introduces a new policy or there will be a inspection, the local government may implement or enforce at the beginning, but only for a limited period of time, once the validation period of the policy expires or the inspection is finished, everything will remain as 'usual'. She said that,

Several year ago, I had not worked for that factory yet, I heard from my workmate, that the factory forced everyone to participate, once the factory fulfilled the state's required number, it stopped, employees came after that, like me, they will not help me buy social insurance, many places are like this, the governments turn a blind eye to this, once the state set out some rules, our danwei follows, but only lasts for a while, and then no one will care.

In addition, this is sometimes considered as a way to attract investors as it helps them to reduce labour costs. Also, when there is a dispute between migrant workers and employers, the local government tends to lean to the side of employers. Lin, a worker from a local NGO in Guangzhou, implied that employers and the government worked together to deny the right of migrant workers to receive compensation.

It is, that, during the process of claiming the compensation of work-related injuries insurance, the most difficult thing is the difficulties created by the government and migrant workers' employers, they are uncooperative, make difficulties for migrant workers on purpose, every time they did things like that, migrant workers might say, that, there is a interest relationship between their employers and the governments, the governments are in collusion with employers, sometimes, they (migrant workers) might feel useless and powerless, because the collusion, they will lose faith and confidence in fighting for their rights.

Second, there are also instances of the corrupt misuse of social insurance funds in China, in August 2006, the Shanghai pension scandal became the largest corruption case since 1949. The investigators discovered that about one-third (approximately 3 billion yuan) of the Shanghai Social Security fund had been embezzled and invested in speculative real estate projects, and suspicions were that officials had personally benefited (Barr and Diamond, 2010). Although the State Council has stipulated that since 1st May 2016, the state will establish the national social security fund, and the council of national social security fund will

take responsibility of managing and operating the fund, it can be invested in certain investment plans with the approval of the State Council (State Council Document No. 667, 2016), there are still a number of challenges and risks of conflicts of interests and improper political interference associated with these government managed social insurance funds, because the financing of these funds involves financial investments that need to ensure the security of the assets for the insured beneficiaries. Wang pointed out that,

Local governments benefit a lot from social insurance funds. Take the work-related injuries insurance fund as an example, in 2013, I found the data online, but later the data disappeared, the work-related injuries insurance fund in Foshan, I forgot whether it was in the city of Foshan or Guangdong Province, the fund was surplus 2.4 billion in 2012, surplus such large amount of money, but there are a number of workers who are injured at work cannot receive compensation. There is no transparency of these funds, we know nothing about how and where the government spends all this money.

The problem of potential corruption in social insurance system has become a disincentive for migrants to participate in social insurance schemes and, it will have negative influences on the improvement of the system. Therefore, a comprehensive and effective supervision system is necessary (details will be discussed in Chapter 10).

Exclusion from the Urban Society

Entitlements to Basic Urban Public Services

The ambiguous legal status of migrant workers is the main hindrance they confront when demanding for equal treatment. Rural-urban migrant workers are classified as temporary residents in urban areas, they are denied the legal, civil and social rights enjoyed by residents with an urban Hukou (Cao, 2006; Cui, 2007; Jiang and Wong, 2007). Although the state has introduced a number of reforms to prohibit abusive treatment against migrant workers, including the repeal of the division between ‘agriculture’ and ‘non-agriculture’ residents in the

Hukou system (State Council Document No. 25, 2014), it has not contemplated an abolishment of the entire Hukou system that relegates them to a sub-status in the first place.

As pointed out in previous chapters Hukou divides the country into rural and urban areas, residents are classified into two groups, 'agricultural' and 'non-agricultural'. With the establishment of welfare and social security in urban areas, urban residents benefit from a number of social protection schemes. However, for most rural residents, welfare services and social security schemes are still beyond their reach (Chan, 1994a, 1994b; Solinger, 1999; Wang et al., 2008; Yang and Guo, 1996).

The dualistic approach is not only applied to the division between 'rural' and 'urban', but also applied to another social division between 'locals' and 'non-locals' in China's urban society. 'Locals' (natives or *ben di ren*) are those who are locally registered as urban citizens in the Hukou system, while 'non-locals' (outsiders or *wai di ren*) are those who migrated from other areas and do not have a local Hukou. The welfare and social security of local urban citizens are the responsibility of either their employers or local urban governments. Whereas migrants, especially rural-urban migrant workers, might be in 'double jeopardy' in terms of welfare and social security (Guo and Gao, 2008). As rural-urban migrant workers cannot be accurately categorised as 'locals' or 'non-agricultural' due to their distinctive characteristics (as discussed in Chapter 5), they are less likely to be covered neither by the urban welfare and social security programmes in their current place of residence in urban areas, nor by the programmes in their Hukou registration residence in rural areas.

In Chinese society, a person's entitlement is still largely determined by personal status. Because the Hukou status of migrant workers are classified as 'rural' and 'agriculture', they often have no access to welfare and social security entitlements in urban areas, for instance, their children would have to pay a large amount of extra fees in order to attend urban public schools and receive better education; when governments issue food subsidies, only local registered urban residents are included, regardless of migrant workers; when designing and improving the welfare and social security system, rural-urban migrants are not considered for

inclusion. Those migrant workers who migrate with wives and children are the most concerned about their entitlements. They wish to have an urban Hukou, because this means their children will be able to enter public schools which have better educational resources, better study environment and, much lower tuition fees than private schools. Chen said that,

I still think that we do not have the opportunity, you see, I have stayed in Guangzhou for so many years, I would love to, I dream to have a local Hukou, for my children's education and some others, many aspects, but there are so many policies that limit you, no, my dream will never come true.

Similar to Chen, Zhao's concerns also mainly focused on his child's education, he stated that

The most important thing is, choosing a good school for my child and his study, if our kids would like to study here, the tuition fee per term is 5-6000 yuan for private schools, however, public schools are free for local kids, this is all because our Hukou is not here, not here, we are working for this city, you cannot discriminate against us.

The Hukou system has been well discussed in the past decades, especially its economic implications. Its contribution to rural-urban income inequality and impediment to social solidarity and productivity has been confirmed by scholars (Liu, 2005; Whalley and Zhang, 2007; Au and Henderson, 2006). Kelly (2008) examined the implications of the Hukou system for migrant entitlements in China and his research was not limited to the economic implications of the Hukou system. It is more concerned with the implications of the Hukou system on the social contract between migrants and the state. He argued that the Hukou system has definitely impinged on migrants' perception of welfare entitlements, which has further disenfranchised their citizen rights. This lack of entitlements is manifested in the poor living and working conditions that migrants have had to endure and the status quo that migrants are excluded from the urban welfare system. From his perspective, migrant workers'

struggle for citizens' rights and their appeals for social justice promised by the state have led to the shortage of migrant labour forces since the early 2000s.

Many previous studies of Chinese migration indicated that a person's Hukou status, especially whether this person has been categorised as an 'agricultural' resident or a 'non-agricultural' resident, was the most important determinant of one's employment and occupational patterns, as well as one's welfare entitlements and access to public services (Guo and Iredale, 2004; Yang and Guo 1996). However, according to research conducted by Guo and Gao (2008), Hukou status is no longer the most significant factor in explaining the difference between urban and rural Hukou holders in the participation rates of any social insurance programme. Their findings are fundamentally different from previous studies and conventional wisdom of the Hukou system.

As mentioned in the previous Chapters, welfare entitlements and public service provision, such as the eligibility for social insurance programmes and the access to public housing, were always only associated with 'non-agricultural' Hukou holders over the past few decades. While those 'agricultural' Hukou holders were only eligible for limited social security and welfare services that were exclusively available in rural areas. Guo and Gao's (2008) findings implied that the state and local governments' responsibilities for providing social security and welfare services have been weakened by the establishment of the social insurance system. In addition, they found that employment related factors (such as employment types, occupational positions and employer's ownership status) play an increasingly significant role in explaining the difference in social insurance participation rates among different social groups. Employees who work in small private firms and self-employed people are much less likely to participate in any social insurance programme than employees who work in state/collective-owned enterprises and foreign joint ventures.

Guo and Gao (2008) argued that although the legacy of China's socialist dualism still remains and has a considerable influence in determining a person's income level and social benefits, Hukou status is no longer a significant determinant of all aspects of people's life, especially

their economic wellbeing. The traditional social divisions between ‘agricultural’ and ‘non-agricultural’ residents still exist, in addition to that, new social divisions also arise with the development of the society, including the divisions between ‘locals’ and ‘migrants’, and between ‘formal’ and ‘informal’ sectors. However, the transformation of both social and economic structure in urban areas in China has had some influences on the definition of these social divisions, as the boundaries and the key elements that are used to define these divisions have become blurred and complicated. According to Guo and Gao (2008), the income differences are no longer the main disparities between local urban employees and rural-urban migrant workers. Instead, access to public services, welfare and social security entitlements and employment related benefits largely explain the widening gaps between local urban employees and rural-urban migrant workers. The differentiation of the access to various welfare services and social security entitlements between ‘locals’ and ‘non-locals’ and among different types of employment is profound. The new social division between ‘locals’ and ‘migrants’ has a greater impact on social insurance entitlements rather than a person’s hourly wage.

In the current policy context in China, the only exceptions for migrant workers to fill this gap would be if they secured some work-related social welfare and become an ‘insider’ or ‘local’, for example by participating social insurance. Qin, a self-employed interviewee who ran a convenience shop in a city village in Guangzhou, after he let out a long sigh, said ‘maybe social insurance is the only benefit we can have’. Many migrant workers can still not be eligible for the only benefit they should have. Rural-urban migrants will remain as outsiders who lack access to public resources, such as social insurance and social assistance, provided by local governments, as long as they do not acquire a legal citizenship. However, it is extremely difficult for migrant workers to obtain urban status, although the state has tried to allow more rural migrant workers to become a real urban citizen in recent years, local governments set out a number of requirement and conditions in order to limit the number of new urban citizens.

Taking the ‘points accumulation system’ in Guangdong province as an example. There are in fact several such system in Guangdong, and different cities may have different regulations and method of calculation, but the most common and significant two systems are the ‘points accumulation system to become a local resident’ and the ‘points accumulation system to enter public schools’. For the ‘points accumulation system to become a local resident’, applicants must fulfill eight conditions, as shown in Table 8.1.

Table 8.1 Application Conditions for Points Accumulation System

No.	Conditions
Condition 1	Aged between 20-45, at least with a degree of junior high school or above
Condition 2	Complied with the one child policy
Condition 3	No criminal records
Condition 4	Has legal residential place in the city
Condition 5	Degree of junior high school or above
Condition 6	Employed or self-employed in the city
Condition 7	Contributed to the social insurance system for at least 4 years
Condition 8	Has effective residence permit of the city

Table 8.2 Details of Points Accumulation System to Apply for Citizenship of Guangzhou

No.	Indicators	Indicators and corresponding points	Explanation
1	Educational level	Bachelor Degree: 60 points Junior College or similar: 40 points High School or similar: 20 points	degrees below high school will have no points, only use the highest point
2	Professional ranks and titles	middle rank technical job title: 60 points Senior labour: 40 points Intermediate labour: 20 points	only use the highest point
3	Occupational qualification and type of work	Occupational qualification and the type of work are within the catalogue of Guangzhou occupational qualification and the type of work: 20 points	
4	Social service experience	In the past 5 years, if blood donation (2 points for each), volunteering work (2 points for every 50 hours)	up to 2 points for one year, no more than 10 points for each indicator
5	Tax history	In the past three years, if the accumulation of net tax amount reaches 100 thousand yuan or above: 20 points	

These eight conditions are only the initial threshold, once the applicants meet these conditions, they can start to prepare dozens of documents as evidence to calculate their points to see if they have sufficient to become an urban citizen. Table 8.2 shows the main indicators and their corresponding points, as the system is far too complicated to present within a single table. As well as the indicators listed below, there are more similar indicators and indexes in the ‘points accumulation system’ and different cities have different indicators and standards. In 2015, applicants had to achieve at least 60 points in the test in order to become eligible to apply for citizenship of Guangzhou.

The ‘points accumulation system to enter public schools’ is a very similar system to the ‘points accumulation system to obtain an urban Hukou’, they both require the applicant to contribute to the social insurance system at least 4 or 5 years. Apart from the ‘points accumulation’ system, whether or not a migrant worker has a record of social insurance contributions will limit whether they can have a passport and a permit to visit Hong Kong, Macau and Taiwan.

The ‘points accumulation system’ in China indicates that social insurance contributions and tax record are necessary conditions in obtaining citizenship. Such a system and policy approach focus more on obligation, virtue and contribution rather than rights. With the system, citizenship is considered as a thing that has to be developed, achieved or earned, usually, by participating in the labour market and by discharging obligations, such as insurance contribution and paying tax. From this view, citizenship is not a basic status or a basis of entitlement, but an achievement (Plant, 2003). As a result, social insurance, as a route into citizenship in the current policy context in China, is having an increasing impact on migrant workers, especially for those with children or those who want to settle permanently.

As shown in Tables 8.1 and 8.2, applicants who have a higher education degree, who possesses certain skills, who have excellent tax history and consistent social insurance contributions and who are currently in employment would have the highest chances to successfully become urban citizen. However, most migrant workers have only primary or

junior high school qualifications, do not possess any special skills, have never participated in any social insurance programmes and do not have a secure job. Applicants like these would almost certainly fail the application or be discouraged from even applying (social insurance as a route to citizenship is discussed in more detail in Chapter 9).

Precarious Employment and Insecurity

The decline of ‘standard employment’ and the rise of ‘precarious work’ has happened globally (ILO, 2012). China has experienced such a significant change in its labour market since its economic reform in 1978. The use of the word ‘precarious’ is to identify work that exhibits uncertainty, instability, vulnerability and insecurity where employees are required to bear the risks of work (Kalleberg and Hewison, 2013; Vosko, 2010).

Precarious employment, according to the definition by Vosko (2006, p. 3-4),

... encompasses forms of work involving limited social benefits and statutory entitlements, job insecurity, low wages, and high risks of ill-health ... shaped by employment status (i.e., self-employment or wage work), form of employment (i.e., temporary or permanent, part-time or full-time), and dimensions of labour market insecurity as well as social context (such as occupation, industry, and geography), and social location (the interaction between social relations, such as gender and ‘race’, and political and economic conditions).

Studies of precarious work indicate that the massive increase in the number of migrants, no matter internal or international, is an important aspect in its rise, as these migrant workers are finding jobs in industries that are usually low paid, precarious and insecure, such as services and manufacturing industries. (Jolly and Reeves, 2005; Edgell et al., 2015). As for rural urban migrant workers in China, they migrate to urban areas and often find jobs in manufacturing factories and construction sites. Among the 28 interviewees, only one worked in a national

company (as a manager), others either worked in factories like textile, ceramic or electronics; or worked as shop assistants at local retail outlets, such as bakery shops, restaurants, supermarkets or convenient shops; or they worked as builders on construction sites (usually low skilled labourers).

Precarious work may lead to a number of negative impacts on migrant workers. Edgell et al. (2015) indicate that precarious employees tend to work longer and harder, and are more likely to take low-skilled, dangerous and dirty jobs, and they often receive less pay while having fewer opportunities to access work-related benefits or social welfare. In addition, they also point out that precarious employment may lead to health problems, because such work is more likely to be physically demanding, dangerous and dirty, and such types of work will increase the risks of ill-health and insecurity. Furthermore, due to insecurity in employment, workers have a tendency to have multiple jobs, irregular working hours or long working hours, which may have adverse impacts on their families. Moreover, low pay may limit their health options when they are sick, especially if there are no benefits from their employers or the state. Chen, a worker in a local NGO in Foshan, stated that,

The neighbourhood and environment in those industrial zones are extremely poor and harsh, it is, things that I saw, the food, the street, it is very dirty and unhealthy, and their working hours are very long, more than 12 hours per day.

Although there were 28 migrant worker interviewees in this research, which only accounts for a tiny fraction of the migrant workers in Guangdong province, two of them had experienced work-related injuries or occupational diseases. Moreover, because they did not have the chance to make contributions to social insurance before they were injured or sick, they could not receive any compensation from the social insurance system or from their employers, so they were still fighting for their rights through the legal system. Also, in terms of working hours, almost all the migrant interviewees said that they worked for more than 8 hours every day, and some of them worked longer than 12 hours per day. A holiday was a luxury for them and they could not have regular weekends off or vacations, not to mention paid leave. The

average pay for migrant workers I interviewed was 2000-3000 yuan per month in 2015, however, the average wage in Guangdong province in 2014 was 4986 yuan per month.

In China, the rise of precarious and informal work is closely linked to the processes of migration and urbanization (Swider, 2014). Most migrant workers are doing precarious work and feeling insecure in their workplaces. These jobs usually have poor working conditions, low pay, long working hours, limited or no benefits either from employers or the state, lack of protection (social insurance and labour contract), and are unstable. Also, they are considered as dirty and dangerous jobs by urban citizens.

Institutionalised Discrimination

As discussed in the previous section, most rural migrant workers earn a relatively low wage and are experiencing harsh working environments and discriminatory treatment in places where they settled. According to Davies and Grant (2008), the arbitrary and biased local regulations imposed by local governments on rural migrant workers are, to some extent, part of that discriminatory treatment. They argued that, since the 1990s, these local regulations have gradually normalised the discriminatory treatment against migrant workers and classified them as ‘second-class’ citizens, rendering them unable to benefit from a wide range of public goods and services that urban citizens assume as their rights, including access to urban public schools, public housing, social insurance benefits, family allowance and some others. Furthermore, in order to enjoy a range of services in urban areas, migrant workers have to pay special fees to local governments, such as the extra sponsorship fees paid to public schools for their children and the fees paid for the temporary residential permit issued by local governments (Deng and Smyth, 2000; Zhao, 2005).

As Zhao (2005, p. 290) described, migrant workers must obtain various official documents as requested by local governments once they have settled down in one place, these documents include ‘an identification card, a migrant identity card, a temporary resident card, an employment registration card, and so on’. He argued that the implementation of these

regulations is to control migration by extending the inequalities of the Hukou system, however, these regulations has gradually become a new source of 'non-tax' revenue for local governments. For migrant workers, it is very time-consuming and costly to get one of those official residential documents, months and hundreds of yuan must spend on it. Due to the complexity of the system and the high administration fee of applying for all those documents, migrant workers tend not to have these cards. Xue, an NGO manager said

There is no one has the temporary resident card or any other cards, no one will want to have it, it will cost you a lot and is useless, you can have it if you want to contribute to the bureaucracy. No one that I know has it.

Li, a NGO manager in Guangzhou, gave a reason why migrant workers are being discriminated against: policy discrimination. He explained that because the governments' policies, both central and local, treated them as 'outsiders', their attitude to migrant workers negative, so that the public was influence by the state's policy and reacted in the same way as the state. Li explained

For example, there is a government department called 'Management Office for Floating Population' in China, which is linked to 'Stability Maintenance Office', what does this mean? Do you know? It means that in the eyes of the government, migrant workers are the potential cause of social unrest. How the government sees migrant workers will influence how the public sees them.

Most of the interviewees could not tell what exactly the different forms of discrimination were, but they all had feelings that they were being discriminated against by 'locals'. 'Locals' (*ben di ren*) and 'non-locals' (*wai di ren*) were the most common words that appeared in their answers to questions related to discrimination. 'Locals' always refers to local urban citizens, and 'non-locals' means migrant workers. One migrant worker Qian, complained that,

As a non-local, I have worked here for many years, more than a decade, you even have a better living standard than those locals, but they still think that you are no better than them.

Another migrant worker, Meng, said that,

We came here to work, to build houses for those local, to contribute to their local economies, but they will never be thankful for what we did, they just want you to go back to your rural areas once they have made full use of you.

Migrant workers Fang, gave an example of how she was discriminated against by a local landlord.

I have lived in that building for the past five to six years, everyone in that building knows who I am, the building has a small yard with two doors, the front door and the back door, both doors are accessible, I have both keys, but one day they changed the lock of the back door and did not tell me, when I realized this, I asked the building manager can I have the new key for the back door, he then asked me 'are you local or people who is renting the house?' when he knew that I am not a local resident, he answered that 'we will only pass the key to locals, not to non-locals, I was furious about what he was saying but could barely can anything to change it.

Conclusion

Social insurance schemes are not very popular among rural-urban migrant workers, and this leads to the lack of proper social protection for migrant workers. The findings show that most rural-urban migrant workers are not aware of what social insurance consists of. They do not have a thorough understanding of social insurance system. Moreover, because of the high contribution rates of the social insurance schemes, both employers and migrant workers are

disincentive to participate. As a result, the participation rate of social insurance schemes has remained at a very low level for years. The other concern by migrant workers is the frequent policy changes over the past years, they are afraid of losing all of their contributions in one day if the policy changes over the long contribution period (at least 15 years). They have doubts about the credibility of the state and local authorities.

In this circumstance, local governments could make some extra efforts, not just to expand the coverage of social insurance, but also to design policies for better communication with migrant workers. Although enhanced the awareness and understanding of social insurance may not increase participation, at least it can reveal various problems in institutional arrangements, policy design and the process of policy implementation. It is impossible to judge the outcomes of these policies, as they were changed before the beneficiaries, especially migrant workers, could truly understand them. The disadvantages of frequent policy changes comprise the lack of awareness and understanding of social insurance, high administrative costs and disincentives for both employers and employees' participations. If migrant workers, for the very beginning, are not interested in what they can benefit from the social insurance schemes, they may not have the motivation to learn more about it. In this sense, there may be a mutually reinforcing relationship between the impact of distrust and poor understanding (Nielsen and Smyth, 2008).

Also, the state's aim to reform the social insurance system will never be achieved without local governments' cooperation and implementation. As discussed in previous chapters, although the state plays an important role in China, local governments still have the power to make their own policies as long as they follow the guideline issued by the state. As a result, the state is often left in a passive position when local governments are uncooperative or not motivated, the relationship between the central government and local governments is quite tense sometimes. In addition, provincial differences in social insurance may have an impact on intergovernmental relationships. For example, in migration importing provinces, governments always try their best to prevent social insurance accounts from being transferred to another province, as this mean a loss in government's revenue. Meanwhile, in migration

exporting provinces, governments have less resources and financial abilities to invest in social insurance system for local residents. The conflicting interests of these two types of areas may impede the unification of the social insurance system.

With the start of Hukou reform in 2014 (State Council Document No. 25, 2014), the two categories of Hukou status, 'agricultural' and 'non-agricultural', were gradually abolished. All citizens are registered as 'resident'. Cities like Beijing, Shanghai and Guangzhou are introducing a points accumulation system for rural residents to obtain the citizenship in urban areas, as long as the applicant meets the requirements. Social insurance contribution records are one of the conditions to acquire citizenship in urban areas. As citizenship depends partly on social insurance contributions in most cities now, and there is a chance for rural migrants to obtain an urban citizenship (even though it seems a little bit difficult according to its harsh requirements), the Hukou system plays a less importance role than before. However, the institutionalised discrimination against rural-urban migrant workers is still rooted in Hukou status. As the replacement of the division between 'agricultural' and 'non-agricultural', a new social division in urban areas has been identified, which is the division between 'locals' (urban citizens) and 'non-locals' (rural-rural migrants and rural-urban migrants).

Hukou definitely remains a main cause of social inequality, but it has become less so (and certainly less important than some researchers claim) after the reforms since 2015, and especially after the abolition of the division between 'agricultural' and 'non-agricultural' residents (not the abolition of the whole Hukou system).

After the erasure of this longstanding division residents, migrants, or previous 'agriculture' residents, will have an opportunity to obtain an urban/local Hukou where they work, and to access welfare and other public services that they could not when they were categorised as 'agricultural' residents. One of the main conditions to obtain an urban/local Hukou is participation in social insurance programmes with have a certain number of years of contributions. Migrants can now earn their own citizenship by doing so. However, this reform will generate another division between 'local' and 'non-local' residents, but this does not only

target rural-urban migrants as before. Therefore, we may say the inequality and discrimination caused by Hukou status against migrant workers has improved.

CHAPTER 9

SOCIAL INSURANCE AND CITIZENSHIP

Introduction

The discussion of how social insurance policies developed since 1949 and the current social insurance system in Chapters 3 and 4 illustrated how coverage expanded under the state's guidelines and raised some critical issues surrounding the system. Chapters 5 and 6 discussed the definition and some basic features of rural urban migrant workers in China and the social insurance programmes that are specifically designed for them. The quantitative and qualitative analysis in Chapters 7 and 8 investigated the relationship between social insurance and migration at the macro/provincial level and at the micro/individual level. The quantitative analysis focused on describing the divergence and provincial disparities of the welfare and social insurance system in China, whereas the qualitative analysis focused on understanding migrant workers' opinions of and experiences with social insurance.

This chapter brings together the analyses so far. It links not only the economic and policy contexts of social insurance and migration, but also the theoretical exploration of modernisation, state socialism and regionalism/localism, along with the empirical findings. Firstly the chapter examines the advantages and disadvantages of social insurance, and secondly, it restates the key findings concerning social insurance and migrant workers, and relates them to the discussion and arguments in the previous chapters (Chapters 4 and 6) under three sections: 1) a segmented system, many researchers have pointed out this problem, but few have tried to classify it into different groups; 2) a vague and complicated system, in terms of the complex of the social insurance system in China scholars mainly focus on the multi-track, multi-layer and regional variations (both provincial differences and variations between urban and rural areas), but the complexity at a practical level, as well as migrant workers' perspectives on the system, have been ignored; 3) and a route to citizenship, many researchers have discussed the poor social and economic situation of migrant workers and

identified the various problems of the current social insurance system, but these have not been linked together previously to understand how the entitlement to social insurance influences migrant workers' social rights. During this analysis, findings are linked to the theoretical foundations discussed in Chapter 2, indicating how localism/regionalism has been established under the ideology of state socialism during the process of modernisation in China.

Advantages and Disadvantages of Social Insurance

On the positive side, social insurance does have several advantages (Bennet, 1993; Thompson, 1994; Clasen, 1997; Walker, 2009). As an income replacement programme, social insurance provides its beneficiaries with income security. People may experience temporary or permanent economic insecurity which is caused by a number of contingencies such as old age, unemployment, sickness, divorce and so forth, and many of these causes can be addressed by social insurance by providing them income compensations (Rejda, 2015). Beneficiaries may gain dignity as well as security from social insurance programmes because their entitlements are based on contributions they make (Ball, 2000; Schulz et al., 2006). At the same time, the labour market's regular operation would be guaranteed (Walker, 2009). Also, to some extent, it can prevent poverty by paying the insurer and his or her family members cash benefits or benefits in kind when they experience income loss. These benefits compensate for their loss of income and may stop them from becoming poor. But the benefit level is usually set below the earning's level so that it can encourage work incentives. Unlike means-tested programmes, social insurance programmes are less likely to be stigmatising. Furthermore, a pooling of risks is the major features of social insurance programmes and it distinguishes social insurance from private insurance schemes, although very few private insurance schemes have risk pooling, and it may also be able to achieve the goal of redistribution. Without differentiating contributions according to exposure to risk, a person who is seriously ill will be covered under the same schemes as a healthy person (Erskine and Clasen, 1997). This may protect the vulnerable groups with relatively 'high risks' from being refused and it also covers risks that private insurance will not cover (Bennett, 1993). Last but not least, the administrative costs of social insurance are lower than for private insurance and

also mean-tested social assistance programmes. This is because social insurance operates on a larger scale than private insurance and it does not need to collect and verify extensive personal details to decide whether an individual is eligible for benefits or not as means-tested programmes do (Thompson, 1994).

Another main virtue of social insurance is its impact on social solidarity. Social solidarity, according to Van de Veen et al. (2012, p. 14), is the basis of the welfare state and it is also a bridge which combines social divisions between different social classes. Social insurance, which was designed to cope with social risks such as the risk of unemployment, old age and disability, would help generating and enhancing solidarity because of its 'risk-sharing' characteristic, binding the group of high-risk with the group of low-risk, for example, the young and old, the healthy and sick, the employed and the unemployed. However, some may argue that the solidarity between different groups of the society would be weakened and undermined by the process of industrialisation and globalisation. Individualism and privatisation are encouraged in the new social and economic context and this might undermine the foundation of social solidarity. But Van de Veen et al. (2012) identified that there is no explicit negative correlation between solidarity and individualisation. Also, according to Esping-Andersen (1990, p. 55), the key determinants are the organisational features of the welfare state in the articulation of solidarity, divisions of class and status differentiation, and it is the original design of social insurance which decides whether to encourage individualism, self-reliance or solidarity.

There are several down sides of social insurance, particularly those associated with the disadvantages of the contributory principle. The exclusion or the exclusiveness feature is considered the major problem with social insurance systems and it is widely discussed in the literature (Bennett, 1993; Thompson, 1994; Clasen, 1997; Walker, 2009). Some groups are excluded from the social insurance system because eligibility is linked to (full-time) employment. Those who are 'outsiders' of the formal labour market or with 'non-traditional' working patterns such as part-time employment and self-employment are excluded (Bennett, 1993; Webb, 1994). Some people simply do not have sufficient employment security to gain

eligibility; some are employed in informal and casual labour market, in which many employers do not comply with the law; others, mainly women, are doing unpaid work (Lewis, 1992). They have to turn to means-tested social assistance for support. The case of rural-urban migrants in China shows that they are not only excluded from the social insurance system but also from social assistance because they do not have a 'local' or 'urban' Hukou. The second weakness concerns the funding method of social insurance, especially the pay-as-you-go system (Erskine and Clasen, 1997). Events such as high unemployment or a financial crisis might damage the funding of social insurance schemes and lead to deficits to the fund. Third, social insurance itself may be a relatively costly approach in administrative terms. Compared with universal programmes which probably have the lowest administrative cost because their revenue is collected as a part of general taxation so there is no extra management costs and entitlements are usually based on the rights of citizenship (Thompson, 1994).

These advantages and disadvantages may change over time, within different social insurance development phases. During the post-war period in western countries, when there was a high economic growth rate, low unemployment levels and broad political compromises social insurance developed and expanded very fast. The coverage expanded to include new types of risks, and benefits were improved and increased. All these made social insurance schemes quite popular in that period and the participation rates of social insurance schemes were higher than before. During such an expansion period, social insurance might be able to promote solidarity and social cohesion by binding everyone who could contribute to and benefit from the system (Clasen, 1997). Yet during the post-industrial period the social and economic context changed a lot, economic growth seemed to have reached a limit and high unemployment rates persisted. This new social and economic context may intensify the existing disadvantages or turn the previous advantages into new disadvantages. In this context, social insurance may generate severe social exclusion (Erskine and Clasen, 1997; Taylor-Gooby, 2004a). The 'in (full-time) employment' requirement of social insurance excludes certain groups of people from being eligible. Fewer people satisfy that requirement because of the persistence of high unemployment rates and the emergence of 'atypical' jobs. Moreover, these changes cast doubt on the appropriateness of social insurance and give

private insurance and the ideal of individualism an opportunity to expand, with the encouragement of neo-liberalism (Hill and Walker, 2014).

However, the circumstances in China were quite the opposite. As discussed in Chapter 2, during the post-reform period, when there was significant economic growth, a large movement of rural-urban migration took place. Due to the changes in the agricultural sector in rural areas, and the rapid economic growth and the high income level in urban areas, millions of surplus rural labourers chose to migrate from rural to urban areas. Nevertheless, the development and expansion of social insurance still remained at a very slow speed. The coverage of social insurance did not expand to cover this new social group until the 2000s. Also, social insurance programmes were not popular amongst rural-urban migrant workers and the participation rates of the schemes designed for them were low, less than 20 per cent in 2014 (as shown in Chapter 6). The social insurance system in China has several flaws and it failed to cope with the new social risks accompanied with the increasing number of migrant workers, therefore it might impede solidarity and social cohesion. The following sections will combine all of the earlier discussions, and summarise the current China's social insurance as 'a segmented and fragmented, vague and complicated system, but also, as is a route to citizenship for rural-urban migrants'.

Social Insurance in China: A Segmented and Fragmented System

As discussed in the previous chapters, the establishment of a social insurance system in China began with the reform of SOEs in the early 1990s, the government used the social insurance system to solve the dilemma of large numbers of 'laid-off' employees from SOEs because of the reform, and to replace the previous 'danwei' welfare system which was established in the traditional planned economic period, and moreover, to thoroughly reform the old institutions. As a result, the initial design of the social insurance system in China obviously had certain characteristics which followed from policies supporting SOE reforms. As the reforms continue and the coverage of social insurance expands, employees within the state-owned economy have become entitled to comprehensive social protection, however, the system is

completely incompatible for groups other than SOE employees and government officials. In this circumstance it is extremely difficult for the social insurance system to play a role as a protection mechanism in both social and economic development (Zheng, 2009). The cancellation of social insurance among migrant workers since 2002 is the clearest illustration of this problem.

In order to satisfy different requirements of social insurance participants in different areas, to adapt to the rapid social and economic development, and to figure out a solution to the lack of portability, many local governments started to implement their own policies, such as to lower the contribution rate or introduce a sub-system, in order to expand the social insurance coverage to the self-employed, rural urban migrant workers, peasants, landless farmers and some other vulnerable groups. Although the coverage of social insurance has been expanded, regardless of ownership type and employees' Hukou status, there are still great disparities in access to social insurance benefits arising from differences in workers' Hukou status and types of workplace ownership (Nielsen et al., 2005). Social insurance reforms were initiated by the state nationwide, but the implementation of these regulations was decentralised to local governments, which caused great variations in compliance, contribution rates, benefits levels and some other social insurance provision across regions.

The 'fragmentation' of social insurance provision across regions has been identified and discussed by some researchers (Zheng and Sun, 2008; Giles et al., 2015). Giles et al. (2015) agree that the social insurance system in China is fragmented across geographic jurisdictions. They argue that the low levels of pooling of social insurance funds and local governments' different levels of financial capacity are both reinforcing the differences in basic characteristics of social insurance programmes. As a result, workers are confronting disparities not only across provinces, but also localities within provinces or even cities, in some major social insurance parameters such as contribution rates, the wage threshold, benefit levels, and rules for indexation. They believe that such fragmentation is one of the consequences of China's decentralisation approach to reform the social insurance system, as local governments will have the authority to launch reforms suitable to local financial

capacity and the responsibility to provide social insurance and welfare service. Table 9.1 shows how the pooling levels of different social insurance funds changed from lower level governments to higher level governments in China. It also shows the state's goal of re-centralising the responsibility of providing social welfare services by increasing the social insurance pooling level to provincial level and eventually to the national level.

Table 9.1 Pooling Levels of Social Insurance Funds in Urban China

Social Insurance Schemes	Outset of Reform (numbers)	Present (numbers)	Goal (numbers)
Old Age Insurance	County (2858)/city or industry	Province (31)	Nationwide (1)
Medical Insurance	County (2858)/city or industry	Prefecture city (333)	Province (31)
Unemployment Insurance	Prefecture city (333)	Prefecture city (333)	Province (31)
Work-Injury Insurance	Prefecture city (333)	Prefecture city (333)	Province (31)
Maternity Insurance	County (2858) or prefecture city (333)	Prefecture city (333)	Province (31)

Source: Giles et al. (2015, p. 138).

The political decision making system of decentralisation under the central leadership has determined that the Chinese social security system must be a combination of national unity and regional disparities. The features of the decision making mechanism of China's social insurance system are firstly reflected in the relationship between the legislative and executive departments. Compared with the decision making systems in western countries, China is a country without any separation of powers, it is a country under the leadership of the Chinese Communist Party, the people's congress system is its fundamental political system, and it keeps the tradition that administrative departments dominate state and public affairs. Therefore, on the one hand, the state legislature has the right to introduce social security legislation; but, on the other hand, the government still plays an important role in determining

the social security system, and the implementation details of the laws need to be formulated and implemented by the government departments.

The second characteristic of China's social insurance decision making mechanism is the relationship between the national legislature and the local ones. According to the Legislation Law of the People's Republic of China, the Chinese legal system includes the laws adopted by the state legislature, the laws promulgated by the state administrative departments and the laws and regulations adopted by the local legislatures. Therefore, both of the national and the local legislatures actually have corresponding legislative powers, the local legislature is allowed to promulgate local social security laws and regulations under the condition of not violating national laws and regulations. The decision making system, which is not entirely uniform at the national legislature and at the central level, is in fact directly related to China's historical tradition, its large population, and the serious imbalances of regional development.

The third characteristic of China's social security decision making system is reflected in the administrative decision making process, different levels of government and different government departments intervene at the same time. Because of the unbalanced regional economic development in China, the recognition level and the urgency of the construction and development of social security system are different between different areas. There are two approaches to reform: 1) the central government first chooses some areas to implement pilot projects, and then gradually introduces them to the whole nation; 2) there have been some local governments which take the initiative to carry out policy innovation and eventually win the approval of the central government and rise to a national policy reform. In the decision making process of the governments at all levels, the departments of social security and the other functional departments will also be different because of the different understandings of the concept of social security development. Therefore, the decision concerning social security policy reform often becomes a compromise process. Consequently, the social insurance system in China has gradually developed into a fragmented system.

At the national level, the social insurance system at present can be separated into at least five

schemes, old age insurance, health insurance, unemployment insurance, work-related injury insurance and maternity insurance. But at practical level, even in an individual social insurance scheme, there are several further divisions. For instance, different contribution rates and benefit levels of urban pension schemes, rural urban migrant workers belong to different social insurance systems in different areas. An example provided by Ji et al. (2008) illustrates in detail the degree of the fragmentation of China's social insurance system. Ji et al.'s (2008) research was in Wujiang city which is located in the more developed Yangtze River Delta (east coast) area and, by the end of 2007, the population with urban Hukou in Wujiang was 800,000, but the total of the registered floating population was 760,000. There were at least four pension systems in the city with a population of nearly 1,500,000, which were the rural pension, land pension, urban pension and public pension, furthermore, each pension system has several sub-systems.

In the rural pension scheme, individuals contribute 40 per cent and, the governments at city and town level contribute 60 per cent. The benefit level is about 100 yuan per month on average, slightly lower than the minimum living standard level in rural areas. But in a town called Donghai in the city of Wujiang, the contribution rate is divided into 10 ranks, ranging from 2 yuan to 20 yuan. In the 'old' pension scheme, peasants could choose the level of their contribution rate, but the average pension was only 11.5 yuan per month. However, in the 'new' pension scheme, the contribution rate is at least 600 yuan annually per person, and most peasants join the so-called '8-1-1' scheme, in which individuals contribute 80 per cent, town and village contribute 10 per cent and the village collective contributes 10 per cent. But the village cadres have all joined the '4-3-3' scheme, in which individuals only need to contribute 40 per cent, local government contributes 30 per cent and the village collective contributes the remaining 30 per cent.

Second, in the 'land pension' scheme, almost all landless peasants are not included in the urban social insurance system, but are covered by a method of using land in exchange for compensation. Usually an acre of land is worth about 20,000 yuan and, this amount of money could only support a landless farmer to survive for 7 years at most, based on the average

living standard of local residents. The living standard of landless farmers in Wujiang was 240 yuan per month per person after April 2007. Third, the urban pension scheme is much more complicated, according to which type of Hukou you are holding and what kind of enterprise you are working for, it can be classified into 3 different sub-schemes: 1) the contribution rate for enterprises which have employees with urban Hukou, no matter whether ‘locals’ (bendiren) or ‘non-locals’ (waidiren) is 19 per cent; 2) a contribution rate of 13 per cent is set for companies that hire rural urban migrant workers; 3) companies located in the development zone and hiring rural urban migrant workers only need to contribute 10 per cent. Normally companies had to contribute at least 1180 yuan per month in 2007, but for foreign-invested and private companies, they only needed to contribute at least 960 yuan per month.

Fourth, the public pension refers to schemes that are designed for those working in governments and public service departments. Because these schemes have not had any unified reform, the coverage, contribution rates and levels, benefit levels and institutional settings are all different. The retirement of employees who have already participated in the social insurance scheme will be approved by the personnel department, but their pension will be granted by the labour and social security department. There are three types of social insurance participants in government and public service departments: 1) permanent staff; 2) contract workers; 3) permanent staff employed after October 2004. The sources of contribution are different for these three types of staff, and the benefit levels differ greatly. When the system was first established in 1996, the proportion of retired and serving staff was 4:1, but the annual increase in the rate of social insurance participants was only 1 per cent, and the increase rate of retirement was 8 per cent; in 2008, the ratio was 2.8:1. By the end of December 2007, there were 364 public institutions in Wujiang, 7082 serving staff who were participating social insurance, 2629 retired staff who were enjoying pension, the balance in the pension fund was 38 million, and it is predicted that it will be used up by the end of 2011.

The one example described above shows the extent of the micro fragmentation of China’s social insurance system in a small city, not to mention at the national level. The fragmentation of the social insurance system has several disadvantages, including its negative impact on

social stability, social justice, social mobility, social inclusion and the long-term development and reform of social insurance system (Zheng, 2009). One of the characteristics of social security is to further social justice. If such fragmentation continues, the differences in social insurance would have a tendency to increase gradually. Migrant workers' losses caused by the lack of portability of social insurance accounts is a typical example of social injustice.

Because of the tradition that has existed for over half a century, the decision making of many public policies still follows the original inertia that the policy made by the central government is only a framework and many specific provisions require development by the provincial governments. Since the establishment of the social insurance system in the 1990s, this characteristic can be found everywhere. Most of the time, each provincial government has to give further notice or instructions every time after the central government issues a policy document regarding the social insurance system. Otherwise, at a practical level, it would be extremely difficult to implement. In the 'Decision of the State Council on the Reform of the Pension System for Staff and Workers of Enterprises' issued by the State Council in 1991 (State Council Document No. 33, 1991), it was promulgated 'to establish a social insurance system for different social groups, such as private companies in urban and town areas and self-employed persons', but 'the specific establishment measures shall be formulated by each government at provincial (or equal) level. Later, the 'Decision of the State Council on Establishing a Unified Pension System Staff and Workers of Enterprises' issued by the State Council in 1997 (State Council Document No. 26, 1997) required that 'the contribution rate and benefit level will be determined by governments at provincial level based on this regulation'. In 1999, the 'Interim Regulation on the Collection and Payment of Social Insurance Premiums' issued by the state council (State Council Document No. 259, 1999), it regulated that 'the collection institution of social insurance premiums shall be appointed by provincial governments'. Moreover, in 2005, the 'Decision of the State Council on Improving the System of the Basic Old-age Insurance for Enterprise Employees' (State Council Document No. 38, 2005) promulgated that 'the transitional approach of the calculation and payment of social insurance benefits shall be established by governments at provincial level, and then report to the ministry of social security and ministry finance'.

Such regulations provide local governments with a lot of flexibility to formulate their own localised policies and help to cause the fragmentation of the social insurance system. More importantly, once the provincial government has formulated appropriate details, the remaining design detail will be the responsibility of governments at lower levels. Once governments at city level have added some specific provisions based on local conditions, they will pass the job to governments at the town level. The whole institutional framework is finally constructed by three or even four levels of government documents. Under this framework, there are differences among provinces, cities, regions and counties, and the difference is greater. At the implementation level, the gap between provinces and cities is growing, as a result, the social insurance system will gradually become more localised and fragmented. Zheng (2009) argues that the ‘rough’ design of the social insurance system by the central government is due to the fact that the understanding of social insurance still remains in the form of the traditional understanding of public policy, it uses the general public policy thinking pattern to formulate social insurance policies, without realising that such a ‘rough’ system will eventually lead to institutional fragmentation. Furthermore, it does not realise that the institutional fragmentation will also cause a huge negative consequence in which more developed provinces with better design, stronger capability and more financial resources will benefit more from the fragmented system than less developed provinces.

Social Insurance in China: A Vague and Complicated System

The fundamental problem of the implementation of social insurance is the lack of unity, and this disunity refers to every aspect of the social insurance system. This can be summarised on two levels, the first is the disunity at a practical level, the second is the disunity at management/institutional level (SSL CASS, 25-09-2014). At a practical level, there are three critical questions that need to be answered. These questions also confused my respondents the most during the fieldwork and might prevent migrant workers from better understanding social insurance and from having a proper entitlement to it. First, is the social insurance relationship single, double or multiple? The Labour Contract Law of the People’s Republic of China clearly stipulates that an individual may establish double or multiple employment

relationships with his/her employers, which means that a person can work in multiple places and for more than one employer, but in such circumstances, is his/her social insurance relationship single or multiple? There is no law or regulation that can answer this question.

In practice, relevant policies on this issue are not clear. For example, the record shows that there are 1.3 billion people that are participating in the health insurance scheme (Yu, 2015), including the urban health and medical insurance for urban employees, the new rural cooperative medical insurance for rural residents and the urban health and medical insurance for urban residents. In fact, rural migrant workers fulfill all of these three conditions, they are rural residents because their Hukou records are 'rural', they are urban residents because they migrate from rural to urban areas and live temporarily in urban areas, and they are urban employees because they work for enterprises located in urban areas, as a result, they are eligible to participate in all three health insurance programmes at the same time. Some interviewees stated that they were not only participating in social insurance for migrant workers in an urban area, but had also joined the social insurance schemes in their hometown which was in a rural area. However, no one can tell whether or not this behaviour is in compliance with the law, because it is not written in the law or any regulation issued by the government. Furthermore, if the system allows repeated participation, then how to claim benefits would be difficult to determine. On the one hand, if it allows repeated participation, but repeated benefit claiming is prohibited, at the final stage of claiming benefits, claimants would argue that they deserve to have more benefits because they have contributed more. On the other hand, if the system allows repeated benefit claiming, the social justice goals of social insurance would be impeded.

The second question is where to participate in social insurance? For instance, a migrant worker who found a job and signed the contract with a company registered in city A, but is now working in another city B because of labour transfer, and this transfer will last for many years; but the migrant worker's Hukou is in village C. In this case, it is not clear where this migrant worker should participate in social insurance, city A, B or C? As shown in Chapter 7, the welfare system or the social insurance system in China can be divided into four regimes.

Each regime has its own welfare characteristics. Provinces from cluster A will always have a better welfare performance than cluster D. Beijing, Shanghai and Guangzhou are three cities with large numbers of migrant workers, and social insurance systems in these areas differ from those in less developed regions that are defined as cluster D. Therefore, it is important for migrant workers to choose where to participate, but this is not what they themselves can decide. The third question is about the benefit level of social insurance. One of the most common concerns of migrant workers is that their living standards will drop dramatically if they choose to go back to their hometown after retirement, because of the low level of pensions in rural areas or in less developed provinces.

For example, Zhou, one of the respondents, had difficulty in making the decision about whether or not to stay in Guangzhou after his retirement. He was a cleaner working for a community in Guangzhou, and set to retire in 2 years. According to what he learned from his friend, Qi, who has had retired and returned to the rural area last year, the pension Qi could receive from local social insurance institution was around 800 on average per month, but Qi's wage before retirement was nearly 3000 per month. Zhou's current salary was just above 3000 per month, and he would very much like to go back to his hometown after retirement because he owns a house and a piece of land, and his relatives are all there, but after finding out how much the pension was, he was not so sure. If he stays the benefit level will refer to the average level in Guangzhou, which is much higher than elsewhere, amounting to about 1500 per month. But if he goes back, the benefit level will be determined by the average level of the town he came from, only several hundred yuan, which is much lower than what he would receive in Guangzhou. However, the living costs, especially the house rent in Guangzhou is expensive and he could never afford to buy a permanent 'home' in Guangzhou.

In China, if migrant workers choose to go back home after their retirement, their social insurance accounts will go with them, and local social insurance departments in their hometowns are responsible for paying their pensions, but the social insurance funds in less developed areas, especially in towns and villages, are not sufficient to pay higher levels of pension. This fundamental problem exposes the flaws of the implementation and management

of the whole social insurance system. The standard and requirements of the social insurance implementation and management are not unified. For example, all services related to the five social insurance schemes are provided by one single department in Tianjing, however, in Beijing, health insurance, the other four insurance programmes, and social insurance schemes for rural area belong to three different departments. Furthermore, both individuals and enterprises have found that in most areas, one needs to pay a visit to several social insurance relevant departments in order to open an account. It is difficult to provide equalisation services across the country and it is obvious that the unity of social insurance is an urgent necessity.

Zhu (2014) examined what caused this complexity in the social insurance system. She found that the answer to the question of 'where to participate' is the opposite between labour export provinces such as Jiangxi and Hunan and labour import provinces such as Shanghai and Guangdong. Labour export provinces agree that migrant workers should participate in and contribute to social insurance in their own provinces, while labour import provinces insist that migrant workers should participate in and contribute to social insurance where they perform their labour contracts. Moreover, Shanghai has introduced its own social insurance policies and these stipulate that migrant workers who work in Shanghai have to participate in social insurance in Shanghai. Once this regulation was issued, it caused complaints from other provinces, as it hindered them in achieving the goal of expanding social insurance coverage and the accumulation of social insurance funds. In conclusion, Zhu (2009) argues that the state has realised the extent of the fragmentation of social insurance management and the importance of integration, however, during the discussion of the strategy of unification, each province puts its interest first and wishes to be the reform model instead of searching for a higher and better standard of unification.

The complexity of social insurance in China is mainly reflected in its implementation and management and it is caused ultimately by the unclear government responsibilities. There is no doubt that the government is responsible for providing social insurance (Saunders and Sang, 2001; Li, 2014). Theoretically, social insurance is a responsibility that belongs to the

central government, but, in practice, in China, it is unrealistic to separate local governments from the central government. Local governments also have inescapable responsibilities for the implementation of social insurance. In this case, it is important to clearly divide the roles and responsibilities of different tiers of government and set up a management system that best suits China. Zhu (2014) proposed two management models: vertical and hierarchical management, and further argued that it is unrealistic to fully and directly implement vertical management, instead, through information technology, it is better to build up a vertical management system that is not reliant on the current institutions. Moreover, she pointed out that this system should be built by the central government and fully funded by the state, rather than passing the responsibility of building up the system to local governments by subsidising them. The purpose is to solve the problem of lack of portability of social insurance accounts, to equalise the benefit levels and service standards, and to eliminate the lack of trust in state and local governments.

Chen and Gallagher (2013) argue that the solution to the segmentation and disparity in social insurance provision across regions and types of workplace ownership, is that social insurance regulation and fund management must be centralised. They suggest that the central government should consolidate social insurance management, ensure employer compliance, and make the benefits transferable across regions and workplaces. Also the central government should enforce the signing of labour contracts as they may provide employers with a legal initiative to comply with social insurance provisions during this process. However, it is extremely difficult to integrate social insurance because its management starts from a county level of pooling, and each county has its own policy, management system and funding. As Zheng (2012) pointed out because many social security funds are managed at the county level, more than 2,000 social security funds are managed by different government entities (Zheng, 2012). As Prime Minister Li Keqiang (*China Daily*, 17-03-2013) said, ‘reform is harder than touching the soul, it has formed a path dependence and interest patterns, it is difficult to change, but if we do not change, our system will not make any progress in the future’.

Social Insurance for Rural Migrants: A Route to Social Citizenship?

Normally, national identity defines the relationship between a person and his/her state, and it is the most important method to identify a person's citizenship (Marshall, 1950). However, in China, national identity only provides a few social protections and welfare entitlements (Smart and Lin, 2007). Many public goods and welfare services defined as the rights and responsibilities of citizenship are only provided at local level, and only provided to locally registered residents. According to Vortherms (2015), citizenship rights in China are not defined by national identity but by sub-national identity or local identity. The household registration system, Hukou, in China has two functions, one is for population registry, and the other is to define individuals as members of a sub-national polity at local level. The Hukou system gradually became the 'principal basis for establishing identity, citizenship and proof of official status' (Cheng and Seldon, 1994). Individuals without local Hukou are often described as an underclass, excluded sub-class or second-class citizens because they do not have access to public services and benefits provided by local governments (Li et al., 2010; Solinger, 1999).

The definition of citizenship and its development has been widely discussed by researchers in the past decades (Janosk, 2014; Garcia, 1996; Guo, 2014; Guo and Guo, 2015). Some of these focus on the contents of citizenship and how different concepts of citizenship are used under different social contexts. While the others focus on the connection between different citizenship rights and the obstacles a person might encounter during the process of obtaining or establishing citizenship rights. Citizenship can be defined as 'a membership-based status identifying individuals as belonging to a specific polity that establishes a relationship between the individual and the state, defined by rights and responsibilities' (Vortherms, 2015, p. 86). In general, citizenship rights can be divided into three categories: civil/legal, political, and social rights (Marshall, 1950; Marshall and Bottomore, 1992; Janoski, 2014). According to Guo and Guo (2015, p. 92), 'civil/legal rights refer to access to courts, justice and protection of rights; political rights refer to the right to participate in political authority; social rights are those that allow individuals to enjoy some share of the economic welfare of society'. The word

‘citizenship’ includes not only the obligation of individuals, but also a number of social rights granted by a polity to its members, so that its citizens can benefit from the economic prosperity of the society (Marshall, 1950; Marshall and Bottomore, 1992).

Marshall (1950) viewed the emergence of social rights as the solution to the dilemma between economic inequality and political equality, whereas Marshall’s arguments on citizenship boundaries in terms of institutional fusion and separation are often neglected. According to Marshall (1965, p. 73), institutional fusion is ‘geographical, detaching the privileges of social groups from their local character and reattaching rights and obligations to national territory’. While institutional separation is ‘functional, entailing the creation of national authority and jurisdiction for the implementation of social security programmes’. For Marshall, both the well-known classification of citizenship (legal, political and social rights) and the rise of the modern welfare state are based on the theory of nationalisation of citizenship. In the majority of studies of citizenship, national boundaries are often used to define polity, and they usually assume that citizenship rights and responsibilities are defined by national boundaries. However, in reality, a variety of localised citizenships exist across national contexts. In this circumstance, national governments rely on lower-level governments to provide citizenship rights, such as localised citizenships based on regional locations. Therefore, citizenship rights and responsibilities can be geographically defined because of the overlapping sub-national government and administrative levels, and it means citizenship can be defined by where individuals are (Vortherms, 2015).

These geographic citizenships have been widely explored through the formal structures of federalism, where public goods and services are provided by lower level governments with the authorisation from the national or central government in both developed and developing countries (Wincott, 2006; Wallner, 2010; Aieyede, 2009). The term ‘localised citizenship’ is defined as ‘membership-based status identifying individuals as belonging to a specific sub-national government, which defines an individual’s rights provided by and responsibilities held at the local level’ (Vortherms, 2015, p. 87). Localised citizenship defines the polity of citizenship not by national boundaries, but by sub-national boundaries. At

sub-national level, 'processes of belonging, entitlement and exclusion are accomplished locally rather than through national-level frameworks' (Smart and Lin, 2007, p. 281). According to Vortherms (2015)

A localised citizenship institution is a political institution that formally defines citizenship membership at the local level, where both the provision of and access to rights and responsibilities of citizenship occur at the local level. Additionally, localised citizenship is more institutionalised when transfers between localities become difficult and outside units recognise local membership as a legitimate category used for exclusion of non-member populations.

In China, the Hukou system is used as a localised citizenship institution by local governments. It decides who can access the welfare services and who are entitled to benefits that are provided locally. Only citizens with local Hukou can enjoy these locally provided benefits. As a result, social rights provided to citizens differ from civil and political rights in China, they vary dramatically according to Hukou status. First, a person is defined as a local citizen of a given province or city according to his/her official registered Hukou address. Only local Hukou holders of a specific area are eligible for the welfare benefits and public services in that area. According to Zhang (2012, p. 503) 'many conventional aspects of citizenship (namely, access to schooling, health care, government-funded welfare benefits, and other preogatives) are not available to those without a local Hukou'. People without local Hukou, do not have the right to access locally provided public goods and welfare services, such as social housing, social assistance programmes, the minimum living allowance, occupational training and subsidies for small enterprise (Zhang, 2012; Zhang and Wang, 2010).

People without a local Hukou also experience discrimination in terms of education, loans, and medical care service, such as higher fees for public education and restricted access to public services (Zhang, 2012; Huang, 2014). Furthermore, the quality of services and benefits provided by local governemnts varies dramatically across regions, it depends on local

government's financial capabilities and policy preferences. Such differences have produced a locality-specific access to welfare services. For example, as discussed in Chapter 7, the social security expenditures per capita in provinces in cluster A are much higher than those in provinces of cluster D. The social security expenditures per capita in Shanghai was 43.88 million yuan in 2017, whereas this was only 12.14 million yuan in Henan province. Citizens of different provinces have legal access to various levels and qualities of social rights. Reforms of the past two decades have aimed to decouple the welfare system from Hukou status. A series of methods were used to expand the coverage of welfare services to cover residents without local Hukou, especially rural-urban migrants. For instance, as discussed in previous chapters, local governments introduced special social insurance programmes for rural-urban migrant workers under the guidelines of the state. However, these measures fail to bridge the gap between regions. Different regions operate their own welfare and social insurance programmes, as shown in Chapter 7, the contribution rates and benefit levels varies across provinces, and usually the social pooling contributions cannot be transferred. One consequence of the Hukou system and localised citizenship is the limited portability of social insurance. If one moves away from a location where one's social insurance contributions were made before the minimum number of years, normally 15 years, is reached, one will lose a certain amount of contributions and benefits because part of the contributions cannot be transferred to another location (Smart and Lin, 2007). Vortherms (2015, p. 94) argues that this lack of portability of social insurance accounts 'highlights the supremacy of local status rather than overarching national membership'.

Second, Hukou status also determines the access to social rights. Within one location, as discussed in Chapters 3 and 4, residents with urban Hukou and residents with rural Hukou are entitled to different social security programmes. Residents with urban Hukou are eligible for a wide variety of benefits including a comprehensive social insurance system that residents with rural Hukou are not entitled to. Also, urban Hukou holders often receive better services than rural Hukou holders if a programme is designed for both urban and rural residents. For example, according to Huang (2014) both the quality and coverage of the health insurance for urban employees is better than the New Rural Cooperative Medical System for rural residents,

also the programme for urban employees has higher reimbursement rates than the rural one. Moreover, as discussed in Chapter 4 and shown in Table 4.2, the pension levels for urban residents are higher than for rural residents. The roots of rural-urban migrant workers and the main social protection for them still remain in rural areas, even though the majority of rural population has shifted from an income pattern that depends largely on primary industry production to a pattern that relies on urban sources of production (Zhang, 2010). According to some researchers, the reducing gap between welfare service provision for urban and rural residents during the reform period was due to the erosion of welfare benefits provided to urban employees (such as the laid-offs from SOEs) and the exclusion of some groups of urban employees (such as urban migrants without a local Hukou) from the welfare system (Croll, 1999; Smart and Lin, 2007). Nevertheless, this segregated system results in a continuous inter-connection between the welfare system and the Hukou system.

Currently, local governments in China have two main methods to assess whether or not a person is eligible for obtaining a local citizenship, one is the points-accumulated method and the other is the employer-selected method. The employer-selected method was introduced together with the implementation of the Hukou system. Individuals could change their Hukou status from 'agriculture' to 'non-agriculture' as long as they had the support of their new work units (danwei) during the collectivist period (Solinger, 1999). Currently, the change of one's Hukou status becomes more institutionalised and difficult, there is always a limit on the number of how many people can obtain local Hukous per year. Normally, local governments will create a quota of Hukou transfers each and allocating these quotas to local enterprises. Enterprises then use these quotas to hire high-skilled and well-educated employees who do not have a local Hukou. These quotas are mainly aimed at college graduates and especially those just out of university. For example, Beijing introduced a quota system called 'foreign education quotas' in 2011. Beijing allocates a certain number of quotas of Hukou transfers in order to attract citizens with foreign educated backgrounds to return to Beijing for work. These quotas are allocated to private enterprises and public service departments. If a candidate with a foreign educated background secures a job at one of these private enterprises or public service departments, regardless of his/her original Hukou status, he/she can apply

for a local Beijing urban Hukou, which represents one of the most valuable Hukou statuses in China. Organisations benefiting from this programme include SOEs, large private enterprises, foreign-owned companies and higher level educational organisations.

The points-accumulated system, which was discussed in Chapter 8, was first implemented as a pilot programme by Zhongshan government, a city in Guangdong province, in 2009. Nowadays, a number of cities have introduced similar systems, including Beijing, Shanghai and Guangzhou. As shown in Chapter 8, local governments outline a set of standards, criterias and conditions, if the applicant fulfills these criterias and conditions, the applicant will gain a certain number of points, when the accumulation of points reaches a certain threshold set by local governments, the applicant will be allowed to apply for local citizenship. However, this does not guarantee applicants a Hukou transfer, local governments usually set a quota for those who meet the requirements and are allowed to transfer their status through the points-accumulated system. Moreover, additional conditions may disqualify some applicants (Vortherms, 2015). The points-accumulated system clearly shows local governments' privileges, which aim at high-skilled and well-educated labours, younger populations, and those with established businesses that have contributed to local economic developments. Local governments apply a number of measures to select people who can join the system since 'human capital is considered essential for economic growth, but at the same time the provision of public goods is perceived as a function of recipient numbers' (Zhang, 2010, p. 163).

As discussed in Chapter 8, citizenship can be defined as a basic status, it is 'the right to social protection' or 'a route to welfare' (Twine, 1992; Plant, 2003; Craig, 2004). It also can be considered as an achievement. The central ideas of this concept of citizenship are reciprocity and contribution. It advocates that only if individuals make contributions to the development of a society either through work or other socially valued activities (if they are capable of doing so), can they have the right to public resources of that society. In this case, citizenship is not a given, it needs to be earned. Paradigmatically, individuals' contributions to the society would be in a form of direct financial contributions via an insurance system that requires

regular payments (such as the social insurance system), as it will secure the citizens' right to public resources. In fact, this right is secured by a sort of agreement between the state and the citizen via the social insurance contributions (Plant, 2003).

In the 'points accumulation system' (as shown in Table 8.1, Chapter 8), social insurance contributions and tax records are necessary conditions in order to obtain citizenship. Citizenship can be achieved or earned, it is not a given. As discussed in Chapter 8, in order to obtain the citizenship a person must meet the following requirements at the same time: age between 20-45, having complied with the one child policy, no criminal record, has a legal residential place in the city, a qualification from junior high school or above, employed or self-employed in the city, contributed to the social insurance system for at least 4 years, has effective residence permit of the city. However, as described in Chapter 5, most migrant workers have only primary or junior high school qualifications, they do not possess any special skills, have never participated in any social insurance programmes or have contribution records less than 4 years, and do not have a secure job. Applicants like them are unlikely to succeed in applying for the citizenship. For migrant workers, being in employment cannot guarantee the right to participate in social insurance, without social insurance participation and contribution, according to local government's policy, there is no way to acquire full citizenship.

Regarding the current policies of local governments, they seem to gradually develop a reform pattern that follows the paradigm of the alternative achievement or obligation-based conception of citizenship or, at least, to ask for a transformation to an entitlement view of citizenship that take account of a more reciprocal and obligation-based view. The primacy of social insurance as the key route to achieving citizenship in the current policy context in China is flawed in at least two major senses. First, while employment in the labour market may embody access to social insurance and participation in social insurance and, in turn, become a route into citizenship; for migrant workers, employment cannot guarantee the right to participate in social insurance, and without social insurance participation and contribution, they cannot acquire full citizenship. Second, as Lister (2001, p. 41) points out, 'exclusion

from and marginalization within fragmented and unequal labour markets serve to weaken the citizenship of those who do not possess the skills and education to compete'. Migrant workers can only take jobs that require little or no skills and low levels of education.

Even though the state has decided to reform the Hukou system, and we presume that it would be abolished one day, migrant workers would never achieve the status of citizenship, as long as they cannot have proper identity, and are still being labelled as low skill, low education, outsider, non-local, and work in an informal and precarious labour market. On the one hand, the government is continuously accentuating contribution and reciprocity as a necessary condition for obtaining citizenship, on the one hand, it cannot guarantee a justice environment to its implementation.

In addition, social insurance entitlements are still affected by personal Hukou status. Although extension social insurance programmes have been implemented by many local governments to cover migrant workers who work in the informal sector, the portability of social insurance accounts is still limited. Nielsen et al. (2005, p. 353) point out that 'there is little likelihood the majority of migrant workers who have moved to China's towns and cities will be able to access the social insurance benefits traditionally available to those with urban registration'. Therefore, migrant workers have no incentive to participate in social insurance programmes, even though various reforms have turned the social insurance in China into a cost-sharing system that requires compulsory contributions from employees, employers and the state. One possible reason for this is that migrant workers are still reluctant to believe that the government would bear its full responsibility for providing welfare service and social security. Meanwhile, people believe that the state has the financial capability and adequate funds to further develop the social security system and expand its coverage to every citizen because they witnessed the rapid economic growth in the past decades. As Zhu and Nyland (2005, p. 67) stated that 'this is particularly significant in a society that, because of its Communist history, accepts social protection is a right'.

The relationship between Hukou and citizenship has existed since Hukou's first implementation and was originally tied to the provision of social welfare and civil rights. However, the Hukou system will gradually play a less important role in prohibiting migrant workers' mobility, their daily lives and their access to public services. Instead, social insurance, as a route into citizenship in current China, has an increased impact on migrant workers, especially for those with children or who want to settle permanently.

Conclusion

This chapter combines the previous discussion and analyses in this thesis. Social insurance, as an income replacement programme, provides protection and security to people who may experience contingencies such as unemployment, sickness and injuries. However, 'outsiders' of the formal labour market may be excluded from social insurance system as they do not have a formal 'in employment' status. In China, rural-urban migrant workers are often considered as the 'outsiders' of the formal labour market, due to their special characteristics. There is a lack of social protection for them. Even though the state has stipulated a number of regulations in order to provide social protection for them and to promote the coverage of social insurance, social insurance programmes are still not very popular among rural migrant workers. This is because the current social insurance system in China has some flaws that impede its own development and improvement. This chapter summarises the defective social insurance system as 'a segmented and fragmented, vague and complicated system', at the same time, for rural-urban migrant workers, it is a potential route for them to obtain urban citizenship.

The segmentation and fragmentation of the social insurance system in China runs across geographical jurisdictions. It is fragmented vertically and horizontally, because of the rural and urban division and the top-down decentralisation of the political decision making process in China. The complex relationships between different levels of governments, and those between same levels of governments are the main reasons for the fragmented social insurance system. This chapter used the example of Wujiang city to illustrate the extent of the

fragmentation of social insurance in China. In Wujiang city, there were at least four pension schemes, one for rural residents, one for landless peasants, one for government officials and the last one was for urban employees. Moreover, there were sub-programmes under each scheme. Moreover, as shown in Chapter 7, welfare regimes have developed. The central government has made a lot of efforts to unify social insurance since 2000. However, it becomes increasingly difficult to make a radical reform of current unequal institutional arrangements because of the widening regional disparities and authority decentralisation between the central and local governments. The social insurance system is vague and complicated because 1) the responsibilities of each level of government are not clear, and 2) the confusion and chaos of the system's operation. Multiple social insurance accounts, where to participate and where to receive benefits are the most unclear questions of the current system, especially for rural-urban migrant workers. As discussed in Chapters 7 and 8, the benefit levels are different between provinces, especially between provinces of cluster A and those of cluster D. However, interprovincial rural-urban migrants often come from poor welfare performance regimes, and work and contribute in economically developed and better welfare performance regimes. When they retire, they will suffer a significant loss of pension if they decide to go back to their hometowns. Moreover, if they choose to stay, they will not be able to afford the high living costs and housing prices as their pension levels are lower than those of local urban employees.

In this context, it is important to improve the citizenship of rural-urban migrant workers. In this chapter, I used the concept of 'localised citizenship' proposed by Vortherm (2015) to describe and explore the relationship between social insurance and citizenship of rural-urban migrant workers. Migrant workers, or the floating population, in urban areas are those without a local Hukou. They are being discriminated against and excluded from society. However, since the first pilot programme of points-accumulated system was introduced ten years ago, many cities like Beijing, Shanghai, Guangzhou followed and introduced their own points-accumulated systems. This system allows rural-urban migrants an opportunity to become local and obtain local citizenship. But, there are some criteria and conditions for applicants. One of the necessary conditions is that the applicant must have a certain number

years of social insurance contributions, the exact number of years is set by local governments. For migrant workers, social insurance becomes a route to obtain citizenship. However, in reality, as discussed in Chapter 8, rural-urban migrants are in a disadvantaged situation in that they usually work without legal labour contracts not to mention a social insurance account. Even though they would like to participate, their employers, normally small private enterprises, refuse to do so, because it will raise the costs and reduce the profits of the company. For local governments, in order to protect local interests, the supervision and management of these small companies is very relaxed, as this is a way to attract investments. Overall, improving social insurance for rural-urban migrant workers would facilitate the process of citizenship.

The next chapter, the conclusion relates the quantitative analysis and qualitative analysis in this research and provide some implications for future policy development.

CHAPTER 10

CONCLUSION

Introduction

This thesis has examined social insurance and migration in China, and focused specifically on social insurance schemes that rural-urban migrant workers can also participate in. The transformation of China's labour market into a socialist market economy has accelerated its economic development and the state's ideology has been influenced by global neo-liberalism, which has led to the decentralising of fiscal power to the lower levels of government, whereas the central state still retains absolute political power. As a key theme that runs through the thesis, the regional disparities in social insurance have been shown to be the result of such decentralisation. In order to examine the problem of regional disparities in more detail, this research used a mix method analysis to critically discuss the factors that relate to its central theme.

This concluding chapter firstly shows how the research questions set out in the introduction chapter have been answered and also reflects on the approach and methods that were used in the research. Secondly, the main contributions of this research and its limitations are examined. Thirdly, suggestions and implications for policy and future research are considered.

Research Questions

This thesis has considered the following three research questions, in order to explore the two main subjects of study - social insurance and rural-urban migrant workers in China:

- What is the extent of the differences in social insurance provision for rural-urban migrant workers between regions, and differences between migrants and others?

- What are the main causes of these differences?

- What are the implications for the social protection of rural-urban migrant workers and the development of China's welfare system?

This thesis started with a discussion of the development of social insurance systems in China (Chapters 3 and 4) and the discussion was divided into 5 periods. The purpose was not to make a comparison, but to describe the general concept of social insurance and the historical development of social insurance system discussed by the mainstream studies, furthermore to show and explain how the social insurance provision changed over time. This provided background for a better understanding of how the policy developed over time.

Migration is a relatively new issue in China, its appearance accompanied the economic reform in 1978, and has become a popular research topic in academia in the past decade. This thesis illustrates some of the main features of migration in China, including its size, the education level of migrants, employment status and income levels (Chapter 5) and also discusses its social impact (Chapter 6). The social impact of migration is discussed from the following two perspectives: social exclusion and discrimination. Although the rural-urban dichotomy is still remaining, the emergence of rural-urban migration poses new challenges to both the central state and local governments. As a result, some areas have implemented a third social insurance system that is exclusively for rural-urban migrants whereas other areas' social insurance programmes remain the same as what is stated in the policy guidelines of the state. The details of social insurance schemes for rural-urban migrant workers were discussed in this research (Chapter 6). By comparing the social insurance provision for urban residents and rural migrant workers, and social insurance schemes for rural-urban migrants in different provinces, this thesis describes the extent of these differences and explores some possible causes by critically reviewing the literature (Chapters 3, 4 and 6). This has answered the first research question and also partly the second one.

In order to further explore the second research question, two methods were used to obtain empirical evidence, and the results were presented in Chapters 7 and 8. The theoretical grounds for this research and its methodology were considered in Chapter 2. Firstly, the

quantitative cluster analysis was inspired by the study of Esping-Andersen (1990) on welfare regimes under capitalism, and Ratigan (2014) on the welfare regime of China, and its results show that there are four clusters of social security system in China. Secondly, by conducting semi-structured interviews with rural-urban migrant workers, this research presents new points of view on the development of social insurance system and the social protection of rural-urban migrant workers. Based on the theoretical framework considered in Chapter 2, Chapter 9 answers the third research question by combining the empirical findings in Chapters 7 and 8 with the discussion in Chapters 3, 4 and 6. These are discussed in more detail below.

The Complexity of Social Insurance and Its influences on Migrant Workers

The discussion in Chapters 3 and 4 shows that the social insurance system in China is divided into rural schemes and urban schemes because of the remaining legacy of the rural-urban dichotomy. Social insurance in urban areas has now developed to a system consisting of five main social insurance programmes: old age, health, unemployment, work-related injury and maternity insurance schemes (the State Council decided to complete the integration of maternity insurance and health insurance by the end of 2019) (State Council Document No. 10, 2019), whereas residents in rural areas only have a pension scheme which is a totally different programme from the one introduced in urban areas. At present, unlike urban residents, the main social protection for rural residents is not social insurance, but some other programmes which only guarantee the minimum living standards of rural residents.

Although China has transformed from a centrally planned to a market economy, the findings indicate that there are several signs of path dependency (Pierson, 2000) in the welfare system. Firstly, the economic reform has accelerated the process of industrialisation and urbanisation in China, with millions of rural labourers migrating into urban areas, contributing to the process of urbanisation of these areas. However, because of the household registration restriction, these migrants cannot be counted into the urban population when defining the degree of urbanisation, they are considered as a 'floating population' who are floating

between urban and rural areas due to their rural household registration. This is attributed to the unchanged political system and institutional structure. China remains a state socialist country and the state has both the political and economic power to direct and control the development of the society. In addition to the restriction of labour mobility using the household registration system, the state still owns enterprises that have a major impact on national economic, state security, infrastructures construction and natural resources. Secondly, the dualistic nature of the social security system has become even more complicated. There are divisions between rural and urban residents, rural and rural-urban migrants, urban and rural-urban migrants, and between urban employers and urban residents. Thirdly, in order to facilitate the policy reforms that focus on economic development, the state has passed its responsibility for providing proper social service and protection to its citizens to the society, and the Confucian ideology of family and community support is still emphasised by the state (White, 1998).

The discussion of social insurance inevitably raised the issue of the underlying problems of the current social insurance system, especially in urban areas. Several problems were identified and discussed, including 1) low participation rates, coverage and benefit levels; 2) the decentralised system; 3) fragmentation; 4) limited portability; 5) regional disparities; and 6) gender differences. These problems may overlap with those discussed in the next section when considering the social insurance for rural-urban migrant workers, but the discussion in the following sections will show that, even though the problems are similar, the severity levels of these problems are different. The following section briefly summarises the quantitative analysis findings that have been discussed in relation to the typology of the welfare regimes in Chapter 7.

Cluster Analysis Findings

The findings of the cluster analysis show that there are four clusters of welfare regimes in China. The first cluster contains three municipalities: Beijing, Tianjing, Shanghai. These provinces have the highest participation rate of social insurance programmes. The average

participation rates for old age, unemployment, health and work-related injuries insurance were 69.72, 43.94, 65.66 and 45.11 per cent in 2017. These were much higher than the participation rates of social insurance for rural-urban migrant workers (Chapter 6, Table 6.1). According to Chan and Zhao (2002) and Chan et al. (2003), the quantity and quality of the welfare services are highly related with hierarchical rank, low ranking areas have low quantity and quality of services, and high ranking areas with high quantity and quality of services. In this cluster, Beijing is the capital city in China, it has the highest political and economic ranking. Beijing, Shanghai and Tianjing are three of the four big city municipalities administrative areas, Zhejiang and Guangdong are provinces that located in the coastal areas. This is confirmed by the GDP indicator used in the analysis, the average GDP of cluster A was more than twice that of clusters C and D in 2017. These three municipalities undoubtedly have a higher ranking than other provinces, they possess more political and economic resources and have the ability to provide better quality welfare services, and this might be the explanation for why these provinces have much higher social insurance participation rates than others. As a result, this cluster was defined as the prototype welfare regime.

The second cluster includes five provinces: Jiangsu, Zhejiang, Fujian, Shandong and Guangdong in 2017. This cluster was defined as a welfare regime with broader coverage and low generosity, because of the relatively high participation rates of social insurance schemes and low levels of social security expenditures as a proportion of GDP in this cluster. However, this cluster had the second highest economic development level as indicated by regional GDP. The third cluster consists of nine provinces: Neimenggu, Liaoning, Hubei, Hunan, Hainan, Chongqing, Shanxi and Ningxia. The average participation rates of social insurance in this group were lower than in cluster B, but its revenues and expenditures of social insurance funds and social security expenditure level were higher than cluster B, even though it had a lower GDP than cluster B. So this cluster was defined as a moderate welfare regime. The fourth cluster includes thirteen provinces: Hebei, Shanxi, Heilongjiang, Anhui, Jiangxi, Henan, Guangxi, Sichuan, Guizhou, Yunnan, Gansu, Qinghai and Xinjiang. It was defined as a poor performance welfare regime: the average participation rates of social insurance programmes and the level of economic development were the lowest. But its social security expenditures

as a share of regional GDP were the highest among all of the clusters. This is due to the fact that the state allocated a large amount of subsidies to the provinces in this cluster. Fiscal transfer payments from the central government to local governments have a huge impact on provincial welfare outcomes.

In sum, the results of the analysis confirm that the provincial social insurance system is divergent and distinct, there are variations and disparities of social insurance provision among province in China. It also provides a possible new typology for the study of welfare regimes in China.

Findings of Qualitative Interviews

As discussed in Chapter 6 and compared with the figures in cluster A described in the last section, the participation rates of social insurance schemes for rural urban migrant workers are much lower than the average level of the society as a whole. Reasons for the low levels of participation have been examined (Li, 2008; Guo and Gao, 2008; Song and Appleton, 2008). Factors such as employers' and migrant workers' lacking awareness of social insurance, the high contribution rate of social insurance programmes, the household registration status, and migrant workers' ages might have influences on migrant workers' decision about participating social insurance. One of the findings from the qualitative interviews seems to confirm the above hypothesis. We found that most respondents were lacking basic knowledge about social insurance, few of them could not even name all five of the social insurance programmes, but, on the other hand, some could explain the functions and purpose of each programme. The rural-urban migrant workers could be classified into different groups based on the level of their acknowledgement and understanding of social insurance (Li, 2008). However, the findings have developed a new argument that lack of awareness is not as relevant as previously thought with regard to the low participation rate. Instead the low participation rate could be largely attributed to employers' reluctance to contribute, as doing so would raise their costs and reduce their profits, and the lack of governmental supervision and management of employers' law violations. Rural-urban migrant workers have no way to learn about social

insurance because of ‘information asymmetry’, there is an absence of local authorities’ active role in disseminating social insurance schemes and related regulations.

The lack of portability of social insurance accounts was discussed extensively in Chapter 6. This research found that the lack of portability has caused a new problem of multiple social insurance accounts possessed by one person since withdrawing from social insurance schemes which is forbidden by the state. One word that was frequently mentioned by respondents was ‘change’, they expressed their concern about the high frequency of policy change and the doubts of the ability of governments to protect them. The lack of trust in the government has also been recognised by Banister and Taylor, (1989), Zhang (1999) and Zhao (2003). The trust issue is linked to the credibility of the state and local authorities. The relationship between the state, local government and migrants also has impacts on the governments’ credibility. The state usually plays a role of policy maker and local governments are responsible for implementing policy, but due to the poor implementation and practice of the state’s policy, migrant workers are not benefiting from the reforms. Also, regional variations in social insurance are not limited between provinces but also between cities, and between different districts within a city. The findings also indicate that there is the possibility of potential corruption in the social security department. Respondents said that some small size enterprises ‘work’ with local authorities in order to avoid inspection and punishment, furthermore they compared the data of social insurance funds provided by the government and questioned that there is a potential corruption in the misuse of social insurance funds.

The social exclusion that migrant workers are experiencing is multi-dimensional (Burchardt et al., 2002; Smith and Fan, 1995; Solinger, 1999; Ngok, 2012). Findings indicate that migrant workers are excluded from the society in many ways. The majority of migrant workers are doing precarious jobs, these jobs usually are low-skilled, dangerous and dirty jobs, and they tend to have longer working hours and less paid, employees have fewer opportunities to entitle to social welfare (Edgell et al., 2015). Furthermore, migrant workers have limited access to public services, such as housing and education. House prices are too high for them to afford and they are not eligible for applying the public housing provided local government

because they do not have a local Hukou. In terms of the education of their children, without having a local Hukou, they can only attend private schools where the tuition fees are much higher than for the public schools. The Hukou system has been considered as a major institutional source of exclusion that prevents migrant workers from getting entitlements to public service and social welfare. It has been discussed widely in the literature (Zhang et al., 2014; Chen, 2011; Chan, 2009; Wang, 2010; State Council Research Team, 2006; Windrow and Guha, 2005; Wang, 2005; Huang and Pieke, 2003; Chan and Zhang; 1999; Solinger, 1999; Cheng and Selden, 1994; Chan, 1994). However, the next section argues that the Hukou system may play a less important role for migrant worker to obtain citizenship, but its institutionalised discrimination against rural-urban migrants will remain.

Combination of Quantitative and Qualitative Analysis

First, the fragmentation of social insurance, discussed in Chapter 4, only focuses on the urban programmes and uses the ‘dual-track’ pension system as an illustration. However, the findings in Chapters 7 and 8 together with the discussion in Chapter 6 describes a more fragmented social insurance system, which includes the system in both urban and rural areas, the system designed for rural migrant workers. As for the reasons, many believe that the fragmentation of the social insurance system is one consequence of China’s decentralised approach to reforming social insurance provisions, which gave authority and responsibility to local government, as the social insurance reforms were initiated at the national level, the implementation of these regulations was delegated to localities, which led to great variations in compliance, contribution rates, and benefits levels across provinces, autonomous regions and municipalities. At a national level, there are five social insurance schemes, but at a practical level, each social insurance scheme develops sub-systems, which means that, within one social insurance programme, there may be several fragments.

Second, the complexity of the social insurance system is considered in several ways. As discussed in Chapter 4, the inconsistent administrative system of social security programmes is recognised as a remaining legacy of pre-reform era in China (Zhu and Zou, 2006; Solinger,

2005; White, 1998). The roles and responsibilities of different levels of government are unclear and the social insurance programmes and the social insurance funds are managed and supervised by too many departments (Saunders and Shang, 2001). Furthermore, as the main theme of this thesis, regional disparities in social insurance are extensively discussed (Pei, 2007; Giles et al., 2015; Guo and Tang, 2013; Wu, 2013). This discussion shows social insurance systems that are different in many ways, such as social insurance expenditures, participation rates, revenue of social insurance funds, benefit levels and replacement rates, and the differences are not limited to the provincial level, but are also at lower levels of government. In addition, the regulations and laws stipulated by the state and local governments are unclear in defining some social insurance policies and provision at a practical level. Findings from this research show that respondents are having difficulties in understanding whether or not they can obtain two or more social insurance accounts, which means their social insurance relationships are unclear; and they do not know where is the best place to participate in social insurance. Most respondents had more than one social insurance account: normally they had an account in rural areas, and had at least one account in urban areas. The causes of these problems are often attributed to decentralisation (Wu, 2013; Reutersward, 2005; Stepan, 2000). The decentralisation policies in China indeed bring more powers to local governments and allow them to bear responsibilities for providing social welfare to their local citizens, but these policies also undermine the incentives for local governments to extend the welfare coverage to rural-urban migrant workers. It has played a negative role in the integration process of unifying the social insurance and in the promotion of equity within social welfare delivery at a national level in China (Wu, 2013, p. 33).

Third, this research applied the concept of citizenship and discussed the notions of sub-national identity and localised citizenship in China (Vortherms, 2015). Localised citizenship is defined as a citizen membership at the local level, where both the provision of and access to rights and responsibilities of citizenship occur at the local level, and its institutionalised makes it difficult to transfer citizenship between different localities (Smart and Lin, 2007). In China, citizens' social rights vary dramatically based on their Hukou status. Holders of a particular city's Hukou are eligible to benefit from the welfare system in that city,

however, individuals with non-local Hukou are not treated as citizens, so they do not have rights to locally provided welfare services such as having access to public education, health care, and government funded welfare benefits. There is a contradiction between the literature and the findings of the qualitative analysis. Many scholars believe that the Hukou system is a major barrier that prevents rural-urban migrant workers from benefiting from social welfare services (Zhang et al., 2014; Chen, 2011; Chan, 2009; Wang, 2010). However, many of my respondents said that they would rather keep their rural Hukou instead of having an urban one for the reason that, in their opinion, the urban Hukou will not have any positive influence on their current circumstances. This is not to deny the impact the Hukou system has on social insurance for migrant workers, but to propose an alternative explanation for the social impact of migration and explore a new way to examine rural-urban migrant workers' rights to citizenship. Empirical findings, especially the points accumulation system and the Hukou related policies discussed in Chapter 8 confirm the arguments for two notions of citizenship (Plant, 2013). Citizenship in China is not a basis for status or a basis to entitlement, it has to be earned by participating in the labour market and by discharging obligations, such as social insurance contributions and paying tax. It is an achievement to be granted only by the state. By participating in social insurance schemes, together with other conditions, migrant workers without urban Hukou might have the opportunity to obtain citizenship in urban areas. However, even after the Hukou reform in 2015 which abolished the division of 'agriculture' and 'non-agriculture', the institutionalised Hukou discrimination still remains but, in another form, 'local' and 'non-local'.

Implications for Future Policy and Development

Does China have one or multiple social insurance systems? The findings of this research indicate that the social insurance system in China has a high level of fragmentation. It can be divided into a number of sub-systems, both horizontal and vertical. In terms of horizontal sub-systems, this means that the social insurance programme in one locality has developed different sub-schemes for different groups of people based on their residential records; whereas vertical sub-systems means that the variations of social insurance according the

ranking of its implementation government, provincial, prefectural, county or township level.

The state has begun to promote the concept of a ‘harmonious society’ (*hexie*) instead of a ‘well-off society’ (*xiaokang*) since the 16th National Congress of the Chinese Communist Party (Cai, 2011). A balanced relationship between the economic growth and social development has become the top priority of the Hu-Wen Administration. Therefore, in order to respond to the state’s call for the promotion of ‘social harmony’, local governments are having stronger incentives to provide welfare services in pursuing ‘social harmony’. Because the quantity and quality of a region’s welfare services are considered as part of the performance indicators, the better the services the easier for local government officials to hold their positions and get promotion. Especially for the well-off regions, they compete to reform the social-administration institution, and expand social insurance coverage, just as they did to improve economic growth previously. However, without significant political reform, the promotion of a ‘harmonious society’ will cause an expansion of regional disparities in social insurance. The central government has kept urging local governments to improve the working environments and social protections for migrant workers since the massive domestic rural-urban migration has posed a threat to the old local-central welfare provision in the 1990s (Mok and Wu, 2013). However, because of economic globalisation, local governments are being exposed to the territorial competition, as a result, they become less incentive to provide welfare services for migrant workers, who migrate frequently between regions. Instead, local governments have introduced various of ‘institutional innovations’ with enhanced local state capacity. They attempt to ‘balance the competing demands from the central government and local needs’, such developments have resulted in ‘local protectionism’, ‘localism’ or ‘regionalism’, which is particularly common in the well-off eastern coastal cities (Mok and Wu, 2013, p. 62).

As discussed in Chapters 7 and 9, China has begun to show signs of welfare regimes or welfare regionalism, and the findings of this research confirm the existence of welfare regimes in China. Well-off regions or cities have benefited from the state’s policies during the beginning of the reform, they have more political powers and fiscal resources than other

provinces and this policy preference enables them to develop their economic at a high speed. After decades of economic development, they have stronger capability and more flexibility to introduce a comprehensive reform in social insurance under the guideline of the state policy. As shown in Chapter 7, the differences in welfare systems between clusters, especially social insurance provision, are significant.

One of the aims of ‘social harmony’ and the recent policy agenda of the state is the unification of the social insurance system in China, starting with the unified pension system. The discussion in this thesis has the potential to contribute to this policy. It depends on how the state answers the question proposed at the beginning of this section. The policy arrangement will vary between ‘yes’ and ‘no’.

If the present social insurance system is considered as a whole, then the unification of the existing social insurance system actually requires the integrating of both rural and urban systems within a province (or municipality), as well as the intra-province unification at a national level. However, this high level of intra-province unification seems less feasible than the previous one. The first barrier would be the technical challenges produced by the huge regional inequalities across the country. Even if the technical challenges can be overcome, the second barrier would be the administrative challenges. The management of national database and the supervision of national social insurance fund are the two main difficulties that need to overcome first, because of China’s vast territory and the huge amount of information and social insurance funds involved. It would require an extraordinary management capacity and would be extremely risky (Li, 2014). Last, the process of integrating the social insurance system at this level would become extremely difficult politically because it would not only impede local authorities’ interests, but also the interests of certain groups, such as government officials.

If the social insurance system in each province is analysed separately and individually, facilitating labour mobility and a portable package that compels hosting provinces to accept the past contribution records of incoming workers is required (Salditt et al., 2007). In this

context, there are several problems that need to be solved by the state. First, as discussed in Chapter 8, the relationship between central and local governments is complex, although local governments have the authority, they tend to have no incentives to provide sufficient and comprehensive welfare service and social protection for migrants. In addition, as local social insurance schemes are mainly funded by local fiscal budgets and dependent largely on local financial capacity, they are usually highly exclusive in nature for the purpose of preventing outsiders from sharing the cakes (Mok and Wu, 2013, p. 65). As pointed out in previous chapter, there is a salient central-local issue inherent in the process of policy implementation in China, which is the central government's position will become passive when local governments decide not to cooperate or are not motivated. To some researchers, it is unfeasible for the central government to directly engage in the process of policy enforcement and to allocate resources without the help from local governments (Wong and Zheng, 2008). Thus, some suggest that, in order to satisfy the interests of different local areas, it would be possible for the central government to introduce a national social insurance scheme that is in parallel with local social insurance schemes, to include various vulnerable groups such as migrant workers, those who work in the informal sector and the self-employed. However, this idea has been also considered as too radical and impractical (Wong and Zheng, 2008).

Furthermore, as the 'unification' under this circumstance may refer to the unification of citizenship, which offers equal rights for urban citizens, rural-urban migrants and rural residents, it would impede the integration of rural-urban migrants into urban areas and the process of citizenship. Thus the second problem that needs to be solved is the reform or abolishment of the whole Hukou system. As pointed out in Chapter 8, the impact of Hukou status on participation in social insurance programmes has weakened, whereas the role of Hukou in discriminating against rural-urban migrants and preventing them from having equal rights to public services as urban citizens is still significant, even though the division of 'agriculture' and 'non-agriculture' residents was abandoned in 2015.

In addition, with regard to the discussion of migrant workers' lacks of trust in the social insurance system and the government, the state should urge local governments to put some

extra effort on communicating the policies to migrant workers. This will enhance migrant workers' awareness and understanding of social insurance, and further increase the participation rate of social insurance. Policy changes or reforms should be based on beneficiaries' actual needs, without a better awareness and understanding of the system, migrant workers would not find out whether or not this policy is suitable for them. High administrative costs and disincentives for employers' participation caused by frequent policy changes could also result in disincentives for migrant workers' involvement. The negative impact is mutually reinforcing.

Moreover, the problem of potential corruption in the social insurance system will also contribute to the lack of trust in the state and local authorities, have a negative impact on the credibility of the governments, whether central or local, and will eventually become a disincentive to the social insurance participation. In order to solve the problem of corruption in social security services, according to the International Social Security Association (ISSA), transparency is not enough, principles of accountability, predictability, participation and dynamism should also be followed (ISSA, 2013) and learn from good practices. Also, local governments should play an active role in improving migrant workers welfare and the establishment of a comprehensive and effective management, supervision and punishment mechanism may be helpful.

Contributions of the Thesis

Firstly, most of the studies on social insurance for migrant workers in China are focused on insurance indicators such as the eligibility, participation rates, and coverage or their analyses are only based on one or two social insurance programmes, few have considered the social insurance system as a whole and analysed it from the perspectives of rural-urban migrant workers (Li, 2008). This research used qualitative semi-structured in-depth interviews to explore the experiences and opinions of migrant workers against social insurance. Therefore, this research provides a new perspective of understanding of the social insurance system at a practical level. Further, it develops social insurance policy beyond the macro level (the state),

as this research focuses on the micro level (the individual) by analysing how individual rural migrant workers react to the changes in social insurance policies.

Secondly, previous research on welfare regimes in developing countries have usually focused on classifying and explaining variations in social policy at the national level. Nonetheless, social policy is often shaped by sub-national actors, particularly in large developing countries, as a result, the typology of China's welfare system has not been well researched yet (Ratigan, 2014). This research contributes to the development of understanding of welfare regimes in China by classifying its welfare system at provincial level into four clusters. It also relates this welfare typology with migrant workers' migration behaviours in China.

Thirdly, the theoretical framework which contains modernisation theory, state socialism and localism, provides a new perspective for future research on social insurance and migration. The modernisation process in China is unique with its 'incomplete urbanisation' (Chan, 2010), the rural-urban dichotomy and the limitation of labour mobility are the two main characteristics of Chinese urbanisation. The state plays an important role in causing these problems. In terms of administrative powers, there has been a significant devolution of powers to lower-level governments, but the hierarchical nature of the top down polity remains. The power remains vertically organised and determined from top to bottom. The higher ranks not only reflect political/administrative power but are also important in the distribution of fiscal resources in the formal system and local economic development (Wong, 1997; Li, 2001; Chan and Zhao, 2002; Chan et al., 2002; Ma, 2005). In terms of social insurance policy, the state is responsible for policy making and the local governments are the implementers. This will lead to the localisation of social insurance provision and prohibit the unification of the social insurance system.

Fourthly, this research adds new arguments to the studies of citizenship of rural-urban migrant workers in China. Following Plant (2003) two notions of citizenship are identified, one defines citizenship as a basic status, and the other emphasises obligation, virtue and contributions rather than rights. In China rural-urban migrant workers have to earn their

citizenship in urban areas because social insurance contributions and tax records are necessary conditions for applying for an urban Hukou. The study of citizenship in China is at an early stage and the Hukou system is about to be abolished by the central government. Even so, the citizenship of rural-urban migrant workers is neglected by the state and is difficult for them to earn. Without a Hukou system, rural-urban migrant workers are still being discriminated against by the urban citizens.

Fifthly, this thesis is one of the first to interview migrant workers about the impact of social insurance on them. Most studies on migrant workers and social insurance focus on analysing policies and impacts that these policies might have on migrant workers. But this research uses a bottom-up approach, firstly to collect data by interviewing rural-urban migrant workers which shows migrant workers' opinions on policy making and policy changes; and secondly to analyse the data in order to find out what impact might these migrant workers' views have on the state's social insurance policy and to explore possible implications for the development of social protection and welfare system in China.

Limitations and Future Research

This thesis introduced a quantitative cluster analysis of variables related to social insurance participation, population structure and economic development. The results of this analysis provide an interesting framework for further research. Under this framework, further research can be conducted in several ways, either from a policy-oriented or beneficiaries-oriented perspective. Policy arrangements in each cluster or the satisfaction of social insurance beneficiaries can be examined and compared in order to test the robustness of the results. The qualitative analysis is mainly based on interviews with rural-migrant workers and NGO staff, so there is an absence of the views of government official and policy makers. From the point of view of policy implementers and policy makers, they may tell a different story of the difficulties and limitations that the governments encounter during the development of social insurance. In addition, although gender issues are briefly discussed throughout this thesis, further research should explore the specific problems that female rural-urban migrant workers'

experience, as well as the issue of left-behind older people and children.

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Appendix 2.1 Profile of Migrant Workers

	Code Name	Gender	Age	Marriage	Province	Education	Years	Work Type
1	Lin	M	40-45	Y	Henan	2	>10	Service
2	Chen	M	45-50	N	Hunan	2	20	Manufacturing
3	Peng	M	20-25	N	Hubei	5	3-4	Service
4	Wu	F	20-25	N	Guangdong	4	<1	Service
5	Zhang	M	50-55	Y	Hunan	2	>20	Manufacturing
6	Wei	M	45-50	Y	Jiangxi	1	>10	Manufacturing
7	Qi	F	25-30	N	Guangdong	5	1.5	Service
8	Sun	F	30-35	Y	Guangdong	2	>10	Self-employ
9	Wang	F	20-25	N	Guangdong	4	>4	Service
10	Qian	M	<20	N	Guangdong	4	1.5	Skilled
11	Chun	F	20-25	Y	Guangdong	3	6	Service
12	Guo	M	25-30	N	Hunan	3	5	Service
13	Liang	M	35-40	Y	Guangdong	4	17	Skilled
14	Hu	F	35-40	Y	Guangxi	4	15	Service
15	Zhou	M	30-35	Y	Hunan	5	10	Engineer
16	Pei	F	20-25	N	Sichuan	2	<1	Service
17	Liu	F	<20	N	Guangdong	4	<1	Service
18	Qin	M	60-65	Y	Guangdong	1	18	Service
19	Bai	M	<20	N	Hubei	2	2-3	Service
20	Sun	M	30-35	Y	Hunan	3	>10	Service
21	Long	M	50-55	Y	Guangdong	2	20	Service
22	Qu	M	45-50	Y	Henan	2	>10	Manufacturing
23	Meng	F	<20	N	Guangdong	4	1	Service
24	Li	M	45-50	Y	Henan	1		Construction
25	Chang	F	20-25	N	Hubei	2	3	Manufacturing
26	Liao	F	35-40	Y	Jiangxi	1	>10	Manufacturing
27	Cheng	M	40-45	Y	Sichuan	2	>10	Self-employ
28	Pin	M	35-40	Y	Hunan	2	7-8	Self-employ
29	Xiao	M	40-45	Y	Henan	2	>10	NGO
30	Bo	M	20-25	N	Hubei	5	3-4	NGO
31	Yan	F	20-25	N	Guangdong	4	<1	NGO
32	Ling	F	25-30	N	Guangdong	5	1.5	NGO
33	Mu	F	20-25	N	Guangdong	4	>4	NGO

Notes:

1. Educational Level: 1 - primary school; 2 - secondary school; 3- high school; 4 – postsecondary specialised college; 5 - bachelor degree
2. ‘Years’ means the working years of these migrant workers.

Appendix 2.2 Interview Guide for Rural-Urban Migrant Workers

Interview # _____

Date ____/____/____

Interview Guide and List of Questions for Migrant Workers

Script

Welcome and thank you for your participation today. My name is Yang Luo and I am a PhD student at the University of Sheffield. This interview will take about 30 minutes and will include some brief questions regarding your experiences and opinions regarding the social insurance system for migrant workers in China. I would like your permission to tape record this interview, so I may accurately document the information you convey. If at any time during the interview you wish to discontinue the use of the recorder or the interview itself, please feel free to let me know. All of your responses are confidential. Your responses will remain confidential and will be used to develop a better understanding of China's social insurance system for the purpose of my PhD.

At this time I would like to remind you of your written consent to participate in this study. I am the responsible investigator, specifying your participation in the research. You and I have both signed and dated each copy, certifying that we agree to continue this interview. You will receive one copy and I will keep the other under lock and key, separate from your reported responses. Thank you.

Your participation in this interview is completely voluntary. If at any time you need to stop, take a break, or review an answer, please let me know. You may also withdraw your participation at any time without consequence. Do you have any questions or concerns before we begin? Then with your permission we will begin the interview.

Facesheet:

Name: _____

Gender:

Male

Female

Hometown: _____ Province

Age:

Educational Level:

Marriage Status:

Married

Not Married

List of Questions:

1. How long (many years) have you been here as a migrant worker?

_____ Years _____ Months

2. Do you have any children? If yes, how many children do you have, Is your wife or children here with you or they are staying at your hometown? Why?

3. Do you know what social insurance is?

Yes

No

if yes, can you tell me your own understanding of social insurance, e.g. what is its functions, what does it include and so on?

4. Are you participating in any social insurance programmes now?

Yes

No

If yes to question 4:

5. Which programme(s) are you in, for how long?

_____ Programme(s)

_____ Years _____ Months

6. Why are you joining this/these programmes?

7. Do you know what are the contribution rate, benefit level and other provision of the programme you joined?

8. Do you have any plan to change to another province to work? If yes, what would you do with your current social insurance account?

If no to question 4:

9. Did you participate in any social insurance programme before?

- Yes
- No

If yes to question 9:

10. Which programme(s) did you in, for how long?

_____ Programme(s)
_____ Years _____ Months

11. Why did you join this/these programmes?

12. Do you know what were the contribution rate, benefit level and other provision of the programme you joined?

13. Did you receive any benefit and what was the amount of benefits you received after you quit the programme?

14. Can you tell me why did you quit this programme?

15. Will you join the programme again in the future? Why?

Based on the answer given by the interviewee in question 15,

16. If some circumstances/requirements (e.g. contribution rate, benefit level, portability and some others) change, would you like to join it again? Why?

If no to question 9:

17. Why did you choose not to participate in any of these social insurance programmes?

18. Will you join the programme again in the future? Why?

Based on the answer given by the interviewee to question 18,

19. If some circumstances/requirements (e.g. contribution rate, benefit level, portability and some others) change, would you like to join it? Why?

For all:

20. If other province provides a social insurance programme with e.g. lower contribution rate, higher benefit level, shorter waiting period and so on, will you consider to move to that province? Why?

21. Do you think it is right that there are differences between provinces in social insurance for migrant workers?

General questions:

22. Do you feel welcome here?

Prompt: or some other places that you have worked?

23. How often do you return home?

Prompt: when did you last see your family/wife/child?

24. What are the main problems/difficulties you face as a migrant workers?

25. Is it easy for you to find a job here? Why?

Prompt: main obstacles?

26. How did you find your current job?

Prompts: by his/her own, introducing by someone else, and so on; how about other jobs you had before?

27. Have you signed a contract with your current employer?

Prompt: how about other jobs you had before?

28. What is your current job here and what is your monthly wage right now? Is it the highest salary you have ever had?

Prompts: any other jobs? Higher wage at where, when and doing what kind of job?

29. How long does your job usually last?

Prompts: less than 6 months, more than a year

30. How much money do you usually send home and how often?

31. Before we conclude this interview, is there anything else you would like to share?

***** If participant wishes to discontinue study, ask if they would be willing to share why:**

Thank you for your participation.

Appendix 7.1 Original Data of Variables Used in Cluster Analysis, 2013 and 2017

2013 Variables Data													
Code	Province	Participation Rate of Old Age Insurance	Participation Rate of Unemployment Insurance	Participation Rate of Health Insurance	Participation Rate of Work Injury Insurance	Revenue of Local Social Insurance Funds per capita	Expenditures of Local Social Insurance Funds per capita	Regional Social Security Expenditures per capita	Ratio of Regional Social Security Expenditures and Regional GDP	Average Annual Wage of Urban Employees in Private Enterprises	Ratio of Rural and Total Residents	Regional GDP per capita	Differences Between Incomes of Rural Residents and Poverty Line
Cluster A													
1	Beijing	0.7185	0.5617	0.7424	0.5043	1.0220	0.7581	0.2218	0.0241	48,027	0.1371	94,648	14,801.2
2	Tianjing	0.4314	0.2309	0.4085	0.2776	0.5540	0.5010	0.1558	0.0160	41,975	0.1800	100,105	13,052.6
9	Shanghai	0.6608	0.2892	0.6442	0.4178	1.0585	0.8346	0.1938	0.0217	32,828	0.1039	90,993	16,908.3
Mean		0.6036	0.3606	0.5984	0.3999	0.8781	0.6979	0.1905	0.0206	40,943	0.1404	95,249	14,920.7
Cluster B													
5	Neimenggu	0.3387	0.1592	0.3168	0.1892	0.4305	0.3682	0.1966	0.0292	33,245	0.4131	67,836	6,684.9
6	Liaoning	0.5929	0.2274	0.5570	0.2937	0.6304	0.5446	0.1877	0.0304	30,233	0.3355	61,996	7,861.2
10	Jiangsu	0.5073	0.2730	0.4469	0.2922	0.4998	0.3887	0.0795	0.0107	36,308	0.3589	75,354	11,221.3
11	Zhejiang	0.6750	0.3252	0.5090	0.5189	0.5413	0.3967	0.0722	0.0106	35,302	0.3599	68,805	15,193.9
13	Fujian	0.3545	0.2166	0.3066	0.2650	0.2826	0.2136	0.0638	0.0111	36,657	0.3924	58,145	9,104.8
15	Shandong	0.4319	0.2083	0.3459	0.2622	0.3879	0.3277	0.0701	0.0125	34,317	0.4624	56,885	8,386.9

19	Guangdong	0.5800	0.3747	0.4816	0.4239	0.3755	0.2248	0.0702	0.0120	36,943	0.3224	58,833	8,767.8
Mean		0.4972	0.2549	0.4234	0.3207	0.4497	0.3521	0.1057	0.0166	34,715	0.3778	63,979	9,603.0
Cluster C													
3	Hebei	0.3386	0.1431	0.2626	0.2089	0.3425	0.3059	0.0721	0.0187	28,135	0.5189	38,909	6,887.7
4	Shanxi	0.3524	0.2100	0.3388	0.2882	0.4519	0.3319	0.1154	0.0332	27,580	0.4744	34,984	5,649.5
7	Jilin	0.4394	0.1736	0.3856	0.2630	0.4033	0.3735	0.1309	0.0258	24,244	0.4580	47,428	7,480.7
8	Heilongjiang	0.4825	0.2169	0.3944	0.2240	0.4929	0.4920	0.1414	0.0377	24,750	0.4261	37,697	7,069.0
16	Henan	0.3274	0.1798	0.2765	0.1875	0.2687	0.2206	0.0777	0.0227	23,936	0.5620	34,211	6,669.1
17	Hubei	0.3858	0.1617	0.2919	0.1762	0.3503	0.3163	0.1044	0.0238	25,898	0.4549	42,826	7,391.8
18	Hunan	0.3402	0.1439	0.2491	0.2278	0.2981	0.2496	0.0935	0.0255	27,637	0.5204	36,943	6,728.6
21	Hainan	0.4905	0.3195	0.4661	0.2614	0.3701	0.3347	0.1295	0.0368	30,002	0.4726	35,663	6,501.7
22	Chongqing	0.4461	0.2249	0.3113	0.2347	0.4565	0.3807	0.1454	0.0341	35,666	0.4165	43,223	6,192.5
28	Qinghai	0.3225	0.1375	0.3204	0.1866	0.4432	0.5596	0.2803	0.0771	26,226	0.5156	36,875	4,161.6
29	Ningxia	0.4229	0.2096	0.3194	0.2139	0.4438	0.4015	0.1571	0.0401	32,097	0.4801	39,613	5,298.7
30	Xinjiang	0.4730	0.2819	0.4846	0.3073	0.6760	0.4140	0.1162	0.0315	33,409	0.5552	37,553	5,546.6
Mean		0.4018	0.2002	0.3417	0.2316	0.4165	0.3650	0.1303	0.0339	28,298	0.4879	38,827	6,298.1
Cluster D													
12	Anhui	0.2811	0.1417	0.2481	0.1640	0.2820	0.2101	0.0885	0.0310	30,872	0.5214	32,001	6,550.0
14	Jiangxi	0.3413	0.1227	0.2579	0.1952	0.2371	0.1992	0.0838	0.0264	27,819	0.5113	31,930	6,788.8
20	Guangxi	0.2545	0.1198	0.2206	0.1540	0.2403	0.2238	0.0738	0.0242	28,508	0.5518	30,741	5,493.1
23	Sichuan	0.4726	0.1685	0.3522	0.1896	0.5014	0.3539	0.1028	0.0317	29,830	0.5510	32,617	6,080.7
24	Guizhou	0.2546	0.1398	0.2602	0.1965	0.2623	0.3581	0.0755	0.0330	29,370	0.6216	23,151	3,597.8
25	Yunnan	0.2026	0.1226	0.2414	0.1762	0.2711	0.1812	0.1078	0.0431	26,738	0.5953	25,322	4,423.6

26	Shannxi	0.3547	0.1759	0.2961	0.1958	0.3771	0.3168	0.1322	0.0310	26,454	0.4870	43,117	4,792.2
27	Gansu	0.2784	0.1574	0.2868	0.1619	0.3475	0.3245	0.1343	0.0553	24,334	0.5988	24,539	3,288.8
Mean		0.3050	0.1435	0.2704	0.1791	0.3148	0.2710	0.0998	0.0345	27,991	0.5548	30,427	5,126.9
Outlier													
31	Tibet	0.1893	0.1480	0.4135	0.2003	0.5095	1.9081	0.2338	0.0903	None	0.7628	26,326	4,253.4

2017 Variables Data													
Code	Province	Participation Rate of Old Age Insurance	Participation Rate of Unemployment Insurance	Participation Rate of Health Insurance	Participation Rate of Work-related Injury Insurance	Revenue of Local Social Insurance Funds per capita	Expenditures of Local Social Insurance Funds per capita	Regional Social Security Expenditures per capita	Ratio of Regional Social Security Expenditures and Regional GDP	Average Annual Wage of Urban Employees in Private Enterprises	Ratio of Rural and Total Residents	Regional GDP per capita	Differences Between Incomes of Rural Residents and Poverty Line
Cluster A													
1	Beijing	0.8544	0.6235	0.8356	0.5953	1.8015	1.2733	0.3664	0.0284	70,738	0.1350	128,994	21288.5
2	Tianjing	0.5074	0.2411	0.4292	0.3062	0.9657	0.8816	0.2952	0.0248	59,740	0.1708	118,944	18801.7
9	Shanghai	0.7299	0.4535	0.7049	0.4517	1.9961	1.5860	0.4388	0.0346	52,038	0.1228	126,634	24873
Mean		0.6972	0.4394	0.6566	0.4511	1.5878	1.2470	0.3668	0.0293	60,839	0.1429	124,857	21,654.4
Cluster B													
10	Jiangsu	0.5496	0.2867	0.4711	0.3061	0.7313	0.6383	0.1300	0.0122	49,345	0.3124	107,150	16206
11	Zhejiang	0.7051	0.3590	0.5504	0.5140	1.0606	0.8875	0.1417	0.0155	48,289	0.3200	92,057	22003.8
13	Fujian	0.4034	0.2416	0.3233	0.3152	0.4421	0.3627	0.1009	0.0123	48,830	0.3521	82,677	13382.8
15	Shandong	0.4389	0.2092	0.3321	0.2588	0.5205	0.5110	0.1131	0.0156	51,992	0.3942	72,807	12165.5
19	Guangdong	0.6777	0.4055	0.5079	0.4360	0.6148	0.3701	0.1274	0.0159	53,347	0.3015	80,932	12827.7
Mean		0.5549	0.3004	0.4370	0.3660	0.6739	0.5539	0.1226	0.0143	50,361	0.3360	87,125	15,317.2

Cluster C													
5	Neimen ggu	0.4428	0.1576	0.3158	0.1963	0.6910	0.5663	0.2784	0.0437	36,626	0.3800	63,764	9632.3
6	Liaonin g	0.6612	0.2306	0.5344	0.2923	0.8125	0.9140	0.3068	0.0573	35,654	0.3250	53,527	10794.8
7	Jilin	0.5292	0.1713	0.3743	0.2868	0.6257	0.6066	0.2027	0.0369	33,209	0.4336	54,838	9998.4
17	Hubei	0.4419	0.1604	0.2911	0.1876	0.6328	0.6340	0.1851	0.0308	37,142	0.4070	60,199	10860.1
18	Hunan	0.3414	0.1504	0.2314	0.2089	0.4876	0.4377	0.1484	0.0300	36,978	0.4538	49,558	9983.8
21	Hainan	0.4486	0.3130	0.3903	0.2633	0.6553	0.5369	0.1977	0.0410	45,640	0.4201	48,430	9949.8
22	Chongqi ng	0.5019	0.2366	0.3249	0.2560	0.8751	0.8360	0.2286	0.0362	50,450	0.3590	63,442	9685.9
26	Shannxi	0.4377	0.1637	0.2846	0.2109	0.6122	0.5484	0.1873	0.0328	37,472	0.4321	57,266	7312.5
29	Ningxia	0.5195	0.2241	0.3127	0.2286	0.7881	0.7046	0.2380	0.0471	38,982	0.4208	50,765	7785.9
Mean		0.4805	0.2008	0.3399	0.2368	0.6867	0.6427	0.2192	0.0395	39,128	0.4035	55,754	9,555.9
Cluster D													
3	Hebei	0.3713	0.1281	0.2386	0.2081	0.4596	0.4313	0.1299	0.0287	38,136	0.4500	45,387	9928.9
4	Shanxi	0.3762	0.1981	0.3128	0.2744	0.7106	0.6187	0.1747	0.0416	31,745	0.4265	42,060	7835.5
8	Heilongj iang	0.5360	0.1400	0.3750	0.2307	0.6975	0.8156	0.2451	0.0584	32,422	0.4062	41,916	9712.8
12	Anhui	0.3219	0.1412	0.2418	0.1690	0.3896	0.3079	0.1379	0.0319	41,199	0.4651	43,401	9806.2
14	Jiangxi	0.3983	0.1134	0.2214	0.2049	0.4681	0.4009	0.1436	0.0332	40,310	0.4539	43,424	10289.8
16	Henan	0.3957	0.1680	0.2561	0.1879	0.4058	0.3710	0.1214	0.0260	36,730	0.4984	46,674	9767.2
20	Guangxi	0.3235	0.1257	0.2316	0.1617	0.5006	0.4368	0.1389	0.0366	38,227	0.5079	38,102	8373.5
23	Sichuan	0.5537	0.1842	0.3620	0.2077	0.9756	0.6674	0.1808	0.0406	40,087	0.4921	44,651	9274.9
24	Guizhou	0.3569	0.1430	0.2490	0.2018	0.5157	0.4370	0.1393	0.0368	41,796	0.5397	37,956	5917.1
25	Yunnan	0.2639	0.1159	0.2192	0.1712	0.6158	0.5244	0.1563	0.0458	40,656	0.5332	34,221	6910.2

27	Gansu	0.3529	0.1358	0.2629	0.1631	0.4312	0.3868	0.1783	0.0628	37,704	0.5362	28,497	5124.1
28	Qinghai	0.4363	0.1309	0.2965	0.2047	0.8432	0.8028	0.3505	0.0798	36,588	0.4699	44,047	6510.3
30	Xinjiang												
	g	0.5355	0.2575	0.4429	0.2859	1.0821	0.9588	0.2151	0.0483	39,958	0.5063	44,941	8093.3
Mean		0.4017	0.1525	0.2854	0.2055	0.6227	0.5507	0.1778	0.0439	38,120	0.4835	41,175	8,272.6
Outlier													
31	Tibet	0.4125	0.1462	0.3846	0.3212	1.6260	0.9990	0.4625	0.1189	None	0.6914	39,267	36,315.0

Appendix 7.2 SPSS Cluster Analysis Results, 2013 and 2017

2013

Ward's Method

Case Processing Summary^{a,b}

Cases					
Valid		Missing		Total	
N	Percent	N	Percent	N	Percent
30	100.0	0	.0	30	100.0

a. Squared Euclidean Distance used

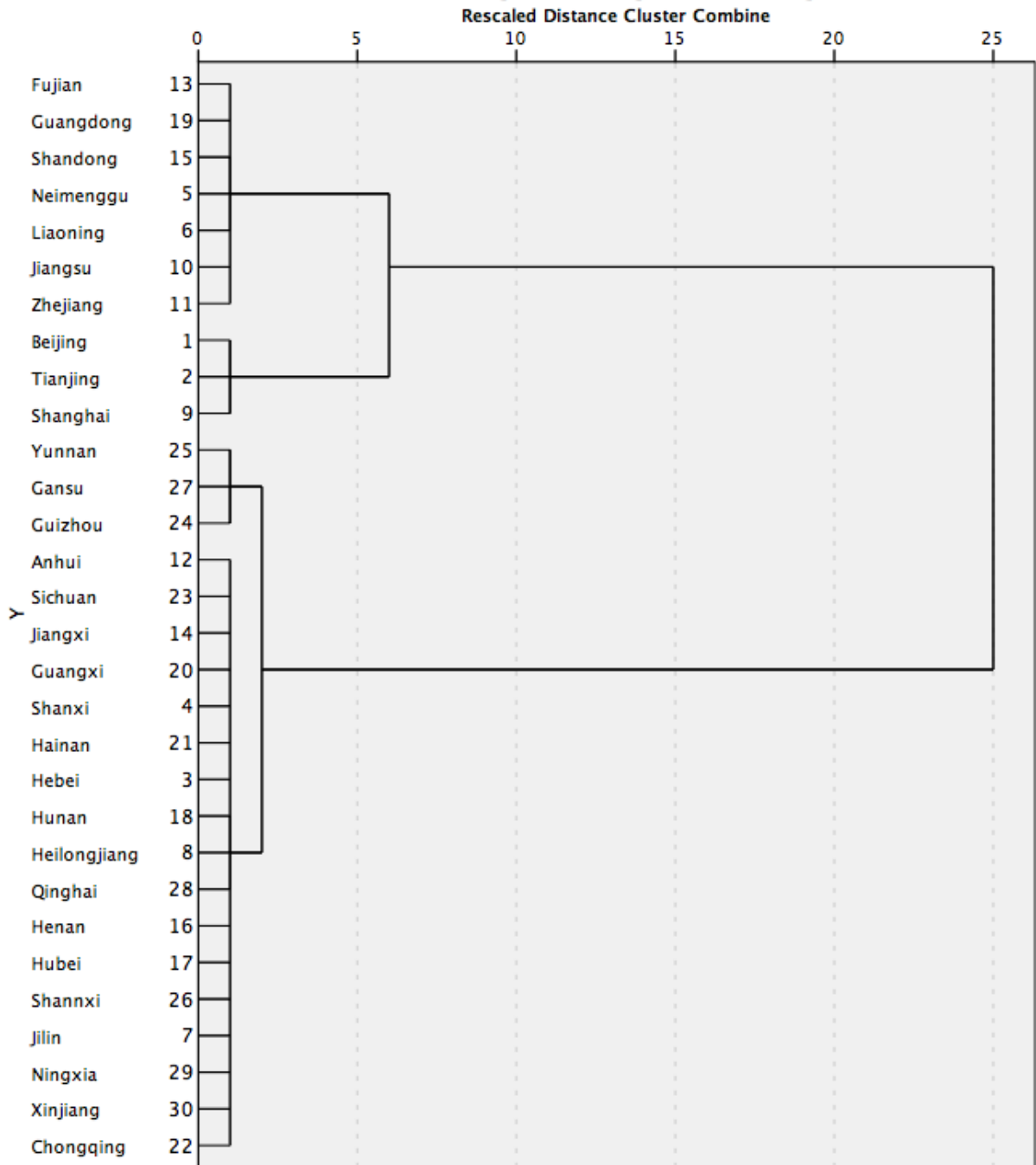
b. Ward Linkage

Agglomeration Schedule

Stage	Cluster Combined		Coefficients	Stage Cluster First Appears		Next Stage
	Cluster 1	Cluster 2		Cluster 1	Cluster 2	
1	13	19	334354.573	0	0	11
2	12	23	1177085.877	0	0	10
3	14	20	2960726.129	0	0	10
4	3	18	5029962.537	0	0	12
5	29	30	8043161.794	0	0	17
6	4	21	11569846.742	0	0	14
7	17	26	15145715.325	0	0	16
8	25	27	18985753.364	0	0	13
9	8	28	24639370.781	0	0	12
10	12	14	30402644.681	2	3	21
11	13	15	36429274.950	1	0	22
12	3	8	44012170.192	4	9	14
13	24	25	55967468.077	0	8	27
14	3	4	68841004.474	12	6	15
15	3	16	85221173.414	14	0	21
16	7	17	102235509.393	0	7	23
17	22	29	122640734.762	0	5	23
18	5	6	144921447.714	0	0	22
19	10	11	174762941.638	0	0	25
20	1	2	209494519.441	0	0	24
21	3	12	278656068.488	15	10	26
22	5	13	360948059.696	18	11	25
23	7	22	490850177.025	16	17	26
24	1	9	622730008.594	20	0	28
25	5	10	846162261.018	22	19	28

26	3	7	1079056078.106	21	23	27
27	3	24	1537765258.670	26	13	29
28	1	5	3731957593.909	24	25	29
29	1	3	13967886348.929	28	27	0

Dendrogram using Ward Linkage



K-means

Initial Cluster Centers

	Cluster			
	1	2	3	4
Participation Rate of Old Age Insurance	.3547	.4314	.5800	.2546
Participation rate of unemployment insurance	.1759	.2309	.3747	.1398
Participation rate of health insurance	.2961	.4085	.4816	.2602
Participation rate of work injury insurance	.1958	.2776	.4239	.1965
Revenues of local social insurance funds per capita	.38	.55	.38	.26
Expenditures of local social insurance funds per capita	.26	.50	.22	.36
Regional social security expenditures per capita	.13	.16	.07	.08
Ratio of regional social security expenditures and regional GDP	.0310	.0160	.0120	.0330
Average annual wage of urban employees in private enterprises	26454.00	41975.00	36943.00	29370.00
Differences between average revenues of rural residents and poverty line	4792.20	13052.60	8767.80	3597.80
Ratio of rural and total residents	.4870	.1800	.3224	.6216
Regional GDP per capita	43117	100105	58833	23151

Iteration History^a

Iteration	Change in Cluster Centers			
	1	2	3	4
1	4528.985	5304.536	5669.593	5803.524
2	.000	.000	.000	.000

- a. Convergence achieved due to no or small change in cluster centers. The maximum absolute coordinate change for any center is .000. The current iteration is 2. The minimum distance between initial centers is 19308.474.

Cluster Membership

Case Number	Province	Cluster	Distance
1	Beijing	2	7110.092
2	Tianjing	2	5304.536
3	Hebei	1	748.073
4	Shanxi	1	4246.262
5	Neimenggu	3	5054.838
6	Liaoning	3	5201.437
7	Jilin	1	9241.288
8	Heilongjiang	1	3810.783
9	Shanghai	2	9376.561
10	Jiangsu	3	11599.311
11	Zhejiang	3	7408.910
12	Anhui	4	4521.708
13	Fujian	3	6169.016
14	Jiangxi	4	3708.284
15	Shandong	3	7208.613
16	Henan	1	6520.196
17	Hubei	1	4474.882
18	Hunan	1	2338.897
19	Guangdong	3	5669.593
20	Guangxi	4	2170.809
21	Hainan	1	3964.418
22	Chongqing	1	8539.614
23	Sichuan	4	4411.958
24	Guizhou	4	5803.524
25	Yunnan	4	3683.941
26	Shannxi	1	4528.985
27	Gansu	4	5932.130
28	Qinghai	1	3608.008
29	Ningxia	1	4064.041
30	Xinjiang	1	5528.681

Final Cluster Centers

	Cluster			
	1	2	3	4
Participation Rate of Old Age Insurance	.3982	.6036	.4972	.2979
Participation rate of unemployment insurance	.1983	.3606	.2549	.1389
Participation rate of health insurance	.3382	.5984	.4234	.2667
Participation rate of work injury insurance	.2289	.3999	.3207	.1768

Revenues of local social insurance funds per capita	.41	.88	.45	.31
Expenditures of local social insurance funds per capita	.36	.70	.35	.26
Regional social security expenditures per capita	.13	.19	.11	.10
Ratio of regional social security expenditures and regional GDP	.0337	.0206	.0166	.0350
Average annual wage of urban employees in private enterprises	28156.46	40943.33	34715.00	28210.14
Differences between average revenue of rural residents and poverty line	6182.28	14920.70	9602.97	5174.69
Ratio of rural and total residents	.4878	.1404	.3778	.5645
Regional GDP per capita	39157	95249	63979	28614

Distances between Final Cluster Centers

Cluster	1	2	3	4
1		58190.467	25900.781	10590.825
2	58190.467		32324.194	68536.418
3	25900.781	32324.194		36229.627
4	10590.825	68536.418	36229.627	

ANOVA

	Cluster		Error		F	Sig.
	Mean Square	df	Mean Square	df		
Participation Rate of Old Age Insurance	.084	3	.009	26	9.257	.000
Participation rate of unemployment insurance	.040	3	.005	26	7.733	.001
Participation rate of health insurance	.088	3	.008	26	11.679	.000
Participation rate of work injury insurance	.048	3	.005	26	10.193	.000
Revenues of local social insurance funds per capita	.237	3	.016	26	14.709	.000
Expenditures of local social insurance funds per capita	.135	3	.011	26	12.342	.000
Regional social security expenditures per capita	.007	3	.002	26	3.255	.038

Ratio of regional social security expenditures and regional GDP	.001	3	.000	26	4.199	.015
Average annual wage of urban employees in private enterprises	184267017.082	3	13060873.721	26	14.108	.000
Differences between average revenue of rural residents and poverty line	85384712.216	3	3072551.374	26	27.790	.000
Ratio of rural and total residents	.145	3	.002	26	72.751	.000
Regional GDP per capita	4043839750.180	3	23382417.468	26	172.944	.000

The F tests should be used only for descriptive purposes because the clusters have been chosen to maximize the differences among cases in different clusters. The observed significance levels are not corrected for this and thus cannot be interpreted as tests of the hypothesis that the cluster means are equal.

Number of Cases in each Cluster

	1	13.000
Cluster	2	3.000
	3	7.000
	4	7.000
	Valid	30.000
Missing	.000	

2017

Ward's Method

Case Processing Summary^{a,b}

Cases					
Valid		Missing		Total	
N	Percent	N	Percent	N	Percent
30	100.0	0	.0	30	100.0

a. Squared Euclidean Distance used

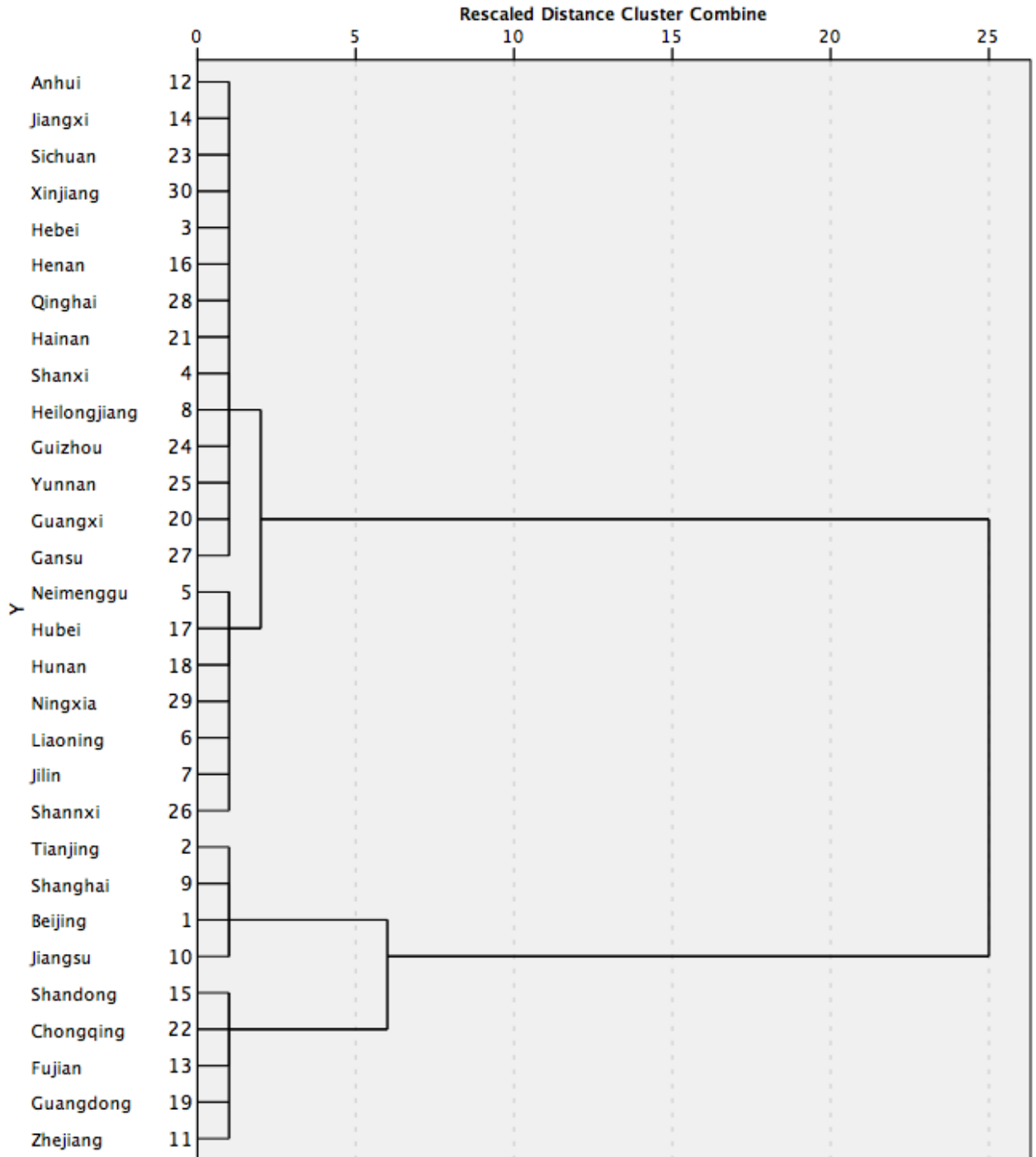
b. Ward Linkage

Agglomeration Schedule

Stage	Cluster Combined		Coefficients	Stage Cluster First Appears		Next Stage
	Cluster 1	Cluster 2		Cluster 1	Cluster 2	
1	12	14	512359.492	0	0	6
2	23	30	1260819.330	0	0	6
3	3	16	3090495.281	0	0	10
4	4	8	5092155.465	0	0	20
5	6	7	9257655.045	0	0	13
6	12	23	13567775.156	1	2	14
7	18	29	18719589.968	0	0	15
8	5	17	25961076.897	0	0	21
9	24	25	34079113.217	0	0	11
10	3	28	44605028.351	3	0	14
11	20	24	55864491.871	0	9	18
12	13	19	67742716.968	0	0	22
13	6	26	86585573.925	5	0	15
14	3	12	107975264.058	10	6	17
15	6	18	146556373.927	13	7	21
16	15	22	194671076.632	0	0	26
17	3	21	246400335.471	14	0	20
18	20	27	305206655.926	11	0	24
19	2	9	382865450.657	0	0	23
20	3	4	494885918.232	17	4	24
21	5	6	607177817.597	8	15	27
22	11	13	735267917.080	0	12	26
23	1	2	908131958.865	0	19	25
24	3	20	1205786557.470	20	18	27
25	1	10	1562290875.774	23	0	28
26	11	15	1946217343.768	22	16	28

27	3	5	2887724483.805	24	21	29
28	1	11	7025365360.922	25	26	29
29	1	3	25224886959.244	28	27	0

Dendrogram using Ward Linkage



K-means

Initial Cluster Centers

	Cluster			
	1	2	3	4
Participation rate of old age insurance	.8544	.7051	.5019	.3529
Participation rate of unemployment insurance	.6235	.3590	.2366	.1358
Participation rate of health insurance	.8356	.5504	.3249	.2629
Participation rate of work injury insurance	.5953	.5140	.2560	.1631
Revenues of local social insurance funds per capita	1.80	1.06	.88	.43
Expenditures of local social insurance funds per capita	1.27	.89	.84	.39
Regional social security expenditures per capita	.37	.14	.23	.18
Ratio of regional social security expenditures and regional GDP	.0284	.0155	.0362	.0628
Average annual wage of urban employees in private enterprises	70738.00	48289.00	50450.00	37704.00
Differences between average revenue of rural residents and poverty line	21288.50	22003.80	9685.90	5124.10
Ratio of rural and total residents	.1350	.3200	.3590	.5362
Regional GDP per capita	128994	92057	63442	28497

Iteration History^a

Iteration	Change in Cluster Centers			
	1	2	3	4
1	10735.115	6276.434	11684.072	13069.872
2	.000	3687.717	2151.936	.000
3	.000	.000	.000	.000

a. Convergence achieved due to no or small change in cluster centers. The maximum absolute coordinate change for any center is .000. The current iteration is 3. The minimum distance between initial centers is 31228.494.

Cluster Membership

Case Number	Province	Cluster	Distance
1	Beijing	1	10735.115

2	Tianjing	1	6656.762
3	Hebei	4	4525.841
4	Shanxi	4	6450.789
5	Neimenggu	3	8391.731
6	Liaoning	3	4308.738
7	Jilin	3	6005.940
8	Heilongjiang	4	5923.553
9	Shanghai	1	9537.697
10	Jiangsu	2	20070.828
11	Zhejiang	2	8563.367
12	Anhui	4	4097.256
13	Fujian	2	5085.826
14	Jiangxi	4	3731.378
15	Shandong	2	14750.868
16	Henan	4	5865.391
17	Hubei	3	5039.893
18	Hunan	3	6572.715
19	Guangdong	2	7311.928
20	Guangxi	4	3076.676
21	Hainan	3	9808.449
22	Chongqing	3	13685.842
23	Sichuan	4	4117.743
24	Guizhou	4	5424.522
25	Yunnan	4	7526.518
26	Shannxi	3	3171.890
27	Gansu	4	13069.872
28	Qinghai	4	3701.318
29	Ningxia	3	5296.022
30	Xinjiang	4	4194.348

Final Cluster Centers

	Cluster			
	1	2	3	4
Participation rate of old age insurance	.6972	.5549	.4805	.4017
Participation rate of unemployment insurance	.4394	.3004	.2008	.1525
Participation rate of health insurance	.6566	.4370	.3399	.2854
Participation rate of work injury insurance	.4511	.3660	.2368	.2055
Avenues of local social insurance funds per capita	1.59	.67	.69	.62
Expenditures of local social insurance funds per capita	1.25	.55	.64	.55

Regional social security expenditures per capita	.37	.12	.22	.18
Ratio of regional social security expenditures and regional GDP	.0293	.0143	.0395	.0439
Average annual wage of urban employees in private enterprises	60838.67	50360.60	39128.11	38119.85
Differences between average revenue of rural residents and poverty line	21654.40	15317.16	9555.94	8272.60
Ratio of rural and total residents	.1429	.3360	.4035	.4835
Regional GDP per capita	124857	87125	55754	41175

Distances between Final Cluster Centers

Cluster	1	2	3	4
1		39670.010	73436.677	87737.817
2	39670.010		33814.997	48070.921
3	73436.677	33814.997		14670.244
4	87737.817	48070.921	14670.244	

ANOVA

	Cluster		Error		F	Sig.
	Mean Square	df	Mean Square	df		
Participation rate of old age insurance	.083	3	.011	26	7.306	.001
Participation rate of unemployment insurance	.080	3	.006	26	14.497	.000
Participation rate of health insurance	.123	3	.010	26	12.941	.000
Participation rate of work injury insurance	.069	3	.004	26	15.432	.000
Revenues of local social insurance funds per capita	.794	3	.060	26	13.228	.000
Expenditures of local social insurance funds per capita	.415	3	.043	26	9.593	.000
Regional social security expenditures per capita	.041	3	.003	26	13.622	.000
Ratio of regional social security expenditures and regional GDP	.001	3	.000	26	8.483	.000

Average annual wage of urban employees in private enterprises	555986438.740	3	21162632.171	26	26.272	.000
Differences between average revenue of rural residents and poverty line	182781078.620	3	5042171.116	26	36.250	.000
Ratio of rural and total residents	.103	3	.002	26	63.891	.000
Regional GDP per capita	6997597092.469	3	51325701.368	26	136.337	.000

The F tests should be used only for descriptive purposes because the clusters have been chosen to maximize the differences among cases in different clusters. The observed significance levels are not corrected for this and thus cannot be interpreted as tests of the hypothesis that the cluster means are equal.

Number of Cases in each Cluster

Cluster	1	3.000
	2	5.000
	3	9.000
	4	13.000
Valid		30.000
Missing		.000