

Bringing China into Comparative Welfare Research:

**Pension Reform in China – A Historical
Institutionalist Case Study (1980s-2010s)**

LEI ZHANG

PhD

University of York

Social Policy and Social Work

September 2013

Abstract

This thesis aims to bring China into comparative welfare research by using a historical institutionalist framework to study Chinese pension reforms (1980s-2010s). The study takes as its starting point the literature on welfare state development and change in the West and thus traces the development of Chinese pensions in comparative perspective. The discussion of the determinants of Chinese pension development concentrates on the history (path dependence, timing and sequences) as well as meso level institutions (veto points, veto players) and their interplay with macro context and micro actors in the policy making process. In order to explore the key explanatory and outcome variables in the research framework, this study includes a detailed discussion of the conceptualization, operationalization, and measurement of the dependent variable, Chinese pension reform, as well as, by way of synthesizing key contributions in the existing historical institutionalist pension reform literature, a detailed theoretical attempt to disentangle the explanatory power of mainstream determinants of pension reform. 'Bringing China into comparative welfare research' thereby necessitates the proposition of a revised framework of analysis based on China's context and new developments within historical institutionalism. By using this alternative framework, this study attempts to improve the theoretical understanding of China as well as to discuss practical policy issues facing China.

List of contents

Abstract	i
List of contents	i
List of tables	ii
List of figures	i
Acknowledgements	1
Declaration	4
Chapter 1: Introduction	1
1.1 The substantive context: more than just ageing	1
1.2 Research context: China's exceptionalism?	3
1.3 Empirical approach	4
1.4 Main arguments	6
1.5 Thesis structure	8
Chapter 2: Welfare state scholarship and its relevance for China	12
2.1 Introduction	12
2.2 Comparative welfare state scholarship	12
2.3 East Asian welfare state study	20
2.4 Locating China in welfare research	22
The marginalised China in welfare state debates	22
The study of Chinese welfare states to date	23
The Chinese pension study	29
2.5 Concluding remarks	33
Chapter 3: Research design and historical institutionalism approach	36
3.1 Introduction	36

3.2 Research design.....	37
3.2.1 Research objectives	37
3.2.2 Research questions	38
3.2.3 Case study design	40
3.2.4 Data collection	41
3.2.5 Strategy of analysis	43
3.2.6 Quality control: reliability, validity.....	46
3.3 Historical institutionalism approach (HI).....	47
3.3.1 new institutionalism and historical institutionalism.....	48
3.3.2 Institution development model in HI: continuity matters	51
3.3.3 beyond continuity.....	55
3.3.4 Remodelling institutional development.....	60
3.3.5 HI in policy analysis and why I chose it for this study.....	61
3.4 Concluding remarks.....	64
Chapter 4: Explanatory framework and variables in comparative pension reform study.....	65
4.1 Introduction.....	65
4.2 Conceptualising and measuring the dependent variable.....	70
4.2.1 Conceptualising institutional characteristics	70
4.2.2 Measuring institutional pension reforms	75
4.2.3 Operationalizing quantitative institutional pension change.....	78
4.3 Determinants of pension change.....	83
4.3.1 Macro context: demographic ageing and the state of economies	83
4.3.2 Macro context: diffusion and policy learning.....	85
4.3.3 Meso-context: veto points and veto players	86
4.3.4 Meso-context: policy legacy and path dependency.....	88
4.3.5 Micro-context: key stakeholders	90

4.4 Causal links	94
4.5 Concluding remarks.....	98
Chapter 5: The China's case context.....	99
5.1 Introduction.....	99
5.2 The limitations of the Western case framework.....	99
5.2.1 The Western case framework in general.....	99
5.2.2 West-China comparison	101
5.3 A revised framework for China's case	103
5.4 Independent variables/explanatory variable in the Chinese context.....	105
5.4.1 Macro context and hypothesis.....	105
5.4.2 International idea diffusion and hypothesis	113
5.4.3 Political institution and hypothesis.....	113
5.4.4 Old age pension institution and hypothesis	123
5.4.5 Key stakeholders and hypothesis.....	126
5.5 Operationalizing empirical case analysis.....	128
5.6 Concluding remarks.....	130
Chapter 6: The urban case.....	132
6.1 Introduction.....	132
6.2 Historical development overview	133
6.2.1 State retreat and SOE welfare model crisis in the 1980s.....	133
6.2.2 The formation of the old-age social insurance model in the 1990s	135
6.2.3 the reform of the old-age insurance model in the 2000s	138
6.2.4 Social security legislation in 2010.....	145
6.3 Current urban sector programme: a description and evaluation.....	146
6.3.1 System architecture	146
6.3.2 Current system description - parameters and rules.....	149

6.3.3 Performance evaluation.....	153
6.4 Achievements and problems	162
6.4.1 Achievements	162
6.4.2 Problems	165
6.5 Outlook- the 12 th Five Year Plan	166
Chapter 7: Institutional analysis of pension reform.....	168
7.1 Introduction.....	168
7.2 Institutional analysis of pension reform in urban areas.....	168
7.2.1 the dismantling of SOE welfare in the 1980s.....	168
7.2.2 Formation of the social insurance model in the 1990s	170
7.2.3 Reform of the social insurance model in the 2000s.....	179
7.2.4 the institutionalized social insurance model	187
7.3 Conclusion.....	188
7.3.1 the dependent variable: the direction and extent of change.....	188
7.3.2 Independent variables and causal effects	194
7.3.3 Change pattern.....	197
Chapter 8: The rural case.....	203
8.1 Introduction.....	203
8.2 Historical development overview	203
8.2.1 Initiation stage (1986-1992).....	203
8.2.2 The expansion phase (1992-1998).....	205
8.2.3 The stagnation phase (1998-2002)	206
8.2.4 the renewal of local piloting (2003-2008).....	206
8.2.5 the new rural pension scheme (2009)	207
8.3 Old and new comparison.....	209
8.4 Performance evaluation.....	211

8.4.1 Coverage	211
8.4.2 Adequacy.....	213
8.4.3 Financial sustainability.....	216
8.4.4 Merits and problems	217
8.4.5 Outlook	218
8.5 Institutional analysis of the development of the rural pension programme.....	219
8.5.1 how it formed and reformed.....	219
8.5.2 Why	222
8.6 Conclusions	229
8.6.1 Dependent variables: direction and extent	229
8.6.2 Independent variables and causal effects	232
8.6.3 Change pattern.....	235
Chapter 9: Discussion	237
9.1 Research questions and findings	237
9.1.1 Question 1:what pension policy change has happened from 1980s to 2010s?	237
9.1.2 Question 2: has the pension institution undergo change or not, to what extent and in which way?	239
9.1.3 Question 3: what factors bring about the change in policy and institutional level?...242	
9.1.4 Question 4: how the casual factors interact with each other and push the pension institution evolve over the last decades?	244
9.1.5 Question 5: has the pension reform achieve the original objectives and what challenges are ahead in the future development?.....	248
9.2 Research aim: bringing China into comparative welfare studies	251
9.2.1 A comparison between the Chinese system and mature systems	251
9.2. 2 Comparison within China – urban vs. rural.....	261
Chapter 10: Conclusion	266

10.1 Implications.....	266
10.1.1 Practical: recent global trends towards a new paradigm of privatization.....	266
10.1.2 Theoretical: what does welfare regime discussion offer China?.....	272
10.1.3 Methodological: what does the historical institutional analysis offer?.....	274
10.2 Limitations	275
10.3 Future work.....	276
List of abbreviations.....	278
Reference	279

List of tables

	Page. No
<i>Table 4.2.1</i> A Taxonomy of Pillar-tier Pension Systems	63
<i>Table 4.2.2</i> Coding Framework for Pension Reform.....	67
<i>Table 5.4.1</i> Gini coefficients, 1993-2005.....	93
<i>Table 6.3.1</i> The multi-pillar pension system in China.....	129
<i>Table 6.3.2.</i> The public pension institution framework.....	130
<i>Table 6.3.3</i> A comparison of eligibility conditions.....	137
<i>Table 6.3.4</i> Gross pension replacement rates from public pension schemes (as percentage of individual earnings).....	138
<i>Table 6.3.5</i> Empirical replacement rates from public pension schemes by sector	138
<i>Table 6.3.6</i> The pension benefits disparity across professions and sectors (1997-2010).....	140
<i>Table 7.3.1</i> The characteristics of reform from the mid-1980s to the 2000s.....	165
<i>Table 7.3.2</i> Privatization index (2007-2012).....	169
<i>Table 7.3.3</i> Development path and patterns	173
<i>Table 8.2.1</i> Historical development (1986-2011).....	182
<i>Table 8.3.1</i> A comparison of the old and new rural pension schemes in China...	184
<i>Table 8.4.1</i> The replacement rate of the rural pension schemes (1995-2011)....	188
<i>Table 8.6.1</i> The characteristics of reform from mid-1986 to 2009.....	201

List of figures

	Page no.
<i>Figure 5.2.1</i> Institutional analysis framework of industrialized countries.....	86
<i>Figure 5.3.1</i> Analysis framework for China's case.....	90
<i>Figure 5.4.1</i> GDP, PPP increase and poverty rate decrease (1981-2007)	93
<i>Figure 5.4.2</i> Fertility rate and life expectancy (1978 -2010).....	94
<i>Figure 5.4.3</i> Population dependency ratio % (1980-2012).....	95
<i>Figure 5.4.4:</i> Projected population dependency ratio % (2010-2050).....	95
<i>Figure 5.4.5</i> The Chinese central government structure.....	101
<i>Figure 5.4.6</i> Central-local relations	104
<i>Figure 6.3.1</i> Pension fund management flow	133
<i>Figure 6.3.2</i> The coverage rate of basic pension insurance in the urban sector (1989-2010).....	135
<i>Figure 6.3.3</i> Comparison of the number of participants in the first and second pillars	136
<i>Figure 6.3.4</i> Comparison of pension funds in the first and second pillars.....	136
<i>Figure 6.3.5:</i> The replacement rate change by sector (1997-2010).....	139
<i>Figure 6.3.6:</i> The pension benefits disparity across professions and sectors (1997-2010).....	139
<i>Figure 6.3.7:</i> The adequacy of pension benefits.....	141
<i>Figure 6.3.8:</i> Pension fund balance (1990- 2010).....	142
<i>Figure 6.3.9:</i> The financial source portfolio of pension funds (2011).....	143
<i>Figure 7.3.1:</i> Public pension expenditure per retiree (1990-2010).....	167
<i>Figure 7.3.2:</i> Public pension generosity index (1997-2010).....	168
<i>Figure 8.4.1:</i> The coverage of the rural pension scheme (1994 – 2010).....	186
<i>Figure 8.4.2</i> The redistribution effect of the rural pension scheme.....	189
<i>Figure 8.6.1:</i> Generosity index from (1994- 2010).....	202

Acknowledgements

For me, the acknowledgment is in some ways more challenging to write than the thesis, although I was always expecting to write this part and have the opportunity to give my huge gratitude to the people around me. Finally when I reached this point, I was terrified to start, for fear that my words are too limited to express how grateful I am to have had them along the way. In the end, I decided not bore you with an official statement in a formal tone to write something that is maybe more emotional, but certainly more real to me. Writing this thesis was never my own effort and without the support of the following people, I would probably still be working on it now. I want to offer my thanks:

For my supervisor, Stefan Kühner, you deserve my gratitude not only for your efforts to improve my work, but for your incredible patience as I was struggling to work my way through it. You were never bossing me around whatever I did, allowing me to make mistakes, giving kind patient advice and helping me to grow through them too. In all honesty, it has been nothing but fantastic and wonderful to work with you. I have learned a lot from you, not only in an academic but also in a more common sense. You are precise and rigorous in academic research. You are also supportive in every aspect: helping me to get involved in the teaching in the Department, and leading me to the right direction by working with me on conference papers. I have learned a lot from your rigorous work, supervision style and your charming personality. You are the best, and I will always consider myself lucky to have you as my supervisor. Thank you.

For my thesis advisor, John Hudson, who is another of the many blessings in my life. Your suggestions were always “spot on” in our thesis advisory meetings and you were always generous with your time and patience. Attending your lectures was very fun and rewarding as you always managed to deliver your knowledge in a relaxing and accessible way. Your witty teaching style will be an example for me to follow in the future. You are not only a fabulous teacher, but a wonderful person, a role model inspiring me lot. Thank you for everything.

For many other people in the department, Dr Sabrina Chai, you organised a lot of social events for Chinese students in the Department and made us feel like home not only when we celebrated the Chinese festivals together. Dr Stuart Lowe, Dr Chris Holden, Dr Carolyn Snell, Dr Antonios Roumpakis, Dr Dan Horsfall, you assisted and encouraged me in meetings, PhD seminars and teaching over the course of my studies. Also thank you Samantha McDermott, for all your assistance, starting during the application process at the beginning, throughout the following four years it took to complete this study. I appreciate everything and thank you for all that you do.

For student colleagues and peers at the Department, learning from you has been another big gain for me. In particular, my office mates Nguyen Quang Tuan, Adam Formby, Shirley Kong, Amy Clair, Yong Chang, Yongho Chon, Eunkyung Shin, Tian Tian and Nancy (Nan Yang) deserve to be mentioned. We had numerous lunches and dinners together, went to the gym together, talked a lot in the common room and even had a few drinks there. For my friends at York and home, Liu Lin, Shi Yang, Zhang Jiahua, you helped me a lot with life and study. I am so thankful to have you around and also learned much from you.

I also wish to thank Professor Yin Jun for encouraging me to pursue a PhD abroad when I was studying in Wuhan University. Without his encouragement and support, I would never have taken this life journey in the UK. Studying abroad was like a dream and I never imagined this in my first twenty years. He opened a door for me to explore myself, helping me to climb over not only the Great Wall of China, but also the wall of my self-assumed limits. Thank you for giving me this energy and inspiration when I was studying with you.

Finally, I owe huge thanks to my family: father, mother and younger brother. Thank you for your understanding and for spoiling me by enabling me to have my own life in York. Even though sometimes you complained I was a naughty wild girl, did not have the married life as you expected, did not miss you as much as you did, you still stood by my side no matter what happened, no matter what I decided to do. In retrospect, I feel so grateful to have this luxury time of four years to spend all on my own terms. Without your support and selfless love and sacrifice, I would not have been able to gain these wonderful life experiences. My mother may never know

what 'stuff' I was working on and what life was going on around me in York. Her concern and worry about my work and life may have sounded silly and funny at times, but I always knew they came from warm and caring place. A very special thanks to my mom, love you.

Declaration

I declare that the thesis hereby submitted for the Doctor of Philosophy degree at the University of York is my work. Wherever contributions of others are indicated with reference to the literature, and acknowledgement.

Chapter 1: Introduction

1.1 The substantive context: more than just ageing

According to UN (United Nation) standards, China officially became an ageing nation in 2000, with more than 10% of the population aged 60 or over and almost 7% of the population aged 65 and over (Zhang, 2012). According to government figures, 13.7% of the population were 60 and over and 9% were aged 65 and over by the end of 2011 (Zhang, 2012). In addition, China's ageing has two distinct features: first, the rapid speed of ageing and second, and the phenomenon of 'getting old before getting rich'. According to UN data, the ratio of the population aged 60 and over increased by 3.8% during the ten-year period from 2000 to 2010. The same figure merely rose by 3% across the world in the sixty-years from 1950 to 2010 (Zhang, 2012). China's median age was only 22 in 1980, which represented a young developing country; it is now 34.5, and comparable to that in the United States, which is 37. The dramatic speed of ageing is illustrated in projections which see China's median age increasing to 49 by 2050(Gifford, 2012). More than 60% of nations worldwide became an ageing society with their per capita GDP exceeding US\$10,000 and 30% with per capita GDP of \$5000: China became an ageing country with a per capita GDP of less than \$1000 (Zhang, 2012).

Demographic aging in China result from comparative longevity but also because of a persistently low fertility rate. Over the past three decades, China's fertility rate has fallen from 2.6 to 1.56 as one of the consequences of the Chinese 'one-child' policy (Gifford, 2012). At the same time, China may be facing a long period of ultra-low fertility because of low marriage rates, high female participation in the labour market and an increasing number of unmarried females, all of which contribute to a further decline of fertility rates regardless of what happens to the one-child policy. In addition, the population control policy also impacted on the Chinese family structure; the so-called '4-2-1' formula considers a typical one-child family with two parents and four grandparents to look after, meaning that the burden of elderly care has become increasingly dramatic (Gifford, 2012). While it seems that the younger generation will not be able to afford this burden, the increasingly mobile labour market has further reduced the connection between adult children who are working

in other cities and their parents and grandparents. The inability to care for ageing parents at home has led to a characterisation of China as an ‘empty-nest society (Xie, 2013, Tatlow, 2012). These empty-nesters, many of whom are elderly with chronic diseases, numbered 99 million in 2012 and will exceed 100 million in the year of writing (Xu, 2012). The demise of the extended family and migration into urban centres has particularly reduced the cohesion within Chinese rural families (Zhang, 2009a). Here, the dependency ratio is projected to rise even more steeply than in cities as young people increasingly move out and leave the elderly behind.

The decline in the fertility rate in the modernising Chinese society, the steep ageing process and the demise of family support all call for the expansion of institutional old-age protection and elderly care. Institutionalised, comprehensive old-age protection arrangements are needed in China and the Chinese government will certainly need to be pro-active in institution-building to provide social protection for its people, particular for the elderly, for many years to come. Indeed, the Chinese pension system has been in flux, with reform measures being announced virtually annually. For these reasons, the first two decades of reform from the 1980s to the 1990s were mainly characterised by adjustment measures designed to aid the restructuring of the Chinese economy. The state retreated from its commitment to pensioners by forming social insurance programmes for the formal sector workers – that is, the labour market insiders. From the mid-2000s, universal access to public pension protection was put firmly on the agenda and old-age pension provision was extended to the private, informal and rural sectors in various reform packages. The ageing challenge has certainly pressed the Chinese government to respond to the socio-economic changes in China. So far, about a third of the population is covered by some kind of pension scheme and some China specialist calculates that under the current system the government could face unfunded liabilities of up to 6% of GDP annually in a few decades (The Economist, 2009). The government’s priority has been placed on working towards universal coverage of the public pension system by means of a multi-pillar pension system for formal labourers in the urban sectors. However, closing the coverage gap for labour market outsiders (including atypical labour, the unemployed and vulnerable groups) has proved difficult and several challenges still lie ahead. The late preparation (from the mid-2000s) and policy

implementation difficulties (legacy problems and emerging new issues) continue to pose huge risks for China's economic growth and social stability in the medium and long term.

The change in the dependency ratio and the aging trend not only reduce the available labour force in China, which drives wages up, but might also reduce China's high growth rates by forcing an upgrade of China's industrial structure and consequently contribute to slower growth (Zhang and Wu, 2005). There are several international examples in which higher old-age dependency rates have increased the likelihood of a growth slow-down scenario, which China is unlikely to be immune to (Eichengreen *et al.*, 2012). Indeed, the prediction of an upcoming prolonged period of slow growth in China is broadly consistent among analysts (Eggleston *et al.*, 2011). What is more, as already mentioned, the increasing internal migration in the advance of urbanization also poses a potential crisis for future social stability (Zhang, 2010). The question has been posed of how rural migrants will adapt when the Chinese economy is upgraded to a more skill- or technology-intensive system when their land is no longer a place of last resort. How will they afford necessary welfare contributions when job security is not guaranteed? More seriously, there are also voices that argue that demographic change will challenge the governance structure of China (Eggleston *et al.*, 2011). The bureaucratic efforts to deal with the social challenges in China will increasingly cause tensions between state and society. State intervention and welfare expansion, which have been at the heart of the Chinese government's attempts to deal with social inequalities, could increasingly be under threat as the slow-down in economic growth caused by demographic change reduces the state's capacities and resources to deliver welfare promises.

1.2 Research context: China's exceptionalism?

The circumstances described above are the main concerns which inspired the research topic of this thesis: institutionalised old-age protection has crucial significance for China's long-term development, not only for economic growth but also for its social and political stability (Eggleston *et al.*, 2011). How public old-age pension provision can deal with its current limitations and interact with the current and projected socio-economic challenges provide the crucial inspiration

underpinning subsequent discussions. The intention of this study is to synthesise the development process of this specific public welfare provision in the past and the present to learn historical lessons to inform the future. Beyond the macro policy focus, the discussion of the administration and governance perspective of Chinese pension programme also deals with the practical issues which could inform future Chinese administration. In the main, however, this study aims to make an academic contribution by bringing the Chinese case into the scope of comparative welfare studies.

Comparative welfare studies are usually conducted in capitalist–democratic countries and exclude societies which do not have either one or both of these characteristics. Even though interest in East Asian welfare systems has increased in recent years, the confirmation of this region as containing full-fledged ‘welfare states’ has remained controversial. In addition, transition regimes in Central/Eastern Europe and China have long been excluded from comparative welfare state analysis. There has been an emphasis on ethnocentric western social research or an Anglo-centric frame of reference which has led to the exclusion of developing countries because they were neither capitalist nor fully democratic, thus limiting the boundaries of comparative social policy studies (Kennett, 2004). In contrast, this current study follows Walker and Wong’s (2004) suggestion of the need to go beyond the welfare state assumptions of capitalism and democracy associated with cultural and economic contexts by studying the policy content or welfare institution in a particular country as a proper strategy to expand the comparative welfare study boundary. There has been a myth of Chinese exceptionalism not only because of the difficulties of conceptualising a non-democratic, non-capitalist case, but also because of the difficulties in practical case operation: the barriers of language, size, data access and the uneven development within China and the vast differences between China’s individual provinces.

1.3 Empirical approach

In responding to these opportunities and challenges, this study aims to bring together comparative social policy research and evaluative policy analysis for the case of China. The study will highlight the general patterns of similarities and differences

between established western theory and its applicability for China. Following the definition of ‘comparative social policy’ by Clasen (1999, p.3), this thesis is not a cross-national comparative study in nature, although examining the pension provision development over time in China's context could also be regarded as a variety of comparative study because it compares the policy trajectory and dynamic over time within a region. In addition, in the view of Ragin (1987), this study can be seen as an implicitly comparative study comparing China with theoretically decisive ideal-type cases (advanced welfare states). In short, the welfare arrangements and research literature on advanced welfare states which are different from China also broaden and inspire new reflection on the development path, drivers and policy process in the Chinese context. The framework for analysis developed from that used in advanced countries and globally to investigate the Chinese case facilitates an implicit comparison between them. Indeed, the conclusion also generalises the similarities and differences in terms of development trajectory and examines why these occur. Thus, this single-country study based on pension policy analysis and pension institution development observation will include China into the broader comparative social policy area and attempt to deal with the exceptionalist myth of the Chinese case. The choice of this particular welfare institution, pension arrangement, was not only because of its significance for contemporary China and the future development of the country, but also because of the degree of maturity of this institution compared with other Chinese welfare institutions. The pension system was the first welfare programme to be reformed in China in the 1980s and has been undergoing a substantive shift in hand with the country's economic transition, and has, in fact, undergone reforms almost annually. As a relatively mature welfare system which has formed a stable paradigm now, it is now possible to synthesise the development trajectory and examine influential drivers of change over time.

In the comparative social policy context, the case study approach examining the specific institutional, historical and political features of a country rather than a standardised data collection and analysis allows an opening to detect the causal links with the unfolding historical events. The historical institutionalist argument is ideally suited to the case study technique because it puts the specifics of institutional structures at the centre of the analysis and is more sensitive to timing and particularly

to history (Mabbett and Bolderson, 1999). An institutionalist account provides neutral comparators such as structure, function and culture to be compared or transplanted. Hence, it is possible to utilise a case, such as a specific country, with a comparative purpose.

This case study adopts the historical institutionalist theory and analysis framework, which was developed from pension reform literature to guide data selection, analysis and explanation. The historical institutionalist technique used as the basic method adopted in considering this case uses the institution to find the sequence and the dynamic behind the social, political and economic behaviour and change over time. This study puts political and pension institutions at the core, using broad process tracing to investigate each step of pension reform in China. The analysis framework was inspired by the pension reform literature and revised to suit the features of the Chinese case and produces explanations based on case evidence. The analysis framework could fulfil the comparative purpose as 'holding up a mirror to see one country' (Mabbett, 1999, p.28). The reviewing and learning process not only enables the research practitioner to understand the other's structure, value and practice but also enables reflection on how the other is different from the home country. In particular, this revised framework grappling with the specific historical and institutional circumstances of China could serve to illuminate the pattern of development in policy making and implementation, and also offer possibilities to explain the commonalities and differences between China and other cases. Hopefully, this study of specific welfare institution development in China could offer specific answers to the empirical issue, but also research implications for drawing China into the broader comparative picture.

1.4 Main arguments

This thesis demonstrates what has happened in Chinese pension reforms, the extent to which it has changed over time, and how and why both popular (expansion) and unpopular (retrenchment) strategies have been pursued by successive governments and practised in the implementation process. Adopting the historical institutionalist approach and pension reform empirical literature, this study first formalizes the institutional analysis framework. Then, inspired by previous welfare state reform

investigative studies, it clarifies the outcome variables issue (dependent variables) when capturing pension institution change. It follows the summary of explanatory variable propositions and proposes the hypothesis of these variables or equivalent ones in China's context. The analysis framework and the variable ingredients provide a map to explore China's case based on quantitative and qualitative evidences. If dealing with the Chinese exceptionalism myth is the original and crucial motivation of this thesis, the main arguments should bridge the communication and comparison between ideal cases (which are those mostly included in comparative welfare studies) and this outlier case (which is usually excluded from the standardized comparison because of many special features in this case). Therefore, our main argument should provide comparative implications to improve the understanding of this specific case. In a nutshell, it is argued that Chinese pension reform underwent a reverse development path, rather than welfare development after the industrialization, and then retrenchment in a time of austerity as witnessed in mature welfare states, and China's case has converged with patterns of pension retrenchment in the context of globalization and with the aid of international idea diffusion in the 1980s and eventually reached the welfare expansion age from the mid-2000s.

The extent of the reforms that the Chinese government adopted is modest compared with the fully privatized model and with highly path-dependent countries. The adoption of the partial defined contribution (PDC) model reflects the compromise between maintaining pay as you go (PAYG) and complete privatization. However, if we carry out a comparison within case, we find that the pension institution went through systemic change in the 1990s and the formation and confirmation of PDC demonstrates a radical shift from the socialist welfare model, and the efforts to introduce a multi-pillar model in the mid-2000s also represent another critical shift. Overall, our findings conclude that the systemic shift witnessed in urban China and the institution replacement in rural China all suggest the application of strong executive power to push radical reform at the top level, even though some of the measures were towards retrenchment. Compared with mature welfare democracies, it is less difficult for the Chinese government to pursue more radical reforms, but the Chinese government has not done this in a seemingly favourable environment.

The study also raises questions regarding how the international idea diffusion is structured by the domestic political institution, as well as the different manners of idea adoption across countries. In addition, in China's case, we have also witnessed how radical reform in the central level could not be achieved in practice in transitional China. The *de facto* veto players and veto points in existing political institutions and pension institutions reduced the effectiveness of reform policies, and with the noncompliance (drift) and the re-interpretation (conversion) all these factors challenged the state's capacities to push welfare reform in the past and will continue to do so in the future too. The determinants of change and continuity interplaying in the Chinese context provide a different scenario of pension politics as we concluded above, and this also inspired us to explore the implications for policy decision-making and implementation in the future. In particular, the conflicts between the central state and the sub-national governments centred on the sharing of funding and administration responsibilities. The matching of sharing between fiscal source control and administration responsibilities (including pooling level) is the key to solving these conflicts. The conflict between welfare expansion efforts and private interest invasion centres on the balance between economic development and welfare protection. Strong supervision or incentives for private sector participation or developing and regulating alternative provision are the solutions for further development. In terms of the recent expansion package, the new risk groups and the introduction of a new scheme also raise new conflicts over the well-intentioned state welfare provision and the limited contribution capacities of the participants. The innovative scheme design targeting the vulnerable groups who could not afford the contributions and the financial support from central or local government are the keys to resolving this conflict. Similarly, in the rural sector, further expansion in the less-developed regions and less-wealthy groups also needs to address the money issue.

1.5 Thesis structure

The thesis is structured as follows. The following *Chapter 2* will provide a detailed summary of previous welfare studies in advanced welfare states and in East Asian regimes, as well as some academic studies of China's welfare and pension programme. We shall present a general picture and development route of

comparative welfare studies based on regime classification, and the countries involved will include mature welfare states, East Asian regimes and China. By doing this, we shall locate China in the comparative welfare study landscape and the general state of Chinese pension reform studies will lay the foundations for stressing the rationale for this study and research design in chapter which follows.

Chapter 3 will then give a detailed explanation of the research design, the research questions, methods, data collection, analysis strategy and quality control. In addition, since this research is an interpretative case study with the aim of improving the understanding of our particular case, we have to follow a specific theoretical framework to enable case observation. Here, we shall adopt the historical institutionalist approach which provides an epistemological and theoretical foundation in general to guide the case observation and data collection.

The massive amount of comparative pension reform literature covering western countries or globally has been rooted in the new institutionalist tradition to provide answers to why and how the different cases have adopted different extents of reform when facing similar pressure. *Chapter 4* is inspired by this body of literature on welfare state development and change, and will attempt to clarify the outcome variables (dependent variables) and explanatory variables issue in the analysis framework. This chapter will put the specific analysis variables in pension reform studies into the historical institutionalist framework, and move down the ladder of generality, from abstract (grounded) social theory to our specific subject domain in particular, and through a critical review of the literature we shall provide the process of defining, operationalizing and measuring our outcome variables. In addition, we shall overview the propositions of explanatory variables emerging from the public pension reform literatures globally.

Chapter 5 will show how the analysis framework and the power of the explanatory variables conducted in the previous chapter is adjusted and adopted in the context of this case study of China. We shall expand our observation to cover the whole policy process based on our collected data. In addition, we shall examine the presence and absence of explanatory variables in China's context and try to conceptualize them in a systematic manner. After that, we shall propose hypotheses regarding these

explanatory variables in China's context and then offer possible explanations of our case and our comparative findings.

The subsequent analysis section of the thesis will follow the framework laid down and examine the variables which we identified and the hypotheses which we formulated. We shall start from the descriptive analysis and present the overall development path and performance of the various pension systems in China. We shall then go into a more theoretical analysis with the intention of mapping the pension institution development path as well as the dynamics. Given the urban-rural dual structure in contemporary China, and the starting point and development process of pension reforms in the urban and rural sectors, we shall present separate analyses. *Chapter 6* will offer a description of urban pension system development and performance based on official policy documents and administrative data.

Chapter 7 will provide a theoretical analysis of why and how the reforms progressed from decision-making to implementation. It will also generalise the development trajectory and explanatory variables effects in this sector based on the work presented in Chapters 4 and 5. In addition, given the short history and relatively fewer data and evidences in the rural sector system, we shall address the rural sector case in one chapter, combining the descriptive and analysis section into *Chapter 8*.

In *Chapter 9*, we shall summarize our main findings by presenting answers to the research questions stated above. We shall also show our preliminary comparative findings by comparing them with other reform experiences in global and within case comparisons (an urban/rural comparison).

Chapter 10 will summarize the implications from the practical, theoretical and methodological aspects, discuss the limitations of the thesis, and consider interesting question for future study.

Part one: literature review and rationale

Chapter 2: Welfare state scholarship and its relevance for China

2.1 Introduction

This chapter offers a review of comparative welfare studies in recent decades and a summary of the causes and consequences of welfare state/system variations based on mainstream welfare typologies (Esping-Andersen, 1990). Comparative welfare state studies were originally confined to the affluent democracies but the East Asian regimes have increasingly been drawn into welfare state modeling debates since (*see e.g. Holliday, 2000*). The principal issues in this field include expanding the range of comparisons with non-OECD countries and overcoming the difficulties of cross-cultural research when classifying different welfare models. In addition, because of the methodological complexities of mapping a country as a whole in a specific classification, a disaggregated domain-specific comparison provides a possibility of generating a fruitful comparative contribution through recognizing the policy variations across the country (Alcock *et al.*, 2011). The review of comparative welfare studies not only explores the historical development of this field in social research and its relation with China's case, but also presents the rationale of this study: to capture the *DNA* of China's pension model in a way which makes it possible to join together the current comparative social policy discourses and thus minimising the cultural bias in this field of research.

2.2 Comparative welfare state scholarship

Contemporary comparative welfare-state research became a topical domain in the 1960s. In recent decades, this field has developed into explaining the consequences and causes of variations in welfare state development and reform in the post-war period (Clasen, 2007). This section will divide the literature into the history of welfare state development, expansion and retrenchment (Pierson, 2006). So-called 'causal research' (Amenta, 2003, p.94) occupies a considerable space in the literature, and revealing the dominant driving causes in different periods will help to synthesise the development of this research field. Different theories accounting for the causes have been hypothesised and tested in different stages. The theoretical account of the determinants of welfare state development and reform will be reviewed and divided

broadly into three strands of explanation: 'economics matters' 'politics matters' and 'institution matters'. The economics and politics matters-theses further account for what can be labelled the 'old politics' in welfare state expansion in the golden age, while the institution matters-thesis is typically utilised as part of the 'new politics' of welfare state resilience in time of austerity (Pierson, 1994; 1996; 2001) .

The central objective of this chapter is to explain the how and why of dramatic increases in spending by searching for the driving forces of welfare state formation and expansion, and describing convergent trends cross-nationally. Indeed, the first generation of welfare studies typically turned to economic factors or the industrialist logic to explain the common trajectory of maturity of welfare states (Myles and Quadagno, 2002). From the mid-1970s to the early 1990s, the research concern shifted to exploring why welfare states developed in different ways with different levels of spending, as well as the market, state and family nexus (Myles and Quadagno, 2002). The notion of divergence entered the research domain after a slight delay in the 1970s. The second generation of studies brought in the political perspective to account for welfare state diversity, and the regime theory is the most influential element in this generation's approach to understanding the politics of the welfare state (Myles and Quadagno, 2002). The period since the end of the 1970s has been characterised as one of “permanent austerity”, to use Paul Pierson’s (2002, p.410) term, because of the slower economic growth, high-level unemployment, rising deficits, and demographic pressures (Taylor-Gooby, 2004, Armingeon and Bonoli, 2007). The welfare state research agenda of the late twentieth century has been shaped by this austerity context. Despite the financial, economic and demographic pressures, research on the welfare state in this context did not confirm the demise of the welfare state but demonstrated the remarkable resilience of welfare states (Pierson, 1994). This generation of studies is marked as the 'new politics' generation and turned to institutionalism to account for the difficulties as well as the varying extent of welfare state reform responses. In the following part, a brief review of each generation of welfare state studies in developed countries will be undertaken.

Economics and capitalism matter

The first generation of welfare state research typically utilised the notion of industrialism to account for the emergence of welfare states throughout the developed world (Myles and Quadagno, 2002). In general, it was argued that industrialisation creates demands for public spending because of the erosion of kinship and family support (Wilensky, 1974, Flora and Heidenheimer, 1981); the commodification of labour generates specific social risks for vulnerable groups, such as the old, the sick and the young, in an industrialised society. As the industrialisation proceeds, the function of traditional families and particular categories of individuals whose labour has become surplus (the young, old and disabled) reduces (Quadagno, 1987). In addition, the state institutionalises social provision to facilitate the functional industrialising societies, providing financial support and protection against specific risks and vulnerabilities, such as sickness, accidents, disabilities and unemployment (Zutavern and Kohli, 2010). At the same time, increasing productivity and economic growth provide the resources for the state to deal with the problems in the industrialisation process, while burgeoning state bureaucracies gain the ability to implement and administer national legislation (Janowitz, 1976).

In parallel with industrialisation, the logic of capitalism emphasized the origins and development of welfare states from the perspective of capitalism, in which the welfare state stemmed from the capitalist state motivation of capital accumulation and legitimating it (O'Connor, 1973). As O'Connor (1973) argued, for instance, welfare state expansion was driven by the capitalist state to create conditions for capital accumulation, as well as through social provision to legitimise this production mode. In this sense, the welfare state is the inevitable response to the large capitalist economic force (Offe and Keane, 1984). Even though this account is different from industrialisation in content, both of them essentially follow a functionalist logic of welfare development.

In addition, the logic of industrialism and capitalism thus implicitly claimed that nations with a comparable level of economic development would converge towards a similar level of welfare state development, which is more contentious because it neglects the impact of power, resources and competition and their impacts on the scale and design of social programmes. Indeed, in contrast to the functionalist claims

about welfare convergence, no marked trend was witnessed when countries became wealthier. In order to identify the causal factors behind dissimilarities between countries, welfare research shifted to the variations and sources across countries emphasising political conflict, power resources and partisan effects. These explanations of the 'old politics' of the welfare state were better able to account for the different extents and characteristics of state welfare provisions than their functionalist predecessors.

Politics matters in the old sense

By the end of the 1970s and in the 1980s, in the search for the root cause of divergence in welfare state development, the 'politics matters' group gained pride of place. The power resource paradigm formed by Walter Korpi became the benchmark model to test the thesis empirically (Orloff, 1993, Korpi, 2001). The arguments can be summarised as follows: the more the mass of the population is organized within a social democratic movement, the higher the redistribution of welfare provision is achieved. Thus, the development of welfare state maturity arguably was the consequence of a power shift in favour of the working class and social democracy. The power resource distribution between the social classes determined the political intervention in the economy and the extent of redistribution (Kersbergen and Becker, 2002). The empirical evidence supported the conclusion that divergences in welfare state development stemmed from the power balance of political actors, including parties, particularly parties on the Left, as well as trade unions and their alliances that shape the democratic class struggle and determine the level of spending and entitlements (Myles and Quadagno, 2002). In short, this body of scholarship emphasised the role of political actors, including parties and trade unions, in shaping the divergent outcomes of welfare states (*see also Schmidt 1996*). In particular, there is a consensus in the literature that the political efficacy of Left parties depended on their connection with strong trade unions, and organized labour and employers played a crucial role in advancing welfare development (Stephens, 1986).

As for the actor of party, the 'partisan theory' argues that the political parties and the party composition of the government are the major determinants of welfare state development (Hibbs, 1992, Castles, 1999). Importantly, more recent research

confirmed that the extent to which parties have an impact on welfare policy is contingent on the state structure. According to Schmidt, large partisan effects are witnessed in majoritarian democracies and states, while more complex and less visible partisan influence is typically noticeable in consensus democracies (Schmidt, 1996, Kuhner, 2012).

Closely related to these important amendments to partisan theory, the second wave of 'politics matters' research was initiated by Evans et al. and the call to "bring the state back" in the 1980s (Skocpol, 1985). This started a more state-centred approach, which paid attention to operationalizing state structures and political institutions in quantitative and qualitative ways in an attempt to finding their relations with the welfare state. Skocpol and her colleagues (*see e.g. March and Olsen, 1984; Steinmo et al., 1992*) emphasised the organisation and structure of state institutions to account for the divergence of welfare states. This development started from broad comparative historical studies of state structure to a narrower focus on the impact of particular political institutions on welfare state development (Immergut, 2010). Thus, it is argued that the state as actor and structure shaped the interests, ideas, and capacities of key actors and thus the final outcomes of the policy making process. Here, the explanatory variables included institutional features of government and the rules of electoral competition, and the main explanations established linkages between these institutions and the opportunities and limits of political actors in accomplishing their goals (*see Chapter 2 and 3 for a more detailed account*). In other words, it was argued that not only the power balances between political actors, but also the constraints and opportunities imposed from the institutional setting determined welfare outcomes (Myles and Quadagno, 2002; Blau, 1989).

As for the question how to operationalize the political institution, 'veto points' or 'veto players' were among the most prominent tools to classify diverse political configurations across countries. For instance, Immergut focused on 'veto points' created from the interaction of constitutional structures and electoral results. Importantly, this means that the number and location of veto points in a political system change as the political configuration changes. In other words, the veto points by themselves do not veto anything, but have to be used by the opponent to block legislation (*see also Pierson, 1994*). Therefore, veto point analysis is dynamic and

depends on the political majority and political preference (Immergut, 1992b). Similarly, Tsebelis (1995) adopted the term 'veto player' to conceptualize a political configuration including partisan veto players and institutional veto players in an attempt to explain the difference in the ability of a government to pass specific laws and to predict the likelihood of policy change. In sum, all these operational measures characterise the power division between executives, legislatures and party systems. Concepts such as state capacity, autonomy and sovereignty (*see*: Lijphart, 1999) became crucial for explaining radical welfare expansion as opposed to merely incremental changes in comparative perspective (Immergut, 1992a; 1992b).

Probably the most persuasive support for the old 'politics matters' thesis was presented in Esping-Andersen's highly influential 'three worlds of welfare capitalism' (Esping-Andersen, 1990). The classification of welfare states as liberal, conservative and social democratic 'regimes' utilised the institutional logic by emphasising the concepts of de-commodification, social stratification and the welfare provision function between state, market and family. Institutional legacy and cross-class coalitions between strong Left parties and (mainly agrarian) Centre parties were regarded as the foundation of large universal welfare states, according to his classification.

Politics matters in the new sense

After the oil crises of the 1970s and the breakdown of the Keynesian model, combined with the ensuing economic stagnation, rising unemployment and increasing trade openness in the increasingly global economy, the economic system shifted to a service economy, and the 'Golden Age' of the welfare state passed (Taylor-Gooby, 2002). In its place, researchers saw the emergence of new social risks and an age of austerity (Pierson, 1994, Pierson, 2001, Taylor-Gooby, 2004). As a consequence, the 'welfare state crisis' scholarship gradually replaced the debate about welfare state development and expansion in the developed world. Marxism-inspired literature claimed that because of the problem of conflict between capitalism and the welfare state, the undermining contradiction between capitalism and welfare would threaten the survival of the welfare state. However, empirically this thesis was never confirmed. The demise of the welfare state did not materialise

in the way that much research had predicted; instead, the survival and resilience of the welfare state attracted attention and became the new puzzle in welfare-state study (Myles and Quadagno, 2002). It is this which can broadly be said to constitute the 'new politics of the welfare state' school.

The aim of this school of thought is to answer why and how divergent reform paths have been adopted by welfare states after the end of the Golden Age. Hence, while old theories of growth expansion and variation were increasingly out-dated and unable to explain first the resilience and then the retrenchment efforts adopted by the same political actors in a time of austerity, Pierson's (2001) 'new politics' discussion reshuffled the welfare state reform literature. One implication of his work was the increased understanding that the politics of welfare expansion and welfare retrenchment were very different indeed. Another implication was that he utilised and further developed the institutionalist study of the welfare state by stressing the impact of welfare institutions and policy legacies. Drawing on historical institutionalism (*see* Chapter 2), Pierson claimed that welfare states were trapped in commitments, expectations and vested interests, which made significant change unlikely. Instead, incrementalism and path-dependent reform was to be expected (Pierson, 2001, Pierson, 1996).

As for how the politicians responded to the new politics of the welfare state, Pierson (1994) followed Weaver (1987) and put forward the notion of blame avoidance as the main logic undermining the reform efforts and welfare states. In light of unchanged popularity of post-war welfare state settlements, there are three types of blame avoidance strategies that governments can apply: obfuscation (reducing the visibility of reforms and making the cutbacks less painful), division (restricting the negative consequences of reform to specific segments of the voting population), and compensation (side payments to the losers in reforms). The possibilities of applying such strategies vary due to the different programmatic structures of welfare schemes, thus explaining the variation in the extent of retrenchment (Pierson, 1996, Pierson, 1994).

The post-Pierson literature initially followed his footsteps and but also progressed in different ways: first, it emphasised the resilience assumption to reveal the underlying

causal links in the entire welfare state; more recently, a second trend has been to investigate the political process of retrenchment of singular policy programmes (Green-Pedersen and Haverland, 2002). Likewise, the explanatory approach has shifted to an institution-centred approach which combines variables, including the party system, election rule, political institutions, political learning and policy discourse, to explore to what extent and under what conditions the welfare states or welfare programmes underwent change or not (*see* Vis, 2011; Kühner, 2010; Kühner, 2012). In other words, recent studies on welfare state reform have been interested in exploring the impact of the same political actors and institutional features that once supported welfare expansion on processes of welfare adjustment and change in times of austerity.

Thus, starting from Pierson's work, the retrenchment of welfare-state literature has improved our understanding of contemporary welfare-state development, not only by identifying welfare-state change, but also by bringing together researchers to investigate country case and policy area studies (health and pension dominated). However, this school also suffers from some persistent weaknesses. Most prominently, the so-called dependent variable problem remains unresolved (Kersbergen and Becker, 2002). The dependent variable problem can be summarised as the question of what is to be explained in the new welfare-state scholarship: the resilience, reconstruction or recalibration of the welfare state, its cross-national varieties and how these 'concepts' can be measured (Castles, 2002; Clayton and Pontusson, 1998; Clasen and Siegel, 2007). Groups of scholars have continued to answer these questions in different ways (Clayton and Pontusson, 1998; Kühner, 2007; Castles, 2002).

Beyond new politics

However, path-dependent arguments have often emphasised institutional continuity over change. Historical institutionalism needed a more dynamic set of explanations to account for not only in the radical, but also incremental changes from the status quo. Therefore, another research stream developed which specifically aimed to explore the causal factors and causal mechanisms of change. Researchers started to look for ways to make the institutional approach more dynamic and sensitive to the

interactions of politics and of policy making (Bonoli, 2000; Kühner, 2010). The role of ideas and policy learning could also be seen as part of this effort and it has been argued that ideas or discourse matters about the welfare state change as political actors have been shown to adopt new ideas to justify or overcome the hindrance of welfare reform and thus successfully implement change (Schmidt, 2002; Béland, 2005). The adoption of new ideas or policy paradigms is akin to policy learning, and the degree to which the political actors ‘learn’ has been argued to determine the extent of the change (Hall, 1993). One strand of the literature treats ideas as the source of change, while another aims to reveal the causal mechanisms of institutional incremental change and argues that the apparent continuity contains small, gradual changes, which may accumulate into a crucial juncture in the future (Béland, 2007). In sum, it can be argued that recent welfare state studies have shifted from emphasising external sources (political structures and path dependencies) to consider the internal sources, including idea learning, to account for gradual endogenous change. Indeed, there are several difficulties in ‘rolling back’ institutionalised social programmes, but this does not imply that nothing is happening. Instead, established programmes create opportunities and space to channel welfare programmes to develop in a particular way (Pierson, 2011b). Recent discussions on how to study institutional change (Thelen, 2004; Pierson, 2004; Streeck and Thelen, 2005; Mahoney and Thelen, 2010) (*see* Chapter 2) facilitate the arguments beyond welfare resilience, opening up the space to study the paradox of stability and change at the same time.

2.3 East Asian welfare state study

Research interest in the evolution of welfare studies in the East Asian regimes has grown considerably over the past two decades, particular among scholars who are considering the economic miracle and its connection with social policy regimes. Integrating this region, which is different from Anglo-European welfare states, into comparative welfare studies has inspired more global debates about welfare state development (Peng and Wong, 2010). In addition, the East Asian regime approach to welfare evolution started with the scholars of this region working specifically on their own countries (for example, Mutsuko Takahashi in Japan, Yeun-Wen Ku in Taiwan, Kwong-leung Tang in Hong Kong, and Huck-ju Kwon in Korea) (Ku and

Jones Finer, 2007), and the inductively generated East Asian welfare regimes were mostly confined to the tiger economies, with China usually excluded from consideration.

East Asian welfare studies came to the attention of the international community after the 1990s because of the economic miracle, and the classification of this region constituted another important domain of comparative welfare studies. East Asian welfare studies were influenced by the mainstream welfare debates summarised above. For instance, initially accounts of industrialism emphasised the common trajectory of welfare-state origins and development in East Asia and suggested a convergence with Western systems in the medium and longer term (Ku and Jones Finer, 2007). Since then, however, there have been numerous review articles on East Asian social policies which have encouraged East Asian scholars to develop their own accounts of welfare systems and welfare development in their home countries (Kwon, 1997; Arts and Gelissen, 2002; Ku and Jones Finer, 2007; Aspalter, 2006).

East Asian welfare state studies can be classified into the following groups. First, this region as a relative latecomer has provided fertile empirical evidence to test the classic welfare theories. This research not only tested the industrialist logic in which economic growth and industrialisation would lead to welfare-state growth, but also distinguished the varieties of social welfare levels related with the economic development level by expanding and comparing the study region with the developed countries (Dixon, 1985). Studies of welfare state expansion with democratisation in Taiwan and South Korea also tested the power resource theory (Ku, 1995; Kwon, 1998; Kwon, 1999).

Second, the East Asia welfare state research also joined the discourse about regime typologies and attempted to catch up with its Western counterparts. It is no surprise that East Asian welfare research joined the welfare state classification debates in the West. Many scholars attempted to classify East Asia welfare models, either by integrating them into Esping-Anderson's typology, or by generating a unique fourth model: Confucian welfare states (Jones, 1993; Goodman, 1998), developmental states (Midgley and Tang, 2001; Tang, 2000), productivist welfare capitalist states (Holliday, 2000; Gough, 2004), or conservative welfare systems (Aspalter, 2001a;

Aspalter, 2006). Beyond the generalisation of the East Asian welfare regimes based on their similarities, the differences within this region have also been explored in the literature, and two sub-groups emerged based on social policy patterns: the more inclusive social insurance model which includes Japan, South Korea and Taiwan, and the individualist market-based model which includes Hong Kong and Singapore (Peng and Wong, 2010), and according to Ramesh's classification, they are conservative and liberal regimes respectively (Ramesh, 2004).

A third group of studies has begun to emerge in recent years, and rather than exploring convergence in this region by generalizing specific families of nations, researchers have turned to examining the diversities and divergence of East Asian countries as a whole or on the basis of specific programmes by utilising an institutional / policy-centred approach (Peng and Wong, 2010). East Asian welfare state research has been dominated by attempts to contribute to welfare regime debates in the Western literature, although recently historical institutional scholarship of this region has also appeared tentatively. As Ku and Jones-Finer(2007) have stated, the future direction of East Asian research should emphasise more how and why the divergent scenarios occur in this region by exploring the causal mechanisms of social policy making by different methods. In short, East Asian research can contribute to comparative welfare debates on its own terms by expanding study objects, and including less-developed countries, as well as countries with different legacies, such as China. In this way, East Asian welfare research could provide more comparative perspectives to test and progress discussions in welfare state research more generally.

2.4 Locating China in welfare research

The marginalised China in welfare state debates

The scholarship on China is developing at a very slow pace, isolated from the mainstream welfare-state debate (Mok and Lau, 2013). The emerging East Asian welfare studies have usually excluded China as a unique variety of the East Asian welfare regime group. It is maybe no surprise that this is the case, given China's different development level, ideology and historical legacy compared with the Tiger

economies. Chinese 'exceptionalism' seems obvious in this context. However, the emerging power of China has attracted academic attention to explore the specific features of its economic and social development model. In particular, China as a post-socialist country, unlike the East European countries which experienced a radical shift towards capitalism and thus went into different extents of recession, has witnessed stable high economic growth during the last three decades (Aspalter, 2001a). China, similar to other Asian countries, also has a deeply embedded Confucian culture, while its development strategy arguably also converged towards its developmental or productivist East Asian neighbours (Horsfall and Chai, 2013). Not least, China is interesting because it presents a contradictory case: there are many common features with other East Asian nations, but also many distinguishing characteristics which have kept China out of any welfare state family (Hudson and Kühner, 2011). Yet, it is difficult to compare a complex, decentralised large country with homogenous economies; the authoritarian regime in China makes comparisons with the increasingly democratic tiger economies difficult.

Although China has always been excluded from welfare state studies from the 'three world' era to the 'Asian miracle' time, a large number of studies in recent years have begun to explore welfare policy change, welfare system development or even the Chinese welfare regime as a whole. Unfortunately, the scholarship on China's welfare state connected with the welfare-state discussion and debate has not attracted much attention. The following section will present a brief summary of recent progress.

The study of Chinese welfare states to date

As mentioned above, China is normally excluded from the mainstream comparative welfare debate. However, numerous studies have begun to address China's social security reform in the economic transition context (Saunders and Shang, 2001; James, 2003; Feldstein, 1999; White, 1998; Cook, 2002; Zhang 2007; Zhang, 2009a, Zhang 2009b). These studies examine policy change from the economic marketization perspective, particularly associated with the re-construction of state-owned enterprises (SOE) and the SOE welfare systems. Following its Western and East Asian predecessors, Chinese welfare state research also confirms

conventional theories, including industrialisation and its impact on welfare system change. Thereby, arguments that the SOE planned economy shifted to a market economy, and the SOE or (unit based) welfare system was replaced by social insurance models are akin to the 'economics matters' logic. Given the absence of political democratisation in China, unlike its East Asian neighbours with their welfare expanding under political democracy, there is no observation of the same dynamic in China. This is also one of the reasons why China was typically excluded from the East Asia regimes (Aspalter, 2001a).

There is also a literature gap in Chinese welfare state research exploring the impact of democratisation and social movements on the welfare system. However, one of the few exceptions is work of Beland and Yu (2004), who addressed the dissent of pensioners at the beginning of reform and their impact on the compensation package available to them. Furthermore, Philion (1998) approached his study from the perspective of social class and social movement and argued that the Chinese labour force had been commoditized in the market economy transition; the new working class became increasingly vulnerable with only the compensation of residual welfare provision. Interestingly, Philion (1998) doubted that a Chinese welfare state with comprehensive welfare protection would emerge. His work generally followed the 'old politics' logic based on power resources to explain the compensation rationality in particular regions, as well as the residual nature of the Chinese welfare system.

Aspalter (2001b, 2006) also studied the politics of the Chinese welfare system, based on the 'state-centred' approach, and emphasised the role of state institutions and structure. He argued that the creation of the socialist welfare system came from the need for the communist party's legitimacy, and that the evolution in the SOE welfare system stemmed from the weakened power of government, party and labour union. The ensuing 'social insurance dualist welfare model' with more privileges for urban constituencies underlines the logic of state legitimacy and the stability of the ruling party. All this research could be summed up as being part of the 'old politics' welfare study school, emphasising social forces, labour unions and state structures for a better understanding of welfare system development. He (2001b) also stressed the conservative nature of social policies in East Asia and included China in that group. Here, he examined the strong features of conservatism in this region. First, the social

insurance system based on employment is generally the basic welfare model in this region. Second, means-tested social security protection can be observed. Third, the state involves more in regulation rather than in financing. In addition, he identified that conservative parties or conservative strategy in essence adopted by government have an impact on the distinguishing features of this welfare-state family.

There are more literatures that have endeavoured to include China in mainstream debates. This group can be said to belong to a second generation of Chinese welfare research, since it seeks to catch up with East Asian welfare regime studies, attempting to locate China in a global context. This group of studies goes beyond a China-specific perspective and attempts to integrate China into the general welfare state discourse. Various scholars have labelled the Chinese welfare state after they gave critical comments on the limitations of conventional welfare state theories when applied to the Chinese case. For instance, White (1998) emphasised the particularities of the Chinese case and labelled its social policies as 'developmental statist'. On the other hand, China shares similarities with other developmental states in East Asia, in terms of a preference for the social insurance model, government-controlled fund management and economic stimulation desire, the preference for a national rather than a fragmented welfare system, and the marginalized and stigmatized social assistance provision, highly dependent on the family for welfare service. But China is considerably different compared with other East Asian countries in terms of its distinct features, such as massive regional diversities and the comparatively weak third sector. White (1998) thus concluded that no matter to what extent China converges with the East Asian developmental states, the striking socialist legacy and regime type, the size and the complexity of the Chinese case are sufficient to illustrate a unique welfare state with Chinese characteristics.

London (2009) examined China from a post-socialist perspective with the concern of state-socialism legacies at the centre. Rather than grouping China in with the post-socialist East European countries, he argued that China is more akin to a Marxist-Leninist welfare regime. This is because of the communist party's rule as well as the socio-economic transition in the control of Leninist institutions. While he agreed that China shares some similarities with developmental welfare states,

London (2009) also argued that the characteristics of the communist party influence matters more to theorise China's welfare state type. He suggested that Marxist-Leninist welfare regimes display an apparent contradiction between an emerging market economy and the communist party which generates inequalities both through the market's own force as well as through the resilience of Leninist political organisation, which may exercise power and resource arbitrarily and exaggerate these inequalities. At the same time, the emerging social inequalities also press the state to respond to emerging social issues and provide more protection for the commoditized labour.

Different again, Frazier (2006a, 2006c) argued that the convergence theory of welfare-state building in the logic of structural dynamic, including modernisation and democratisation, cannot explain China very well. On the one hand, the logic of development strategy could lead to the increasing of social expenditure and the making of a Chinese welfare state, taking a similar path to Western advanced countries and China's Asian neighbours. However, this approach falls short of explaining the differences between welfare regimes, and it is particularly difficult to account for the authoritarian nature of China versus its democratic Asian neighbours, which makes it difficult to group China into the East Asian regime family. What is more, the timing and consequence of industrialisation and transition distinguish other post-socialist countries and China: the former as pre-mature welfare states have established broader welfare coverage while the emerging latter only had a limited SOE welfare system. In this sense, the post-socialist EU countries are more likely to converge with their neighbours to retrench the existing welfare system under the financial unsustainable crisis, while the Chinese case is tending to build a system to replace the previous highly biased one in the modernisation wave.

Therefore, Frazier (2006a, 2006c) concludes studying China with a post-socialist logic the same way as the East European countries is not adequate, and associating it with this group of countries is also problematic. Also, the recent globalisation narrative on welfare state reform and retrenchment efforts still could not identify China, which confirms general arguments given the regional diversity in China. The empirical evidence shows two types of welfare development under the impact of globalisation within China: one is the compensation strategy by public transfer and

early retirement to increase the welfare coverage for the suffering groups in the context of globalisation; the other is the competitive strategy in the east-coast regions with the benefits of an open market. The reluctance to establish contributory welfare programmes is the main features of this regime type accordingly. Overall, he contended that the Chinese welfare state is characterized as one country and three systems, with parallel urban, rural and public sector welfare systems. And this regime shares more similarities with the developing East Asian states under authoritarian rule.

Rather than dividing groups into regional blocks, Hudson and Kühner (2011) argue the combination of protective and productive dimensions provides a possibility of classifying a broader sample of country cases in a slightly different manner. They suggested that productivism in the East Asian region is not exclusive, while, at the same time the orthodox function of protection in welfare state is not restricted to advanced welfare states. Through the utilization of fuzzy-set ideal type analysis (FSITA), China is classified into the productive-protective based on the relative strengths of employment protection. This new proposed conceptual framework with FSITA opens up new possibilities for classifying welfare regimes, which transcends the concern about the development level and regional geographic features. It treats China case on the basis of welfare programme design and provides an opportunity to generalise this exceptional case on basis of existing quantitative data.

However, Horsfall and Chai (2013) are critical of this approach as the employment protection legislation index utilised by Hudson and Kühner (2011) is confined to a small segment of the population and cannot represent the general picture in China. Rather than using this indicator they refer to corporate tax rates to demonstrate competitive state behaviour. Indeed, Horsfall and Chai (2013) adapt the competitive state thesis that was developed in the early 1990s to explain the advanced welfare state change in the context of globalisation in order to classify the Chinese case. The competitive state in the West is distinguished by low social spending and a minimal social assistance programme, as well as low levels of employment protection, low levels of anti-competitive regulation, low levels of taxation, and dependence on active labour market programmes (Cerny and Evans, 2000, 2003). In addition, the competitive state is highly impacted by the rise of new public management and

shows a shift from government to governance (Cerny and Evans, 2000, 2003). Horsfall and Chai (2013) suggest that – at first sight - China appears to fit into the competitive state category because of its extremely low level of social spending, as well as its almost negligible active labour market policy (ALMP) spending.

However, they also warned that China is very different from the authentic competitive state seen in advanced countries. The emergence of a competitive state with decreasing expenditure levels and shifting policy priorities requires policy change over time; while the Chinese case arguably is simply the way that it has been throughout the twentieth century. For instance, the low level of social expenditure is mostly targeted at the privileged population, rather than a response to the pressure of globalisation. In addition, the competitive state is more about how the state contends with the global economy, particularly the de-legitimising of the welfare state, and efficient economy drives combined with the new public management (NPM) has resulted in the emergence of a competitive state. However, the Chinese case is rather more than just 'hollowing out' with a shift towards governance because the state intervention is still intensive. Finally, the visible expansion of welfare in China in recent years and the central project plans represent another contradiction to the competitive state thesis. Therefore, Horsfall and Chai (2013) ultimately dismiss the notion of a competitive state being seen in China and instead argue that the specific features which exist in the Chinese case are best captured by the concept of a developmental state.

In short, the scholarship on the Chinese welfare state has followed a similar sequence than welfare debates in the West: the effects of social class and social movements for welfare compensation follow the first-generation welfare-state studies emphasising processes of industrialisation and modernisation; attempts to classify the Chinese welfare state alongside other East Asian welfare regimes are also part of this 'second generation'. Now, the third generation of scholarship is increasingly focusing on divergent accounts based on old and new institutional approaches. China experts also attempt to follow the example of their Western counterparts by focussing on the study the specific policy programme change and dynamic, such as pension insurance and health insurance rather than welfare states/regimes as a whole. In the next

section, I shall review what these third-generation followers have achieved in Chinese welfare studies, particular the study of pensions.

The Chinese pension study

Reviewing Chinese pension policy studies, it is apparent that the majority of the literatures have adopted a descriptive and normative approach. The descriptive approach aims to develop an understanding of the Chinese pension system and the content change of the programme in terms of system design, management and regulation (Whiteford, 2003; Wang, 2006; Takayama, 2002; Smyth, 2000; Sin and Worldwide, 2008; Salditt et al., 2008; Lu and Feng, 2008; Leckie and Ning, 2007; Hu, 2006b; Hu, 2006c; Feldstein, 1999; Dorfman et al., 2012b; Ding, 2002; Chow and Xu, 2003; Chen, 2012). These attempts offered faithfully detailed accounts to provide extensive empirical evidence to inform further evaluations or exploratory studies – such as the thesis at hand. Normative studies aim to evaluate and criticize the system or policy design by identifying problems, shortcomings and needs through finding the failures and successes in pension policy development. They also often include suggestions for future developments of pension policies in China (Li et al., 2011, Williamson and Deitelbaum, 2005, Sin, 2005, Shen and Williamson, 2010, Shen and Williamson, 2006, Shao and Xu, 2001, Ma and Zhai, 2001, Leung, 2003, Li, 2006, Fang, 2004, Dunaway and Arora, 2007, Zheng, 2012, Barr and Diamond, 2010, Nyland et al., 2011, Maitra et al., 2006, Nyland et al., 2006, Bailey and Turner, 2001, Saunders and Shang, 2002, Whiteford, 2003b, Li and Lin, 2011, Shi and Mok, 2012).

A move towards a more theoretical and explorative understanding of the Chinese pension policy making emerged in the 2000s. Even though these studies do still not dominate Chinese pension policy scholarship, these attempts to find causal inferences about welfare politics represent efforts to generalise the Chinese case by moving beyond descriptive and normative accounts. Not surprisingly given previous discussions in this Chapter, these studies were also inspired by pension politics studies in Western cases and typically apply similar concepts and insights to identify causal mechanisms behind pension policy change in the long run, in a way to account for the regularities and irregularities of pension politics in China.

In general, the exploration of the determinants of pension policy change and causal accounts also follows the conventional welfare discussion and approach. The structural approach puts the emphasis on industrialisation, modernisation and economic transition and their association with the social insurance pension emerging in China (Huang, 2003; James, 2003; Smyth, 1999; Saunders and Shang, 2002; Zheng, 2010). For instance, Huang studied the pension reform in the 1990s and argued that the economic restructuring in the 1980s was the trigger of reform efforts, and that the legacies of the socialist state welfare hinder the reform process (Huang, 2003). James (2003) examined the interaction between pension reform, state enterprise reform and financial market reform and put forward the suggestion that the difficulties of achieving the pre-funded pension system resulted from the socialist welfare commitment legacies, the fragmented pension administration and the undeveloped financial market, and he proposed the implementation of a pre-funded system before the coverage expanded in case increased costs occurred. Smyth (1999, 2000) analysed the interaction between labour market change and social welfare reform, including the pension system. He argues that the high unemployment rate in the 1990s was because of SOE reform and that laid-off workers pushed the reform of the social welfare system. The structural issues included the displaced labourers and their welfare entitlements, the ratio of declining workers/retirees, and the loss of SOE, and this challenged the social welfare system transition. Saunders and Huang (2001) stated that socialist market transition generated resources to fund new social security programmes and opened up the space to reform the existing ones, including the pension system. It was argued that pension reform was too fast because the lack of long-term financial sustainability and privatization measures were not in accord with the financial market condition. The intensive reform efforts still suffer from the defects in design and delivery.

The power resource approach with its focus on the social class conflicts and social movement provided another perspective to understand Chinese pension dynamics (Frazier, 2004b). More state-centred approaches studied the regime type and part-state motivation to make and expand the pension system (Gu, 2001, Olson, 1988, Frazier, 2006a). The communist ideology and communist regime legitimacy explain the politics of social policy formation in China (Aspalter, 2005).

The institutional-policy approach dominant in the advanced welfare-state studies is also applicable in the Chinese case. The role of ideas (Shi, 2006b; Hu, 2012), the limited administrative capacities linked with decentralisation, the interaction between feedback effects and the international idea (Béland and Yu, 2004) arguably shaped pension reform in China. The unintended consequences resulting from neo-institutionalism are also tested in China's case, and the fragmented and decentralized pattern of pension administration results from the interactions between legacies, institutional structures and pensioner interest. The central power established overall goals but failed to achieve them in practice (Frazier, 2004a). It was again Frazier (2010b) who shed light on the broader comparative questions of how policy legacies and political institutional structure, international ideas and trade openness influenced pension policy reform in terms of funding the transition cost, and institutionalised reform measures in pension reform. The classic path-dependent arguments are also applied in the Chinese context contend that the reform trajectory followed the World Bank model but also diverged from it because of the policy legacy constraints (Yu, 2007; Sam, 2008).

This accumulated institutional literature has begun to disentangle the institutional change process which has occurred in the Chinese pension system. However, there are also important limitations existing in these literatures:

First, studies usually separately observe the different sectors, urban, rural, migrant worker or public sectors, without a comprehensive investigation of the pension regime as a whole. Given the big size and complex reality of the Chinese case, if it is difficult to generate a comparative study with other countries - regional or sector comparisons are also feasible and important. Therefore, putting the different sectors in the same analysis paradigms and examining and comparing these systems in the same context may generate better comparative findings.

Second, there is a paucity of systemic theoretical applications and particular welfare theory tests on basis of Chinese empirical evidence. At times, the adoption of established concepts and paradigms of analysis in the literature utilises concepts literally without further exploring the applicability for the Chinese case. For instance,

the concept of path-dependence was regarded as a policy legacy, without detailed investigation of the exact feedback mechanism in a different context.

Third, the dependent variable problem has so far not been addressed adequately and the operationalization and measurement of institutional change or continuity, the distinction between dramatic or incremental changes, as well as the equivalent effects of explanatory variable in China context remain underdeveloped.

Fourth, scholarship on China tends to frame the analysis exclusively to the Chinese case, missing the opportunity to formulate research questions and debate issues in a broader comparative perspective. However, it is possible to generate comparative findings by means of case studies. For instance, the economic liberalisation and marketization are well explained as a critical juncture trigger or structural source to push the re-establishment of the pension system (Whiteford, 2003; Gu, 2001; Xiong, 2009); SOE welfare retrenchment was studied by the first generation but the incremental change in China's state and society and the associated welfare change after the economic transition has not so far been investigated very systematically. In terms of the extension and expansion of the pension system, studies that cover the rural population and migrant workers are not as numerous as those studying the urban sector.

Finally, previous institutional analyses adopted conventional explanations grounded in historical institutionalism by referring to political institutional structure, policy legacies, interest groups and economic interest actors, as well as their interplay with the changing context, to explain the pension politics in China, particularly in urban China (Yu, 2007; Sam, 2008; Shi, 2008; Huang, 2013). Thus, these accounts usually conclude with an emphasis on lock-in effects or unintended consequences, such as unfunded programmes, the non-compliance issue, and fragmentation. Accordingly, the path-dependence explanations seem to dominate Chinese pension studies, but various unsolved challenges and causal references remain. The more recent historical institutionalist theses emphasising incrementalism has not attracted much attention to explain the change process over time (*see* Chapter 3). It is therefore valuable to revisit the policy development process and test the applicability of new theoretical tools for the example of the Chinese case. Previous studies with their various

approaches provide a formidable empirical and theoretical foundation for such an endeavour.

2.5 Concluding remarks

The efforts to generalise or classify the Chinese welfare state have not come to a consensus because of different challenges, including the size of China. Multiple welfare systems are built or rebuilt within China, which makes the generalisation or characterisation of the Chinese welfare state difficult. This also explains why this current study avoids a general discussion of the Chinese welfare state and turns to reforms of a specific programme, old-age pensions. Indeed, contrary to some contributions in the literature, this thesis contends that it may be too early to make concluding remarks on what the Chinese welfare state is like as a whole. The old-age pension system, as the first policy area to be reformed, underwent a substantive shift in line with the economic transition and the constant changes in the post-transition era until the 2011 legislation. As a relatively mature welfare programme compared with other social programmes, it provides a more fruitful ground to examine institutional continuity and change, as well as the policy making process more broadly based on relations between policy outputs and their explanatory conditions. Therefore, given the significance of China's welfare development in the context of globalisation, as well as the relative importance of pension provision as part of the entire welfare package, this study aims to contribute to the debate on comparative pension reform. It aims to trace old-age pension programme development and thus provide a list of implications for the attempts to conceptualise the Chinese welfare state in a comparative perspective.

The existing literature describing the old age pension case uses different concepts and frameworks. When scholars borrow theories and concepts derived from elsewhere to measure China against them, they are unwittingly engaging in a particular type of comparison, measuring Chinese reality against foreign ideal types. Such comparisons can yield a warped or naive vision of China. With the use of historical institutionalism as an epistemological investigation lens to look at this outlier case and explore the texture and structure in Chinese's policy and polity, this

thesis attempts to find a way to compare and bridge these differences between China and other countries.

Historical institutionalism has advantages for explaining welfare policies in general, given its assumption of uneven power distribution and its emphasis on history, which is highly related with welfare policy development. Many historical institutionalists, including Pierson, Steinmo, Thelen and Mahoney, have presented work across various policy areas (Steinmo et al., 1992; Pierson, 2011a; Thelen, 2004; Thelen, 2009; Mahoney, 2000a; Mahoney and Thelen, 2010), and this approach has been effectively applied in explorative studies of redistributive policy, especially welfare policy. This volume of work has explored how scarce resources are distributed among rival actors, and why some groups ‘win’ while others ‘lose’ parliamentary debates and, consequently, shape policy outputs, in a way to seek a better understanding of the divergences in policy outcomes across advanced countries. The recent application of incrementalism within institutional analysis should be assessed in a substantive way, and applying the concepts and propositions in a Chinese case study has the potential to help to refine and elaborate this theory.

Using China as empirical terrain to test and build a theory should be taken more seriously because of the various distinctive features of this case.

Bringing China's case into the current theoretical debate in welfare studies and welfare politics would make China an integral and instructive case in the field. The review of the welfare state development literature demonstrated that China has remained somewhat a puzzle – the remainder of this thesis will explore whether historical institutionalism presents a possible key to its solution.

Part Two: theory and method and research design

Chapter 3: Research design and historical institutionalism approach

3.1 Introduction

The assessment of the Chinese welfare state and welfare policy studies in Chapter 1 suggests that there is a gap in the current knowledge which reveals the need to integrate China into comparative research, and an inadequate application of Chinese evidence to test and refine welfare state theory and debates more generally. This literature gap, as well as my own knowledge of the empirical evidence, inspired me to select China, and particularly China's pension programme development, as the object of my case study. This study belongs to the interpretive case study category, which uses a theoretical framework to provide an explanation of particular cases and lead to an evaluation and refinement of theories (Vennesson, 2008). Here it uses the institutional framework to provide an explanation of China's case. Thus, it is the hope that this thesis will not only improve the understanding of the development of China's welfare programme and socio-economic issues, but will also offer an evaluation and refinement of welfare state theory as well as social science theory more generally.

Usually, the within-country diversity of China discourages the scholars from attempting cross-national comparisons because these variations make it hard to formulate a general characterization of China and facilitate comparisons with other countries. In particular, China is an emerging country and has been through rapid social and economic change, so such generalizations may turn out to be short-lived. However, studying China as a single case has to deal with this issue of diversity. As a huge country with a massive population and a large number of cities, as well as wide diversity between regions, sectors and individuals, it is difficult to disentangle the country case on the basis of specific criteria. This study focuses on the welfare system (specifically the pension system) and the variations represented in the urban/rural dualism in general. Apart from this crucial characteristic, contemporary China is more complicated than socialist China because of industrialization, urbanization, internal migration, changes in the labour market and many other factors. China's pension system has to be divided on the urban-rural dual structure, and the urban Chinese system is also segmented into different occupations and

sectors. This study does not consider the programme for public sector workers because that has not changed very much over the past decades. The pension programme for the urban populations is also divided by employment status. The enterprise worker scheme is the main component of the Chinese pension system; it has undergone reform in the past three decades and has become the basic policy template for pension schemes for other population groups, including atypical labour (the flexible worker scheme) and jobless urban citizens (urban residents). Therefore, this study of the Chinese case will be conducted on urban-rural sector cases, and then in the urban sector, four separate schemes for different urban populations will be examined.

3.2 Research design

3.2.1 Research objectives

This thesis serves three objectives: first, it presents Chinese pension policy change in the past decades by reviewing empirical evidence of the policy process, from the decision-making stage to the final implementation. The thesis is intended to illustrate a set of key policy-making decisions and to explain why and how these were made and implemented; it will also discuss what the key policy outcomes are. The study will investigate the formation of this welfare programme agenda in the Chinese context and present causal chains of policy making, starting from problem pressures and moving through to implemented policy solutions.

Second, it attempts to achieve a broader generalisation of the welfare state or pension reform discussion by including evidence from China's case into a general analysis paradigm. The issues of whether the pension programme has undergone change or not, and to what degree the original model has shifted to the desired one, will be examined. The 'pillar-tier' taxonomy and 'crowd-in-crowd-out' theories are adopted to disentangle the pension institution profile change and its effects (Ebbinghaus, 2011, p.7). In terms of the pension reform path, the path-dependent and path-departure groups map these distinctive reform trajectories. The former is usually the dominant argument given the famous double payment issue of pension reform (Jochem, 2007). However, change or departure has also been examined in

recent studies based on the 'crowding-in' private pension and the promotion of the multi-pillar model (Ebbinghaus and Gronwald, 2011). In explaining the divergent paths, the new politics of the welfare state, in particular the notion of blame avoidance, laid down the basic tones. However, the different cases practised blame avoidance through different mechanisms and strategies. In particular, the diversities of veto points, veto players, party ideology, election system, corporatism, bureaucratic politics, federalism, strategic actors and interest, policy ideas and so on present the divergent explanatory factors of reform paths. These theoretical propositions in the existing literature also guided me to find specific research puzzles and logic for connecting the evidence and the propositions when investigating the Chinese case(s). In order to achieve this, I shall attempt to cover the full range of theories that may be relevant to the topic. The previous theoretical framework and propositions developed from the other countries' reform experiences, particular Western cases serve as the template to study China. And this study also endeavours to develop a theoretical framework to study this outlier case, which not only aids in defining the research design and data collection methodology but also becomes the main vehicle to generalize the case results.

Third, this study also aims to apply and test the general institution evolution theory to explain Chinese pension institution development and its causal mechanisms. Since the incrementalism argument brings the compliance issue into the investigation, it is helpful to explain the causal chain of unintended consequences in policy implementation. The context, conditions and actors' preferences as well as their strategies combine to map out the different institutional change manners in different stages of the policy process.

3.2.2 Research questions

Understanding policy change and what conditions facilitate or constrain such change is important; not only for policy analysis research attempting to develop or refine theory, but also for policy managers who can manage the policy dynamics to achieve the objective. Studies of policy and institutional change based on different epistemological and theoretical premises form a variety of theories and frameworks (Howlett and Cashore, 2009). The general question of this research is to trace the

pension policy change by identifying the dimensions of change, as well as the pension institution revolution and the causal mechanisms, as a way to deal with this dynamic and complex phenomenon.

Specifically, this research attempts to answer five sets of questions. First, what pension policy change has happened from 1980s to 2010s? Here, the object of analysis should be defined clearly: 'policy change' refers to the concept of policy problems, the structure and content of the policy agenda, the content of the policy programme and the outcome of the implementation of the policy. This level of analysis is based on micro-level investigation, and observes the policy actors involved, including the Chinese Communist Party (CCP), the State Council (SC), ministries, bureaucratic actors, employers and pensioners. Their interests and perceptions about the context and the problems determine the consensus making as well as the effectiveness of policy implementation.

Second, the thesis aims to study the pension institution from the meso level. Has the pension institution undergo change or not, to what extent and in which way? The issue of dependent variable will be dealt with in the analysis at this level. The consideration of whether the pension institution has been through a model shift from the original one and the extent to which this institution leads to other directions are the crucial dimensions of dependent variable. Measuring the institutional characteristics and outcomes are adopted to capture the scope of change. The typology of the pension institution structure, the institutional characteristics and outcomes in term of generosity and privatization will be adopted to compare the distance from the starting point to the current time, and the comparison over time examine its general development path. As for the conceptualisation, operationalization and measurement of pension institution change and extent, a later chapter will review the literature on the level or degree of change in pension reform literature (*see* Chapter 4).

Third, apart from identifying the change, investigating the change dynamics and causal factors is another set of research questions. What factors bring about the change in policy and institution level? The explanatory variables or independent variables existing in the literature will help to understand China's case by identifying

whether similar causal factors exist in China's case and whether or not they generate similar outcomes compared with other East Asian and Western cases. All detailed causal determinants and interaction effects can be addressed in the explanatory framework. These theoretical propositions provide the basis to generate specific hypotheses to analyse the Chinese case(s). Whether these theoretical propositions generated from the European welfare-state evidence are appropriate to be adopted in China's case will also be discussed. The different socio-economic structures, development levels and multiple explanatory factors used in western cases may not be seen equally in China's case. In this situation, the explanatory variables, framework and hypothesis elements should be revised according to the Chinese context (*see* Chapter 4 and 5).

Fourth, how the casual factors interact with each other and push the pension institution evolve over the last decades? This more general analysis will be aided by the institutional evolution theory. Process tracing (George and Bennett, 2005) will identify the context condition and the features of institutional challengers and their strategies to construct institutional change modes (displacement, drift, conversion, layering and so on) (*see* Chapter 4).

Fifth, has the pension reform achieve the original objectives and what challenges are ahead in the future development? All these questions will be answered, and corresponding policy suggestions will be proposed for future policy practice.

3.2.3 Case study design

In general, there are four types of case study design: single case (holistic) design, single case (embedded) design, multiple-case (holistic) design and multiple-case (embedded) design (Yin, 2003b, pp, 39-55). This study adopts the single-case (embedded) design. Yin noted that within the single case, attention is also given to the units of analysis. This study focuses on the pension programme and involves different funded projects in the Chinese context as discussed above, in particular the different units of urban and rural sector programmes. The single case design is made according to following rationale: China's welfare state and welfare systems have not been observed and studied among the mainstream welfare studies because of problems such as language, data access and so on. This single case study forms a

revelatory case for comparative welfare research. In addition, this study also comprises historical/longitudinal cases, studying the pension policy change over time. In this sense, two or more different points in time will be observed, and the research interest will specify what the condition change is, and how the causal mechanisms operate over time (Yin, 2003d).

Given the research objectives laid down above, the single case study has to involve more than one unit of analysis based on the level of analysis and subsequent common approaches in the policy process literature (*see* for example, Hudson and Lowe, 2009). From the micro level of analysis, the main unit was the policy actors involved in pension reform, politicians, bureaucrats, pensioners, employers and so on. From the meso level of analysis, pension institutions, political institutions, as well as associated intervening systems such as the labour market and social institutions will be treated as sub-units of analysis for the research. From the macro level of analysis, social transition, market economy reform, political leadership change, globalization and economic crises are also important in the analysis. Therefore, this study presents an embedded single case study with a focus on understanding welfare programme change using multi-analysis sub-units. In particular, as mentioned above, the Chinese case is separated into two sub-cases (the rural and urban sectors) given the dual social structure and different pension programmes which have developed in each sector.

3.2.4 Data collection

Data for case studies can come from many sources of evidence, including documentation, archival records, interviews, direct observation, participant observation and physical artefacts (Yin, 2003c, p,83). In order to answer the research questions set out above, that is, to identify old-age pension policy decision-making and policy change, secondary documentation provides important sources of data. A variety of documents were collected to inform the empirical case analysis in this thesis:

First, administrative documents, including proposals, government projects and reports are reviewed thoroughly. In particular, regulatory and policy documents for urban and rural pension programmes, national development projects, legislation, and

decisions from the CPC (Communist Party Committee), the NPC (National People's Congress) and the SC (State Council). This group of data from the state, central government and Party were used to identify the policy profile change over time, as well as the Party's ideological changes and socio-economic development strategy change at the central level.

Second, another set of data was retrieved from Chinese statistical yearbooks which have been officially published annually over the research period. These yearbooks include a wide range of data, such as the China Statistical Yearbook, the China Labour and Social Security Yearbook and the China Civil Affairs Yearbook, which provide quantitative data about socio-economic development and the pension programmes in the urban and rural sectors. These quantitative data present the scenario of social programme development in terms of coverage rate, benefits levels, fund reserves and so on.

Third, pension programme qualitative and quantitative data provided by international organisations were also collected and reviewed. The World Bank (WB), International Labour Organisation (ILO), and Asian Development Bank (ADB) reports regarding Chinese pension systems, old-age insurance and demographic aging data supplemented the domestic data. All of these documents and archives could be traced either from formal publications or from reputable government and organization websites.

Fourth, additional secondary documents, including policy assessment studies from other researchers, mass media reports and statistics, were also used for this study, providing additional perspectives from academic and media circles apart from the government's official standpoint. It should be mentioned here that the media reports included the state media (including *Xinhua*, *China Daily*) and relatively independent media (*South Weekly*, *Caijing*, *Caixin* and others). Fieldwork reports from the latter group investigate policy implementation issues or interviews from top-level officers and present unknown stories about the policy process.

Fifth, academic papers adopting various methods, including surveys and questionnaires, also present the practical issues and policy stakeholders' preferences and interests in pension policy reform. The combination of government documents

from domestic and international sources with the secondary data from the media and from academia help to enhance the credibility and reliability of the data sources, minimizing the risk of cognitive bias. Furthermore, documents may not always be accurate; so multiple sources of evidence can clarify a complete picture and minimize the errors in a case study (Adams and Schvaneveldt, 1985).

As for the selection of a time frame, this study aims to trace the pension programme development after the social transition of the 1980s. The dismantling of the communist economy and its replacement with a market economy brought about massive social change in a variety of aspects. The SOE welfare system has been gradually replaced by the social insurance model (Mok, 2013). The painful reform process of the pension system began in the 1980s and underwent different stages until 2011, when social insurance legislation was enacted, thus institutionalising the old-age pension programme design. Those three decades witnessed the policy learning, pilot projects, and a trial-and-error process, and provide massive empirical evidence for understanding changing China from a social development perspective.

3.2.5 Strategy of analysis

Every case study should have a general analytical strategy which defines the priorities for what to analyse and why (Yin, 2003a, p.109). After collecting empirical evidence, there should be a definite idea about how to analyse it in a case study, and this will help to treat the evidence fairly and produce compelling analytic conclusions too. A clear strategy of analysis also helps the investigator to use research tools and manipulate the acquired data more effectively and efficiently. There are three general analysis strategies: relying on existing theoretical propositions, thinking about rival explanations and developing a case description (Yin, 2003a, p.116). This study relies on existing theoretical propositions to inform the case study, that is, they direct the focus of data collection and analysis. The proposition also helps to organise the case study to refine the alternative hypotheses. Finally, with a proposition focusing on causal relations, the 'how' and 'why' questions also help in case analysis.

In this study, generally, historical institutionalism approach will direct the case investigation focusing on old-age pension institutions as well as the implementation

process of major policy reform. The institutional evolution theory will help us to turn to the features of context, the characteristics of change agents and their strategies to explore the causal linkages behind pension reform. In addition, the specific theoretical propositions regarding the pension reform path and dynamic in the existing literature will provide a template for investigating China's case, while refinement or new propositions will be added to accommodate and account for the Chinese context.

This study will employ the process tracing method to reveal pension policy changes at different stages and how these changes were made within the decision-making process and achieved through the implementation of it, as well as why and how unintended consequences occurred. Using the process tracing method can explore the process by which initial conditions are translated into outcomes. It can connect the disparate evidence and shed light on a single outcome or a set of related outcomes. Initially formulated by George (2005), the notion of process tracing has become more standardized than the original version, and it emphasizes the causal mechanisms connecting independent and dependent variables (Mahoney, 2000b, Bennett and Elman, 2006). Process tracing is a possible way to perform empirical observation based on interviewing, participant observation and document analysis to understand previously unknown links between factors. Through this procedure, the investigator is enabled to identify steps in the causal process leading to the outcome of a given dependent variable of a particular case in a particular context (Della Porta and Keating, 2008). The task of researchers is to assess the theory by identifying the causal chain that links the independent and dependent variables, revealing the relations between possible causes and observed outcomes. Process tracing has been developed in order to contribute to theory testing as well as development.

There are different ways of process tracing: to discover causal mechanisms and illustrate the theoretical proposition underlying the mechanisms connecting causal and outcome variables; to demonstrate the conjunction and temporal sequence of variables, to increase the number of observable implications that the theory predicts, or to operationalize variables, measure independent and dependent variable by looking at the decision-making process to search for relevant evidence (Della Porta and Keating, 2008). The first version is the most common technique of process

tracing and is the main tactic adopted in this study. From an interpretive perspective, process tracing allows the researcher to look at the ways in which contexts and outcomes are linked. The exploration not only concerns what happened, but also how it happened. Process tracing is helpful for examining the reasons that actors give for their actions and for investigating the relations between beliefs and behaviour (Jervis, 2006) because it provides a way to learn and evaluate the preferences and perceptions of actors, their proposals, goals, values and conception of the situation facing them directly or indirectly, and consequently fleshing out causal mechanisms.

Apart from revealing the reasons that actors give for their actions, process tracing also helps to understand the meaning and role of established regularities and helps to uncover the unknown relations between actors. In other words, as George explained, process tracing constructs the actors' behaviour theory through causal mechanisms, but also accounts for the constitutive part for the phenomenon by reference to its structure, and comes up with the explanation of the conditions of possibilities (George and Bennett, 2005). Therefore, the method not only contributes to the explanation of causal mechanisms in the policy-making process from decision to implementation, but also accounts for the intervening process in which context conditions offer constraints and opportunities to maintain or change the *status quo*.

The revealed causal mechanisms assumed from the theoretical proposition at the onset may fit or not fit empirical observations, and this would contribute to the theory testing and theory development at the end. Finally, the adoption of the process tracing method also helps in the examination of policy suggestions and recommendations, because no matter how well the causal effect link is examined, the policy needs the support and co-operation of stakeholders to be implemented to avoid unintended consequences and achieve the policy objectives and improve policy outcomes (Lin, 1998). In this sense, a case study together with process tracing can improve and refine reasoning for practitioners. Process tracing is therefore an analytical strategy that chimes well with historical institutional analysis focusing on different macro-, meso- and micro-levels of analysis.

What is more, document analysis has often been used in social science research (Bowen, 2009). In this current research study, process tracing combined with

document analysis aims to provide a historical perspective in which to collect and examine the evidence from the past and present, and it is an unobtrusive way to collect data (Adams and Schvaneveldt, 1985, Bailey, 1978). Because of these strengths, document analysis meets the need of this research. One aim of the study is to explore pension policy change and policy outcomes over time, from policy making to policy implementation since the 1980s. To examine the policy profile over time and identify the changes, document analysis has been shown to be effective.

3.2.6 Quality control: reliability, validity

Regarding the validity of process tracing research, two measures can give greater confidence in results based on non-comparable evidence. The first measure is to use process tracing as a complement to a formal research design (experimental or observational). Rather than bear the whole burden of empirical study, it offers supporting evidence through anecdotal and narrative evidence. The second is to use process tracing based on contextual assumptions and assumptions about how the world works, which also increases the validity of the findings (Della Porta and Keating, 2008). This research adopts the second method to improve the validity by laying the historical institutionalist epistemological foundation, providing the basic assumption of the actors' behaviour motivated by rational interest but also constrained by structures. The interaction between actor, structure and context determines the way the world works. In addition, as long as sufficient documentation is included in the account, the verification of process tracing is achievable. Therefore, even though process tracing is not a standardized methodological rule, it has an important role to play in case-based studies whether combined with formal design or primarily relying on non-comparable observations.

Another quality control of a case study considers the reliability of the results. The objective is to ensure that a later investigator following the same procedure described by earlier researchers could arrive at the same the results and findings. In other words, reliability means minimizing the errors and bias in a study. The way to achieve these objectives is to document the data collection process by offering an annotated bibliography of the documents and archival records used, in a way which makes the documents readily retrievable for later inspection. In addition, the

evidence sources and collection method must also conform with the principles for constructing validity and reliability. Yin suggested that three principles, using multiple sources of evidence, creating a case study database, and maintaining the evidence chain, are extremely important for high quality case study and will help to deal with the validity and reliability issues (Yin, 2003b, p.35).

This study attempts to follow these principles. First, government policy papers, Communist Party Project documents and archival records are collected for data analysis. Collecting as much relevant evidence as possible is the main objective of the data collection process. This case study used an array of sources of evidence, reviews of policy document, public profiles, domestic state and party media articles and relatively independent media articles, as well as international organization reports, in a way which can triangulate the data sources and present the facts of the case study from different source perspectives. With data triangulation, the problem of constructing validity can be addressed because the multiple sources of evidence provide multiple perspectives and measurements of the same phenomenon. Second, this study will give a bibliography of evidence sources, including documents, archival records and datasets, which will provide a database for later consultation and investigation. In this way, it will increase the reliability of the case study. Third, this study will maintain the chain of evidence to increase the reliability of the results through sufficient citation.

3.3 Historical institutionalism approach (HI)

The above has demonstrated a complete research design including the case selection, research questions, data sources and analysis strategy adopted in this study. In order to explain the analysis strategy in detail and to carry out the empirical analysis later, a theoretical/methodological approach and analysis framework are needed. Yin has pointed out that the use of theory in conducting a case study is an aid in defining the appropriate research process and data collection, and the theoretical orientation is also one of the main tools to generate case study results (Yin, 2003d). Therefore, the next section will give a brief introduction to historical institutionalism and the main assumption and propositions in general, and this will lay a foundation in which to

form the analysis framework in particular and to conduct empirical case analysis later.

This section is to introduce this study's methodological approach: historical institutional analysis. Since this method is used in social science in general and comparative social policy in particular (Amenta, 2003), I shall first briefly explain the development of new institutionalism and then introduce the crucial issues in historical institutional analysis: institution continuity and its causal mechanism as well as the recent development of institution change. Subsequently, I shall discuss the application of historical institutionalism in policy analysis and explain why it fits my case study.

3.3.1 new institutionalism and historical institutionalism

New institutionalism is derived from old institutionalism and developed from the critiques of behaviourism. Reversing the behaviourism of the 1950s and 1960s which eliminated the institutional factors in analysis, new institutionalism not only brought 'institution' into the social research domain, but also attempted to construct a general theory which distinguished it from the old institutionalism fashion (Bell, 2002). New institutionalist research puts the institutional factor at the centre of analysis and attempts to detect the role of institutions (in the form of formal and informal rules, norms, conventions, procedures, organization and so on) in decision-making. However, even though new institutionalism shares the common critique of the micro account of policy processes and basic assumptions in behaviourism, different strands within this school give different definitions of institutions, and argue the divergent extents of the role which institutions might play in the policy process. Particularly, the different strand puts different weights of analysis on the institutional setting and on micro individual behaviours as well as macro context factors such as social norms and conventions. All the research puzzles are related to classic debates about whether structure, culture or individual action can best explain social phenomena (Taylor, 1989), and each strand of new institutionalism gives its own position in this debate.

According to the weights put on the parameters of individual, culture and structure, new institutionalism can be classified into three broad categories: rational choice,

sociological and historical institutionalism (Koelble, 1995). In this section, I shall provide a brief account of each school and show their distinctive approaches to explaining social or political problems, and finally I shall compare the similarities and differences among them. The revival of interest in the institution in economics gave rise to rational choice institutionalism, which argues that individuals and their calculations should be central to social science. Rational choice institutionalism in economics was introduced by Douglass C. North, who argued that institutions are created by utility-maximizing individuals with clear intentions, but that the institutions also set constraints on their further actions (North, 1990). Historical institutionalism does not deny the individual calculation rationality, but borrows the concept of 'bounded rationality' and argues that outcomes come from the interactions between various groups, interests, ideas and institutional structures (Koelble, 1995). It assumes that the institution is a determinant variable in structuring individual actions, and that institutions are affected by individual or collective choice as well. The third group, sociological institutionalism, argues that individual actions are not only affected by institutional structure but also by the macro setting, such as culture, society and organizational field. In this sense, institutions can be considered as macro variables, like culture and society, and the individual is largely a dependent and unimportant variable in determining outcomes (Koelble, 1995).

After reviewing the different analytical focus of each school, how the three different schools approach their explanations in social research in detail, in terms of how to define institutions and the degree to which the importance of factors including individual, structure and context should be considered when elaborating the relationship between individual and institution, and how to explain institution genesis and change are all puzzles which will be explained in the following paragraphs.

First, we shall look at how each strand defines 'institutions'. Sociological institutionalism defines the institution more broadly, including the formal rules, procedures and norms, but also the symbol systems, cognitive scripts and moral templates provide the 'frames of meaning' guiding human action (Scott, 1994). In this sense, the definition equates 'culture' with 'institution', treating the institution as

a mechanism of routine, symbols or scripts to guide human behaviour (Swidler, 1986). Rational choice institutionalism treats the institution as the measure or rule to structure and shape the interaction and competitions between different strategic actors, and the rule could lead the calculations to better outcomes (Peters, 2005). The strategic actors make the institution according to their own interests and preferences, as well as changing or reshaping the institutional setting according to their own goals. Historical institutionalism defines institutions as the formal or informal procedures, routines or norms embedded in the organizational structure or the polity of political economy, and associates institutions with organizations and the rules of conventions adopted by formal organizations (Longstreth *et al.*, 1992).

Second, we shall consider how each strand approaches the relationships between institutions and actions. Historical and sociological institutionalism rejects the assumption of individual utility maximization and argues that the context shapes the intermediate institutional setting within the individual act (Hall and Taylor, 1996). However, as for how the institution constrains individual behaviours, the two strands have different preferences: sociologists contend that individual action is determined by social and cultural factors; whereas the historical institutionalists in political science contend that individuals may attempt to calculate the utility but that outcomes are shaped by a number of structural and institutional factors beyond the control and conception of the individual. The rational choice institutionalist approach maintains the actor as the central unit of study, but incorporates the impact of the institution as a parameter to influence action rather than determine it. Rational choice institutionalism provides good explanatory tools to analyse interaction and exchange between actors within an organization. Historical institutionalists cannot ignore the action analysis and put more importance on the structure within which actors behave. In particular, they focus on how the political struggle affects outcomes, and how these outcomes in turn affect further rounds of struggle over institutional rules and policy (Hay and Wincott, 1998). This draws us into the observation of interplay between structure and agency, and provides a more powerful explanation of institutional development and policy making. Sociological institutionalism has moved to a broader approach which emphasizes the context explanation of human actions, and puts the cultural context in the central role rather than rationality

calculation in the preference formation process. This approach provides richly descriptive work of institutional and individual action from the sociological perspective (Koelble, 1995).

Third, we are concerned with how each strand explains how institutions originate and change. Rational-choice institutionalists create the most sophisticated account of institutional origins and continuity from the perspective of functionality and benefits. Their position is good at explaining that an institution continues to exist because it delivers benefits based on utility calculation assumptions. By this token, an institution changes because it cannot fulfil its function in line with the purpose of the actors. By contrast, the historical and sociological institutionalist explains the problem of how an institution originates and changes differently. Both of them admit the precondition that a new institution is created on the basis of a world filled with institutions, and that new sets of rules should be adapted to the existing institutional world. The sociological institutionalist approach emphasizes the role of the collective process of interpretation and the social legitimacy in the process of institutional creation and change. Historical institutionalists focus on how the power relationships in the existing institutions give more power to some actors than others in the process of institutional creation and change. In addition, they have developed the concept of path dependency which emphasizes the influence of existing and previous institutions on the development of a new institution (Taylor, 1996).

In short, the three schools within new institutionalism have continuous debates over whether culture, structure or utility rationality drives human actions, and there is no doubt that the debates will continue. However, a consensus also exists: that structure, culture and action all have a place in explaining general phenomena. Each theoretical school has its advantages and disadvantages, and each may suffer criticism from the perspective of the other approaches, but whether they have superior features to their competitors ultimately depends on the research question.

3.3.2 Institution development model in HI: continuity matters

Punctuated equilibrium mode and path dependence

In historical institutionalism, the punctuated equilibrium model has dominated the institutional development discourse by using the concept of critical junctures, a reproduction mechanism to reflect institution formation, stability and change. The notion of punctuated equilibrium suggests that institutions are stable until disrupted by a shock which triggers a major institutional change, but that they will eventually reach a new equilibrium (Krasner, 1984; Howlett, 2009; Howlett and Cashore, 2009). The term 'critical juncture' refers to major exogenous shocks and crises disrupting the *status quo* and thus triggering fundamental institutional change (Haydu, 1998, Thelen, 1999). Things like war or crisis are good examples of critical junctures as the force of transformation of political institution (Lindley-French and Boyer, 2012). As for the environmental factors conducive to punctuated change, some studies of critical junctures have suggested that significant changes are rooted in prior cleavages and crises, such as the urban-rural divide, class differences and more dramatic events such as an economic crisis or social unrest (Collier and Collier, 1991; Lipset and Rokkan, 1967). From this perspective, critical junctures are regarded as the resolution to these cleavages and crises.

Apart from the critical juncture in punctuated points in time, institutions are regarded as being in long and stable equilibrium with the path-dependency mode because of self-increasing or self-reinforcing effects. Path dependency is a critical characteristic in historical institutionalism to explain the development of institutions (Pierson and Skocpol, 2002). Even though political and social analysts prevalently use the concept of path dependency, there is no specific clear definition of it. In practice, there are two ways of thinking about path dependency: one relatively broad version defines the path dependency process as that "what happened at an earlier point in time will affect the possible outcomes of a sequence of events occurring at a later point in time" (Sewell, 1996, p.262-263); a narrower version of path dependency was first proposed in economics to explain the technology trajectory by Margaret Levi(1997), who argued that dependency meant the dynamic process involving positive feedback, and that it generated multiple outcomes depending on event sequence. This definition was further developed in political science by Pierson, who tended to use the term 'path dependency' in a more restricted way, suggesting that the "social process exhibits positive feedback and thus generates branching of historical development"

(Pierson, 2000, p.263). Importantly, Pierson adopted the notion of “increasing returns” to explain this effect. More precisely, he postulated that when increasing returns occur, further steps along the same path increase as other options move down that path, because with the passage of time, the existing costs of shifting the present path to other alternatives will increasingly rise. The contemporary welfare state studies and politics are surrounded by the effects of path dependency. The famous double payment issue in the old pension system provides a powerful example. Most countries adopted the pay-as-you-go pension system at the outset and workers paid a contribution to finance the retirement of the current retiree generation. Once the welfare cutbacks and adjustment were adopted in a time of austerity, the reform measures encountered high resistance. Shifting to privately-funded arrangements could bring more burdens on the current working generation who have to finance current retirees as well as save for themselves. The welfare commitments previously made in the existing institution raised the cost of reform. Thus, the idea of increasing return represents the main characteristic of the reproduction mechanism in the path-dependency mode as used in comparative welfare research (Pierson, 2002).

The determinants of path dependency: veto players and veto points

The path dependency argument emphasizes that earlier policy decisions limit the future options available for the reformers and then constrain the reform options and produce path dependence (Pierson, 2000). To explore how the path-dependence mechanisms played out in different contexts and what determinants bring the different pattern and dynamics of path dependence, we shall consider the tools of the veto players and veto points which account for the diverse patterns and dynamics of path dependence in welfare studies. A 'veto point' is viewed as an opportunity within the policy decision-making process or specific institutional features which could be adopted by the opposing groups to veto policy projects (Immergut, 1990, 1992a, 1992b). Veto points can be generated from both formal and informal rule. The constitution as the formal rule outlines how the legislation must be adopted or changed and the opportunity to block legislation according to the constitution could be regarded as a veto point (Huber *et al.*, 1993). For instance, bi-cameralism, referendum and separated executives all require that any change should be agreed. The other generator of veto points existing in welfare studies is that social partners

who administer the welfare programme could exercise veto point and oppose specific proposals (Marier, 2008). It is usually argued that the higher the number of veto points, the greater the possibility of path dependence (*see* for example Bonoli, 2000).

The tool of 'veto player' developed by Tsebelis can capture the model of political configurations and account for the capacity for change/continuity. It is defined as individual or collective actors whose agreement is required for a change of the *status quo* (Tsebelis, 1995). Tsebelis divided veto players into institutional veto players and partisan veto players. The institutional veto players are specified by the constitution and their agreement is necessary for the passage of legislation. Chambers and presidents, courts, constitutionally-required super majorities and referendums are regarded as institutionalized veto players, which are roughly equivalent to veto points. Partisan veto players are generated from the electoral system and the parties which comprise the government. The veto player theory predicts continuity (stability), and it is argued that the higher the number of veto players, and the larger the distance of ideological range between them, the less possibility there is of a change in policy (path dependence)(Tsebelis, 1999).

Veto players theory provides an approach to locating actors and their preferences involved in the policy process. Veto points provide insights about the source and dynamic of change/continuity, which brings the affected interest groups into consideration and creates the source of bargaining powers and their dynamics. In addition, these concepts provide the possibility of explaining the extent of difficulties of change, or the diverse reasons for path dependence in different contexts.

The critique of punctuated change and path dependence

Although the punctuated change model can explain change to a certain degree, the path dependency argument is maybe overly deterministic. Several problems are highlighted in the literature. First, the critical juncture argument can explain why major revolutionary change occurs, but struggles to account for more incremental or evolutionary change (Thelen, 2000, 2003). Second, critical junctures are usually assumed to be the exogenous source of institutional change. This approach ignores

the endogenous sources that are inconsistent and contradict the current institutional configuration, which may also result in a transformation (Haydu, 1998, Schneiberg, 1999). Third, this approach tends to focus on key events or big events, but not on small or trivial events which may turn out to be consequential over a long stretch of time observation (Campbell *et al.*, 1991). It would appear that we need a more rigorous approach to identify and explain a change beyond typically punctuated equilibrium.

3.3.3 beyond continuity

Historical institutionalism puts the institution at the centre of the investigation and defines it as the rule of the game, organization structure and outcomes. It emphasizes the constraining feature of institution development and leads to path dependence. However, it cannot account for institutional change in an empirical world over the long term (Steinmo *et al.*, 1992; Hall and Taylor, 1996; Thelen, 1999; Pierson, 2000). As mentioned above, historical institutionalism is criticised for its inability to explain institutional change endogenously. And historical institutionalists attempt to deal with historical determinism, turning to the role of the idea as the source of institutional change initially, and gradually going further to explore when and why a particular idea won out and caused a change to occur. How the idea is formed and diffused in a particular context and structures definitely goes further than the role of ideas. However, all these ideational process arguments more or less start with the historical institutionalist tradition (Schmidt, 2010).

The ideational discourse

In traditional historical institutionalist research, proponents were already open to turning to idea to account for change, but they saw institutions as structures with incentivising or constraining features to facilitate or block the adoption or diffusion of an idea. In other words, they treated the idea as an external source which brings about change. For instance, Hall (1989,1993) followed the HI approach and focused on the explanations of the different influence of the Keynesian idea and then continued by explaining how the monetarist ideas impacted the formation of a new institution. Hall (1993) also suggested that institution-builders construct institutions because of shared ideas or ‘policy paradigms’. The policy paradigm thereby is a

framework of ideas and standards that specifies not only the goals of policy and the instruments used to attain them, but also the very nature of the problems that they will address (Hall, 1993). So institution-builders can learn and change either the instrument or the means to pursue their goals or the goals and ends themselves (Hall, 1993). Under specific economic and political conditions, the paradigm shifts and more limited changes in social and economic assumption can help to explain the nature and the overall direction of institution change. Paying close attention to the role of ideas in institutional change provides the grounds for the claim that idea can shape the content of policy proposals and the perception of interests in the political struggle (Blyth, 2002; Hansen and King, 2001; Lieberman, 2002). Hall argued that the institution structures the flow of ideas and conflicts of interests, thereby partially determining the institutional outcomes. And the whole ideational process is constrained by the policy paradigm which assumes the opportunities and constrains the possibilities and feasibilities in the policy-making process (Hall, 1993). In this sense, the institution not only works as a structure to constrain and create opportunities of change, but also acts as a filter for ideas.

Apart from the role of ideas as the source of institution change, scholars have discussed when ideas generate change and why some ideas win over others in generating change. Some scholars argue that ideas generate institutional change because of the condition of existing institutional failure. For instance, the ideas in economic crisis may reduce uncertainty and promote collective action and coalition building, thereby illegitimizing the existing institutional arrangement and forming new blueprints (Blyth, 2002). From the above statement about the role of ideas in institutional change, two notions should be emphasized: the notion of crisis condition, and that of institutional failure. Beland (2005) built a model to explain how and when ideas matter in institutional change in general and in social policy reform specifically. Ideas are central to the political construction and problem perception and determine the policy agenda as well as the narrative articulation between policy legacies and current problems. In this sense, ideas play an important role in problem diagnosis and problem solving in the policy process. However, as for why certain ideas can generate institutional change, it is argued that powerful

entrepreneurs seize opportunities to sell the ideas they support and illegitimate the existing institutional configuration.

So far, historical institutionalist conventional explanations for institutional change have been presented. The dominant path-dependent equilibrium turns to institutional or systemic variables, such as socio-economic change, leader shift and economic crisis, as explanatory variables which generate change. An alternative strategy is to bring ideas back into the argument, and put the shared ideas and cognitive maps in the central role when explaining institutional change, which also leads to emerging discursive institutionalism, as Schmidt (2010) suggested. Here it just addresses the relation between idea and institution in historical institutionalism rather than emphasizing the institution as the construct of ideas, as discursive institutionalist scholars explain the ideas of actors to account for change and continuity, critically or incrementally.

Incremental change

In recent years, historical institutionalist scholars have begun to construct comprehensive theoretical accounts of more incremental institutional change over time (Hacker, 2004; Streeck, 2005; Thelen, 2003; Campbell, 2005; Mahoney and Thelen, 2010).

To be specific, Thelen and Streeck (2005) offered four models of institutional change in the literature: displacement, layering, drift and conversion. 'Displacement' is understood as new rules replacing old ones. This model of change describes an abrupt and radical shift and is therefore most akin to the punctuated equilibrium model discussed previously. Revolutions can be treated as displacement, but there are also slow-moving processes that can lead to displacement, primarily when new institutions are introduced to compete with an old set of institutions. Thus, if the supporters of old rules have no ability to prevent the introduction of new rules, then gradual replacement may take place (Streeck and Thelen, 2005). Deeg (2001) provided an example of this type of institution change in the German financial sector. His analysis found the coexistence of two different or even competing logics of action in the documents. There were traditional German institutions that emphasized the long-term link between banks and firms and depended on mutual obligation and

trust, and the other new institution copied from Anglo-Saxon countries featured more distanced relations between firms and banks. In his view, both of these institutions coexisted, but with the declining efficiency of the traditional one, the new institution would become taken for granted (Deeg, 2001)

‘Layering’ does not introduce new institutions altogether, but provides amendments, revisions or additions to existing ones (Thelen, 2003). The institution-builders add new institutional arrangements rather than replacing the old ones. This process often takes place when the challengers have no capacity to change the old rules; instead, they aim to alter existing systems by adding new rules and making revisions to the existing rules. For instance, there is empirical evidence of public pension system reform: when lock-in effects and vested-interest groups obstruct welfare retrenchment, conservative parties have often promoted privately-funded pension plans to play out alongside the public system (Pierson and Dolowitz, 1994). Therefore, layering can change the overall social security structure in the country and develop more diverse interests among the constituent actors (Myles, 2001).

‘Drift’ is understood as a process in which a new environment alters the demands on existing institutions while the old rules remain the same; drift may occur in order to accommodate shifts in external conditions (Hacker, 2004). When the actors fail to change the existing rules in response to the condition shift, the impact of institutions can change. In other words, the actors who are capable of making change tend to sustain the policy *status quo*, which ironically may result in an institutional transformation in the new socio-economic setting. The new emerging socio-economic trends have been shown to make the existing institutional arrangements less and less adequate if the new reforms are not introduced accordingly.

Finally, ‘conversion’ occurs when the rules remain formally the same but are interpreted and enacted in new ways (Thelen, 2003). However, the misinterpretation is not driven by the changed setting; instead, the actors actively pursue and explore the inherent ambiguities of institutions. Through redeployment, they convert the institution to new goals, functions or purposes to serve interests favourable to themselves. Thelen (2003) pointed to an example of conversion in the development

of the German vocational training system, which was originally designed to benefit artisans and pre-empt the influence of organized labour; consequently, the unions gained greater power and were incorporated into the system.

The causal link between institutional context and incremental models

After listing all the mechanisms of incremental change patterns, Thelen and Mahoney (2010) considered the important elements and relationships between them: existing institutional rules, prevailing political context, and the power of change actors. Political context, the institutional characteristic, determines the modes of change. On the one hand, the institutional context is full of high veto possibilities and makes it difficult for change agents to mobilize and displace existing rules. Thus, displacement is unlikely to occur. Likewise, conversion will also be difficult because veto powers may have strong powers in rule enforcement. So drift and layering become more promising strategies in a context with strong veto players, because neither of them needs to make clear direct change or actively shift their enactment by changing rules themselves or redirecting the implementation actively. With drift, institutional change grows out of the neglect of existing institutional rule, or its failure to respond to a new changed environmental context (*see* Hacker 2004). Powerful veto players may defend displacement, but are unable to rule out the drift impact because doing so might mobilise the change supporters to shore up an institution once the setting begins to shift. With layering, institutional change results from adding new institution rules onto or alongside existing ones. While powerful veto players can protect the old rules, they cannot prevent the addition of new elements. For example, the UK conservative party introduced voluntary supplementary pension or private pension schemes alongside the public pension system, attempting to change the structure of the public and private mix and hoping that the balance would turn towards the latter over the long run. In Germany, the 2001 pension reforms introduced the voluntary take-up of certified saving plans with tax incentives or direct subsidies and these incentives could also be converted into occupational pension plan contributions. These added measures and incentives put the German pension system on the multi-pillar track (Jochem, 2007). On the other hand, the institutional characteristics which allow the different levels of discretion in interpretation or enforcement of rules also explain the change modes. If the

institutional challengers have no room for discretion in enforcement, then drift strategies are more likely to occur. With conversion, the rules are ambiguous enough to permit interpretation and might redirect to a different implementation path. With drifts, there is a gap between rule and enforcement, and the innovation might take place in the enforcement process and reorient the objective of rule. In short, administrative capacities may be especially important for conversion and drift because the weakness on the fronts open up possibilities for those who oppose the rules on the book. However, the other types, layering and displacement do not need to use openings in rule enforcement. The layers refer to new elements added to amend the old ones, and displacement is simply the replacement of the old ones over time; therefore, neither of them has any correlation with rule enactment and enforcement because the rule remains intact.

3.3.4 Remodelling institutional development

What the above discussion seems to suggest that it is not necessary to strictly separate punctuated equilibrium from the incrementalist model. Instead, this thesis will argue that the two models can be combined to explain institutional development. Punctuated equilibrium and incrementalism are separate mechanisms and contradicting tools, but they emphasize different perspectives and - jointly - have explanatory power. Therefore, I suggest combining the path dependence effect and the incremental change mechanism into a single theoretical framework. The path dependence effect, as part of the punctuated equilibrium discourse and as a constraining context, impacts the direction and the extent of change. Incrementalism brings the ambiguity and compliance variable into the investigation, which provides an incentive to push change forward in the implementation process. Combining both could provide a more complete picture of how particular observed institutions change over time. Thereby, the path dependency model shines a light on how difficult institution formation or policy making is in the initial phase, and what kind of dynamics are going on there with the interaction between agent, structure and context. The incrementalist model is good at explaining how the agents break or reinterpret the rule of the institution and consequently generate outcomes deviating from the original objectives, and finally generate change. Combining the two models can present a complete picture of institution or policy formation and development as

well as outcomes, and the compound model can facilitate the snapshot examination in the short-term as well the long-term, historical tracing.

3.3.5 HI in policy analysis and why I chose it for this study

The literature on historical institutionalism is diverse, and the theory is applied in a wide range of empirical cases, from social revolution, to state building, to regime formation, to welfare-state development and so on (Pierson and Skocpol, 2002). Historical institutionalism is generally interested in observing divergences across countries: such as why a certain choice is made, or why certain outcomes occur in certain cases but not in others. Historical institutionalists attempt to understand the outcomes as a result of rule following and interest maximizing (Steinmo, 2008). Not only do they stress that institutions constrain and impact behavioural strategies and the formation of interest, they also pay attention to the way in which institutional arrangements foster a particular interest perception, and they shape the strategic activities within a specific context (Thelen, 2002). In other words, historical institutionalists explore the policy world on three levels: interactions between individuals and institutions, the institutional intersections, and institution and context.

First, historical institutionalist research tends to explore the causalities at the inter-organizational or inter-institutional level, which is also consistent with the principle of behaviour accounts (Little, 1991). It claims that institutions shape power distribution and allocation among various actors (Thelen, 2002). Second, historical institutionalism usually analyses how sets of organizations and institutions interact with each other and shape the process and outcomes. The focus on the meso-institutional level rather than single isolated institutions provides a comprehensive discourse on key relationships among multiple institutions (Skocpol, 2002). For instance, the interplay between particular welfare structures and political institutions has been argued to determine the convergent welfare retrenchment efforts and outcomes across countries since the late 1970s (Pierson, 2004). The coherence and coupling between institutions contributes to the stability of institutional configuration, and can also be used to explain change because an opening in one institution might trigger other relevant institutions to change as well

(Deeg, 2005). Third, historical institutionalism is not only concerned with the causal configuration at the organizational and institutional level, but also points to the overarching context, such as the types of regime, region and culture, which places bounds on research (Thelen, 2002). Attention to the significant overarching context can reveal some data not available in the short term, thereby enabling exploration of some significant findings which the behaviourist might ignore (Broschek, 2012). In addition, concern for the macro context can enable us to see how changing background conditions might cause the same variables to play out in different ways.

Why did I choose historical institutionalism over the other new institutionalism for this case study? Historical institutionalism puts the attention on structure, and provides a comprehensive picture of the political and social world, the eclectic approach comes between cultural and calculus extremes and builds a rigorous examination of the empirical world. To be specific, the calculus approach emphasizes that the institution affects an actor's behaviour and expectations, and strategic interaction is the crucial element of analysis; while the cultural approach stresses that behaviour is not fully strategic but is bounded by the actor's view of context and culture, and, as has already been said, the interpretation of a situation is the crucial part of analysis. Historical institutionalists adopt the eclectic view and use both of these approaches to specify the relation between institution and action (Hall and Taylor, 1996). The institution not only affects the short-term calculation and expectation but also shapes the world-view of the actors in the long run. The instrumental calculation and context/cultural interpretation are both important in historical institutional analysis. Many historical institutionalists, including Pierson, Steinmo, Thelen and Longstreth, have presented work across various policy areas, such as labour policy, health policy, state policy, economic policy and work-welfare policy (Steinmo *et al.*, 1992). This approach is most effectively applied in the redistributive policy, especially welfare policy literature (Reich, 2000). This volume of work explores how scarce resources are distributed among rival actors, and why some groups win while others lose, and consequently shape the policy outputs in a way to seek better understanding of the divergences of policy outcomes across countries. My study will follow these scholars' steps to reveal the 'structuring politics' in Chinese pension policy development. As for why the historical

institutionalist approach is saliently used in the welfare policies, Reich (2000) gave a good reason. On the one hand, this approach emphasizes the role of history, and historical development is very influential in determining 'who gets what' in the redistribution process and constrains the possible solutions. On the other hand, the emphasis on the role of the 'institution' also means that this approach is primarily concerned with how the resources are divided, or the domestic interest competitions within the institutional organization. Welfare policy is also concerned with the redistribution of resources within polity. The historical and power relations focus could well explain why and how the resources were distributed and redistributed over time.

To find answers to my research question, I shall attempt to trace pension institution transformation over the past decades. My enquiry is not only concerned with describing welfare policy change, but also seeks to identify the drivers and interactions pushing forward the change. Historical institutionalism puts the weight of the analysis on the meso-level institutions and how they intermediate between the strategic behaviours of policy makers and the overarching macro context (Hudson and Lowe 2012). My study is also based on this assumption and attempts to find out how the special Chinese institutional setting produces policy outputs and dynamics. I believe that historical institutionalism could serve the case study well: on the one hand, it puts the institutional structure into the centre of the analysis, and aims to find how the institutional configurations shape the interactions, patterns and results. On the other hand, it examines the actions of the micro actors as well as the macro-context variables equally, and gives them similar weight in the analysis. And this eclectic method caters well to my research concerns. In the past three decades, China has gone through massive change against the background of globalisation (Nolan, 2004); the attention to both the international and the domestic macro contexts should be emphasized in this dramatically changing case. In addition, to address questions about the political dynamics in China's pension policy change, the observation of the strategic political actors within the institutional structure is also a necessary element.

Second, historical institutionalism emphasizes history (Pierson, 2004). In other words, adopting historical institutionalism into this research should provide a long

stretch of time for observation rather than merely a fraction of the process. My research will trace the development of the pension regime in China from the socialist era, through the social transition, right up to the present. Therefore, the long-term historical process will be examined in detail, which is consistent with the requirements of historical institutionalism.

Third, taking history seriously in historical institutionalism is not only implied in its concern for historical process, but also suggests that the legacy of the past is crucial in explaining the existing present state (Pierson, 2004). China is undergoing social transition, and the communist and the transition policy legacies also impact the current institution formation and transformation.

3.4 Concluding remarks

To sum up, this study applies the historical institutionalist approach because it puts the meso-level institutional structure into the centre and can deal with the complexity of interaction effects. The long-term observation of social/political phenomena could reveal hidden causal mechanisms which might be missed in a snapshot study. In addition, historical institutionalism as a general theory in social science and political science could facilitate the investigation and observation of China's case which poses a challenge of generalization or comparison quantitatively or qualitatively in orthodox comparative welfare studies. It guides the case researcher about where to look, and what sources of data evidence should be collected in general. The next chapter will discuss where to study and what evidence should be collected in particular, delineating the variables (explanatory and outcome variables) in existing pension reform studies.

Chapter 4: Explanatory framework and variables in comparative pension reform study

4.1 Introduction

In the past decades, the welfare state modelling business has assumed that welfare states did not change very much (*see* for example Esping-Andersen, 1996). Instead, path dependency and institutional inertia were the dominant arguments in the 1990s and early 2000s (Starke, 2006; Green-Pedersen and Haverland, 2002). The path-dependency concept together with veto player and blame avoidance explanations were the major factors in understanding and explaining reform in a mature welfare state, particularly in pension reform (Ebbinghaus, 2005; Mahoney, 2000a; Pierson, 2000; Pierson, 2011a; Streeck and Thelen, 2005). This causal argument not only explained welfare state continuity in general, but also the stickiness of pension schemes in particular. The way old-age pension institutions institutionalised at the earliest point of implementation would impact considerably on their future development. One version of this concept adopted in welfare state discussion is to use the policy feedback effect to explain why the observed changes in the welfare state programme did not alter the fundamental logic of the whole system and scarcely transcended the historical path (*see* Pierson and Dolowitz, 1994; George, 2005). Another stricter version of the concept argues that the welfare state institution has an inbuilt causal mechanism that makes it difficult for policy makers to change the *status quo*, such as 'cultural solidarity' (Pierson, 2000). In this version, the path-dependency argument mainly emphasizes the 'history matters' thesis.

From the middle of the 1990s, the discussion began shifting to the witness of welfare state change more generally and the pension 'elephant on the move' more particular (Hinrichs, 2000). With the population ageing, the resistance of the elderly and those close to retirement to reform is the general feature of the politics of pension reform. Since pension expenditure typically forms the largest proportion of national social spending, it is, like a full-grown elephant, difficult to move. However, changes have been monitored across OECD countries, substantial path changes were possible and have occurred, and it has become obvious that the "elephant can be moved" (Hinrichs, 2000). This new discourse has provided empirical evidence of large

changes in pension institutions despite the strong inertia embedded in old-age pensions (Hinrichs, 2000). It is acknowledged that far-reaching change occurred in many Western nations and this phenomenon was neglected in the earlier stages of research because of the slow speed of change and the lagged effects of much welfare programme change. This has meant that the concept of path dependency to understand welfare state change has increasingly been scrutinised, particularly because it cannot explain the degree and logic of institutional change (*see* Chapter 3).

First, path-dependency arguments were particularly associated with macro-level investigation using quantitative and qualitative data; Castles, for example, used public spending data to provide evidence for path-dependency accounts (Castles, 2004), an approach which has been criticized (Clasen and Siegel, 2007; Kühner, 2007).

Second, from a 'bird's eye view', the differences between welfare regimes (Vennesson, 2008), families of nations (Della Porta and Keating, 2008), or varieties of capitalism (Mahoney, 2000b) are path dependent. However, from the micro perspective, the investigation of a welfare programme (such as pensions) has been argued to capture changes which transcend the historical logic (Jochem, 2007).

Third, it was argued that the path-dependency concept is unlikely to explain welfare state change. While, nobody doubted the existence of lock-in effects, it became increasingly questionable whether it is possible to explain both change and continuity in one framework (Jochem, 2005).

Fourth, and similarly, there has also been an increased understanding that the institutional mechanism that stabilizes different development paths depends on political will and capacities. When the context enables the change and political actors have the will and ability to switch a given institutional logic, the previous lock-in mechanism also provides an opening for change (Jochem, 2005).

Fifth, it has increasingly been argued that the political institutional explanation inspired by new institutionalism has approached its limit. For instance, it has been argued that the veto player (Tsebelis) and veto points (Immergut) perspective is only

fruitful when the focus is on the decision-making process, and if it takes into accounts the investigation of the whole political process including implementation (Mahoney & Thelen) and election cycles (Bonoli).

There is, then, reason to believe that path-dependency concept can be said to be limited if it intends to explain continuity and change at the same time. So-called institution inertia may be witnessed across countries given the functional causal mechanism, and including increasing returns, the sequence of historical events and institutional complementarities which reflect the functional or structural demands will influence the stability of the path. However, another causal mechanism based on legitimacy, conformity and power relations provides another perspective to explain continuity and change (that is, the actors with willingness and strategies activate the mechanism to stabilize or change the path). And when we intend to adopt the second mechanism to study the phenomenon, the nature and dynamic of political competition, the extent of the crisis, and the external influences which might impact the conception, the preference and the willingness, it reveals why and how politicians accept the uncertain and high-cost transition or not (Jochem, 2005).

In terms of pension studies, developments in a mature pension system have largely confirmed path-dependency arguments providing widely-cited reasons such as the double payment issue, grey voter power and so on (Myles and Pierson, 2001). However, some authors have also challenged the path-dependency argument for pension systems. They argue that most recent development has transcended the historical path (Myles and Pierson, 2001; Hinrichs and Kangas, 2003; Hinrichs, 2000; Jochem, 2007; Andersen, 2007a). Some studies (*see* Marier, 2008, Arza and Kohli, 2008, Ebbinghaus and Manow, 2001) have argued that a theoretical framework should facilitate the explanation of reforms and non-reforms and feasible conditions when reform is adopted (Van Vliet, 2010).

As in the study of welfare state retrenchment, the dependent variable problem in pension reform should be defined and measured. What should be regarded as pension reform and what should not? The choice and definition of dependent variables for this study reflects the research questions and objective of this thesis. In this chapter, I shall borrow the perspective of welfare state change conceptualisation

and draw from the extensive pension retrenchment and reconstruction literature (Boas, 2007; Green-Pedersen, 2004; Andersen, 2007b; Clegg and Clasen, 2003; Jochem, 2005; Bonoli, 2000; Bonoli and Shinkawa, 2005b; Pallares-Miralles et al., 2012; Jochem, 2007; Andersen, 2007a; Immergut et al., 2006; Streeck and Thelen, 2005; Holzmann and Hinz, 2005; Ebbinghaus, 2005; Hinrichs and Kangas, 2003; Marier, 2002; Clasen and Van Oorschot, 2002; Pierson, 2001; Palier, 2001; Myles and Pierson, 2001; James and Brooks, 2001; Palacios and Pallares-Miralles, 2000; Orenstein, 2000; Hinrichs, 2000; Taylor-Gooby, 1998; Pierson and Dolowitz, 1994; Esping-Andersen, 1990; Castles, 2003; Pierson, 2005; Grimmeisen, 2004; Müller, 1999a; Babich and Béland, 2009; Kittel and Obinger, 2003; Béland and Shinkawa, 2007; Ebbinghaus, 2005; Ebbinghaus and Gronwald, 2011; Holzmann, 2013; Bonoli, 2003; Aysan and Beaujot, 2009; Schmidt, 2006; Jensen, 2009; Marier, 2012), to clarify the dependent variables and independent variables in pension institutional analysis and answer the second set of my research questions.

In particular, this study involves such questions as whether the pension institutions in China changed or not, and what dimensions are included in defining this change. All of these questions determine which data are most appropriate for the investigation. The debate about pension reform has been rather heated because of its significance and the fact that it occupies a significant part of public spending. However, any study of this subject should first identify the nature of the dependent variable problem. The dependent variable problem in this study is the pension institution change problem. First, what is the theoretical definition of pension institution change in terms of direction, extent, and pattern? Second, how to identify the direction, measure the extent and define the pattern of pension policy change. The first question requires a systemic literature review to clarify the definition of change in pension institutions and provide a scope for the study.

The disagreement about the dependent variables originates from the theoretical frameworks, which different researchers adopt and the research questions they try to answer. The dependent variable problem within welfare retrenchment has been crucial in the welfare retrenchment discussion. Different theoretical perspectives on retrenchment lead to different conceptualisations, operationalization and measurements, as well different findings (Green-Pedersen, 2004). Thereby, the

dependent variable problem is not only a problem of data, but also mainly one of theoretical conceptualisation (Clasen and Siegel, 2007). The different measures of welfare state change, including standardised and non-standardised social expenditure indicators and the de-commodification index, usually reach different conclusions, sometimes even contradictory, which challenge the view that a single quantitative indicator (social expenditure or social rights) is valid to assess and explain welfare state change (Kühner, 2007). Kühner (2007) therefore concluded that the adoption of multiple indicators wherever possible could provide an alternative option and he suggested that research should engage in disaggregated, programme level assessment. Focusing on a particular programme, for instance, old age pensions would avoid the limitations of the macro bird's-eye-view indicators but still facilitate more relevant conceptual arguments. As Green Pedersen (2004) found, separating the quantitative change (including expenditure / generosity) from the qualitative change (institutional structure shift) is a thorny issue. Distinguishing the extent of change is more difficult too. In order to answer the question of the pension reform trajectory, this thesis will study two dimensions: first the scope or degree of reform, and second the causal dynamic and mechanism behind the trajectory. The conceptual framework is formed on the basis of pension reform in mature welfare states and reform trends globally, which will be adopted to assess the pension reform trajectory in China.

As for the dynamics of the path, this study will turn to the explanatory accounts emerging from the literature and identify the independent variables, including political institutions, existing pension institutions, the macro context and interest groups, to explain the dynamic of pension reform. The causal links will be generated from the existing pension reform literature and reveal how and to what extent the explanatory variables have affected the outcomes.

For the causal mechanism interplay between the dependent and independent variables, the study will follow the institutional change mechanisms, including layering, conversion and drift, to reveal the interactive effect in the process.

4.2 Conceptualising and measuring the dependent variable

In this section, I shall measure pension reform by examining the qualitative (institutional characteristics) and quantitative change (institutional outcomes) over time and identifying the reform process and its impact. Qualitative change is identified through pension institutions' architecture and characteristics based on the available qualitative data including government documents and other qualitative literature. The quantitative change is identified from the institution outcomes in term of pension adequacy, pension redistribution and pension privatization based on the quantitative data. First, to operationalize and measure qualitative change, pension taxonomy will be used as a map to identify the architectural changes in pension institutions. To measure the extent of change, Hall's (1993) conception of three-order change will be used in conjunction with systemic and programmatic measurements developed by Pierson (1994) to scale the degree of change. Second, the institution outcome will be measured quantitatively by means of a public pension generosity index (Scruggs, 2006) and pension privatization index (De Deken, 2013), which will both be introduced in the following sections.

4.2.1 Conceptualising institutional characteristics

Given the variations of institutional design, it is difficult to generalise the detailed content of pension programmes between countries. Even so, this section will attempt to outline the general architecture of pension structures as well as the parameters of design change across countries. An important facet of pension path change could be disentangled through the pension programme profile or the pension institutional structure by adopting the language of pillars and tiers (Jochem, 2007). The comparative historical literature on pension policy change has been discussing the multi-pillar pension as the macro institution design for a long time (Myles and Pierson, 2001). Comparative studies usually classify the origins of pension systems as following the models of Bismarck or Beveridge. Bismarck's model developed on the social insurance principle, and old-age insurance is related to employment status with the aim of maintaining income level after retirement. The Beveridge model developed from the poor law tradition, in which a universal tax- or contribution-financed pension was established to prevent poverty (Bonoli, 2003).

Most OECD countries belong to one or the other of these two models. Since the 1990s, pension privatisation has been carried out in various ways across the world and pension institutions have shifted from the original model.

In order to capture the change trajectory and goal shifts over time within a country, the general practice in the analysis is to adopt the 'pillar-tier' method to map out the whole pension institution architecture. To define a change or measure change, Hinrichs and Kanga proposed that a shift in the structure-mix could be qualified as change, such as the addition of a new pillar or the revision of a tier within a pillar (Hinrich and Kangas, 2003). For instance, Finland abolished the national pension completely and Germany introduced a special minimum benefit scheme in 2003: Finland broke with the citizenship principle and Germany joined the multi-pillar trend with other industrialized nations. Cutting a pillar or adding a new pillar which broke with a previous principle could cause a large change, and a change such as increasing the link between contribution and benefits could cause a parametric change (Hinrich and Kangas, 2003). All parametric or systemic shifts could be identified from a review of the policy programme and the relevant documents. Capturing this institution architecture shift is crucial to mapping out the pension institution development trajectory.

Consideration of WB, OECD and comparative pension reform literature can clarify the pillar-tier mix method in more detail (OECD, 2011; Holzmann and Hinz, 2005; Palacios and Pallares-Miralles, 2000; Andersen, 2007b; Myles and Pierson, 2001; Hinrichs, 2000; Jochem, 2007). According to Ebbinghaus (2011), several pillars (that is, institutionalized providers which are responsible for the provision of old-age pensions) can be distinguished. Although various public schemes exist which can be distinguished according to their diverse goals and functions, the first pillar is typically understood to be state-provided (*see* table 4.2.1); the second pillar is provided by employers or social partners and features a similar degree of variation in regards to goals and functions across countries; and the final pillar is provided by individual savings or investment plans through financial markets.

The use of the notion of separate tiers is one way to further disentangle complicated multi-pillar pension systems according to the tier function and feature, whether they

are redistributive or saving, mandatory or voluntary (OECD, 2011). The first two tiers are usually redistributive (public pillars), and mandatory or quasi-mandatory based on state intervention (private pillars), and the third tier focuses on savings plans and rarely exists in a public pillar, except in Sweden (where there are mandatory funded individual accounts) and is more prevalent as a voluntary scheme in private pillars. Different countries will present diverse architectures based on different pillar-tier compositions.

The first tier comprises programmes designed to ensure absolute minimum living standards; these programmes have an evident redistributive character and are aimed broadly at poverty prevention in the public pillar, and are usually regulated or intervened in by the government in the private pillars. Among the OECD countries, there are mainly three types of first-tier scheme provided by the public sector.

First, resource-tested schemes are typically aimed at providing targeted benefits to poorer pensioners; entitlement to benefits depend either on income from other sources or on both income and assets. Such safety-net programmes can be found in all countries, but in some cases they only cover relatively small numbers of older people who can look back on interrupted working careers.

Second, universal basic pension schemes provide flat-rate benefits to all retirees based on social citizenship criteria; the calculation of benefits may still be based on years of work.

The final type is minimum pensions, which share many features with resources-tested plans, but are different because the entitled values depend on pension income rather than the income from savings or assets.

In this sense, workers in earnings-related schemes with very low earnings may be entitled to minimum credits in the context of higher-level earnings through other means. And in the private pillars, the mandatory occupational pension or individual pension schemes constitute this tier. The second tier is aimed at maintaining previous living standards after retirement through earnings-related benefits and following a contribution record and expected benefits. Usually, this tier in private pillars has

government subsidies, tax deduction or regulation, which is the main strategy of promoting the multi-pillar pension worldwide.

There are three kinds of scheme within this second tier in the first two pillars.

First, defined-benefit (DB) plans can be provided by the state or occupational schemes and benefits depend on the contribution record and individual earnings.

Second, defined-contribution (DC) plans are either compulsory or voluntary. Under this scheme, contributions flow into individual accounts and the accumulated contribution and investment returns will convert into a pension income stream after retirement.

Third, notional defined-contribution plans are somewhere between DB and DC in the sense that contribution records in individual accounts are used as the standard to pay the benefits while the accounts are notional in the balances; additionally, the notional capital accumulated is converted into pension payments using a formula based on life expectancy. In the third pillar, various insurance products and collective investment plans constitute this tier. The third tier is meant to 'top-up' retirement income. It is more prevalent in the private pillars in the form of various voluntary schemes. Investments saving plans (provided by employers to high-skilled employees) or voluntary personal saving plans (provided by financial institutions) are the most common third-tier pensions: individual investment and saving plans, housing assets and family support also belong to this category. However, it should be mentioned here that this study would focus on the collective social responsibilities, including state and non-state actors, and exclude the complete individual arrangements.

Table 4.2.1 A Taxonomy of Pillar-tier Pension Systems¹

First pillar	Second pillar	Third pillar
<p>Third tier: mandatory individual saving (state managed)</p> <p>Types: e.g. Swedish funded accounts</p>	<p>Third tier: voluntary occupational pension</p> <p>Types: additional plans on top of the first two tiers (for high income groups, or high skilled workers)</p>	<p>Third tier: voluntary additional plans</p> <p>Types: housing assets, retirement saving, family support, etc.</p>
<p>Second tier: mandatory saving</p> <p>Types : earning- related DB, DC, NDC schemes, pension points, etc.</p>	<p>Second tier: government subsidized or promoted quasi-mandatory or voluntary schemes</p> <p>Types: occupational plans or company plans (DC)</p>	<p>Second tier: government regulated insurance products</p> <p>Types: lump sum, annuity products, life insurance, etc.</p>
<p>First tier: mandatory, adequate</p> <p>Types : social assistance, minimum pension, basic pension</p>	<p>First tier: mandatory schemes</p> <p>Types: occupational pension plans, or employer-sponsored pensions (DB, DC)</p>	<p>First tier: mandatory, quasi-mandatory private pensions</p> <p>Types: individual retirement accounts, e.g. AFP in Chile, 401k US (DC)</p>

¹ Apart from the system architecture from the structure view, the details of programme parameters are also different from one another and constitute different institutional features. According to the WB classification of operational parameters, there are two components of a pension system. The first is the qualifying criteria, which include the entitlement conditions for receiving benefits, the retirement age, and the minimum investment period, which means the required contribution history/service to qualify for pension entitlement. The second operating parameter includes contribution rate, benefits formula, indexation, target replacement rate and public-private mix. The contribution rate is found to vary across countries globally. Benefit accrual formulas are diverse based on whether the pension calculation is defined by average life earnings or final salary. Benefit indexation is indices to adjust pension payments, and these differ with changes in wage or price level. The target replacement rate describes the objective of a pension system replacing the pre-retirement wage level. The target replacement rate refers to new entrants in the labour force covered by the pension scheme

4.2.2 Measuring institutional pension reforms

The pension reform measures since the 1980s which have been adopted by countries within Europe and globally, particularly in the public pension domain, have mainly followed the following trends. First, reducing benefits by changing the parameters of the existing system. Second, increasing contributions, either by raising the percentage rate or by widening the range of income on which contributions are payable. Third, raising the retirement age (increasing the eligibility condition). Fourth, shifting the risk and sharing it between more actors, particular individuals or the private sector. The measures include changing the DB to DC or NDC (Notional Defined Contribution), which leaves the risk to the investment market and individual choice. Fifth, bringing more incentives to increase savings or funding pension scheme development through tax incentives, which reduces the reliance on DB schemes or public pension provision (Barr and Diamond, 2008a). Sixth, indexation rule changes and adjustments according to socio-economic changes. For instance, the pension indexation is no longer based on wage but on price, which corresponds more to the cost of living and can be adjusted according to the economic situation. In addition, other sustainability factors are brought into consideration; for instance, techniques which take into account population aging in pension calculation (Vidlund, 2006).

Hall's (1993) three-order change proposed another general way to scale the nature of change. First-order change refers to instrumental change, such as raising the pension contribution level, or changing the indexation from wages to prices. Second-order change refers to future changes by bringing in new instruments, such as stricter conditions or new calculation rules, and these instruments are usually visible. Third-order change involves paradigmatic change both in instruments and goals, which changes the overall logic of a pension policy. Similarly, Pierson (1994, p.17) circumscribed 'programmatic' retrenchments "that either cut social expenditure [or] restructure welfare state programs [sic] to conform more closely to the residual welfare state model" and 'systemic' retrenchment that aims to "alter the political environment in ways that enhance the probability of such outcomes in the future". Following Kühner (Hudson and Kühner, 2011; Kühner and Zhang, 2012), this thesis use these descriptors to measure the parameter changes adopted when

countries embark on pension reform (*see* Table 4.2.2), to scale the extent of reform over time within one country or to compare different extents across countries.

Accordingly, policies aimed at cost control implicitly and explicitly as well as adjustment within or across pillars can be classified as programmatic and systemic change. Such reforms may include explicit cost controls measures, including raising the contribution rate and reducing the benefits, raising the retirement age, changing the indexing formula and reducing non-contributory periods. Additionally, increases in benefit reductions for early retirees up to actuarial level and the tightening of eligibility rules for disability pensions often have an immediate effect on pensioners and those close to retirement. The same is true for the introduction of income tests or the direct reduction of other auxiliary benefits. All these measures are immediate, visible cuts to public pensions. Implicit cost control includes stricter qualifying conditions, such as prolonging the investment period, moving the pension calculation from final salary to life average salary, changing the DB scheme to DC or NDC and sharing the risk among more actors, utilising parts of the increased contribution rate to build up a fund reserve, calculating employers' share on value adding items, and differentiating employees' individual contribution rates according to the number of children. All these measures are not immediate and may change the future projected cost. These implicit or explicit switches reduce the cost of achieving better fiscal sustainability and greater alignment with lifetime consumption patterns, which are based more on the adjustment of existing parameters without general architecture change within or across pillars.

We shall classify the reform efforts aimed at structure change as systemic or third-order change. Such reforms may include activities that are either mandatory or encourage supplementary private, fully funded pension provision, large structural reform activities of old-age pension systems, introducing fixed contribution principles or increasing subsidies out of general taxation to public pensions schemes; equally, the introduction or strengthening of first-tier pensions falls into this category. Following the taxonomy of pension systems described above, all these initiatives arguably represent a multi-pillar approach to pensions implicitly or explicitly – a paradigmatic change of the function and goals of state pensions which is likely to result in considerably different pension outcomes, if not in the short term, then

certainly in the medium and longer term. Therefore, the introduction or cancellation of a particular pillar or tier is seen as systemic change.

In addition, the conceptual framework based on the retrenchment literature can also explain welfare expansion, which takes a reverse direction. Given the special nature of the Chinese welfare system, which is in the making and developing process, the complexity of reform direction can not only be identified as retrenchment. In order to explain the Chinese pension reform process more precisely, the full span covering the retrenchment and expanding dimensions could be adopted in the framework (*see* Table 4.2.2). The welfare expansion measures include actual increases in net pension replacement rates, expanding coverage, changing from funded to PAYG financing, and the introduction of automatic benefit indexation and/or contributory periods. Policies to encourage early retirement and facilitate eligibility for disability pensions have been a preferred method of alleviating labour market pressures, but have proven to be equally costly. The incorporation of unpaid family work into the benefit calculation is another way to strengthen the goal of status maintenance in public pension provision and thus to undermine the need for first and third pillar solutions.

Table 4. 2. 2 Coding Framework for Pension Reform

Direction	Hall (1993)	Pierson (1994)	Hinrichs (2000: 364; 2010: 97-98); Ebbinghaus (2011); Pallares (2012)
Retrenchment	3 rd order: paradigm changing	Systemic	<ul style="list-style-type: none"> • Mandating or encouraging supplementary private, fully-funded provision • Introducing fixed contribution principles; increasing subsidies out of general taxation to public pension schemes • Introducing basic pensions • Harmonising public and civil servant pensions schemes
	1 st /2 nd order: parametric, instrumental	Programmatic	<ul style="list-style-type: none"> • Decreasing net pension replacement rates: strengthening equivalence principle; suspending automatic benefit indexation and/or changing the indexing formula; reducing non-contributory periods • Raising retirement age; increasing benefit reductions for early retirees up to actuarial level; tightening eligibility rules for disability pensions • Introducing income tests; reducing auxiliary benefits • Tightening contribution benefit link: increasing contribution rates (employees); utilising parts of increased contribution rate to build up a fund reserve; calculating employers' share on value adding items; differentiating employees' individual contribution rate according to the number of children
Expansion	1 st /2 nd order: parametric, instrumental	Programmatic	<ul style="list-style-type: none"> • Loosening contribution/benefit link: increasing contribution rates (employers); increase of transfers between social security branches • Increasing net pension replacement rates: changing from funded to PAYG financing; introducing automatic benefit indexation and/or changing the indexing formula; increasing non-contributory periods • Encouraging early retirement; facilitating eligibility for disability pensions • Incorporating unpaid family work into benefit calculation
	3 rd order: paradigm changing	Systemic	<ul style="list-style-type: none"> • Introducing/extending contributory, earnings-related benefits that are mandatory for particular occupational groups; crowding out private provision • Tax-financed, non-contributory pensions for civil servants

4.2.3 Operationalizing quantitative institutional pension change

The design features presented in the previous section reveal how the programmatic diversity across countries or programme change over time within one country. However, there is always a gap between formal requirements and actual practice, in order to achieve the whole picture of pension system change; addressing the pension institution outcomes quantitatively is another dimension to explore change or the absence of change. This section will introduce different pension institution outcome measurements include generosity, redistribution and privatization. The first two

measures are more about public pension provision and the third is more related to pension reform trends with privatization and multi-pillar model diffusion. The combination of these three measurements not only evaluates pension system performance in terms of level of generosity and poverty reduction, but also demonstrates the dynamic of a pension system in terms of the public-private mix.

Adequacy and generosity

To gauge generosity level, we shall use indicators including the macro expenditure data, the replacement rate and coverage to evaluate the institution performance. International comparison of national social policies has largely relied on programme spending data (Scruggs, 2006). Researchers use various measures of social spending data to examine the consequences and causes of social programme change within a country or across countries. The adoption of macro expenditure data for this purpose is reasonable because it can easily be used to assess welfare policy between countries. However, some caution is warranted when using such measures. As already mentioned before, macro spending data often obscures as much as it reveals and the different measures of expenditure data sometimes produce confusing or even contradicting results (Kühner, 2007). More precisely, Scruggs (2006) pointed out that macro expenditure data does not address the size of or changes in the dependent population; for instance, countries might have the same level of expenditure as a percentage of GDP, but they may have a different proportion of old-age population, so the same spending level does not necessarily guarantee the same level of generosity. In addition, spending data cannot separate social spending trends and economic growth trends. A relative increase in spending growth may be due to faster economic growth (Scruggs, 2006).

Even though there are problems in or criticisms of macro expenditure measurement, we shall still adopt it as one indicator to represent spending level change over time, and we shall add more complementary indicators to mitigate the above limitation. This remains common practice in comparative welfare research (*see* Castles, 2004). When assessing a pension system, the pension spending as a share of GDP does not reflect the generosity level, as much as it is concerned with the financial capacity to pay benefits; indeed, in comparative public pension research macro spending data it

is usually a starting point for financial status analysis (Pallares-Miralles *et al.*, 2012). In order to show quantitative degree changes in spending data, we shall use spending per retiree to measure the scale of public pension generosity (*see* Castles, 2002; 2004; Kühner, 2007).

The complementary indicators of spending data involve public pension replacement and coverage ratios. For an individual, one of the most important indicators of the generosity of a welfare programme is the income replacement rate, i.e. the proportion of income in work that is replaced by social welfare benefits after retirement (Scruggs, 2006). The net replacement rate and empirical replacement rate are the two most common indicators used to reflect the adequacy and generosity level of a benefit. The first is based on a forward-looking simulation of replacement rates for workers entering the labour market today, and is operationalized as the ratio of the pension entitlement when retired to individual earnings when working. The results are based on current parameters and rules of the pension system based on the systematic analysis of pension entitlements across countries (Whitehouse, 2006; OECD, 2011), which are calculated out of taxes and contributions paid on earning when working and pension during retirement. Net replacement ratios are commonly used in the analysis of public pensions in advanced Western economies (Whitehouse, 2012), but for China data availability is much more restricted. Hence, the analysis in this thesis will solely rely on the empirical replacement rate, which are measured from administrative data and show the benefits actually received by the retirees.

Scruggs (2006) suggested that another determinant of the generosity of a pension insurance system is the coverage rate. Expanding the coverage rate is widely considered an important indicator of welfare expansion by simply including more people (ILO, 2012; 2013). National social insurance programmes started historically in the twentieth century with limited coverage and only gradually extended to the entire population (Scruggs, 2006). Therefore, examining the coverage rate change over time is another complementary measurement to reveal the generosity level of pension insurance. Coverage of a pension system can be calculated from the numbers of contributors and beneficiaries, that is, the working-age population building up pension rights and the numbers of people of pension age receiving benefits. The working-age population refers to the labour force or the population of

working age (15-64) (Whitehouse, 2012). Similar to net replacement rates, coverage ratios are not readily available for the Chinese case. However, it is possible to calculate ratios by means of data included in various Chinese Statistical Yearbooks (MOHRSS, 2011; NBS, 2011, 2012). All coverage figures presented subsequently were calculated by the author.

Closely related to measures of adequacy and generosity are indicators capturing the redistributive impact of pensions? These institutional outcomes or policy outputs, i.e. whether they reduce the income insecurity risk (poverty prevention) or create inequality among pensioners, can be adopted to assess the system over time (Barr and Diamond, 2008b). Since a pension system is typically intended to reduce poverty among the elderly, poverty figures (for instance, based on a poverty line of fifty per cent of median per capita income) are crucial for assessing the outcome of a pension system. One direct measurement of pension impact on poverty is the extent to which pensions reduce poverty (the percentage of the poverty gap reduced by pension transfers), and the incidence of pension spending by calculating the percentage of the transfer received (the percentage of elderly households receiving pension transfer), as well as the percentage of consumption of elderly households compared with non-elderly households.

All these indicators have to be calculated using the household expenditure surveys of countries which report the sources of income (Pallares-Miralles et al., 2012). Data availability, however, remains an issue once more. Major OECD publications routinely provide poverty figures, but data for non-OECD countries using comparable and systematic equivalent definitions and scales are often not readily available (Pallares-Miralles et al., 2012) The World Bank Social Protection Department uses household survey data to generate indicators for non-OECD countries, such as Latin America countries but China is not yet included in these calculations except the year data of 1995 and 1997(WB, 2013). Consequently, redistributive effects of pensions in China could not be accounted for systematically. Analysis of the other institutional and quantitative indicators nevertheless enables a tentative assessment of the redistributive effect of pension reforms in China.

Privatisation

Pension reforms have often altered the public-private mix in the institution architecture as discussed above. Therefore, indicators measuring the share of retirement income coming from the public versus that from private pensions have been more widely used since such a measure can denote institutional outcomes before and after key reforms, particularly whether reforms have increased (or not) the extent to which the individual relies on public and private provision respectively. For instance, DeDeken's (2013) pension privatisation index is calculated as the relative share of public and private pensions thus offering a possibility to demonstrate the extent of privatization across countries (a similar measure was included in Esping-Andersen, 1990 to indicate one aspect of stratification).

DeDeken (2013) adopts two variables reflecting different public-private pension arrangements: current expenditure of private benefits and the funding rate of private pensions. To measure the importance of current and future private pensions, he proposes using the coverage of private pension plans and the theoretical replacement rate of public pensions (target replacement rate). The first indicator, the replacement rate of a public pension, tests whether a generous statutory scheme will crowd out private provision, and this indicator presents the implicit option of exiting from statutory programmes. The second indicator is the pension scheme assets of private pensions, which tend to be pre-funded and can be measured by financial assets as a percentage of GDP. The third indicator, private pension expenditure as a percentage of public expenditure, indicates the extent to which the administration of the pension has been transferred to private actors. In measuring this indicator, the distinction between public and private pension should be clarified. Following the OECD definition, 'public' is considered as statutory programmes administered by the general government as well as public bodies such as social security institutions. In China's case, the whole public pension pillar belongs to this category. 'Private' pension plans are those administered by a private sector employer as plan sponsor, private pension fund or private provider (OECD, 2005). The fourth indicator is the coverage by private pension plans: the percentage of the active population covered by private plans, and the contribution rates levied by the 'largest private pension scheme' reflect the extent to which private actors are responsible for providing retirement incomes. To perform this sort of analysis requires very detailed information on public and

private tiers across the different pensions pillars. Data availability does, once again, not allow for a complete replication of DeDeken's approach, but nevertheless a presentation of slightly simplified privatisation measures is included in the subsequent analysis. More detailed explanation of these alternative measures is provided in *Chapter 5*.

4.3 Determinants of pension change

The notion of 'elephants on the move' described earlier is now very much a consensus among welfare-state studies. Nevertheless, the extent and direction of the 'move' became a topic for discussion. Part of this, is an exploration what has determined the degrees of change. To solve this puzzle, various explanatory factors have been introduced. Much attention has been focussed institutional independent variables, such as social partners, employers and unions, pensioners and partisan veto players, to account for the diversity of pension reform across countries. Together it is argued that they form an actor combination in the polity and that their interactions in the decision-making process determine the degree of reform and reform strategies. It is striking, that all these propositions developed from a decision-making or consensus making perspective, without much consideration of the issue from the implementation process. While much attention is put on these institutional variables, other factors at the macro and micro level have been included in exploratory frameworks too. The following section will provide a review of these different kinds of determinants utilised in the comparative public pension literature and follow this with a discussion of the causal linkages found in mainstream accounts of public pension reform.

4.3.1 Macro context: demographic ageing and the state of economies

Demographic ageing and the deteriorating old age dependency ratio (the ratio of people aged 65 and above to people aged 15-64) have been used by pension reform proponents as the most important reason to undertake pension reform since the publication of the need to avert an old-age crisis (Pordes, 1994). Population aging is often suggested to be the major trigger of reform, while the pattern of demographic aging is argued to affect the extent of reforms (Bonoli and Shinkawa, 2005b) – in

short, different speeds of ageing should trigger different levels of reform across countries. It is assumed that the higher the problem pressure caused by population ageing, the more radical the reform it will be. However, the evidence does not suggest this is always the case. For instance, Germany certainly has a moderate ageing trend and has been slower to introduce radical reforms compared than other countries with more radical reforms, such as Sweden and Italy (Immergut *et al.*, 2006). In addition, demographic projections merely provide one side of the pressure regarding the viability of the retirement system. An alternative measurement, old-age pension expenditure projections, should be taken into account to assess the degree of the pressure and its relation with the reform options (Bonoli, 2000). The variations in expenditure projections are generally suggested to constitute a more substantial and more visible factor in alerting the government to propose reform. In general, demographic ageing is measured as the proportion of the population aged 65 or over.

Another factor related to demographic aging are concerns about pension sustainability and budgetary crisis. As people live longer, it becomes more expensive to provide them with a monthly pension. This issue is further exacerbated by the decreasing fertility rate and increasing early retirement rate. If pension formulas remain unchanged, projected trends in longevity, fertility and economic growth suggest that the pension expenditure relative to GDP will increase (Barr and Diamond, 2008a). For instance, the expenditure crisis in pension programmes came mainly from the slow wage growth after the 1990s, since the tax-financed pension system adopted by Europe in the post-war period depended on high wage growth, high fertility and high labour force participation – consequently, early retirement, low wage growth and demographic aging have combined to constitute the issue of the financial sustainability of old-age pensions (Myles and Pierson, 2001). In pension reform studies, the shortage of capital for the increasing needs of an aging population is usually argued as the crucial reason for pension reform, and it has received a great deal of attention from researchers. In addition, for developing or transitional countries, the dependence on foreign capital or international organisation is another reason affecting reform options (Müller, 1999b; Madrid, 2002; Elkins and Simmons, 2004). This particular issue will be discussed further in the following paragraph (*see* 4.4.2). As for the measurement of crisis, since it shares common

features with the financial situation of the pension institution, it will be explained in a subsequent section (*see* 4.4.4). The higher the financial crisis of a pension system, the more likely pension reform is to occur, and the greater the possibility of radical reform being adopted, such as privatisation or a fully-funded financial mechanism shift (James and Brooks, 2001).

Overall, the macro context variables provide helpful clues for particular pension reform patterns. First, they are helpful in explaining what triggered reform agendas among the advanced countries – thus providing a useful lesson for the analysis of China's old age pension reforms. Second, macro context variables, and particularly the timing of the old-age spending crisis, can be used to explain the timing of reform initiatives. However, macro context variables do less well in explaining the continuity of pension regimes in particular countries or the specific reform patterns across countries. Other determinants of public pension reform have to be considered to draw a picture that is more complete.

4.3.2 Macro context: diffusion and policy learning

Apart from economic, demographic and spending pressures, another reform pressure comes from international organisations such as the EU, the WB and the IMF, and from the idea of pension privatization they advocate. These international organisations and their ideas impact on pension reform by different means: the first is through loan conditionality; the second is through ‘anticipated reaction’ in which countries adopt measures from international organisations without consultation; the third is the adoption of an internal organisation template to legitimise reform options in the domestic context; the fourth is policy learning and policy transfer from other countries; and finally, harmonization occurs and the member countries have to follow the common practice required by the super-national organization (Brooks, 2004). In Western European countries, ideas or the ideational construction processes have also affected pension politics. Domestic policy makers have been influenced by international debates about public pension reform promoted by a community of pension experts and international organisations (Immergut *et al.*, 2006). However, this happened through the diffusion of ideas, and policy makers have mainly used existing institutional templates and combined them with the internationally discussed

proposals to form reform options (Immergut *et al.*, 2006). Communication with the public regarding the reform options, particularly about unpopular measures, is crucial here. Therefore, assessing how the international idea is used as a template and using policy discourse across countries to legitimize pension reform options has become a principal research area in developed countries (Immergut *et al.*, 2006).

Instead of the international ideas as the trigger or justification for reform strategies in advanced countries, developing countries have mainly been influenced by international organisations and ideas through policy intervention. The World Bank's direct intervention strategy includes technical assistance and sending advice and financial assistance and bank employees to the national policy offices (Orenstein, 2000). Global policy discourse and direct interventions play a powerful role in pension reform across countries. However, an assessment of the role of ideas should be combined with the political institution which creates opportunities for and constraints to adopting the ideas (Hudson and Lowe, 2009). Therefore, the general proposition about the role of international ideas in advanced economies is that politicians respond to austerity pressure and use the international idea to justify the retrenchment measures, minimizing blame and electoral loss. However, the strategies they adopt and the final options they have are determined by the political and pension institution features (Immergut *et al.*, 2006).

4.3.3 Meso-context: veto points and veto players

The pension reform literature offers several arguments about how political institutions structure opportunities for policy change. A large number of studies have explored how political decision-making institutions influence pension reform processes, and these studies can be classified as two groups according to the political institution features on which they focus. The first group adopts the static view to disentangle the relations between political decision-making and policy outcomes. It uses the tools of veto point and veto players to emphasise the existence and impact of specific constitutional structures (Huber *et al.*, 1993). As for the theoretical explanation of the veto points impact on policy outcomes, the core argument is that veto points in the political system shape the possibility and content of major legislative reforms. The probability of legislation is proportionally related to the

policy-making powers of the executive government. In other words, the more veto points there are in any given polity, the more difficult it is to bring about radical change of the *status quo* (Immergut, 1990; Immergut, 1992b).

More recently, the term 'veto players' was coined by Tsebelis (2011) (*see also* Tsebelis, 2002; Tsebelis and Chang, 2004). He constructed a more general model to investigate the impact of political institutions by focusing on executive power and government composition. In this model, it is the number of veto players (including partisan players and institutional veto points) whose agreement is necessary for passing legislation and this determines the possibility and difficulties of change. In addition, Tsebelis also suggested a way to measure the distances between veto players who are also crucially related with the probability of agreement. Tsebelis hypothesised that the greater the numbers of veto players, the greater the policy distance and the greater cohesion between veto players there will be, which will result in greater policy stability. The case evidences from West European countries provide a good test for the explanatory power of these hypotheses. For instance, Bonoli (2000,2001) found that the presence or absence of veto points was critical to the passage of reform in Britain, France and Switzerland.

Another group concerns the political competition aspects, with the focus on the election system, electoral rules and the party system in the political institution (Immergut *et al.*, 2006). These studies argued that that the degree of political competition structures and influences the effective governance and the capacities of introducing significant policy change. They hypothesise that low political competition will lead to policy stability because the government has little incentive to respond to voter concerns and policy problems. In contrast, high political competition is likely to lead to the introduction of policy changes as a response to policy problems, but the worry about the risk of election loss in response to unpopular reforms forces the government to compromise with other parties or groups. Therefore, high and low political competition are unlikely to achieve effective governance, but for different reasons. The medium political competition is likely to be effective to introduce change because the government with a stable majority in a competitive environment is able to sacrifice some votes to pass its legislative initiatives.

The veto points and veto players approach are useful to understanding the dynamic of pension reform because they provide the cause of the resistance to change in certain political systems. And the political competition aspect also brings incentives and constraints for the politicians to propose change. Therefore, when studying the impact of political institutions on pension reform, these two aspects should be combined to check the legislative process. The question of how to disentangle the Chinese political institution through formal institution design and political competition will be explained in the next chapter.

4.3.4 Meso-context: policy legacy and path dependency

Among the European countries, the origin or the starting points of pension system design not only shaped the problem pressure, but also the logic of pension reform. The different infrastructures of pension systems generate different incentive structures for policy makers and ultimately generate different pension politics. Observation of Western European pensions systems reveals two types of pension design, social insurance (Bismarckian) and multi-pillar systems (Beveridgian) (Bonoli, 2003). The distinction between these two types is down to the relative weight of first, the universal public pension pillar, and second, the occupational-based or private pillar. The former is based on employment and contribution, and the benefits are earnings-related; countries such as Germany, France, Italy and Sweden belong to this group (Bonoli, 2003). The multi-pillar model provides flat-rate minimum pension benefits with the aim of poverty prevention, which leaves room for the development of private provision; countries such as the Netherlands, Denmark and Switzerland belong to this category (Bonoli, 2003).

This distinction not only teaches us about the classification of pension systems, but also tells us a great deal about the problems faced in individual countries. The architecture of the pension system is a powerful determinant of the pension problem diagnoses and reform options that a country could adopt (Bonoli and Shinkawa, 2005b). For instance, social insurance faces problems of financial sustainability. The PAYG basis and large size of the state pension determine the restraint against retrenchment because of the inter-generation transfer being sensitive to aging, and

the greater government control makes the retrenchment more explainable. As a consequence, this group with a mature public pillar is said to be less likely to adopt full funding measures, and some have moved towards partial funding (Canada, Sweden) or the promotion of the private pillar (German)(Myles and Pierson, 2001). The multi-pillar model can control the public pillar's sustainable problem but faces more challenges of adopting austerity measures in second pillar pensions, such as the insufficient benefits of this pillar, which are observed in many countries, including the UK and Switzerland (Bonoli and Shinkawa, 2005a). This group develops funded provision, a universal or quasi-universal capitalized pension scheme, on top of the existing programmes which were established by the early 1990s (Denmark, the Netherlands, Switzerland, Australia, the UK) (Bonoli and Shinkawa, 2005b; Pierson, 2001).

This thesis shall adopt the language of this typology to carry out the case analysis even though the origins of the pension system in China started from an incomplete system, which only covered state sector workers, but this is the main part or the template for welfare reform in China. At least, the development of state sector pensions started from Bismarckian principles and then gradually expanded to other sector workers. In terms of the Chinese case, the starting point of the Chinese pension system can be understood as an incomplete social insurance model; in this sense, China has faced multiple problems. On the one hand, it was forced to retrench social insurance through partial privatisation; on the other hand, China has had to expand this system to provide universal coverage.

When a country makes a transition from a PAYG public system to a privately managed, funded regime, its government faces the transition cost problem which is presented in the form of implicit pension debt (James and Brooks, 2001). This means that the government must continue to meet its existing obligations, which can be measured by the value of the accrued rights of current workers in the old system at the current time. The scale of the existing PAYG system puts significant constraints on the scale and timing of the funded proposal. Even partial privatisation often requires substantial benefit cuts, pay tax rises, or both. It is therefore commonly hypothesised that countries with a high implicit pension debt will adopt less radical reform (James and Brooks, 2001; Pierson, 2001).

This occurs because of the path-dependence effect from the old system. The public pressure to retain the acquired rights in the old system will constrain the policy makers from making radical changes for fear of losing pensioner support (because pensioners still vote). And the social security bureaucracy that managed the old system and which had accumulated power through handing out money and employing workers is likely to oppose a reform that strips some of its power away (James and Brooks, 2001). In addition, apart from the size of the PAYG transition cost, the pre-existing funded plans also have an important effect on the probability of structural pension reform. It is thus expected that the prior existence of funded plans increase the probability of structural change. This is not only because of the low transition cost, but also the existence of political constituencies, which favour the funded system. This is a trend that was witnessed in multi-pillar pension regimes such as Australia and Switzerland. The pre-existing privately managed, funded pension plan (voluntary, collectively based) led to a situation in which mandatory funded plans increased their coverage, at times even to include everybody (James and Brooks, 2001).

In terms of China's case, the implicit pension debt will be measured and included in the analysis. The pension reform design needs to consider the pre-existing design, not only the communist legacies, but also transition legacies accumulated over time. It will be shown that the institutional legacies from the communist welfare regime highly impacted the options of social insurance model building in the late 1980s, and the transition legacies accumulated in the 1990s highly impacted the reform efforts in the 2000s in terms of institution expanding.

4.3.5 Micro-context: key stakeholders

A number of studies have traced different preferences of interest groups to accept or oppose reforms according to variations in the effects of policy feedback (Ebbinghaus, 2006). This argument supplements the new politics approach because it emphasizes non-state actors as the key stakeholders who either accept or oppose old-age pension retrenchment and/or re-construction (Pierson, 1996; 2001). Mobilised interest groups also shape the pension reform path and dynamics. Their preferences and behaviours determine the competition and power struggles and consequently determine the

direction and extent of change. This section will delineate these groups and their manifest interest in pension reform. Furthermore, the interest groups or their combinations interplay with institutional structure and macro context to determine the direction and extent of reform across countries.

Employers

In comparative public pension research, employers as collective actors and an important economic interest group are usually seen as opponents of social protection provision, particularly mandatory programmes, because of their fear of labour cost increases (Ebbinghaus, 2006). Employer co-funded social protection programmes through insurance contributions or tax and their associations are highly related with the opponents of the introduction and expansion of public pension schemes because of the mandatory financial responsibility (Bennett and Elman, 2006; Zhang, 2013). In addition, mandatory old-age insurance taking contributions out of wages also provides leeway for industrial sectors or occupational groups (Ebbinghaus, 2006). The institutionalised uneven social risks that spread across sectors could make the pooling of risk and resources more advantageous to more powerful larger firms than to smaller ones. Another aspect related to the employers is that they can use public or collective schemes to shed older workers when they reach eligible retirement age, or through an early retirement option. Politicians have to take the interests and preferences of employers into account when designing and delivering pension reforms. The historical circumstance, institutionalised class division and the preference and strategic moves of employers often result in different policy outcomes and institutional development (Ebbinghaus, 2006).

Organised labour

In the welfare-state expansion literature, organized labour and its allied political parties are crucial in expanding welfare provision (Esping-Andersen, 1990; Korpi, 2001). A positive correlation between the strength of unions, the electoral power of the Left and welfare expansion can be found consistently in the literature (Huber and Stephens, 2001). In the welfare retrenchment stage, the increasing contribution rate is one key measure adopted to solve the financial problems of pension schemes. Pensions as deferred wages paid by workers and employers highly impact on net

wages and labour costs. The policy agenda regarding wage and pension policy reform has to consider not only the interest and concerns of employers, but also organised labour (Ebbinghaus and Hassel, 2000). Indeed, particular pension design empowers the unions and gives them resources to resist reform (Bowen, 2009).

Similarly, self-administration provides trade unions a source of jobs for union officials (France), or a political or administrative influence (Germany) (Ebbinghaus, 2006). Organised labour is typically segmented by sectors or occupations, and the conflicts and competitions between different trade unions have also been said to shape the design and outcomes of reform. For instance, some countries have specific pension schemes for civil servants and other public employees, and these schemes are often financed by tax or pay-as-you-go pension funds. Esping-Anderson (1990) suggested that such special pensions for public employees and their share in the overall pension spending are major indicators of fragmentation. Public sector employees are better organized in general, and their high unionisation rates and higher replacement rates have often made benefit cutbacks and pension harmonisation more challenging. However, a long-term prospect of pension reform in times of fiscal austerity and public service privatisation is to harmonise these special schemes with the private sector and thus undermine these past privileges – indeed, such processes have already been witnessed across Western Europe (Palier, 2012).

All in all, the role of unions becomes a crucial element in successful reform. The institutionalisation of labour unions and governments determines the extent of reform and reform strategies. The relationship between unions and government, and more particularly the role of unions in national pension schemes, is twofold: one can be described as ‘parliamentary integration’ in which the government has a strong influence as a financial contributor while the unions are more likely to seek support from political parties to advance their agenda, and this type is mostly witnessed in the Beveridge pension regime. The other is more akin to a ‘social partnership type’ in which unions are highly involved in pension administration and the government has only a limited role in financial or supervisory aspects. The latter type is most commonly seen in continental Europe, or the Bismarckian pension regime. It is expected that reform is more likely to occur when the unions have a cooperative

relationship (as in Belgium) with the state compared with a confrontational one (as in France) (Marier, 2002).

Additional key economic interests

Pension policy is highly embedded within economic and social institutions, which includes the financial and banking sector and industrial relationships, which means that any study of the need for or difficulty of reform has to consider the complementarities within these institutional networks. A particular change in a pension system might or might not conform to the political economy logic of the country (Streeck and Thelen, 2005; Thelen, 2003). In addition, the banking system is embedded in the pension system, and the groups representing the financial sectors and the insurance industry have been active in pension reform (Bonoli and Shinkawa, 2005b). Therefore, when the reform is highly related to marketization and privatisation, the impact and roles of these economic actors and their accumulated interest in the post-retrenchment situation should be considered and analysed (Weaver, 2003). The same is true for burgeoning housing and mortgage markets and the various interests represented therein (Lowe, 2013). While these additional economic interests are typically at the fringes of mainstream comparative analysis, the degree to which they can impact the reform option should not be neglected and depends on their respective opportunities to assert their influence over the political decision making process.

Pensioners

An aging population uses a considerable share of social budgets; while the exact pace of use is determined by national demographic transitions, and projections of old-age pension spending indicate further increases of costs across all high income and emerging economies in the medium and long term (UNFPA, 2012; WB, 1994a). At the same time, the elderly have arguably been one of the most well-organized societal groups among recipients of social security benefits and services (Pampel and Williamson, 1989); there is a growing ‘generational conflict’ literature which focuses on the influence of ‘grey voting power’ on public budgets and on welfare spending in particular (Sanz and Velázquez, 2007, Rattsø and Sørensen, 2010).

Retrenchment reform has targeted a large share of the social spending pension program, and the pensioners are the benefit recipients who suffer the cutbacks and various impacts from retrenchment measures, but this group has favourable interest representation in political parties, trade unions and the workplace (Bell, 2002; Koelble, 1995). Older people and particularly those approaching retirement are typically well-organised and can exert opposition to pension reform in the retrenchment or recalibration stage, and the impact which they can have is also highly related to the reform strategy and agenda design (Ebbinghaus, 2006). Therefore, it seems that the greater the number and power of pensioners in this context, the less likelihood there will be of reforming the existing pension system, particularly in the direction of retrenchment.

4.4 Causal links

Based on the above summary of the key dependent and independent variables in pension reform studies, the existing literature has proposed and tested particular causal mechanisms to explain the possibility and extent of change as well as the difficulties of change and the reasons for change. In this section, we shall sum up the propositions emerging from the literature, and present the typical causal linkages between the dependent variables and the independent variables. Doing this will provide a foundation for generating hypotheses for the China case study in the next chapter. Whether these propositions about pension reform generated in the West and seen globally are applicable for China's case will be answered in the empirical finding section of this thesis (*see* Chapters 6, 7 and 8).

The first explanatory variable is the macro context setting. In the pension reform literature, demographic aging and financial pressures are widely accepted as the factors, which trigger pension retrenchment and determine the extent of reform. It is contended that greater pressure from demographic aging and financial sustainability will produce more radical reform. Therefore, we generate the first set of propositions as follows:

Proposition 1a: the higher the demographic aging pressure, the more radical the reform; and *causal link proposition*

Proposition 1b: the higher the pension expenditure projections and the higher the financial crisis in the pension system, the more likely radical reforms such as privatisation or a fully-funded scheme and so on are to be adopted.

The general argument about the role of international idea diffusion in the case of the West is that the international idea is used by politicians to justify or legitimize unpopular pension reform. Given that international organizations have more direct intervention measures for developing a country's pension reform, this empirical study will consider how international organisations impact on domestic politicians and pension reform design. The role of the World Bank and its impact on the design and extent of national pension reform can be concluded as follows:

Proposition 2: the higher dependence there is on World Bank capital support, the more possibility there is of having radical or structural reform.

The third set of factors that have an impact on the trajectory and degree of pension reform are political institutions. The impact of political institutions on the option and scope of reform can be generalized as follows:

Proposition 3a: the more veto points in the polity context, the less possibility there is of radical reform;

Proposition 3b: the greater the number of veto players and the greater the distance between them, the less possibility there is of changing the *status quo*;

Proposition 3c: the higher the political competition, the more likelihood there is of changing the *status quo* by a quick response to policy problem.

The fourth set of independent variables is pension institutions. In the pension institution variable, there are two additional propositions which are drawn from its features and its impact on the degree of reform:

Proposition 4a: the greater the maturity of PAYG public pensions (the more implicit the pension debt), the less possibility there is of radical change;

Proposition 4b: the prior existence of funded plans in a pension system increases the probability of structural change.

The fifth set of factors determining the reform is the key stakeholders (including employers, pensioners, organized labour and economic interest) and their influences over the change. In general, their relations with state, veto player and their veto opportunities determine the direction and success of reform. We shall present the impact of these actors on the possibility of reform and the difficulty of reform in different directions (expansion and retrenchment):

Proposition 5a: employers and their associated interests are opposed to the introduction and expansion of a public pension scheme; the uneven risks and resource across sectors provide more advantages to the powerful or privileged sector employer; employers are highly likely to use a public /collective scheme to shed old workers;

Proposition 5b: the greater the involvement of unions in public pension administration, the higher the level of unionization rates and the higher the benefits replacement rate, the more challenging it is to achieve reform;

Proposition 5c: an embedded economic system (labour market, banking system, financial system within capitalism) impacts on the pension system, particularly when the interactions between them in the post-retrenchment or post privatisation period are studied.

Proposition 5d: the more power pensioners have or the more organized they are, the more challenging it is to carry out retrenchment reform.

If we are interested in institutional change, examining the change patterns and mechanisms is crucial to our endeavour. In general, the concept of path dependence is used from two aspects. One is to use it as a perspective and emphasise how past decisions have impacted on later reform options and alternatives in general (Pierson, 2000). The typical argument is that any change is limited and constrained by the impact of path dependencies. Therefore, this perspective provides little explanatory power to trace the divergence of institutional change experience across countries.

And although this concept is employed to understand the change over time in one country, it is still restricted in understanding the policy-making process because analysis often overlooks key causal mechanisms. Another way of applying path dependency is to use it from a theoretical perspective by introducing the increasing returns (positive feedback) mechanism in which the installed institutional complexity is difficult to alter mainly due to political and/or social costs. The use of such mechanisms is valuable when examining cases in detail. The investigation of institutional origins and vested interests in the installed system is diverse across countries, and explanations of empirical diversities of the lock-in scenario contribute to the divergence theory in comparative welfare studies. However, this approach also has a problem because it simply leaves the source of change to the major exogenous challenges (Ebbinghaus, 2005).

As a consequence, discovering the transformative capacities of institutional change has become a focus for research (Lindblom, 1959; Andersen, 2000; Andersen and Larsen, 2002; Hinrichs and Kangas, 2003), while identifying the mechanism of gradual change is crucial to improving case understanding. The so-called increasing return, sequencing mechanisms built into institutional configuration, sheds light on the difficulty of changing the historical path; however, several recent authors (Ebbinghaus, 2005; Pierson, 2004; Streeck and Thelen, 2005; Mahoney and Thelen, 2010) have emphasized that the same mechanism which stabilises the path also provides an opening to path departure when the context condition changes and the preferences and conception of the actors change. Ebbinghaus (2005) suggested the term 'path departure' to denote a situation in which a policy is gradually adapted to a changing context and demands. In short, rather than distinguishing between path dependency and path-breaking change, this concept provides a general direction of a transformative change trajectory. Past decisions constrain future decisions but do not necessarily determine them, and the new mechanisms of change will evolve slowly and implicitly.

Streeck and Thelen (2005) summarized different kinds of mechanisms of gradual change, namely drift, conversion, layering and replacement, while Mahoney and Thelen (2010) built a general theoretical framework to explain the causal links between institutional context, actors and modes of change. Thus, 'layering' refers to

the introduction of new rules on top of or alongside the existing ones; it does not introduce new institutions altogether, but provides amendments, revisions or additions to existing ones (Thelen, 2003); 'drift' is understood as a process in which a new environment alters the demands on existing institutions while the old rules remain the same; it may occur in order to accommodate shifts in the external conditions (Hacker, 2004); 'conversion' occurs when the rules remain formally the same but are interpreted and enacted in new ways (Thelen, 2003). However, the misinterpretation is not driven by the changed setting; instead, the actors actively pursue and explore the inherent ambiguities of institutions. Through redeployment, they convert the institution to new goals, functions or purposes to serve their own interests favourably.

Given the short history of institutional gradual change theory, the application of these concepts is not so prevalent in the literature. However, I shall attempt to apply the gradual change theoretical framework to explore the evolution of the pension regime in China, and this will be discussed in detail in the next chapter and the subsequent empirical analysis.

4.5 Concluding remarks

In summary, the work described in this chapter attempts to clarify the dependent variables that affect the study of pension reform and summarizes the possible drivers and dynamics of change which are found in the case study literature. This will help to guide the empirical analysis of the path of Chinese pension reform. In addition, locating the causal factors (independent variables) also helps in the study of this particular case by investigating the same (objective) or similar variables in the Chinese context, consequently generating an analysis of the dynamics of pension reform, identifying the same or equivalent independent variables in China's case and testing whether or not the impact of these variables exists in China's case. These causal propositions will be used to form a hypothesis for empirical analysis in the Chinese case, and this will be discussed in detail in the next chapter.

Chapter 5: The China's case context

5.1 Introduction

Chapter 4 has discussed the existing institutional analyses of pension reform studies, which explain well what has changed or not changed, under what conditions, involving what political actors, and in which manner interactions shape the reform process and outcomes. The interplays between context, structure and actors systematically explain the variations in different types of welfare regime and political system across countries. All the propositions regarding the pension reform path and dynamics in western cases provide a foundation on which to develop hypotheses for the empirical analysis of the Chinese case. This chapter seeks to answer the question of whether similar independent variables or similar causal links exist in the context of China compared with western cases. Looking for and describing the equivalent independent variables in the Chinese context will lay a background foundation for the empirical analysis which follows. Another purpose of this chapter is to construct an explanatory framework and put these variables into it. There is no doubt that the explanatory framework for examining China's case will draw inspiration from western cases and will have to be revised according to China's special circumstances.

5.2 The limitations of the Western case framework

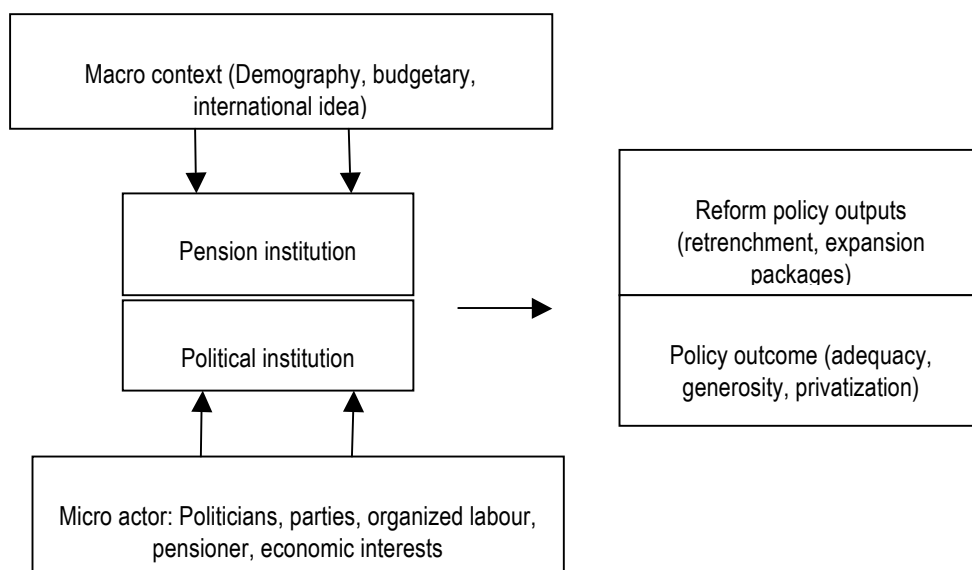
5.2.1 The Western case framework in general

The characteristics of pension reform in advanced economies can be generalized as follows: first, the reform response to the pressure of austerity follows a specific sequence: retrenchment first and then refinancing the programmes following the liberal template, and then more fundamental restructuring. Second, the extents of changes across industrial advanced countries are diverse. Some have changed substantially over past decades while others have made very few changes. Third, the privatization or the public-private mix of pension provision is the general trend over the advanced countries. However, the degrees of the shift differ. As for how to explain the divergences of pension reform across countries in terms of the policy

design, the extents of change and the difficulties of changes, the pension reform in western literature grounded in historical institutionalism provides an institutional and policy framework. This was generalized in the literature review in Chapter 4 and presented in the framework figures.

In explaining pension reform in the west, the framework for analysis usually follows the institutional framework in which the political institution (the consensus-making process) and pension institutions interplay with the macro-context factors and the micro-actors and consequently determine the policy outputs and political strategies adopted, as well as the policy outcomes. From the literature review, it can be concluded that the macro-context changes, including economic-demographic factors, are the triggers of pension reform and push politicians to adopt reform as the response. In addition, the ideas and paradigms of international organizations are diffused as a macro dimension to put forward reform. However, the pressures of policy changes have to be diagnosed by the political actors including government, organized labour, partisan actors and pensioners. Their preferences, perceptions and interests and their capacities for affecting reform options are constrained by the political institution and the pension institution. Competition among the actors and interest groups within the institutional structure will finally reach a consensus in the form of policy design, and the process can be generalized as shown in Figure 5.2.1.

Figure 5.2.1: Institutional analysis framework of industrialized countries



5.2.2 *West-China comparison*

The analysis framework described above is mainly focused on western countries which have diverse democratic structures and systems to decide their public and welfare policies. Different democracies have different political institutions to structure the relationship between governments, bureaucracies, social partners and interest groups and shape the policy-making process and outcomes, thereby forming diverse pension reform paths (Hall and Taylor, 1996; Hay and Wincott, 1998). Compared with western democracies, China as an authoritarian state with one party, the communist party, ruling certainly has fewer veto players within the political system and there is no partisan competition in the electoral cycle. Unlike the democratic constitutional mechanisms that produce veto points in polities and allow the trade unions or other actors to be involved in the policy-making process to block the passing of legislation, there are no real opportunities for social partners to mobilize into the policy-making process in real political life in China (Ge, 2007). Therefore, when adopting a similar perspective to study China's case, the researcher should be cautious when using the concept of veto points and veto players to characterize China's political institution. Since the same concepts as in the democracy context simply do not exist in China's system, this study will adopt the possibility of veto to identify the *de facto* veto players and veto points existing in China's case.

Second, the analysis in the Western cases tends to focus on the commitment-building, coalition-building process, and tries to figure out how the political institutions determine the policy-making process and dynamics (Marier, 2008). The commitment-building and coalition-building in the decision-making process constitute the main political competition. The established stable political institution and welfare institution together render any alteration or revision of the *status quo* difficult. Moderate bargaining and compromise over decision-making tells the main story of political competition. In contrast, the nature of Chinese authoritarianism (Lieberthal, 1992) allows very limited competition between political actors in the policy-making stage; the interactions mainly take place between groups of elites and bureaucratic agencies. Therefore, the relatively closed decision-making space cannot produce as much dynamics as is possible in mature-democracy. Competition and

bargaining can take place in the implementation process because of the decentralized character of the Chinese political system. Particularly, decentralization defines the central/local relationship and power distributions, and local levels have more resources and power to impact on policy implementation and the final policy outcomes (Steinmo, 2008; Broschek, 2012). Therefore, exploring the political competition and dynamics in the implementation is very significant to present a real picture of Chinese pension reform, and is very beneficial for locating reasonable causal chains.

There is a range of literature on the politics of mature welfare states from the institutional perspective, explaining the emergence, development and expansion after the Second World War from the aspects of industrialization, urbanization and modernization. The literature shifts to the politics of retrenchment in the period of fiscal austerity to explain what changes occurred and the difficulties encountered in advanced welfare states. However, China's welfare state did not follow a similar evolutionary path to its western forerunners. China adopted an incomplete welfare system earlier, before it arrived at the same level of industrialization, urbanization and modernization as western predecessors (Frazier, 2006c). Even though the welfare regime was not a broad comprehensive one in its scope and benefits, and was often hierarchical in nature, these welfare programmes still proved to be costly. China began to show economic openness to reform and liberalized SOEs and promoted the emerging private sector economy, meanwhile the old SOE welfare regime was being dismantled (Gu, 2001). The government and the policy-makers were forced to create a new welfare regime in the new background of liberalization, and the newly established social insurance welfare system had to be expanded from the state sector to the private sector. In short, welfare expansion and welfare retrenchment co-existed in China's case. Welfare retrenchment occurred in the form of state retreat from welfare provision for state sector workers (SOE worker) in the 1980s, and welfare expansion was represented in the form of expanding various welfare programmes to the private sector and covering a greater proportion of the population in the 2000s. Compared with western counterparts, the logic of industrialisation and welfare state formation and expansion could not be applied in China's case because the latter started from the retrenchment of state welfare in the

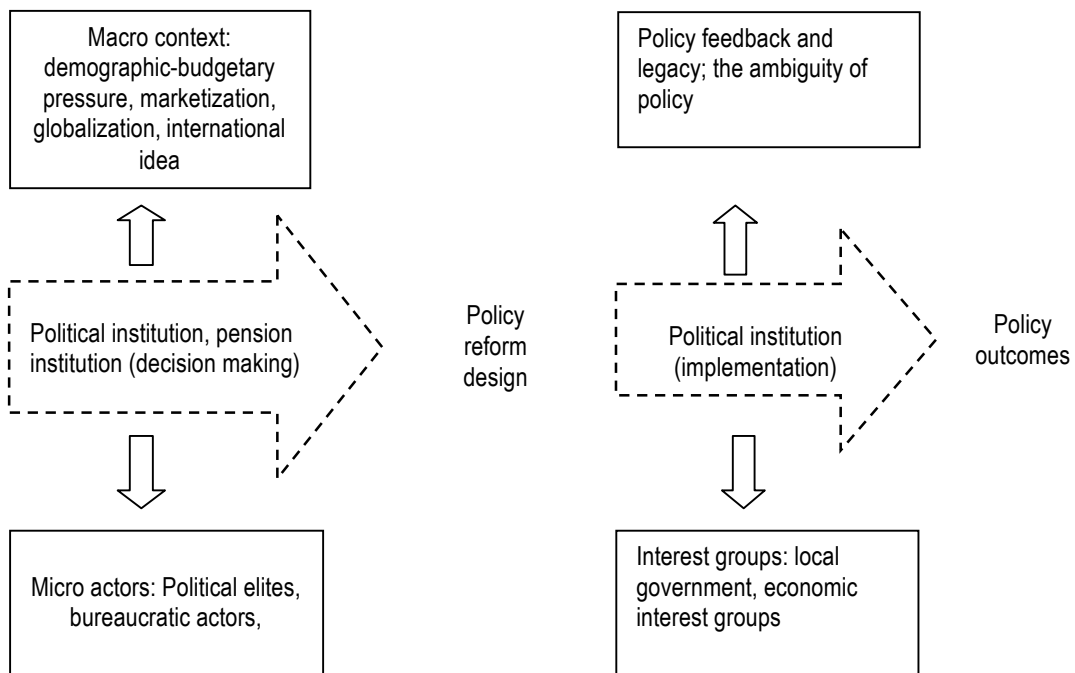
context of industrialization. However, China's welfare retrenchment occurred in conjunction with western counterparts and started from the 1980s. Globalization and trade openness, labour market changes and the ascendance of conservative ideas generated retrenchment reforms across welfare states, while in the old oriental states, governments started building modern welfare systems highly embedded in the liberal paradigm. From this comparison can be seen the significance of the timing and consequence of events when conducting comparative studies. Countries that had industrialized earlier and latecomers converged in welfare retrenchment, but with different logics. The former sought to reduce the state welfare burden given the financial pressure, while the latter's state withdrawal was aimed at facilitating the development of industrialization and the formation of new welfare systems.

5.3 A revised framework for China's case

After reviewing pension reform in the advanced democracies and other countries, we have already presented the differences between the West context and China. The focus now turns to constructing a framework for analysis to improve the understanding of the pension reforms in authoritarian China. The approach taken here is based on the historical institutionalist propositions as well as pension reform empirical studies, and adds more dimensions to formulate a broader and multi-faceted institutionalist framework taking into account the Chinese particularities. On the one hand, this approach adopts the established institutional framework developed from mature welfare systems to examine political institutions, pension institutions and policy outcomes and to map out change paths and dynamics. On the other hand, this approach is inspired by the recently developed institutional incremental change theory and tries to bring the variable of compliance into the investigation, which has been less discussed in the retrenchment literature. How reform package design redirected the policy objectives and outcomes in policy implementation is crucial when studying China's case. It could be summarised that the new framework was based on institutional and policy process analysis and this study will examine the whole process from policy initiation and formation to implementation.

This approach is grounded in the conventional historical institutionalist assumptions that political institutions and previously-enacted policy legacies structure the political behaviour and interests of bureaucrats and political officials, and the institutional configurations of governments and political party systems shape the actions and the competition among different groups (Skocpol, 1992). In the Chinese case, there is no equivalent to the veto players and veto points in western democracy, because the authoritarian party state constrains the partisan veto players, social partners and interest-organized groups' involvement in decision-making, and there are no formal rules or informal procedures to facilitate adequate mobilization or competition among them. However, the fragmented characteristic of the authoritarian state opens veto possibilities for the policy actors to change or redirect policy, so I would define the spaces which this opens for *de facto* veto as *de facto* veto points, and the policy actors who might affect the direction and objectives of central policy as *de facto* veto players. In addition, the ambiguities of policy design and the policy legacies from the previous stage on the one hand allow the local government actors to manipulate, and on the other hand the feedback effects motivate or constrain the actors from pursuing self-interest or avoiding compliance. In addition to the central/local conflicts within the decentralized institutional structure, there is another dynamic taking place in the implementation process, which is that the policy implementers and policy recipients (economic interest groups) will also interact with each other and affect the final outcomes (*see* Figure 5.3.1).

Figure 5.3.1: Analysis framework for China's case



5.4 Independent variables/explanatory variable in the Chinese context

5.4.1 Macro context and hypothesis

Socio-economic background

This study is examining pension reform in China from the 1980s to 2011. From 1978, China began a reform of the economy through decentralization, marketization and privatization. The economic strategies used by the second-generation leader Deng Xiaoping gradually changed the planned market to a market-oriented economy (Nolan, 2004). Accordingly, the expansion of the market economy seriously undermined the previous SOE welfare model in the planned society (Reich, 2000). Since coming to power in 1949, the Chinese communist party had been propagating the advantages of socialism through lifetime employment and comprehensive welfare provision for urban workers and their families (Frazier, 2006a), and their land mainly provided the rural population's income protection. Since the system covered only a limited proportion of the population, the pension provision was very generous with a replacement rate of 80% without any individual contribution (Leckie and Obe, 2003). The social transition to a market economy which commenced in the

late 1970s seriously undermined the abilities of SOEs to provide income protection for their workers. The growing competition from the private sector created huge welfare burdens which caused numbers of SOEs to lose money or become bankrupt, and made many urban workers unemployed or laid-off(Whiteford, 2003). The proportion of workers in SOEs declined from 76.2% in 1980 to 25.3% in 2004 (NBS, 2005, p.105). Accordingly, the previous welfare provision obligation based on lifetime employment had to be reformed in the new social setting.

The initial restructuring started in the late 1970s. The economic regime shifted from the central planned socialist economy to a market-oriented economy, and the de-regulation of the centrally-controlled labour market demanded a new form of social protection. In 1978, SOEs accounted for 78% of industrial output and 76% of employment, and by 2007 the share of SOEs in China's gross domestic production had fallen from 77.65% to less than 30%, and sizable private sector enterprises occupied the share previously held by SOEs, particularly in the manufacturing industry (Jefferson *et al.*, 2000, p.7). The economic restructuring not only had to deal with employee welfare in the declining SOE sector, but also respond to the demands of the emerging non-state sector. The trigger for pension reform was the SOE restructuring and the socialization of the SOE welfare system. These initiatives were intended to coordinate with the economic reform against the background of transition. It could therefore be argued that the initial stage of pension reform was intended to coincide with the change in the economic system, particularly the SOE reform, which resembled the developmental logic which prioritized economic reform and social protection as subordinate to economic development. The reform started from the economic liberalization and privatization without the corresponding welfare arrangements or protection for the people losing their entitlement, which also brought about the social dissent in the 1990s (Croll, 1999). This pension reform measures shifted to the retrenchment trend by shedding the welfare burden from state provision to the joint efforts of the individual, employers and local government. The funding and administration of the pension system underwent a fundamental shift from the SOE regime to the old-age insurance model (State Council, 1991).

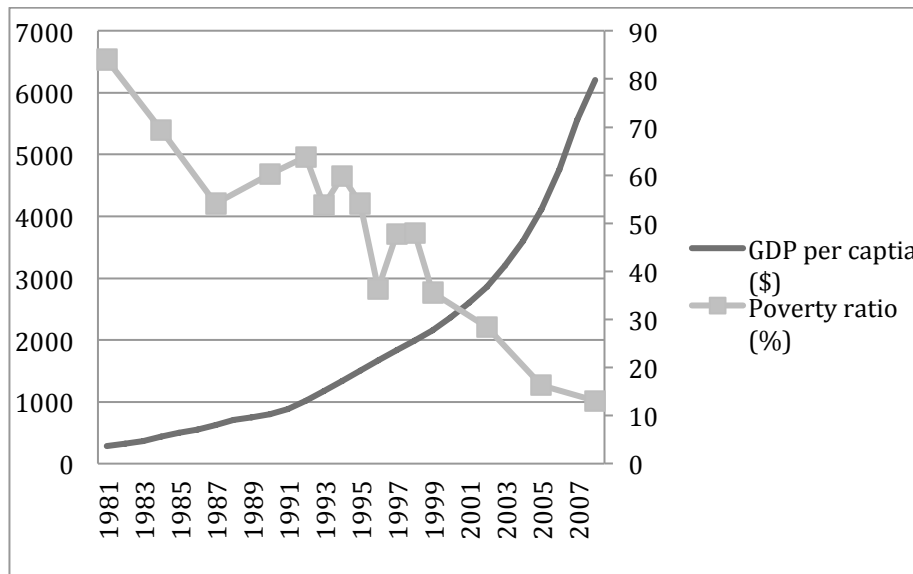
Despite the increasing growth in GDP, the poverty rate significantly decreased over time, from 84.02% of the total population in 1981 to 13.6% in 2008 (*see* Figure 5.3).

However, the economic achievements came at the cost of income disparity and inequality (*see* Table 5.1), which also alerted the government to the need to pay more attention to social issues, rather than put too much emphasis on economic efficiency, so providing more social protection and decreasing social inequality came onto the agenda at the top level (Mok and Ku, 2010). In addition, the development over the previous two decades and the deregulation of the labour market also promoted urbanization in China, and the urban population as a percentage of the total population increased from 19.36% in 1980 to 50.5% in 2011 (WB, 2013). In summary, the development of a market-oriented economy not only increased living standards and reduced absolute poverty, but also increased social inequality in terms of income distribution and access to welfare provision.

The economic transition, urbanization, and the dismantling of state and collective enterprises and the associated welfare systems brought about new risks and new demands for social protection, such as the welfare provision for the unemployed and laid off, building the new protection for the new labour entrants in the free labour market. This background posed challenges to the CCP and the Beijing government. Since the 2000s, the CCP and third- and fourth-generation leadership on the one hand embraced liberal reforms in economic domains and legitimized private property rights and the interests present in the CCP, shifting the orthodox ideology of communism and adding new elements (Guo, 2006; Mierzejewski, 2009). On the other hand, the government also responded to the social problems and demands of the new risk groups in the post-transition era, particularly the fourth leadership group: Hu-Wen's administration proposed the 'harmonious society' and 'balanced development strategy' to deal with the problems emerging in the radical liberal transition by extending social protection to the uncovered populations in both the rural and urban sectors (Saich and Saich, 2004). If the initial transition was aimed at state retreat from welfare provision and encouraging liberalization in every aspect, the post-transition era since the 2000s was characterized by the state's re-intervention to achieve greater fairness. In terms of pension institution reform, institutionalizing the pension system design and expanding the coverage to more of the population, particularly the previously uncovered groups, were the main objectives at this stage. The change in socio-economic background and the development strategy shift in the

CCP provided the macro-context settings for the policy change in the post-transition decades.

Figure 5.4.1: GDP, PPP increase and poverty rate decrease (1981-2007)
Poverty headcount ratio at 1.25\$ a day (PPP)



Source: Word Bank Indicator

Table 5.4.1 Gini coefficients, 1993-2005

Year	1993	1996	1999	2002	2005
Gini coefficient	35.5	35.7	39.23	42.59	42.48

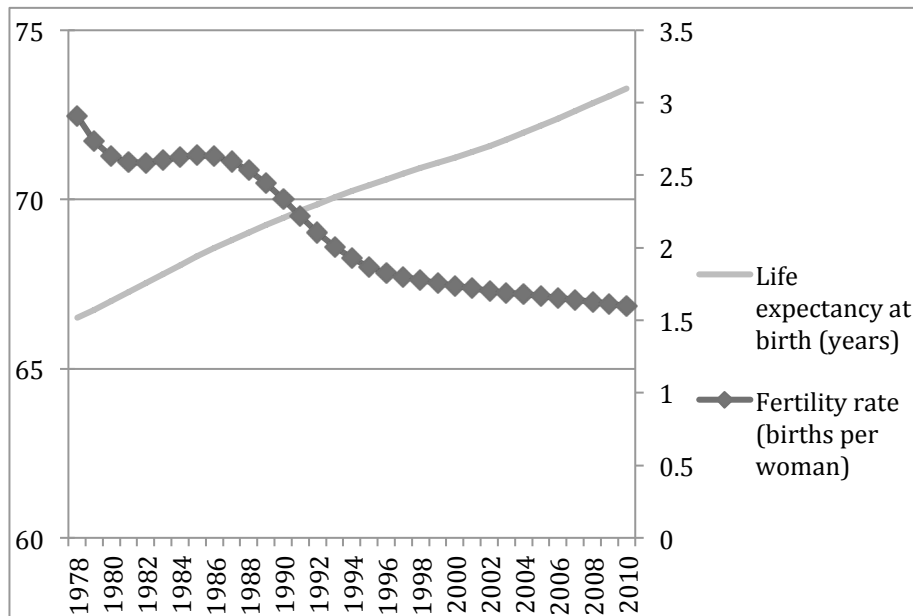
Source: Word Bank Indicator

Demographic aging

Many countries around the world have experienced demographic aging and China is no exception. WB data reveal that in 1980 the population aged 64 and above accounted for 5.15% of the total population, and in 2010 the proportion had increased to 8.19%. This trend results from different factors including the encouragement of marriage in late 1971 and the one-child family policy introduced in 1980, bringing the total fertility rate down from 2.63 to 1.59 by 2010 (Herd and Koen, 2010, p.5). Increasing life expectancy in the past decades was another factor, rising from 66.9 in 1980 to 73.2 in 2010(WB, 2013). These changes in fertility and life expectancy altered the demographic structure in China. In the 1980s, the age structure was bottom-heavy, typically a young and growing population. By 1990, the

demographic architecture had become more mature, with a relatively small child population (Adamchak, 2001). With the low fertility and rising life expectancy, the old-age dependency ratio (measured by population aged 65+ as a percentage of the population aged from 15 to 64) increased from 7.36% in 1950 to 11.3% 2010, and the projected dependence ratio will increase to 41.9% by 2040 (UN, 2011).

Figure 5.4.2: Fertility rate and life expectancy (1978-2010)

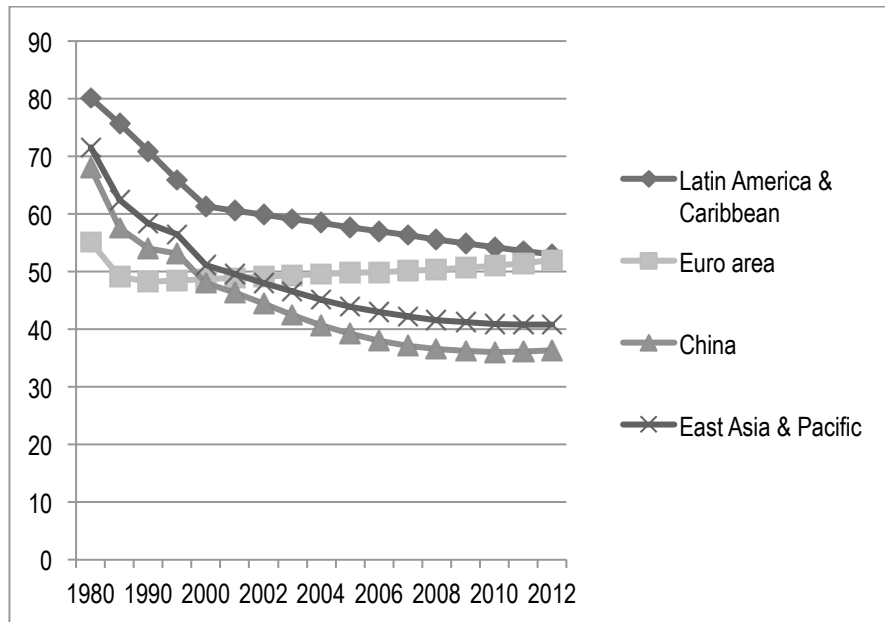


Source: World development indicators: World Bank

If we put China into a comparative map with Latin America, Europe and East Asia, it is found that the dependency ration (as a percentage of the working population) is not as high as Latin America's, and that the tendency was in decline from 1980 to 2012, and was lowest in 2012 compared with the other regions. If we look at the projected dependency ratio from 2010 to 2050, compared with the other regions as shown in Figure 5.4.4, China started with the lowest level of aging and will gradually exceed the other regions (East Asia and the Pacific, Europe, Central Asia, Latin America and the Caribbean) by 2050. China will go through a rapid aging in the following decades. According to the demographic aging data, propositions of the degree of pressure and the probability of radical reform, we can find that Latin America conforms to China in the current higher level of aging and the projection for

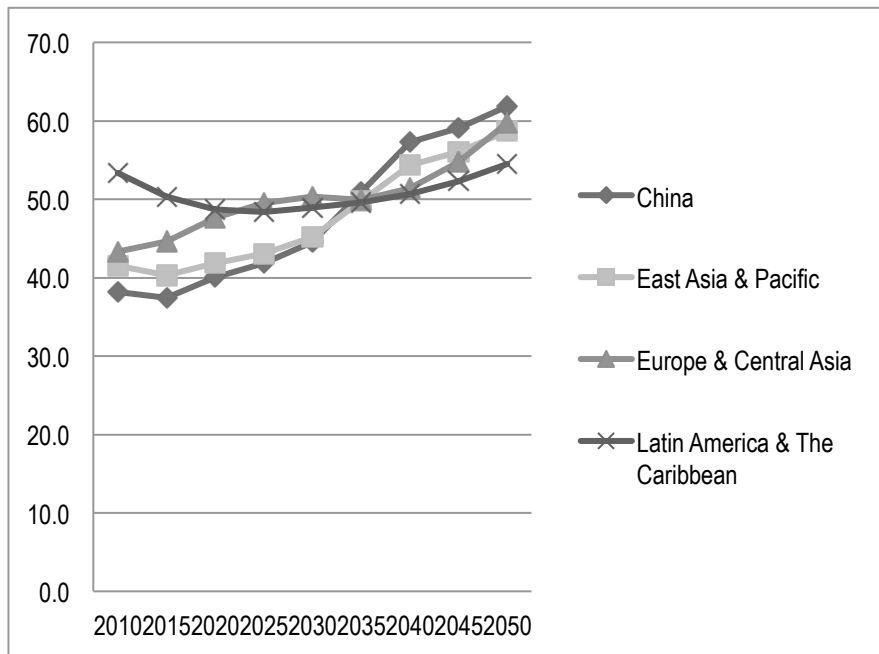
the future will enable more radical reform, such as privatization. From the projected data, demographic aging in China is not positive and the dependency ratio first began to decline in the 1980s and then began to increase in the 2010s and will continue to rise in the following decades, and will begin to exceed the other compared regions at around 2035. It could be hypothesized that the serious projected aging pressure might lead to structural pension reform. But considering the data from 1980 to 2010, **we can hypothesize that as a relatively young country compared with others; China might not embark on radical reform straight away, as Latin America did in the 1980s.**

Figure 5.4.3: Population dependency ratio % (1980-2012)



Source: World Bank statistics

Figure 5.4.4: Projected population dependency ratio % (2010-2050)



Source : World Bank statistics

Implicit pension debt (IPD) and transition cost

One of the crucial reform pressures comes from concern about financial sustainability (Pordes, 1994), and the extent of this pressure can be measured by the implicit pension debt (IPD). The IPD is calculated by the present value of the projected liability of the current system, which includes the current pensioners as well the contributors who have accrued rights in the system. This measurement reveals the stock of all outstanding liabilities, and is usually adopted by the international community and experts when comparing different pension systems (Sin, 2005). The IPD as a percentage of GDP is a reliable indicator of the financial burden. However, it should be treated with caution because this indicator is highly impacted by factors such as the coverage, dependency rate and benefits levels of the system design (Sin, 2005). The IPD is usually adopted to represent the direct and implicit liabilities that a government can predict with certainty when it makes fiscal plans or reforms a strategy to terminate the unfunded system immediately. Therefore, it has to be calculated based on the compensation for the current and future pensioners in the current system. In general, the IPD is defined as the government's obligation to fulfil the future pension claims at the present value, which include the benefits

entitlements of current retirees and those of the current contributors who will claim the benefits based on their contribution record and years of service (Sin, 2005). If the central government puts the IPD into public debt, the current low level of debt around 23% Pension Reform in China: Progress and Prospects of GDP would increase significantly (Salditt *et al.*, 2007, p.41).

Transition cost refers to the financial gap created once the financial mechanism shifts from pay-as-you-go to fund-based, which means that the expenditure on pensioners and on the accrued rights of future retirees continues while the contributions of the current workers are saved in funded individual accounts (Wang, 2001). The transition cost stems from IPD, but it is not equal to it, because some of the expenditure is for new obligations that are accrued each day, and some of the current obligations are covered by on-going contributions (Wang, 2001). Several studies have qualified the transition cost of China's pension reform on the basis of different measurements and projected simulations. World Bank (1997) estimated China's IPD at between 46 per cent and 69 per cent of GDP (Agarwala, 1997, p.132). Dofman and Sin (2000) estimated the transition cost of China's pension reform using the WB's actuarial model, PROST(pension reform option simulation toolkit) and put the IPD estimate at 94 per cent of the 1998 GDP. They also projected that if there were to be no reform of the current pension system, the pension deficits would increase to 0.36%, 0.75% and 0.89% of GDP in 2030, 2050 and 2075, respectively (as cited in Wang, 2001, p.10). It was clear that the projected increasing pressure on pension sustainability required reform in China. If compare the size of IPD in China with OECD countries and transition economies, it is found that in most OECD countries IPD ranges from 100 per cent to 200 percentage of GDP. The estimated IPD in Chile at the time of reform (1981) was between 40 per cent and 130 percentage of GDP. It seems like China has moderate size of IPD when the crucial regulation started at 1997(as cited in James, 1999, p.10). **Therefore, we can hypothesize that China may not adopt the radical change option at the starting of reform because the size of IPD is reasonable comparing with other countries.**

5.4.2 International idea diffusion and hypothesis

The conventional approach to examining social policy models or policy outcomes usually cannot ignore the influence from international organizations and the policy ideas and policy paradigms which they promote. In the case of pension reform, the liberal reformers or technocrats of the World Bank play a important role in diffusing policy ideas around the world, especially for developing and less-developed countries, by providing technical advice or supporting loans (Holzmann, 2000). China had joined the WB in the early 1980s and has been the largest recipient of loans and the most successful developing-country member. The WB provided less than \$20 million loans and project assistance to support China's reform of pension programmes in 1995.(Piggott and Bei, 2007, p.4). WB experts discussed the pension challenge with government officials, and made various presentations to illustrate the pension crisis, carried out field work and eventually presented a reform proposal to State Council ministers in 1996 (Hu, 2012). Their report 'Old age security: pension reform in China' (Agarwala, 1997) was the main study on the pension problem in China and it attracted the attention of officials (Hu, 2012). In the following year, the State Council issued a milestone regulation in the gradual reform process, and most of its contents followed the advice laid out in the WB report, and to an extent China subsequently adopted these recommendations and achieved the objectives listed in the report. In the empirical analysis chapter, this study will examine further the correlations between the policy recommendations in the WB report and the 1997 regulation, and how that international actor penetrated the Chinese decision-making process and sold its policy ideas to government officials in an authoritarian state. According to the proposition summarized in the previous chapter, the higher the dependence on WB loan support, the more likelihood there will be of structural change being adopted. **Therefore, we can hypothesize that China might not have reformed the pension system so fundamentally had it been given a smaller loan than that received compared with other countries facing radical change.**

5.4.3 Political institution and hypothesis

Decentralized/fragmented authoritarianism in China

The “fragmented authoritarianism” is proposed by Lieberthal (1992) and defines the Chinese political system from the perspectives of structural dimension and the political process. In particular, the structural dimension of centralization and decentralization provides a guide to the operation of the political system by examining the structural distribution of resources and authority. The policy process dimension characterizes the decision-making and implementing process. This suggests that China’s bureaucratic system, with its functional division of authority between the various bureaucracies at the central level, requires the agreement of an array of bodies to pass a new project, and the decentralization also enables the local governments and bureaucratic units to pursue their policy preferences because of their independence of central budgets. This framework argues that policy outcomes are shaped by the incorporation of bureaucratic interests and implementation interests. Fragmented authoritarianism explores policy change through vertical and horizontal bureaucratic bargaining, since Lieberthal's work is more about bureaucratic politics and bargaining in decision-making. Studies on the decentralization and central-local relations concentrate on the implementation and its consequences for the policy outcomes (Wong, 1991; Zhang, 2006; Zheng, 2006b; Zheng, 2007c). For instance, 'decentralized authoritarianism' (Landry, 2008) and '*de facto* federalism' (Zheng, 2007c) are terms used to generalize the Chinese political system. Mertha (2009) proposed 'fragmented authoritarianism 2.0' to depict Chinese politics in the recent change by introducing the emerging policy entrepreneurs, including bureaucratic officers (mentioned above), the media (journalists and editors) and individual activists within NGOs. This updated framework characterises the new development of the political system and policy process in China, with a relatively open system and more space for the forming and framing of the policy community and the proposed policy change. In this section, I shall present a description of the Chinese political system based on the formal rule constitution and the formal practice of decentralization, as well as the adoption of *de facto* veto players and veto points to conceptualize the political system in China, and this will lay the foundation for an examination of how this variable has affected the pension policy changes over time. In addition, I shall not sum up the policy entrepreneurs emerging as Andrew's framework proposed, but the emergence of these actors as well as their impact will be examined in the empirical analysis chapter (*see* Chapter 7 and 8).

Given China's Leninist history, it is easy to assume that China is rigidly hierarchical and authoritarian, but in practice, political power in China is diffused and complicated by the different political actors involved in the policy process. The other main actors include the key state government bureaucracy in charge of implementing and administering state business, the National People's Congress (NPC) as the highest organ of state power, and the sub-national officials who complicate Chinese politics (Martin, 2010). However, one important aspect of China's political regime is the leading role played by the communist party in the whole policy process in which the Chinese communist party (CCP) and government organizations have the central role in terms of policy initiation, formation and implementation (Saich and Saich, 2004). Even though minor political parties do exist, they are authorized by the CCP and have no real power over policy design. The CCP, as the only ruling party, has all the political power in China to legitimate and control all the political organizations and to determine social, economic and political issues. The CCP has an unchallengeable leading role in the Chinese political system; it not only determines the legislature and executive bodies, but also has the leading role in the formation of ideological and social values (Saich, 2001). The central policy-making organization in the CCP is the Politburo Standing Committee, which has the authority to determine national strategies, and members of this organization hold the key positions of the state, such as president, vice-president, premier and vice-premier.

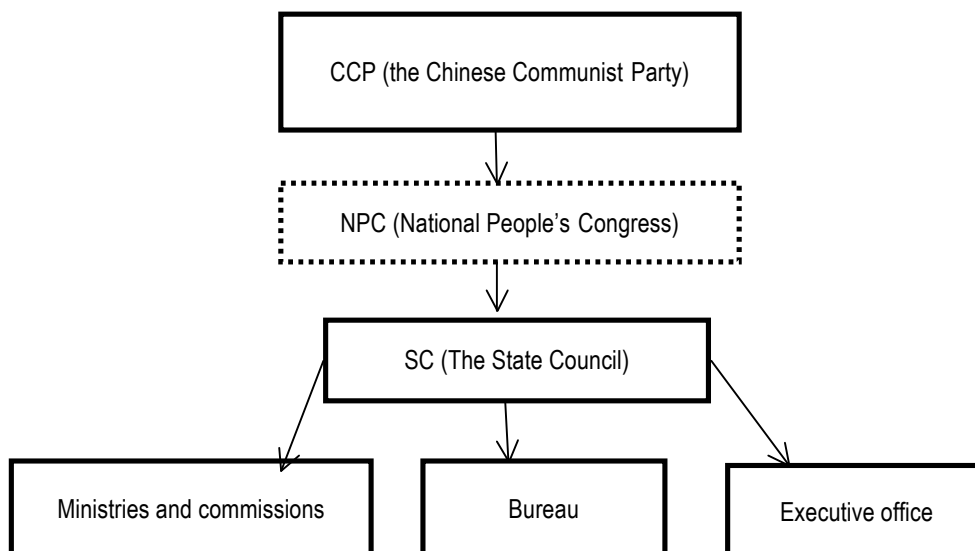
The interplay between party members and the state leader represents the specific nature of the Chinese authoritarian party state. Apart from making the main decisions and national strategies, the CCP also has power over law-making. Under the constitution, the NPC and its standing committee are the highest state organs of policy-making and exercising legislative power (Lindley-French and Boyer, 2012). The standing committee, as the permanent body of the NPC, has the authority to enact laws apart from basic law. According to the constitution, the NPC and its standing committee should be the most powerful body and have the dominant role in the decision-making process. However, within real political life, the CCP exerts more influence on forming the policy agenda and engendering political competition. Many decisions are made by the CCP and passed on to the NPC for consideration (Saich, 2001). The NPC's role does not play out as the constitution defines it, hence

it is usually nicknamed a 'rubber stamp' (O'Brien, 1990; Tanner, 1999) because it cannot oppose the proposals coming from the CCP. The CCP has different measures to influence the law-making process, by controlling the appointment of NPC members, having institutional control over meeting agendas, giving prior approval to draft laws, and setting the basic principles of legislative debate. As a result, the CCP has the dominant role in the policy-making process (Lieberthal, 1995). The State Council (SC), as the highest executive organ of state power and the highest organ of state administration, is in charge of the carrying out the principles and policies of the CCP, as well as the laws enacted by NPC (Lindley-French and Boyer, 2012). The SC directly oversees the various subordinate governments in the provinces, and exercises a wide range of powers over policy-making, ranging from formulating administrative regulations and measures, issuing policies and orders, and monitoring their implementation, to drafting legislative bills for the NPC and preparing economic plans and state budgets for submission to the NPC. To a certain degree, the SC and the CPP hold the central leadership jointly for issuing public policies.

So the absence of organized and established political parties in the Chinese system means that partisan veto players do not exist. Unlike the western democracies with institutional veto players such as presidents, second chambers or constitutional courts to veto the passage of legislation (Tsebelis, 2002), the Chinese centralized regime empowers the party state and its power elite (the political bureau) to have monopolistic power over decision-making, particularly over the consideration of major policy shifts or the legitimization of ideological change. However, the CCP and its leadership are not always able to dictate policy decisions, and the political process is infused with a number of bureaucratic and non-central government actors who influence and determine policy. The social policy making power in the central level is shared by the legislative body (NPC) and its standing committee, and the SC and relevant ministries and departments. Under the constitution, the NPC and its standing committee are responsible for law enactment; the SC and its ministries have the authority to issue decisions, decrees, administrative rules and regulations to the national local level. It is certainly the case that pension reform has also been guided by the administrative regulations and rules issued by the SC and related ministries before the NPC promulgated the social insurance law (Chan *et al.*, 2008).

It is difficult to identify the various elements and disentangle the Chinese political system in terms of veto points and veto players in a western sense. Based on Tsebelis's definition of veto players (Tsebelis, 1995) and Database of Political institution (WB, 2013), China does not have partisan veto players because there is no opposition party in China. However, there are some actors who have the same role as veto players, and their agreement is required for any change of the *status quo*. I regard the *de facto* veto players as those actors who have an impact on pension reform, and whose preferences and behaviour determine policy outputs and policy outcomes. The SC and other related ministries discussed above are assumed to be *de facto* veto players. Their responsibility, function and role in pension policy decisions will be introduced in the next section. Apart from these *de facto* veto players at the central decision-making level, there is another set of actors who can change the policy *status quo* not in design but in implementation in Chinese polity, and they are local government actors (at both the provincial and municipal levels). Under the process of decentralization, local governments have more discretion over policy design and implementation (Zhang, 2006; Wong, 1991). The local governments have the decentralized administrative and fiscal ability to develop economic and social programmes. Local governments can exert their power over policy implementation, and consequently can cause cut-offs or complications in central initiatives (Zhang, 2006). It is therefore assumed that local governments are able to act like veto players and change the central policy objectives and intentions in their implementation.

Figure 5.4.5: The Chinese central government structure



De facto veto players

The Ministry of Human Resources and Social Security (MOHRSS) of the People's Republic of China is a ministry under the State Council which is responsible for national labour policies standards and regulation and for managing the national social security. This includes labour force management, labour relationship readjustment, social insurance management and the legal construction of labour (Arza and Kohli, 2008). MOHRSS stresses that priority in access to work should be given to migrant workers, laid-off workers, poor people and graduates from universities and college. Since it was established in 1998, the main function of MOHRSS has been to build a sound employment-based social insurance system in China (Zhu, 2003), and as the active policy-maker in the areas of social security, labour and employment policies, MOHRSS has been an active player in formulating policies and programmes to create jobs, provide social services for labour and protect workers' rights (Van Vliet, 2010). It is also an important player in labour legislation and social insurance law enactment.

The Ministry of Finance (MOF) is the national executive agency of the central government; it administers macro-economic policies and the national annual budget. It also handles fiscal policy, economic regulation and government expenditure for the state (Clasen and Siegel, 2007). Since pension expenditure is the largest proportion of social service spending, the Ministry of Finance, as the fund provider and public budget controller, has a crucial role in the old-age pension system reform, especially in terms of funding sourcing, funding modelling, and funding management. This ministry tends to stress efficiency and advocate a reduced state role, therefore, it prefers a funded old-age insurance scheme in which the working population has to pay contributions and leave the state with fewer responsibilities (Shi, 2006). The Ministry of Finance is also likely to back a decentralized pension insurance system and shifting the fiscal responsibilities to local governments (Duckett, 2003).

Unlike the MOHRSS which is responsible for social insurance programmes and social welfare for the labour force, the Ministry of Civil Affairs (MOCA) is in

charge of welfare programmes for marginal groups, including disabled people, poor households and individuals without family support (Wong, 1998). Its main function is to deal with programmes for vulnerable people, including social assistance for the old, orphaned and disabled, poverty reduction, and a minimum living guarantee. In addition, the MOCA was also in charge of rural pension schemes from the late 1980s until 1998, when responsibilities shifted to the Ministry of labour and social security (MOLSS) (now MOHRSS). However, the MOCA was a key actor involved in building the rural pension schemes, bargaining and conflicting with other related ministries in terms of the philosophy, principles and specific designs of the programmes.

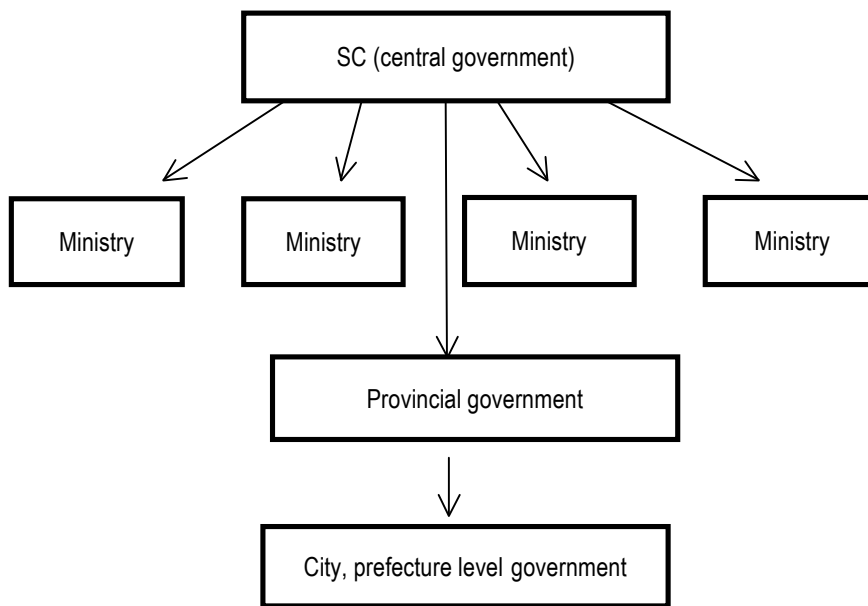
Apart from the ministries with direct pension policy responsibilities, there are some central government commissions and offices which control and distribute public resources and have a high stake in the policy-making procedures. These include the Ministry of Finance, which manages the financial resources, the National Development and Reform Commission, which directs overall economic and social development strategy and approves major social programmes, the State Commission Office for Public Sector Reform, which controls the establishment of government bodies and personnel management, and the Legislative Affairs Office of the State Council, which directs the legislative procedures in policy-making. All the other ministries have to cooperate with these government bodies when they make policy in their individual fields (Carrillo and Duckett, 2012).

China's constitution does not provide a power division between different tiers of government, and all the power resides with the central government. However, the constitution allows local governments to exercise varying degrees of autonomy. In the transition era, local governments had more space to innovate and develop their own economic and social development programmes (Ebbinghaus and Manow, 2001), and since social policy reform experiments or pilot projects allowed the local governments to innovate in the implementation process, they often added their own detailed parameters under the central guidelines (Chöng and Chung, 2000). For instance, the regulation issued in 1995 allowed local governments to choose from the three reform options, the DB, DC and the PDC models, for local pension programme design, which was later criticized by the WB (this will be discussed in the case study

chapters, *see* Chapters 6, 7 and 8). The central government and its ministries agree to local innovations as long as they do not violate the principle or objectives of central policy. However, local governments have little effect on policy-making at the top level. The national laws and regulations are usually deliberated and made among the ministries and the State Council. The sub-national governments can act as *de facto* veto players in implementing the policy imposed from the upper levels of government, and they can make some adjustments to enhance or redirect implementation locally (Martin, 2010).

In sum, in the one party state, the government executive body and bureaus have to make social policy decisions under general party development strategies. Particularly in the pension reform field, various related ministries play a significant role in promoting policy initiatives by making policy suggestions, organizing research and experiments, and drafting policy documents. The ministries are subordinated to the State Council, but still have a decisive influence over policy by virtue of their role in interpreting, implementing and overseeing the policy goals. These related ministries and their sub-offices are often very protective of the perceived interest and goals of ministries. Therefore, they could function as *de facto* veto players when the initiatives reach the policy deliberation and formation process. The compromises and competition, as well as the capacities for mobilization in the top elites broadly determine the design of central policy.

Figure 5.4.6: Central-local relations



De facto veto points

In China's case, therefore, the notion of veto points (Immergut, 1990) refers to the opportunities within the decision-making process or specific institutional features which allow opposing groups to veto policy projects. They can be generated from both formal and informal rules. I shall now discuss the *de facto* veto points in the Chinese political system and pension reform process. The so-called *de facto* veto points on the one hand reflect the authoritarian nature of China's regime, but on the other hand they explain the space there is in the Chinese political system to enable change or propose new projects, which conforms to the concepts discussed above.

The lessened compulsory power of administrative decisions and departmental measures

Unlike western democracies, China's social policy was not institutionalized by legislation until 2010 when the social insurance law was passed; before 2010, the initiative for or reform of social policy were mainly under the directives, decisions, circulars and proposals issued by the State Council or the relevant ministries. There was no basic legislation clearly defining the principles, rules, responsibilities or duties of the different parts involved in welfare schemes (ILO, 2006). Since this current study aims to trace the pension reform path over the past decades, the

recently enacted insurance law cannot be regarded as an institutional indicator to be assessed; as a result, all the political competitors in the process were constrained and regulated by the vast number of administrative decisions and measures enacted from the centre. Before China enacted a national social insurance law, central government ministries or departments issued circulars to launch policy initiatives and exercise them as law (Chan *et al.*, 2008). Therefore, new social policies were not usually required to be negotiated with or approved by the NPC (the law enactment organ), and the communist party and relevant ministries could propose new measures to address welfare issues. There are several reasons for the prevalence of administrative regulations rather than law. First, China was undergoing continuous transition with trial-and-error practice, and this situation is not suitable for institutionalized legislation. Second, there was no basic principle or philosophy determining social policy reform when the welfare reform was first launched. Third, administrative measures are more flexible than law and left space for the local governments to manoeuvre according to the local conditions. Fourth, this practice also facilitated the central government to revise or readjust the policy according to its implementation practice. However, because of the loose measures issued by the policy makers, local officials were able to find a lot of room to operate or implement according to their own interests, or to take advantage of the ambiguities in the policy design and reinterpret the policy in their implementation, or the less powerful decisions or measures might produce non-compliance problems in different local levels. All in all, all the relatively lax decisions and measures created a gap between policy goals and policy implementation. The agreed policy principles were proclaimed by the central government, and the implementation of the policy was mainly shaped by the local governments according to their own interests and perceptions and to the local conditions (Chan *et al.*, 2008). The loose restrictions of directives from the higher officials generated *de facto* veto points for the local authorities to distort the policy goals based on their own best intentions or self-interest. The goals and objectives of the central authority may therefore not be adequately achieved at the local level.

The spaces in the decentralization process

A more complete understanding of China's political system requires an examination of the central-local relationships, particularly through the decentralization process.

Lieberthal commented that decentralization increased the looseness of the political system and permitted bureaucratic bargaining. Bargaining involves negotiation over resources among the actors who effectively have mutual veto power. In this sense, these openings or spaces in the political system could be regarded as veto points. The fiscal and administrative decentralization process since the 1980s initiated the promotion of regional economic development by granting considerable power and autonomy to local governments. The 1994 tax-sharing system reform sought to recentralize by increasing the central share of revenues from 33% to 53%, but this 1994 taxation reform also required that all social projects at sub-national level should be paid for by local governments (Li, 2005). With this further localizing of the central government organization and institution, the welfare expenditure responsibilities were further increased. However, revenues were centralized but the responsibility for expenditures remained highly regionalized. This mismatch of revenue centralization and spending decentralization generated fiscal problems at the local level, particularly in less-developed regions, in terms of fulfilling their welfare provision responsibilities (CAI, 2008; Carrillo and Duckett, 2012; Li, 2010). Therefore, they could function as *de facto* veto players to distort or re-interpret the central policy according to their own conditions and interests.

After this disentangling of the Chinese political system with regard to the tools of veto players and veto points, it is clear that China may not fit these concepts as strict criteria. However, within China's fragmented and decentralized authoritarianism, the bureaucratic actors and the looseness of the system do provide the space to veto the policy process informally. And the consensus of the bureaucratic actors required in decision-making also empowers them as *de facto* veto players who can affect policy outcomes. The term *de facto* means that their role and their impact on the informal rules implicitly reflect that their roles are much less than those of their counterparts seen in democracies. **Therefore, we propose a hypothesis that China, with its comparatively strong executive and less powerful veto players and veto points, might face relatively few barriers to changes of the status quo.**

5.4.4 Old age pension institution and hypothesis

Fragmented welfare systems

China's welfare system was established at the very start of the communist party coming to power, when social welfare programmes for the employees in SOEs and public sector organizations were introduced. This welfare scheme was copied from the socialist model of the Soviet Union, and was aimed at illustrating the ideological priorities of socialism, including comprehensive welfare provision, old-age pensions, health insurance, paid sickness leave, maternity leave for women, and other social services (Gordon White, 1996). Expanding this socialist welfare system was beyond the country's economic capacities; hence these welfare provisions were restricted to a particular part of the population and to the privileged state sectors (Phillion, 1998). As a result, a fragmented welfare system was formed in the initial stage, and the historical legacies exerted a significant influence on the later reform decisions.

In particular, the fragmentation was represented in the dual split in the welfare system and was divided into three main types when the welfare system first established (Saunders and Shang, 2001). Each type had different principles in term of financing, administration and entitlements and benefits level. The first split was an urban-rural divide based on the household registration system (the Hukou system), and urban and rural residents were covered by different systems each with its own principles. Within the urban system, the state was the main provider and regulator in the era of planned economy, and the main administration work was handed to state-owned enterprises or government organizations. In the rural system, the state took only residual responsibility for rural residents, mainly through the basic social relief system (the five guarantees) for the most vulnerable rural groups, leaving family, kin or the local community to supplement the land guarantee and provide mutual welfare benefits under the household responsibility system (White, 1998). The household registration system initially structured the urban-rural welfare divide and further enforced the split to prevent movement between urban and rural areas. The second split reflected that the urban system was divided into public sector workers and other sectors. Before the economic reform of 1978, the public sector included SOEs, non-profit-making agencies, and social and government organizations, and the employees were covered by the state welfare system in which SOEs or the state bore the main responsibility for providing benefits and making ends meet, while the roles of the individual and the market were very limited. So in

the time of the planned economy, most of the urban population was covered by the state welfare system. Unlike employees in the public sector, individuals in other sectors were expected to rely on themselves, their families or the market to provide social support, and the state provided residential protection to the most vulnerable groups through different social relief schemes.

However, after the economic reform and the restructuring of SOEs in the late 1970s, the number of state-sector employees decreased dramatically because of the unemployment and the numerous lay-offs which occurred in the transition period, and accordingly, the SOE welfare system and the state welfare system were dismantled, with the role of the state shifting from provider to regulator (Gu, 2001). After shifting the welfare burdens from SOEs to the urban governments and re-establishing social insurance schemes in the market economy era, the urban welfare system was divided into a public sector worker scheme and an urban enterprise worker scheme. The public sector scheme only included government and party organs and some public sector units which were mainly funded by the state, and those employees who were still in the previous state welfare system. By contrast, SOE employees and workers in the private sectors, including foreign enterprises, private enterprises and the self-employed, were covered by a social insurance system in which the employers and employees jointly bore the funding responsibilities, and the schemes were managed by social insurance agencies (Saunders and Shang, 2001).

In short, the Chinese current welfare system could be summed up as 'one country, three systems' in which the whole population was separated into different welfare systems according to occupational status (Frazier, 2006a). Specifically, communist party members, government officials, and some other public sector workers enjoyed generous welfare benefits, ranging from pensions to health care, financed by state budgets. A second category, the urban workers, enterprise employees and the self-employed were under a social insurance welfare system mainly financed by contributions from employees and employers. The third category, the rural population, was mainly covered by various rural welfare schemes or not covered at all; in some regions, migrant workers could participate in the urban welfare system

in the city where they worked, however, not all migrant workers in any urban city were entitled to the benefits.

The pension system structure in pre-reform era meant that the starting point for pension reform only affected a small proportion of the population (SOE workers), and their pension programme was entirely based on a pay-as-you-go mechanism. In addition, this state pension programme did not have a funded scheme. Therefore, the maturity of the PAYG system was very high at the starting point, and the transition cost was always a concern at the beginning and later on. **We would hypothesize that radical structural change may not be possible because of the maturity of the PAYG system and the absence of a funded scheme.**

5.4.5 Key stakeholders and hypothesis

Employers and business interest

Enterprises located in territorial jurisdictions with high social programme costs may be motivated to relocate their capital to other regions. The resulting competition between jurisdictions creates strategic opportunities for the economic interest actors who oppose the extensive, redistributive social policies. The business interest is highly likely to have more options in the fragmented system, and there is much empirical evidence which testifies to this in western cases (Pierson, 1995). In China's context, the growth-oriented strategy and the fiscal incentive in the decentralization further put the economic interest as the priority rather than social programmes (Zhang, 2006). In this context, businesses may have more advantages and opportunities to deregulate the social policy and they have more bargaining power to evade the social welfare duties. Therefore, according to the discussion above, **we propose the hypothesis that the employers with their associated high interest would oppose the introduction and expansion of the public programme.** In addition, in China's case, the uneven development level and uneven risk across employers were very diverse. The difference between privileged SOEs and general SOEs in profit making and central budgetary subsidies determine their preferences and interests when it comes to complying with or conflicting with pension reform. Before 1998, the workers in these privileged SOEs contributed less and enjoyed a higher replacement rate because these SOEs were in the key industries and were

managed by the relevant central ministries (Frazier, 2010b). **Therefore, it can be hypothesized that the privileged SOE had more advantages to oppose any reform which might deteriorate their interests.**

Unions

Historically, Chinese labour unions have been viewed as corporatist interest groups with their roles and their interests defined by the state and subordinated to the interests of the state. Therefore, the unions were usually viewed as being dependent on the state (Unger and Chan, 1995). The ACFTU (All-China Federations of Trade Unions) functions as the representative body of labour interests as well as the state institution responsible for social stability. According to the law, a union has three main functions: the first is to assist the government administration, the second is to collaborate with enterprise management and the third is to protect the interests of the labour force (Ge, 2007). The ACFTU is a state institution formally controlled by the state, and its officers are delegated and appointed by the state (Chan, 2000). In the transition stage, the economic restructuring had a significant impact on the unions, causing a decline in union membership. The ACFTU promoted union membership in the emerging private sector to reverse the trend. However, membership numbers did not rise as much as had been expected. Chan (2000) reported that it was not only the state which affected the unions, but that the unions' role further decreased because of their financial and personnel dependence on enterprise. Therefore, the unions could not represent the interests of the labour force and generally functioned as pro-management bodies or played the role of management whenever labour disputes occurred (Taylor and Li, 2007; Rathke, 2006). Unlike their counterparts in industrialized countries, labour unions protected welfare interests to counter the various risks in the labour market, not only in welfare expansion but also in opposing welfare retrenchment. The absence of labour union involvement in the welfare reform in China context may present another scenario. **Therefore, it is hypothesized that the absence of any union involvement in the pension reform and administration in China means that there are fewer barriers to change.**

5.5 Operationalizing empirical case analysis

As previously mentioned, China's welfare system took the form of 'one country, three systems', with separate systems for the urban, rural and public sectors pension systems. The public sector system covered Communist party and government officials and public service organisations amounting to between ten and eleven million beneficiaries; it was financed by state funds and provided relatively generous benefits. Given the short history of public sector reform, this study will not provide a detailed analysis but will examine recent initiatives and policy assessment in general. This will be integrated into the analysis of the urban sector. In addition, the new urban residents' pension system introduced in 2009 will be examined, and the development and outcomes will also be briefly addressed. The majority of the analysis of the urban system will be focused on the system for urban enterprise workers, which covers 275 million urban workers; it is the core of pension reform as well as the institutionalized template for other schemes in the urban sector.

Roughly 500 million rural workers have incomplete welfare benefits, and even though the new rural pension schemes have been implemented in some regions, most rural residents have no access to pension benefits (Frazier, 2006a). This case study is based on the urban-rural dual system and offers a historical institutionalist analysis of the reform of the two sectors in China. To be specific, the system for urban enterprise workers was the first pension scheme and has undergone three decades of restructuring and revision, and during this historical process, different punctuation points have witnessed different dynamics. The pension scheme for public sector workers was the most recent one to be reformed in 2009 and it provides little evidence to form a good understanding about the long-term process and dynamics, but this study will draw upon the existing documents, academic literature and media resources to map out a preliminary investigation of the path of change. The rural pension system was initiated in the 1990s and suffered stagnation during the Asian financial crisis of 1997, and again in the global recession of 2009. So it is difficult to form a consistent and comprehensive analysis as with the urban system, but even so, this study will try to construct a complete picture of the change path and its dynamics.

Within each system, we shall carry out both an empirical analysis and an institutional analysis. Given the short history of the rural sector programme, the two sets of analysis will be put together into one chapter (*see* Chapter 8). The urban sector study will be divided into two chapters (*see* Chapters 6 and 7). The empirical analysis will trace the proposed and enacted policy change over time and evaluate the policy outcomes over time. The case study of the reform of the two-sector system starts with a review of the historical development comprising a detailed tracing of policy documents, regulations and legislations. The data mainly come from national administrative archives and databases, including the China Labour Year Book (1988-1998), the China Labour and Social Security Yearbook (1999-2008), and the China Human Resources and Social Security Yearbook (2009-2011). The database includes the Central People's Government of the People's Republic of China online database of officially released documents, and the regulation and policy online databases in the official websites of the Ministry of Labour and Social Security and the Ministry of Human Resources and Social Security. The review of these archives and documents will identify the development of the pension system over the past decades at the national policy level.

The institutional analysis will follow the conceptual and explanatory framework (*see* Chapter 4 and 5) to explore the institutional change causal relations behind the policy pressure and policy formation, as well as the intended and unintended consequences of the implementation. This process involves addressing the dependent variable problem (tracing the institutional change) by examining changes in the pension programme structure (pillar-tier architecture), and the programme parameters and institution outcomes. In terms of structure, the absence or existence of particular pillars and tiers, and the addition of new pillars or tiers, will be examined to study the architecture change over time. In addition, the system design is another aspect from which to locate change based on our coding framework described above. The pension institution outcomes will be examined through the generosity and privatisation index based on quantitative evidences (*see* Chapter 4).

After dealing with the issue of dependent variable, the reform dynamic is another question which has to be explained. We shall identify the independent variables including context, institution structure and actors at different punctuation points and

explain their interactive impacts over time. Here, the study uses secondary data, including international organization reports, media coverage and academic surveys to help to trace the causal links between policy demands and policy design, policy outputs and policy outcomes. Incorporating the evidences into the explanatory framework will test the hypotheses proposed in this chapter and offer an explanation of these independent variables in China's context, which will also provide the possibility of eventually bringing China into a comparative analysis.

5.6 Concluding remarks

This chapter has developed an explanatory and analytic framework for studying Chinese pension reform based on China's specific circumstances. In addition, based on the causal proposition generated from other countries' experiences (European and international), the hypotheses were proposed about the impact or role of independent variables on pension reform and its extent in China, which guides the institutional analysis in both sectors as well the comparative analysis in the end.

Part three: case analysis

Chapter 6: The urban case

6.1 Introduction

I shall first divide the long-term historical development into four periods based on the changes in leadership generation in post-Mao China. China is a single party state but this does not mean that the government pursues the same social economic strategy all the time; differences between different governments with different leadership generations are distinct from one another in terms of development strategy, political discourse, critical contribution and their legacies for their successors. Second, the changes in leadership/government within the communist party state and their distinct social economic development agendas and strategies also involve changes to the social programmes. This study covers the political generations from the 1980s to 2010s. According to the official discourse, the second generation of leadership lasted from 1976 to 1992, with Deng Xiaoping as its core leader. The third generation lasted from 1992 to 2003, with Jiang Zemin as the core leader. The fourth generation is officially regarded as beginning in 2003 and it lasted until 2012 under the leadership of Hu Jintao, and this generation is also known as the 'republican generation' or the Hu-Wen Administration (Wikipedia, 2013). Based on these shifts in government as well as the policies, regulations and documents issued by the different leadership generations, the reform process (1980s-2000s) can be divided into three stages. The 1980s were the period of Deng Xiaoping's leadership, who turned to economic development, pioneering the reform of China's market economy and bringing about profound changes in socio-economic development. The principles, nature and mechanism of the social protection system in China have changed a great deal over the past decades. The collective and state-provided welfare system (including pensions) for a small fraction of the population failed to adapt to the new social and economic context in China. The reform was the policy response to the economic reforms of the 1980s and was the first stage of exploring a proper pension provision model for the labour force in the market economy. The 1990s, mostly within Jiang Zemin's leadership, saw the economic development continue and more social issues emerge in China. In this decade, social policy-oriented reform gradually formed the partially-funded pension insurance model in urban areas;

however, the target group was mainly the crucial constituencies, the workers in the state sectors or the formal employment workforce in the market. The 2000s, under the fourth leadership generation, witnessed the expansion of public pensions and the building of the multi-pillar system.

6.2 Historical development overview

6.2.1 State retreat and SOE welfare model crisis in the 1980s

Generally speaking, the pension system in the socialist period was characterized by the state-owned enterprises' (SOEs) welfare system in urban areas. The SOEs provided their employees with a welfare service from cradle to grave based upon lifetime employment. Certainly, the cradle-to-grave service also included the provision of old-age pensions, in which the SOEs had to pay the retired from the current revenues (Salditt, 2007). So the whole system was not operated on either a funded or a pay-as-you-go system. The SOEs' pension system had generous eligibility criteria and a replacement rate as high as 80% (Whiteford, 2003, p.23). Because the system only covered SOE urban workers, only a small fraction of the whole population of pre-transition China, it could be sustained financially and practically until the economic reform.

In 1979, China began its market economy reform, transforming the centrally planned economy into a more liberal market economy, albeit with a high level of state ownership in key industries. The economic liberalization began with the establishment of free economic zones along the east coast, and then gradually diffused into other urban areas (Démurger *et al.*, 2002). Within the reform package, the restructuring of the SOEs was a crucial and complex task, starting in the early 1980s. The SOEs began to have more autonomy in management decisions, and became more independent entities in the market, and gradually encountered competition from emerging private sector enterprises (Li, 1997; Chan *et al.*, 2008). One of the important changes for the SOE management at that time was to solve the issue of the unemployment problem in urban areas because many young members of the workforce flowed back to urban areas after the reform had been initiated (Davis,

1988).² One of the strategies was early retirement, reducing retirement eligibility criteria from twenty years to ten years of employment, and increasing the pension benefits to incentivize early retirement and free up more jobs for the unemployed young workforce. Therefore, the worker-pensioner ratio dropped from 30 to 1 in 1978 to 7.1 to 1 by 1986 (West, 1999, p.13). Another incentive for SOE workers was that they could designate a son or daughter who was of working age to take over their position in an SOE (Williamson and Deitelbaum, 2005). The number of pensioners increased from 2.14 million in 1978 to 21.20 million in 1988; pension expenditure rose around twenty times over the same period (Hu, 2006c, p.11). Meanwhile, the early retirement incentive coincided with the one-child policy, which further increased the financial pressure on the pension system.

In 1986, the government began to experiment with reforms which introduced social pooling as well as employee contributions to the pension scheme in some areas. The social pooling funds were managed by newly-established social insurance agencies (the Bureaus of Labour) at the city or county level which replaced the SOEs in managing pension programmes, which was the initial step to establishing contribution-based old-age insurance (State Council, 1986). The SOEs were required to contribute to local pension funds, and the larger and older SOEs were enthusiastic about the cost-sharing in the local pooling because they had a heavier burden with more workers close to or at retirement age and the local fund could pay all the pension costs. However, the local pooling only covered the formal permanent workers in SOEs. With the introduction of the contract labour system in 1986, contracted workers were required to pay 3% of their wages to the pension funds (State Council, 1986). These two important initiatives were mainly intended to alleviate the increasing burden on SOEs, especially the pooling fund, which could help to share the pension commitment burden among prosperous SOEs and those not making a profit (Sander, 2010). The introduction of the employee contribution coincided with labour market reform and represented a shift from the SOE welfare model. The two measures were aimed at reducing the financial pressure on SOEs and harmonizing with the labour market change. However, the debate and consideration regarding the new pension system did not come onto the agenda.

² Educated young people were sent to the countryside in the years following 1968, but after the introduction of the reform policy, they were allowed to return to the cities, which generated huge unemployment pressure in urban areas.

6.2.2 *The formation of the old-age social insurance model in the 1990s*

In 1991, the State Council issued document No.33 (State Council, 1991) entitled *Decision on Enterprise Employee Pension Insurance System Reform*, which proposed a multi-tier pension system. The first tier was a basic pension jointly financed by the state, enterprises and workers. The second tier was a supplementary scheme funded by the enterprises from their profits. The third tier was an individual account funded by individual workers on a voluntary basis and paid as a lump sum. Due to the income disparities and price differences among the regions, the regulation allowed local governments to set the contribution rates according to local conditions. In addition, it also planned to advance social pooling from the provincial to the national level, but it only laid down the reform direction rather than clear procedures (Haico Ebberts, 2009). As a result, this regulation brought the first fragmentation trend in the building of an old-age insurance system. In addition, even though the regulation stated the intention to advance pension pooling from city level to provincial level, it did not set consolidated rules to guide the practice and no penalty measures were established to curb non-compliance. The 1991 regulation was the first formal policy document to address pension reform in the new socio-economic context. Unlike the previous policy response to the SOE pressure and the new labour forces in the SOEs, this regulation was the first policy initiative to explore the creation of a pension system in transitional China. However, as for the explicit policy model and parameter sets, there was no definite design at that time.

In 1995, the State Council issued document No.6 (State Council, 1995a) entitled *Notification on Deepening Enterprise Employee Pension Insurance Reform*, which aimed to set down a solid measure on public pension reform by establishing individual accounts. The newly-established social insurance system was jointly funded by state, employers and employees and all the contributions went into pension funds, which were intended to share the pension costs, tackle the financial pressure and decrease the burden on state budgets. The 1995 regulations explicitly introduced the concept of individual accounts for all workers in SOEs and attempted to increase individual contributions to reduce the fiscal pressure both currently and in the future. However, in terms of how to integrate and manage the social pooling fund and individual accounts, the 1995 regulations allowed 32 provinces and eleven SOE

funds run by the industrial ministries to select from two options as an experiment in local areas (State Council, 1995a). One option was a defined benefits model which was advocated by the Ministry of Labour. Within it, the pension benefits were based on pre-retirement wages, the number of service years and the accumulated individual account fund based on a fixed-asset maintenance ratio.³ The other option was a defined contribution model advocated by the State Structural Reform Commission, which was different from the first option in that the individual account fund was accumulated by the return on real investment rather than a fixed interest rate. So the pension benefits were highly determined by the personal contribution record and the asset investment profits (State Council, 1995a). Allowing the provinces to choose one of these two options further deepened the fragmentation and division in the basic pension scheme. Hundreds of city and county pension funds were run under different rules in terms of funding method, benefit calculation, contribution rate and so on, but they all resembled more or less either the DC model or the DB model, or some small variants of them (Frazier, 2010a). For instance, Shanghai adopted the DC model mainly based on contributions from employer and employees, accounting for 14% of the payroll. To summarise, the DB model was run as a traditional social insurance system based on the PAYG principle, while the DC model was an attempt to partially privatize pensions by shedding the responsibilities to individual contributions and asset market performance and by altering the role of the state to one of regulator or supervisor rather than the provider or trader in funds. The emerging local trials of the DC model and the formal regulation of justifying it represent a trend towards retrenchment based on our conceptual coding framework. The financial mechanism shift from PAYG to pre-funded DC indicates the sharing of financing responsibilities between state, market and individuals.

In 1997, the State Council issued Document No.26 entitled *Decision on Establishing a Unified Enterprise Employee Pension Insurance System* (State Council, 1997) and began to unify the urban pension schemes and extend the coverage from traditional SOEs to all other types of enterprise, including the private sector and foreign investors. Rather than having separate individual accounts as the second pillar as in

³ The ratio is defined by the bank deposit rate, with reference to local average in the last year.

the WB model, Chinese policy makers adopted a conservative strategy, integrating individual accounts with a social pooling fund (Feldstein, 1999). The two elements together constituted the first public pillar and were named the partially-funded model. The concept of the partially-funded model can be explained as that the social pooling part is based on the pay-as-you-go principle while the individual accounts are operated according to funding rules (Williamson and Deitelbaum, 2005). The partially-funded model was a compromise between the traditional PAYG and the defined contribution models and could smooth transition costs and avoid the risks which the rapid change might cause (Williamson and Bingwen, 2009; Williamson, 2004). In terms of greater unity, the regulation stipulated that the contribution rate for employers should be less than 20%, while the employee contribution rate was capped at 8% (State Council, 1997). The individual account size was set at 11% and the benefit formula was set too. Therefore, various urban pension schemes at the local level had to revise the model and parameters according to central regulation, which provided preconditions for advancing social pooling and establishing the urban universal pension system. In terms of extension, the regulation proposed to expand the coverage of the system, gradually covering all types of ownership of enterprises and all types of worker. Self-employed workers were also mentioned in the expanding range, but there were no unified consolidated rules set in this regulation. In summary, the 1997 regulation was an important milestone for pension reform in China. On the one hand, this regulation resolved the issues which occurred in the transition process and was the first attempt to unify the local fragmented schemes by setting the pension insurance design and parameters. On the other hand, beyond solving the legacy problems which had occurred in the previous stage, the regulation also considered the direction of further reform, presenting an explicit determination to expand coverage to all enterprises, even to all urban workers.

In 1998, an additional policy document No.28, *Notification on Prompting Provincial Pooling of Enterprise Employee Pension Fund and Transferring the Management of Industrial Pensions to Localities* (State Council, 1998) was issued to integrate the ministry-managed industrial eleven pension funds into the urban system. With the privatization of SOEs prevalent nationwide, the fragmented basic pension system was operating with high deficits. How to shoulder and share the welfare burdens

from the laid-off workers and early retirees which occurred in the liberal reform became a more pressing issue. This regulation aimed to enlarge the redistribution base of the pension system and dealing with the emerging pensioner discontent in the privatization process. To a certain extent, this measure was another attempt to unify the urban system by integrating the general SOEs and privileged SOEs into one system.

6.2.3 the reform of the old-age insurance model in the 2000s

Contribution and benefit parameters change

In 2000, the State Council regulation No.42 and in 2005 No.38 began to adjust and improve the urban worker pension system (State Council, 2000; State Council, 2005). The basic rule set in 1997 did not change, with the social pooling and individual accounts components as the basic public pension design. The employer contribution remained at the ceiling of 20% of payroll and the individual contribution changed from 11% to 8%. The employee's contribution was credited into the individual accounts and the employer's contribution (around 20% of payroll but varying by locality) should be put into the local pooling account for basic pension payments. The individual account benefits were previously calculated on the basis of ten years of life expectancy, adjusted in accordance with the actual local circumstances. In addition, the 2005 regulation added the incentive measure: an employee contributing for more than fifteen years was entitled to one additional per cent of the pension benefits for each additional year of contribution. The pension benefit was calculated on the basis of the previous local average wage and the individual indexed contributable wage. Compared with the previous policy, the basic pension benefit was set at 20% of the previous year's average local wage regardless of contributing for fifteen years or more. Therefore, the new incentive policy could curb early retirement and improve the compliance rate. The pension benefits were adjusted to price and wage increases. It was also proposed to reform the pension system for public sector workers (except for civil servants), but there was no specific measure to direct this reform. Even so, this proposition was significant because for the first time it put public sector worker pension reform onto the agenda (State Council, 2000, 2005). From 2005 to 2007, the government raised the pension benefits for retirees

continuously. The average per capita monthly benefits went up from 719 Yuan in 2005 to 815 Yuan in 2006 and 963 Yuan in 2007. The government aimed to increase the pension benefits for urban workers through another three years, and average per capita monthly benefit was expected to exceed 1200 Yuan by end of 2010 (ISSA, 2007, p.1).

NSSF

In 2000, the National Social Security Fund (NSSF) was created in China, and at the same time the National Council of the Social Security Fund was established as the supervisory and management body of the NSSF (Hu, 2006a). The NSSF in essence was a national pension reserve fund with the objective of preparing for the forthcoming demographic aging and dealing with large pension deficits. Since 2000, central subsidies for the local pension deficits have not come from central budgets any more, and the strategic reserve fund can be run according to its specific aims (James, 2001). In one sense, the NSSF became a last resort to pay the pension shortfalls of provinces. The NSSF received revenues from three sources, the payment transfer from the Ministry of Finance (central government budget), the social security lottery income and investment returns, and most significantly a proportion of the share sales in SOEs (Hu, 2006a).

Recapitalizing individual accounts and provincial pooling

After 1997, a uniform urban enterprise worker pension system was formed, as can be seen in policy documents, and local authorities also implemented the regulations according to the demands and conditions of their own localities (State Council, 1997). One of the most severe problems was that withdrawing the individual accounts funds to pay the current retirees and left the individual accounts to run on a purely notional model. The practice of withdrawing individual accounts was prevalent because the local authorities did not have sufficient revenues to pay the current retirees and save for the current active workers (Sun and Maxwell, 2002). An easy way which they came up with to solve the double payment issue was to transfer the accumulated individual accounts funds to cover the current payment deficits (Baidu, 2013). Therefore, even though the policy design claimed that the individual accounts should be run on the defined contribution basis, in practice, the funds were

jointly used with social pooling funds to pay the current retirees. In this sense, the whole public pillar was still operating on the pay-as-you-go principle, and the so-called partially-funded public pillar was nothing but an idle phrase (Zheng, 2007a). Aware of this issue, in 2001, Chinese policy makers began a pilot project for recapitalizing individual accounts in Liaoning Province, which is a heavy industry hub with heavy pension burdens (Piggott and Bei, 2007). In this pilot project, employees' 8% contribution would all go into individual accounts, and the employers' 20% contribution would go to the social pooling portion, and the fund management for social pooling and individual accounts were separated, forbidding further withdrawal from individual account funds; meanwhile, the provincial and central government used budget transfer to recapitalize the empty accounts (State Council, 2000).

Adding a second pension pillar

In 2004, in order to achieve a multi-pillar pension model, the Ministry of Labour and Social Security (MOLSS) issued decree 20 which referred to the occupational pension for enterprise workers. A trial implementation measure clarified the objectives, requirement eligibility and procedures to set up occupational pension plans. It also provided the administration and fund management of occupational plans (MOLSS, 2004b), and set up trial measures for the management of enterprise annuities funds (IRC, 2004). The two decrees set up the framework for the development and administration of an enterprise annuity (EA). The EA plans were supposed to be run under a service provided by trustees, custodians, investment managers and administrators (Murton, 2005). In particular, EAs were established as a trust that can take the form of either an internal or external trustee model. In the internal trustee model, the trustees should appoint investment managers and administrators, and offer custody of the service to other financial institutions. In the external trustee model, the trustees can also carry out administration and asset management work, but not custody. Furthermore, the EA schemes should be negotiated directly between employers and employees or unions, and governments should regulate and supervise the system to ensure that the schemes comply with state documents (CIRC, 2004). More recently, regulation 25 about EA investment guidelines was issued to ensure the financial safety of funds and promote the

development of EA schemes, such as increasing the supervision, adjusting the investment options, increasing the fixed-return investment limit from 50% to 95%, decreasing the liquid investment limit from 20% to 5%, and ensuring that the investment in stock is less than 20% of fund assets. In addition, in order to increase the reserve fund administration, the regulation clarified the condition for using it, that is, the fund management procedures. The articles of audit and information disclosure were also listed in the regulation (MOHRSS, 2011d). All these measures were aimed at increasing the security of corporate pension funds and regulating the development of a secondary pension scheme in China. Employers who plan to sponsor EAs should meet the following preconditions: first, the enterprise must participate in the basic public pension system. Second, the enterprise's financial performance must be sound. Third, a collective negotiation system should be established before initiating an EA. In addition, apart from the new enterprise annuity introduced in 2004, there have also been industry pension schemes since 1991, and these funds had assets of EUR 7.3 billion (RMB 75 billion) and were managed by the local social security agencies rather than trustees. In April 2007, the Ministry of Labour and Social Security issued a temporary guideline to transfer these industry funds to the EA schemes (AG, 2007, p.3).

Extending the coverage

In 2005, the State Council issued Document No.38, *Decision on Improving the Basic Social Insurance System for Enterprise Employees* (State Council, 2005). There were two important changes in this new document: the first was to expand the system coverage, clearly laying down the rules for private sector workers, the self-employed and flexible workers who wanted to participate in the urban system. Rather than just give a vague direction to pension extension, this regulation formulated clear parameters for these groups. These workers had to contribute at the rate of 20% of the average local wage, in which 8% went into an individual account. The insured were entitled to the basic pension following the regulations for urban enterprise workers. The urban enterprise pension system gradually expanded from the SOEs to the emerging private sector workers and to the marginalized fraction of the labour workforce, which offered a foundation for the establishment of a uniform urban pension system and ultimately a national pension system.

Provincial pooling measures

Although the State Council called for the gradual provincial pooling of pension schemes in 1998, only a few provincial level governments such as Shanghai, Beijing, Tianjing, Shanxi and Fujian, achieved that objective (Bottelier, 2002). Most of the provinces still ran separated pension funds at municipal or county level, which impeded solidarity across region and country, as well as labour mobility. In 2007, the MOLSS began to set out clear-cut criteria and management measures regarding provincial pooling and launched a campaign called the 'Golden social insurance information project', which was intended to standardize the management of insurance information and provide technical support to achieve pension fund management as a provincial management function (MOLSS, 2007a, 2007b). The provincial pooling standards included several specific aspects: first, the provincial government had to issue a paper to implement the unified urban worker pension system and policy. Second, the contribution rates for the informal urban workers had to be unified within the provincial pooling region, which was decided by the provincial government. Third, the pension benefits formulas and payments had to be unified within provincial pooling, and the basic pension was adjusted by the provincial government. Fourth, the basic pension fund had to be administrated or be accounting by the provincial level financial department. Fifth, the pension fund budget had to be planned and implemented at the provincial level. Finally, the pension insurance operation measures and administrative rules had to be unified within the jurisdiction of each province.

Integrating the public sector workers into the urban worker scheme

In 2008, the State Council began pilot projects in five provinces and municipalities, Shanxi province, Shanghai, Zhejiang province, Guangdong province and Chongqing, to carry out public sector pension reforms (State Council, 2009b). The target was to create a universal public sector (except civil servants). The reform design followed the template of the urban worker scheme combined with social pooling and individual accounts. The former was to be funded by employee contributions with a ceiling of 20% of payroll; the specific parameter is decided by the provincial (municipal) government. The personal contribution rate started at 3% of payroll and

was to increase annually to 8%. In addition, the central government encouraged the establishment of a second-pillar occupational pension to provide an adequate income, but as for the specific design and implementation measures, there were no details in this regulation. The pilot projects started from the local level and were intended to achieve provincial pooling. This also encouraged the pilot regions to start from provincial management and pooling if the local conditions permitted, but it allowed the pilots to be managed at the same pooling level as the urban worker system.

New stipulations on pension portability

In 2009, the State Council implemented a policy on pension portability policy entitled 'The provisional measures on transfer and continuity of the basic old age pension' for urban enterprise workers (State Council, 2009c). The document was compiled jointly by the MOHRSS and the Ministry of Finance (MOF). It was aimed at enhancing inter-regional labour mobility. When an insured person moves to another province, the social insurance agency in the original place should issue certification and facilitate the transfer of the insurance records to the place of destination. The amount of contributed funds which could be transferred included 12% (rather than 20%) of the employer's contribution as well as the total individual account. As for the benefit entitlement, when an insured person fulfils the requirements for eligibility, the contribution records in various places will be taken into account in calculating the benefit. If the pension records are outside the place where the household is registered and the contribution record in the candidate's base region is more than ten years, he/she can claim the payment locally. If it is less than ten years, the pension records will be transferred to the previous place(s) where the contribution history is more than ten years and the applicant can claim the payment there. If none of the contribution history exceeds ten years, the records will be transferred to the region(s) where the household is registered and the applicant can claim pension benefits there. In addition, rural migrant workers in urban areas were not allowed to withdraw the individual account savings when they moved to other cities or back to their home villages. The pension records will be maintained by the social insurance agency and applicants can claim the same benefits as their urban peers when they fulfil the eligibility requirements. In certain cases, the records could be transferred to the new rural pension scheme (State Council, 2009c).

Social pension - Senior citizens' allowance

In 2010, the Ministry of Civil Affairs (MOCA) disclosed that residents aged 80 and above will receive an old-age allowance across China, which showed the government's determination to end the senior allowance trial projects at the local level and establish universal social pensions for senior citizens in the future. The general rules and parameters of the Ministry of Civil Affairs scheme included a unified design at the provincial level, an eligibility age of 80 and above, and monthly payments (Wang, 2010). However, to the present, there has been no official document published to propose a uniform design for the senior allowance scheme.

Increasing the retirement age

In 2011, Shanghai's Human Resources and Social Security Bureau launched a trial programme to allow older workers to defer retirement beyond the retirement age of 60 (for men) and 50 (for women). The dependency ratio in Shanghai had decreased from 2.8:1 to 1.4:1 (Qian, 2010). If retirement is deferred, the employee and employer should both continue to make contributions to pensions insurance. Currently, the trial programme is limited to private sector workers and it will later be extended to other groups of employees. This measure is expected to ease the financial burden by increasing the mandatory retirement age. At the central level, the debate regarding increasing the retirement age is still going on and there is no settled consensus in the policy documents. According to speeches made by officers from the MOHRSS, the research, the proposal and the policy design are still in preparation.

Expanding to the uncovered urban population - the urban resident pension pilot project

In order to achieve universal coverage of the pension system and gradually solve the old-age support issue in contemporary China, the State Council started the urban residents' pension pilot projects in 2011 by targeting the populations without employment (State Council, 2011). This new scheme was based on the principles of basic protection, broad coverage, flexibility and sustainability. The new system was voluntary in nature with individual contribution accounts and public subsidies (central and local). The individual contributions went to an individual account and

would be paid out as benefits after retirement at the age of 60. The central subsidy will pay the basic pension at the 55 Yuan monthly; the local subsidies could pay an additional according to the local financial capacity. The government subsidy constitutes the basic pension and the pension benefit is indexed according to prices. The pilot projects started from the county level, and the pension system governance and fund management are located in the country-level social insurance agencies (State Council, 2011).

Since this document was intended to initiate the pilot projects at the local level, there were no specific measures for its design and implementation; the central government allowed the local areas (at all levels, provincial and municipal) to design their own pilot programmes based on local conditions. This initiative was another step to achieving universal coverage, even though the principle of the system was still at the low level with basic pension benefits at the national poverty line (Dorfman *et al.*, 2012a).

6.2.4 Social security legislation in 2010

After reviewing the crucial policy documents issued in the past decades, it can be concluded that the urban workers' pension system was established and developed in line with the various regulations, decisions, and notifications. In the Chinese legal system, the legal authority of administrative regulations issued by the State Council overrides the formal legislation passed by the NPC or its Standing Committee. Therefore, the local reform experiment practices as well as the less authoritative policy documents did give local governments enough leeway to implement the policies taking local particularities into account. It is no surprise that nearly three decades of accumulated regulations had brought about the fragmentation and affected the implementation of a coherent pension system. In 2010, the social insurance law was finally approved by the Standing Committee of the NPC after revising it four times between 2007 and 2010, which shows how the social security system began to be legalized and institutionalized. The Chinese social insurance reform shifted from a long-term experimental stage to a stable development phase. With respect to pension legislation, this Law explicitly spelled out the intention to gradually advance the pension fund pooling to national level. As for the extent to

which the integration of public pensions has been achieved, the academic view and the official statements contradict each other. According to the minister of the MOHRSS, Yin Weiming, the provincial pooling of public pensions was achieved in 2009. The evaluation from MOHRSS shows that 27 provinces had achieved the goals and some remaining provinces still needed to improve (Xinhua News, 2012). However, the pension expert Zheng Binwen argued that only Shanghai, Beijing, Tianjing and Shanxi provinces had achieved the proposed pooling and that their pension funds were administrated by provincial governments, and also that other provinces which claimed the achievement had only built the pension reserve fund at the provincial level, and the pension fund management was still located in the various level of local governments. He therefore suggested that the objective of provincial pooling had not been realized in strict accordance with the criteria (Guo, 2013). In addition, the law formulated the rules and procedures of pension insurance transferability and portability when participants change their work place or move to other regions, which facilitates labour mobility and national social pooling in the long run, further lessening the resistance to a universal urban pension system.

6.3 Current urban sector programme: a description and evaluation

6.3.1 System architecture

Currently, in the urban sector, China has four types of programme providing retirement benefits for different target groups: enterprise workers, public sector workers, self-employed workers and urban residents (non-employed). In this section, the general pillar-tier structure of China's pension programme will be described, and the proposed national template for the long term will be presented. However, until now, only the urban workers' programme has achieved the multi-pillar structure, and the other schemes are in the trial process.

For urban enterprise workers, the multi-pillar pension system has been established. The first pillar consists of a basic defined-benefits pension (tier 1) financed by employers' contributions at 20% of payroll. The theoretical replacement rate from this tier is 35% for pensioners with a full contribution record (35 years). The second tier (tier 2) is DC-funded individual accounts with the employees' contributions at 8%

of payroll. The theoretical replacement rate is set at 24.2%. The qualifying condition is 15 years of contributions, and the retirement age is 60 for males and 50 for females. The second pillar comes from the enterprise annuity (EA) introduced in 2004, which is the main component of occupational pensions. EAs are fully-funded, voluntary-defined contribution schemes established by the employers and governed by the regulations issued by the MOHRSS to manage the different legal entities in the service provision (MOLSS, 2004; MOHRSS, 2011d). The third pillar is based on voluntary plans, such as commercial or personal insurance contracts.

For the urban public-sector workers scheme⁴ (except for civil servants), the multiple-pillar pension design is the same as for enterprise workers, but this scheme started in 2008 as a pilot project, and was implemented in five provinces and municipalities: Shanxi, Shanghai, Zhejiang, Guangdong and Chongqing. From 2012, an occupational pension for this group was introduced, and this was co-funded by employers and employees. The employers' contribution could not exceed 8% of payroll and the individual contributions were subject to a cap of 4% (GOSC, 2011, p.21). For self-employed workers, the scheme is voluntary and the design is similar to that for urban enterprise workers, with basic pension insurance and mandatory individual accounts. Both are funded from individual contributions at 12% and 8% of the local average wage respectively.

The urban residents (unemployed) scheme is in the form of a non-contributory universal scheme plus individual accounts. It is a voluntary programme still in the pilot process. The non-contributory component is funded by the central and local governments. The central government will subsidize at least 50 Yuan a month in the central and western region, and 50% of the cost for the eastern region. Local governments can make additional contributions. The individual accounts are co-funded by the local governments and individual contributions. The local governments contribute 30 Yuan monthly and individuals contribute from 100 Yuan to 1000 Yuan a year according to ten scales⁵ based on personal choice. The higher they contribution, the more entitled.

⁴ Government funded employer-administered systems for public sector workers in cultural, educational and scientific institution.

⁵ The contribution rate is set at 10 scales: 100, 200, 300,400, 500, 600, 700,800, 900, 1000 yuan/per year. The local

Table 6.3.1: The multi-pillar pension system in China

First pillar	Second pillar	Third pillar
<p>Third tier:</p> <p>None</p>	<p>Third tier: voluntary occupational pension</p> <p>Types: company DC planes</p>	<p>Third tier: voluntary additional plans</p> <p>Types: housing assets, retirement saving, family support, etc.</p>
<p>Second tier: mandatory saving account</p> <p>Types: earning-related DC individual accounts</p>	<p>Second tier: government subsidies or promoted quasi-mandatory or voluntary schemes</p> <p>Types: occupational plans (public sector worker and enterprise workers)</p>	<p>Second tier: government regulated insurance products</p> <p>Types: lump sum, annuity products, life insurance, etc. in private market</p>
<p>First tier: mandatory, basic public pension</p> <p>Types: minimum pension (urban residents), basic pension (urban workers)</p>	<p>First tier: mandatory schemes</p> <p>None</p>	<p>First tier: mandatory, quasi-mandatory private pensions</p> <p>None</p>

Note: made by author based on current policy documents

governments could add more scale based on the local conditions.

Table 6.3.2: The public pension institution framework

Population category	Qualify conditions	Benefits	Financing
Urban enterprise workers (Group 1)	Aged 60/50 for male/female At least 15 years of contributions	The basic pension is calculated on the accrual rate ⁶ of 1%, and it is related with years of contribution. The individual account benefit is the balance of the insured's contributions plus interest rate returns, and divided by 139 (139 in 2012).	20% of payroll from employers and 8% of payroll from employees
Urban public-sector workers (Group 2)	Aged 60/50 for male/female At least 15 years of contributions	The basic pension is calculated on the accrual rate ⁷ of 1%, and it is related with years of contribution. The individual account benefit is the balance of the insured's contributions plus interest rate returns, and divided by 139 (139 in 2012).	8% of payroll contribution from employers and 4% of payroll contribution from employees
Urban self-employed (Group 3)	Aged 60/50 for male/female At least 15 years of contributions	The basic pension is calculated on the accrual rate ⁸ of 1%, and it is related with years of contribution. The individual account benefit is the balance of the insured' contributions plus interest rate returns, and divided by 139 (139 in 2012).	8% of local average payroll contributed to social pooling, 12% of local average payroll contributed to individual account
Urban residents (Group 4)	Aged 60 for both females and males. Those aged 60 and above are entitled to a flat basic pension (with or without contribution records)	Flat basic pension (55 Yuan/month), plus monthly payment of 1/139 th individual account fund	Individual contribution (100-1000 Yuan) per year

Sources:(Barr and Diamond, 2008b, State Council, 2005a, State Council, 2011, GOSC, 2011)

6.3.2 Current system description - parameters and rules

Qualifying conditions

According to central government guidelines, insured people are entitled the basic pension at age 60 for men and 55 for women with at least fifteen years of

⁶ Shows the rate at which benefit entitlements build up for each year of coverage, it is expressed as a percentage of earnings that are covered by the pension scheme. (Pension at a glance, 2011, p.110)

⁷ Shows the rate at which benefit entitlements build up for each year of coverage, it is expressed as a percentage of earnings that are covered by the pension scheme. (Pension at a glance, 2011, p.110)

⁸ Shows the rate at which benefit entitlements build up for each year of coverage, it is expressed as a percentage of earnings that are covered by the pension scheme. (Pension at a glance, 2011, p.110)

contributions (Barr and Diamond, 2008b). Insured persons who reach retirement age with less than fifteen years of contributions can continue to contribute until fifteen years, or can transfer their entitlements to the urban residents' scheme. Mandatory individual accounts will be paid in a lump sum when the contribution record is less than fifteen years. As for the early retirement condition, men aged 50 and women aged 45 who have at least ten years of contributions and also have total disability could be entitled to an early pension. Alternatively, men aged 55 and women aged 45 who have eight to ten years of continuous contributions and are employed in unhealthy work could also be entitled to early retirement. For the newly-established urban residents' programme, people aged 60 are entitled the basic pension (55 Yuan). With at least fifteen years of contributions, they are also entitled to the individual account (State Council, 2005). Insured people with a contribution record of less than fifteen years can continue to make contributions to their individual accounts until they become eligible or they can make a lump sum contribution in order to become eligible.

Benefits formula

According to the recent central government guidelines (State Council, 2005), the basic pension (groups 1, 2 and 3) formula is calculated as follows. The earnings measure (for groups 1, 2 and 3) which is used to calculate the benefits is the average local wage in the previous year plus the average individual monthly wage, and the total is divided by two. For the group 2 scheme, the policy set a ceiling at 300% of average local earnings. For the group 1 scheme, there is no ceiling on the public pension. The accrual rate⁹ is 1%, and it is related to years of contribution. This means that the insured are entitled 1% of the total value for each year of contribution. The longer the history of contribution, the more benefits they are entitled to. For example, if an insured person has a ten-year contribution record, he or she can only receive 10% of the calculated base (the average of the local wage and the individual wage) as the basic pension. The individual account benefit is the balance of the insured's contributions plus interest rate returns, and divided by 139 (139 in 2012). The actuarial month is determined by the retirement age, the average life expectancy

⁹ This shows the rate at which benefit entitlements build up for each year of coverage; it is expressed as a percentage of earnings that are covered by the pension scheme. (Pension at a glance, 2011, p.110)

and the interest rate for the urban population. The earnings measure used to calculate the contribution is the individual payroll (Groups 1 and 2), and the local average wage in the previous year (for group 3). For group 4 (urban residents), the benefits include the universal 55 Yuan and individual account fund which includes contribution and investment returns and is divided by the actuarial month (139 in 2012).

Transition pension benefits

Local governments pay the transition pension on top of the basic pension for workers in group 1 without a full contribution record because of the reform; in particular, people who joined the system before 1997 (and who therefore have no individual account) and who retired on or after 2006 with at least fifteen years of contributions. The local government pays the transition pension too for public workers in group 2 without a full contribution history. People who joined the new scheme in 2008 and who have at least fifteen years of contributions would be provided with the transition pension when they retire. The insured in Groups 1 and 2 with less than fifteen years of contributions will be paid the lump sum from the individual account.

Indexation

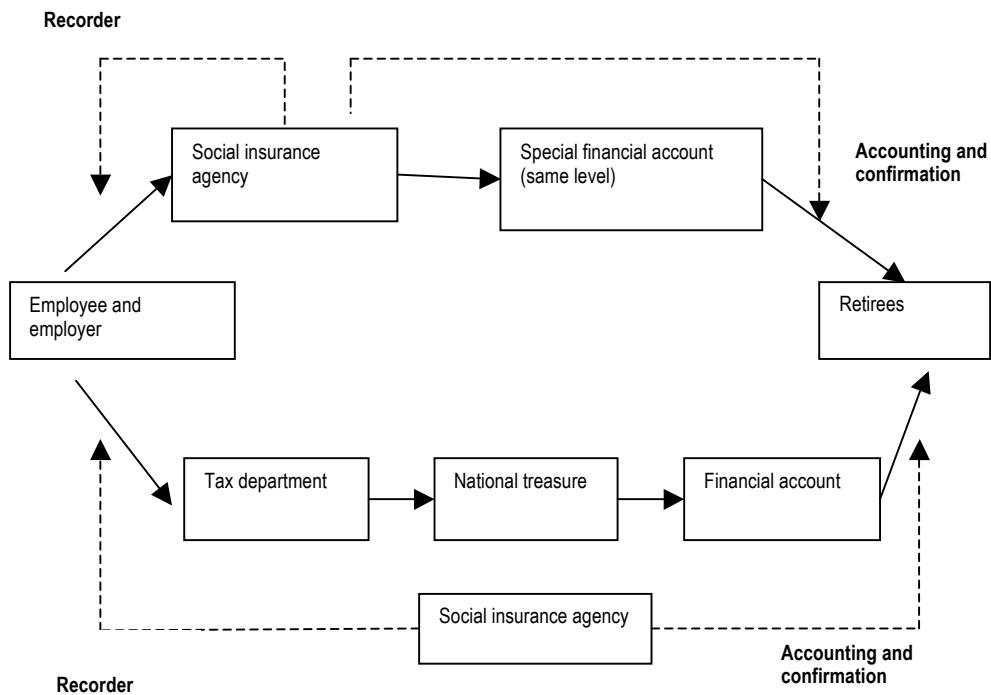
Indexation refers to updating pensions in payment after retirement. There are three indexation rules in general: price indexation, wage indexation, and a mixture of the two. Specifically, if workers' past earnings are indexed to prices, the initial pension depends on their nominal earnings in each of a number of years, adjusted by the increase in the price level from each year up to the year when the initial pension is calculated. Wage indexation is based on the history of a worker's earnings in each year relative to average earnings in that year, and the initial pension is calculated based on the worker's earnings and average earnings in each year. The mixed method refers to the use of an appropriate weighted average of the price and wage index (Huber *et al.*, 1993). For the urban enterprise workers' programme (group 1), the basic pension benefit is indexed with a mixture of inflation and wage growth (State Council, 2005a). The adjustment range is based on the average growth rate of the local-wide (provincial, municipal) earnings. The local government proposes the benefit adjustment plan to the MOF and the MOHRSS. For the urban public-sector

workers' programme, the benefits are indexed using a mixture of inflation and wage growth, but the State Council will decide any adjustment plans. For the urban residents' scheme, central government will adjust the basic pension level (55 Yuan) according to domestic economic development and inflation.

Administration and fund management

At the central level, the MOHRSS provides overall policy regulation and supervision (Arza and Kohli, 2008). Provincial and local social insurance agencies are responsible for the administrative procedures including the social insurance register, the insured contribution record management, benefits payments and other consultancy issues and inquiries. In some regions, they are also responsible for collecting the insurance contributions. In the current system design, old-age insurance fund management and procurement are not unified and follow one of two procedures according to local choice (*see* Figure 6.3.1). In the contribution collection stage, some regions delegate this to a tax administration agency responsible for the collection; some choose the social insurance agency to do it. In the administration process, the social insurance agency deposits the fund into a special account in the state banks, while the tax agency submits the fund to the national treasury first and then transfers it to a financial special account. As for the investment vehicles, currently the pension fund can only invest in bonds and deposit cash. In addition, provincial labour and social security authorities are responsible for fund regulation (establishing special reserve funds) to pool the payment risks within the local jurisdiction. The local pooling funds have to pay a percentage of their revenue to the provincial reserve fund. Local governments administer the urban residents' programme.

Figure 6.3.1: Pension fund management flow chart



6.3.3 Performance evaluation

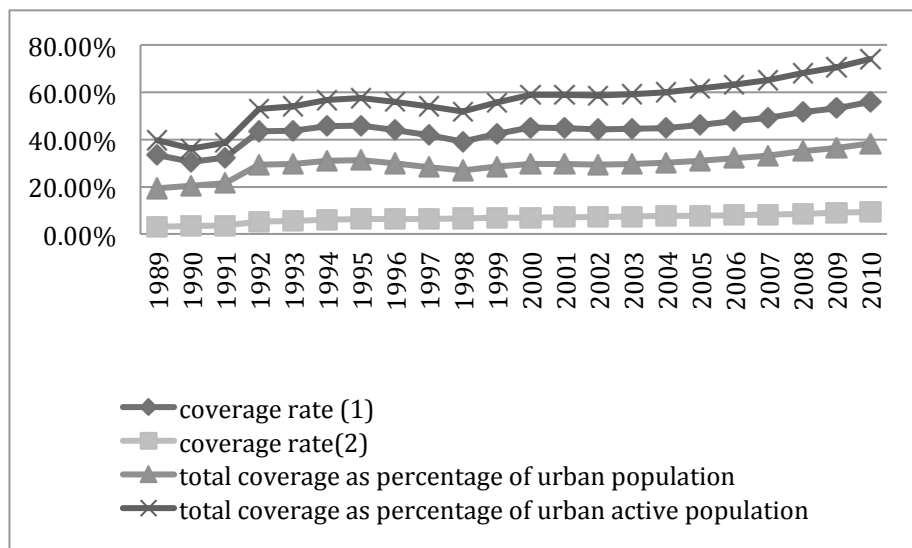
Using international reports and administrative data, this section will discuss performance evaluation in terms of coverage, adequacy of benefit levels and financial efficiency. These evaluations will help in problem-spotting and in providing a diagnosis of the pension system. On the one hand, this evaluation can monitor the effectiveness of policy change; on the other hand, it provides a challenging analysis for further policy reform and suggestions. In addition, the evaluation can help to document progress or the impact of policy changes.

Coverage

Extending coverage is always the main objective and challenge not only in China's public pension reform, but also internationally (ILO 2010, 2013). The coverage of formal pension protection is an effective way to counter the poverty risk in old age, and it is an important indicator of pension system performance. It is measured here as the proportion of the active members of the working-age population (15-64) (coverage rate 1). In addition, the number of beneficiaries as a percentage of the

urban population is another measure used to calculate system protection coverage (coverage rate 2). The coverage rates of the urban pension system presented here include all public pension schemes of each group and measure the scale of pension protection. Figure 6.3 gives information on coverage rates over the past decades. It can be observed that the numbers of retirees and beneficiaries have been increasing over the past decades. Also, the number of contributors to public pension schemes can be seen to have decreased in the late 1980s and early 1990s, but from 1997, the number has been increasing continuously. However, the total coverage rate (contributors and beneficiaries) of the urban active population is around 75%, and the coverage rate of the urban population is around 40% (MOHRSS, 2011a). The aim of universal coverage for the pension scheme has not been achieved in practice even though the institution design has covered the different population groups.

Figure 6.3.2: The coverage rate of basic pension insurance in the urban sector (1989-2010)



Notes: Coverage rate 1: contributors as a percentage of the urban working population

Coverage rate 2: retirees as a percentage of the urban population

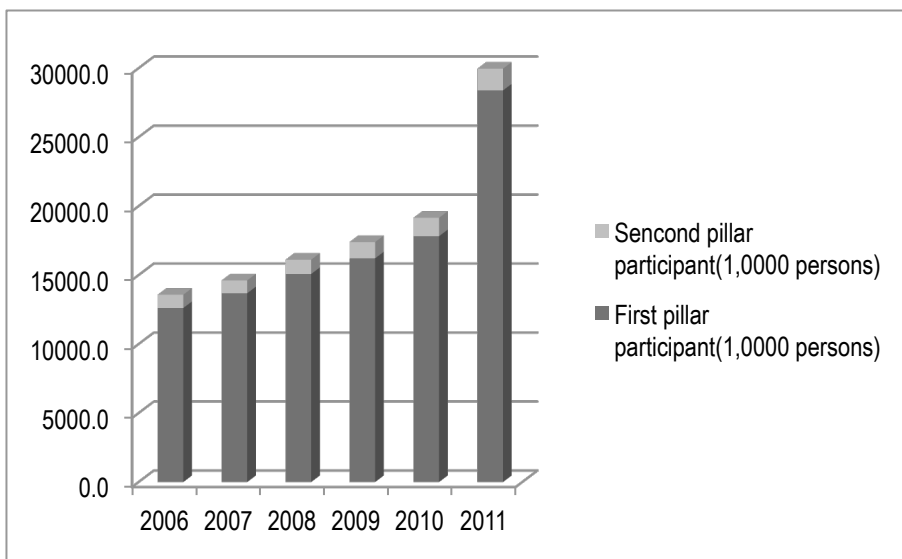
Total coverage means the total number including contributors and beneficiaries.

Sources: China Human Resources and Social Security Yearbook, 2011; China Labour Statistics Yearbook, 2011 (MHRSS, 2011a, NBS, 2011); Author's own calculations.

As for the second pillar - corporate pension pillar coverage, until 2011, there were 44,900 enterprises in China which had set up corporate pension(Enterprise Annuity) schemes and these covered 15.77 million participants with total assets of RMB 357 billion (MOHRSS, 2011c). However, the enterprise annuity schemes were only

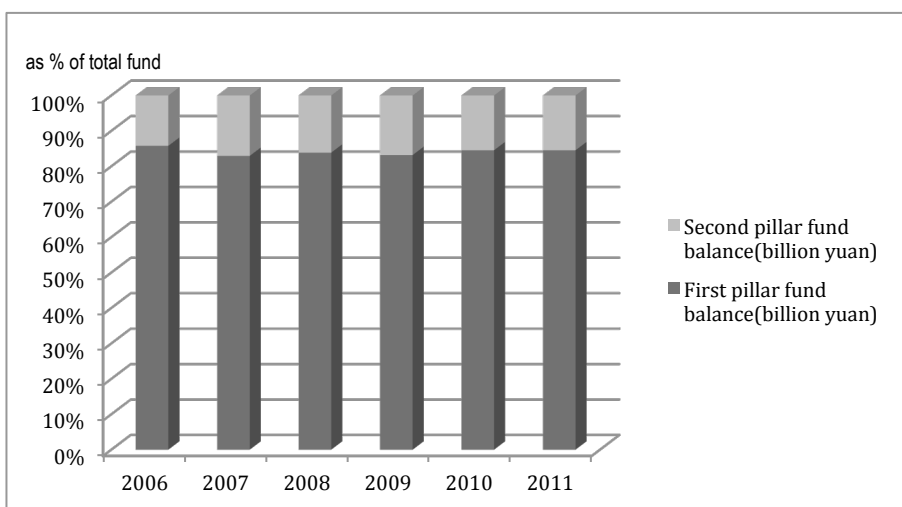
adopted by the large, profitable, mostly state-owned enterprises. The coverage rate was very low, as only 0.61% of China's enterprises had a supplementary pension plan. As for the coverage rate of workers, the participants only accounted for 2.06% of the urban working population. Since the pre-condition of establishing corporate pensions is that the enterprises had to join the basic pension system, the number of insured with first- and second-pillar pensions was 5.55% of the basic pension insured people in 2012; the fund balance in the second pillar was 18.31% of the basic pension fund (NBS, 2012,p.77).

Figure 6.3.3: Comparison of the number of participants in the first and second pillars



Source: The bulletin of human resources and social security (2007-2012)

Figure 6.3.4: Comparison of pension funds in the first and second pillars



Source: The bulletin of human resources and social security (2007-2012)

As for the coverage of the social pension (the senior citizen's pension), until 2011, there were fifteen provinces which had established the social pension system at the provincial level and these covered 900 million senior citizens. According to the bulletin of the Ministry of Civil Affairs (MOCA) about establishing the senior citizen's allowance (MOCA, 2010), until 2010, six provinces had standardized the senior citizen's allowance scheme at the provincial level in terms of eligibility, benefit level, seven provinces had not standardized the scheme, and sixteen provinces were only providing the senior citizen's pension for those aged 100 and above. According to the results of an investigation by MOCA, the senior citizen's allowance eligibility varied across regions (*see* Table 6.3.3): 45% of the regions provided the scheme for elder citizens aged above 100, and 26% of the regions had adopted an eligible age of 90. Overall, the eligibility age in the majority of schemes (75% of the regions) was 90 and above (MOCA, 2010,p.12).

Table 6.3.3 A comparison of eligibility conditions

Eligibility age	60	65	70	75	80	85	90	95	100	Total
Number of regions	12	2	8	5	41	4	77	13	134	296
% of total	4%	1%	3%	2%	14%	1%	26%	4%	45%	100%

Source: The report of Establishing the Senior Allowance System in Local Areas (MOCA, 2010)

Adequacy

The adequacy indicators are based on the replacement rate. The replacement rate is the ratio of the pension entitlement when retired to individual earnings when working. There are two indicators to measure the 'adequacy of pensions'. One is the forward-looking replacement rate based on the current legislative rules, which is the projected data based on the assumption model. According to the result obtained from the APEX model (analysis of pension entitlements across countries),¹⁰ the

¹⁰ See the pensions panorama published by the World Bank and in Pensions at a Glance and issued by the OECD

calculation of the gross replacement rates at the different level of earnings, half, (1) and 1.5 times the average and the averages are 97.9%, 77.9% and 71.2% in 2011 (OECD, 2011, p.334). In addition, the empirical replacement rate rather than the expected benefit level measures the current benefit level. However, it is based on the past contribution pattern and the system design. It is measured by the average benefits received by recent retirees as a percentage of average earning (Bonoli, 2001). It can compare the incomes of retirees with those of current workers, and reflect the extent to which the pension provision achieves the adequacy of retirement incomes. The data mainly come from administrative records domestically. From the view of pension benefits level, the pension is increasing over time; in particular, from 2005 there was rapid growth in the benefits level for both sectors (*see* Table 6.3.5). Overall, the civil servants and public sector workers enjoyed higher-level benefits than enterprise workers, and the latter group received lower than the national average level. The replacement rates of each sector and the national average level were decreasing from 1997, and the national level was 56.41% in 2010. Comparing the different sectors, the number of urban enterprise workers was lower than the other two groups (public sector workers and civil servants) and lower than the national-level data; it decreased from 76.21% in 1997 to 45.08% in 2010.

Table 6.3.4 Gross pension replacement rates from public pension schemes (as percentage of individual earnings)

Public pension scheme, 2011			
Earning level	0.5	0.1	1.5
Gross replacement rate	97.9	77.9	71.2

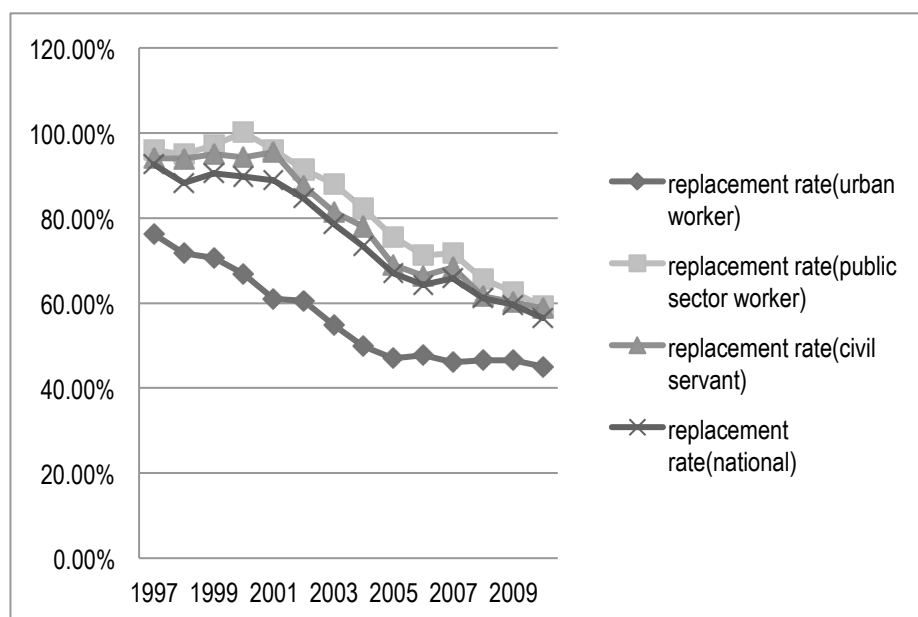
Sources: Pensions at a Glance, 2011: Retirement-income Systems in OECD and G20 Countries

Table 6.3.5: Empirical replacement rates from public pension schemes by sector (as % of average individual earnings)

Year	Urban worker scheme	Public sector worker scheme	Civil servant scheme	National average
1997	76.21%	95.89%	94.13%	92.65%
2000	66.84%	100.22%	94.32%	89.81%
2005	47.05%	75.64%	68.91%	67.00%
2010	45.08%	59.20%	58.71%	56.41%

Sources: China Human Resources and Social Security Yearbook, 2011 (MHRSS, 2011); Author's own calculations (average retirees benefits as a percentage of individual earnings)

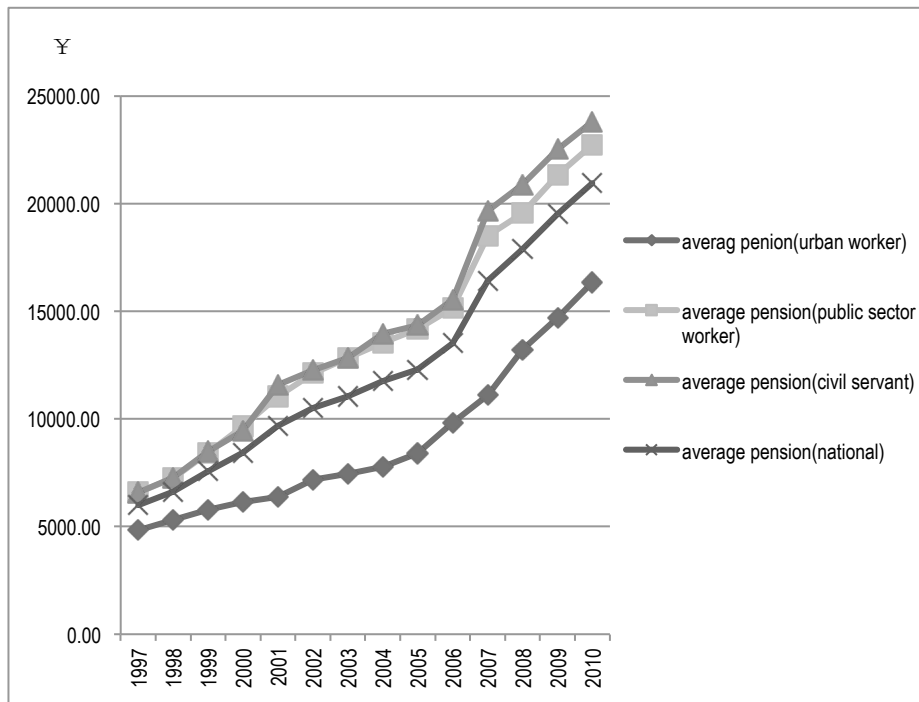
Figure 6.3.5: The replacement rate change by sector (1997-2010)



Source: China Human Resource and Social Security Yearbook, 2011

Note: as % of average individual earnings

Figure 6.3.6: The pension benefits disparity across professions and sectors (1997-2010)



Source: China Human Resource and Social Security Yearbook, 2011

Distribution effect

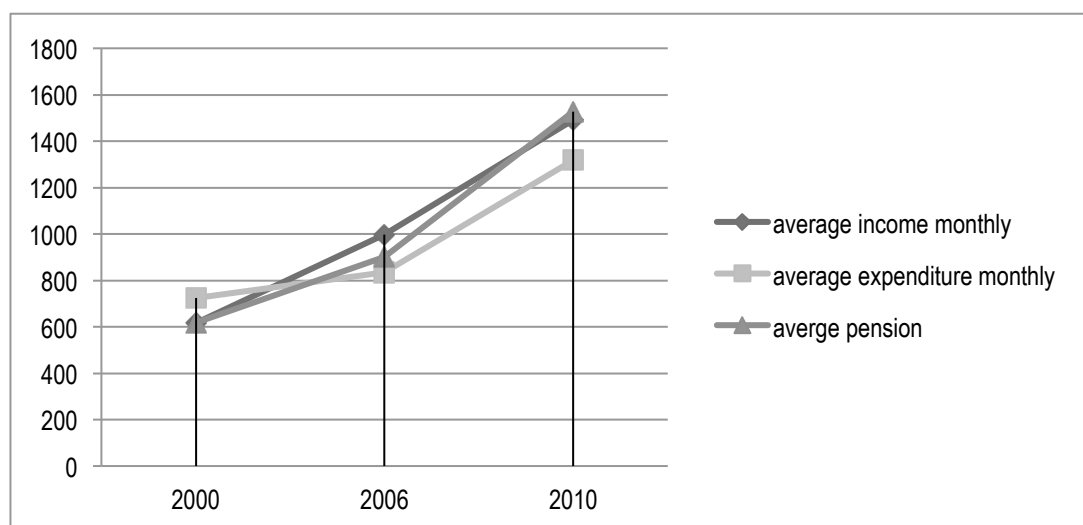
For the distribution effects, two sets of measurements should be observed: the incomes of older people and old-age income poverty. The first is measured by the older people's disposable incomes relative to those of population incomes. From the survey data in the past decades (2000-2010), it can be observed that the monthly income levels had increased and the average income of the elderly population (aged 60+) had increased from 616 Yuan in 2000 to 1491 Yuan in 2010, rising around 2.4 times (China Research Center on Aging, 2000, p.2; 2010,p.3). The rate of the pension beneficiaries increased from 69.1% to 84.7% (see Table 6.3.6) (China Research Center on Aging, 2000, p.2; 2010, p.3). It can be seen that the pension benefits almost covered the expenditure by 2006, which reflects the fact that the pension benefits began to be adequate for the expenditure in 2006 (spending exceeding income) (see Figure 6.3.7).

Table 6.3.6: Urban elderly population average income and pension benefits

Year	Average monthly income	Average monthly expenditure	Average monthly pension	Beneficiary coverage rate
2000	616	724	618	69.1%
2006	996.92	835.67	900	78%
2010	1491.00	1318.25	1527	84.7%

Sources: Elderly population survey in urban/rural China, 2000; Elderly population survey in urban/rural China, 2006; Elderly population survey in urban/rural China, 2010 (China Research Center on Aging, 2010, China Research Center on Aging, 2006, China Research Center on Aging, 2000).

Figure 6.3.7: The adequacy of pension benefits



Sources: Elderly population survey in urban/rural China, 2000; Elderly population survey in urban/rural China, 2006; Elderly population survey in urban/rural China, 2000.

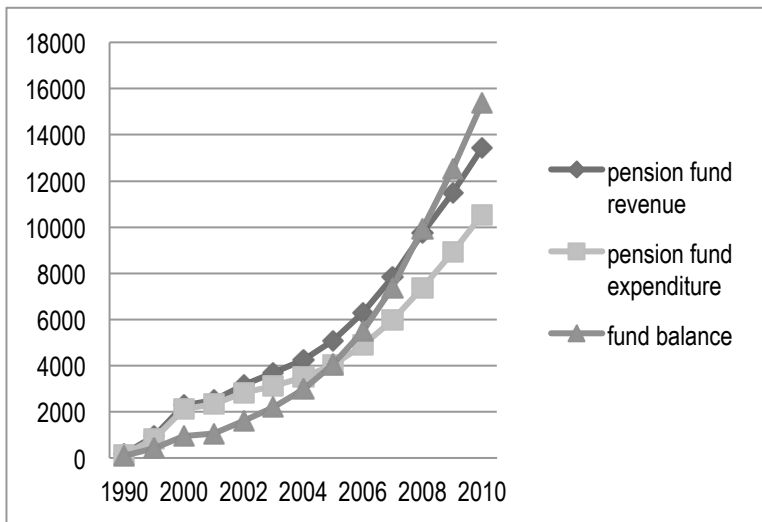
Financial sustainability

In 2011, the national old-age insurance fund revenue for urban enterprise workers was 1560.358 billion Yuan, an increase of 2.44 times compared with 2005. The fund expenditure was 1142.56 billion Yuan, increasing 2.24 times compared with 2005.

At the end of 2011, the fund's accumulated balance was 1850.04 billion Yuan, an increase of 4.13 times compared with 2005. The revenue resources include employer and employee contributions, public finance transfer and other incomes. The resources Incomes were 787.894 billion Yuan, 494.229 billion Yuan, 208.239 billion Yuan and 69.996 billion Yuan, accounting for 50.49%, 31.67%, 13.35% and 4.49% of the whole revenue (*see* Figure 6.3.9). In terms of public finance transfer, the central and local governments invested 184.686 billion Yuan and 23.553 billion Yuan respectively, accounting for 88.69% and 11.31%, increases of 239.27% and 107.85% respectively compared with 2005. At the end of 2011, apart from 7.183 billion Yuan in the state banks (the People's Bank and the Agricultural Development Bank) and the central fiscal special account, the provincial-level, city-level and county-level balances were 905.383 billion Yuan, 561.315 billion Yuan and 376.16 billion Yuan respectively, accounting for 49.13%, 30.46% and 20.41%. In terms of the geographic regions, eastern, central and western balances were 40.103 billion Yuan, 398.191 billion Yuan and 404.564 billion Yuan, accounting for 56.44%, 21.61% and 21.95% respectively. The fund's portfolio, time and deposit accounts and other forms were 580.318 billion Yuan, 1177.617 billion Yuan and 92.106 billion Yuan, accounting for 31.37%, 63.65% and 4.98% respectively (National Audit Office of China, 2012, p.2-3).

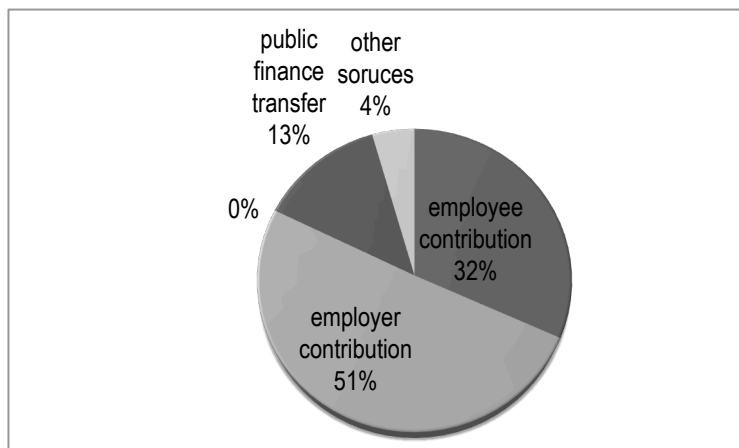
In sum, it can be seen from the line chart that the pension funds increased quickly after 1995. A rapid growth can be seen from 2005 in the fund revenues and accumulated balances. In addition, most of the revenues came from the employers' and employees' contributions, accounting for 83% of the total revenues. As for the public finance transfer, the central state contributed more than all the local level governments. However, the accumulated pension funds were mostly located at the local level (provincial, city and county), accounting for 99.51%. The target provincial-level fund management was half achieved, with 49.13% of the fund controlled at this level, and the remaining 50.87% still managed at the lower sub-national level.

Figure 6.3.8: Pension fund balance (1990- 2010)



Source: China Human Resources and Social Security Yearbook, 2011 (MOHRSS, 2011a)

Figure 6.3.9: The financial source portfolio of pension funds (2011)



Source: Audit results of the National Social Security Fund, 2012 (National Audit Office of China, 2012)

6.4 Achievements and problems

6.4.1 Achievements

More complete institutional design

The social insurance pension scheme, as well as the multi-pillar model, has been gradually formed and reformed over the course of the past three decades. First, the old-age insurance model replaced the SOE welfare model and the building of the modern social insurance welfare system was also an important aspect of the transition to a market economy. Second, the old-age insurance model has been reformed following the global trend, and the formation of a partial DC model and multi-pillar pension system in China represents a convergence with global pension reform trends. Third, the recently advocated senior citizen's allowance is on the policy agenda and various practice and trial measures are in progress at the local level. The making of a social pension pillar to target the vulnerable within the multi-pillar model is another direction which China is now heading towards. Fourth, the integration and harmonization of pension schemes is another effort to institutionalize the pension programme at the national level. Not only has the social insurance law been legislated to consolidate the implemented procedures, but also more initiatives and plans have recently emerged from the top-level to institutionalize the programme.

More coverage protection

The central government has a strong political will and financial commitment to extend the social insurance scheme, particularly pension schemes for vulnerable social groups. First, the central government has always emphasized the importance of expansion as well as public budget allocation to cover the extension, such as financial subsidies for the social insurance contributions for the vulnerable groups, including the laid-off and unemployed and other low-income groups, and gradually raising the social security benefits level. Second, the government has strong motivation to improve the existing social insurance system framework. The urban worker scheme has been extended to self-employed workers and flexible workers, and a new scheme for urban residents was launched in 2009. All these projects have brought the targeted population group into the pension coverage in the top-level institutional design. Third, the government has also introduced social security legislation with the aim of enhancing the authoritativeness of the scheme and improving implementation and compliance. In 2004, improving the social security system was explicitly incorporated into the amended version of the constitution. The

social insurance law was promulgated in 2010 and came into force in July 2011. Finally, there is a combination of incentives and punishments to encourage participation. In accordance with '*The Provisional Regulations on the Collection of Social Insurance Contributions*', '*Regulations on Labour and Social Security Inspection*' and '*Measures on Social Insurance Auditing*', efforts have been enhanced to improve the enforcement of inspection and audit reviews to punish the enterprises which are non-compliant (Zheng, 2010; Mok and Ku, 2010; Guo, 2006). In addition, many incentive systems have been launched at the local level, and local governments provide bonuses to the agencies and personnel who have been fulfilling the coverage extension work. Alternatively, there are periodical assessments of creditable enterprises joining the scheme, fulfilling the obligation and disclosing the discreditable employers, which create an enabling environment to encourage compliance (ISSA, 1999).

More solidarity and equity

Provincial pooling measures and the parameter adjustment regarding pension portability on the one hand provide a foundation for the construction of a national-level pension scheme; on the other hand, they can promote social solidarity and equity through higher-level social risk pooling, and reduce the regional inequality. The national pooling of the basic pension will be realized by 2015 (State Council, 2012).

More administrative efficiency

The government-funded 'Golden social insurance information system project' as an information network connecting different levels of governments was implemented in 2011. The social security card for registration, recording contributions and claiming payment has been in use since 2011. In addition, the central government invested 5 billion CNY to build grass-roots employment and social security services in less-developed regions. Two national standards, 'General provisions of the social insurance service and 'Facility and equipment requirements of social security service centres' were introduced to improve service delivery. Training courses and seminars have been organized at different levels to build the capacity of social security staff and ensure a proper, standardized service (ISSA, 2012). All these

initiatives are aimed at building a standardized, professional and digitalized service network and social security professionals.

In sum, in terms of institutional architecture, the social insurance pension scheme has been constructed over the past decades, and the multi-pillar model has gradually been formed even if it does only cover only a small fraction of the working population. The senior citizen's allowance as a rudimentary social pension is currently in a trial and pilot phase, but it is expected that a nationwide regulation settlement will be realised soon (Saich and Saich, 2004). In terms of institutional outcomes, the new old-age insurance programme has gradually been extended from state-owned enterprise workers to more employees in various industries and enterprises. The coverage has expanded to collective enterprises, the private sector self-employed and flexible workers, as well as to urban residents previously uncovered. Plans for greater coverage are in progress to gradually build a universal social insurance security net in the urban sector. In addition, according to the urban/rural elderly survey data, the public pension programme plays a role in providing resources for incomes and consumption, and the growing pension benefits also help to increase the purchasing power of the elderly. Finally, public opinion is becoming more inclined to require a public pension programme for old-age support. Wang and Hou (Wang and Hou, 2012) found that public opinion on the pension system is positive in general; 23.6% of their respondents claimed to be 'unsatisfied' with pension provision, while 76.4% were 'satisfied' with it. Although the surveyed citizens thought that the benefits level is low, they did not feel dissatisfied or that there was unequal (Adamchak, 2001). The reform process in the past decades has changed the public perception regarding old-age welfare, particularly for those groups who were excluded from the previous welfare system and the new groups which emerged in the market economy era. The demands for and dependence on the public pension programme reflect the public dependence in public old-age welfare provision, which may facilitate the further expansion and contribution collection in the future.

6.4.2 Problems

In summary, the achievements are mainly in the institution building through various central government initiatives. However, problems also exist, not only in the

implementation of reform policy, but also in the policy outcomes. The partial DC model is in crisis because unfunded individual accounts continue to exist and the expected partial DC model is operating only in a notional DC manner. The debate regarding whether NDC should be adopted or not is still in discussion even though re-capitalization has been carried out in the pilot provinces (Mierzejewski, 2009). These pending issues will have to be addressed in the future design. In addition, while the fragmented schemes at the sub-national level retain the *status quo*, there is significant improvement in the national programme and the province-level uniform design and administration, but the fund pooling and management is in fact located in different local levels. In terms of institutional outcomes, the declining replacement rate in the reform process may reduce the pressure on public financing, but providing adequate old-age benefits calls for greater effort to develop the multi-pillar model. In addition, the inequality of benefit levels in the segregated programmes (public-private, urban-rural) is always an issue in policy debates and in public opinion. The higher replacement rate and favourable institution design for the privileged groups (civil servants and public institution workers) are constantly criticized by the general public, and the new round of reforms will integrate this group's scheme into the national institution design as well as perfect the social pension provision targeting the vulnerable groups.

6.5 Outlook- the 12th Five Year Plan

In 2011, the NPC passed the state '12th Five-Year Plan' which laid out the basic economic and social development strategy and objectives for the next five years (State Council, 2012). Five-year plans started at the beginning of the CPC as the main development manager to direct China's development. This new plan for the first time puts the indicator 'people's well-being' into the development objectives, and its main feature is that it became pro-welfare rather than pro-economy. After three decades of high-speed economic development, the state has begun to reverse the GDP-focused development strategy and to put more welfare indicators into the development plan, such as raising disposable incomes, increasing public expenditure, and extending social security protection.

The state development plan provides an outlook for future socio-economic development. The past three decades of rapid economic growth and two decades of social security system reform have provided the financial resources and practical experiences for the next round of social welfare development. In terms of old-age protection, this plan has established a set of special initiative projects for the next five years. The first set of plans includes adding new policy design and patching up the existing institution. First, designing the civil servants' pension programme reform package and integrating this group of workers into the national programme. Second, adding survivor pension schemes and the disability allowances for the insured within the basic pension programme. Third, establishing a family old-age support policy and building the allowance or subsidizing benefits for the elderly who have one child or are childless.

The second aspect of the plan is aimed at implementing the policy effectively. First, this plan includes the uncovered marginalized groups into the basic pension programme to expand the coverage. Second, it further promotes pension fund management at the provincial level, increasing the fund reserve function. Third, it implements the transfer and portability measures for the mobile labour force in a way which protects their accrued benefits in the basic pension programme. Finally, in terms of pension benefits, it aims to gradually increase the pension benefits level for enterprise workers, and raise the basic pension level of the urban residents' pension schemes.

In summary, it can be seen that whether by institutional innovation or implementation, more effort is being put into improving equality by expanding the scheme or adding a new scheme for marginalized and vulnerable groups (such as migrant workers, the unemployed, the disabled, the childless elderly and surviving spouses), and it is focused on income redistribution, increasing the benefits level and gradually reducing the gap between the different groups. Finally, the various objectives to improve the implementation of the existing policy increase the integration and sustainability of the pension programme.

Chapter 7: Institutional analysis of pension reform

7.1 Introduction

The previous chapter provided a detailed description of what happened over the past three decades by assessing the pension system in terms of policy design and performance. That overview and description dealt with the 'what' questions. What has happened in the historical and policy sense includes the detailed capture of critical or small policy changes from policy documents, and the description and evaluation of pension design and performance. All these empirical evidences and analyses have laid a foundation to explore the 'why' and 'how' questions by institutional analysis. The institutional analysis of each stage will present the empirical evidence about why and how the decisions were made and implemented under different leaderships. Finally, I shall give a conclusion about the dimensions of the dependent variables in China's case based on the conceptual framework (*see* Chapter 4), and how these explanatory variables (*see* Chapter 5) including context, institutional structure (political institutional structure) and pension institution constraints interact with actors to shape the development of the pension policy.

7.2 Institutional analysis of pension reform in urban areas

7.2.1 the dismantling of SOE welfare in the 1980s

In 1979, China began to reform to a market economy. Within the reform package, reducing the burdens of welfare provision of SOEs was a crucial part of SOE reform. The government began a reform experiment by introducing social pooling and employee contributions to the pension scheme in some areas and this was implemented nationwide in 1986. The SOEs were required to contribute to local pension funds, and larger and older SOEs were enthusiastic about the cost sharing in the local pooling because they had a heavier burden with more workers close to or at retirement age, and the local fund could pay all the pension costs rather than their own budgets. However, the local pooling only covered the formal permanent workers in SOEs. With the introduction of a contract labour system,¹¹ the 1986

¹¹ The labour market reform in 1986 terminated the lifelong employment policy in the planned economy and began the labour

regulations brought contract workers into the system and introduced individual contributions by requiring contract workers to pay 3% of their wages into the pension funds (Frazier, 2010c). These two important initiatives were mainly intended to alleviate the increasing burden on SOEs, especially the pooling fund, which could help to share the pension commitment burden between the prosperous SOEs and those making losses (Sander, 2010). The two measures aimed to reduce the financial pressure on SOEs and mitigate the economic transition crisis. The initial changes shifted the SOE welfare model into an insurance model in design.

These policy innovations were the result of political elites learning from international ideas and models. The Ministry of Labour dominated the pension reform policies, and it had been closely connected with the ILO. The introduction and experiment of social pooling was influenced by the ILO's DB/PAYG social insurance model. The ILO held training sessions and seminars on social security for officials, sending experts to visit local labour insurance officials and providing technical assistance. In 1985, top political elites including premier Zhao Ziyang and the ESRC¹² had exchanges with the WB mission of 1983-1985 regarding China's long-term market reform plan (Naughton, 1995). At this time, the WB recommended a fully funded social insurance model independent of enterprises (Lim *et al.*, 1985). The concept of individual accounts was very attractive to the liberalist reformers, and was adopted for contract workers. However, the Ministry of Labour, as the dominant actor in social security reform, preferred the traditional social insurance model advocated by the ILO and promoted social pooling among different types of enterprise as a priority (Hu, 2012).

The social pooling and employee contribution measures were responses to problems at the start of the transition process, and a policy paradigm of social security in the long run was not formed. All the change measures were aimed at integrating some problem solutions into the existing system without invalidating socialist ideology in policy discourse, distinguishing socialist social insurance from capitalist social insurance (Hu, 2012). The response to the financial problems in SOE management

contract policy and the new labour force could become mobile in the labour market and lose the entire permanent employment guarantee and associated welfare benefits.

¹² The ESRC (national economic reform commission) was the precursor of the state council's economic system reform office which was established in May 1980 with the purpose of making reform policies. ESRC, as an office above the ministries directed by premier Zhao, was the highest-level policy maker for national economic and social reform.

gradually dissolved the SOE welfare model and provided the original template of the social insurance model, but the comprehensive policy learning and paradigm building had not started.

7.2.2 Formation of the social insurance model in the 1990s

What changed?

With the further restructuring of SOEs advocated by the central government in the 1990s, the local governments were encouraged to shed all but the largest SOEs. On the one hand, this maintained the state's dominant control over key industries; on the other hand it attracted foreign investment through sales and mergers with foreign joint ventures (Gallagher, 2005). In addition, separating the welfare provision responsibilities from the enterprises was another crucial part of the reform. The local authorities replaced the SOEs as the bodies responsible for social development. In the context of SOE reform, local governments and SOEs cooperated to sell or merge the SOEs with private or foreign capital and unemployment and laid-off workers were the cost of this process. Pension benefits were the top priority of those enterprise workers, who carried a huge weight in passing the transition smoothly and maintaining social stability. The dominant SOEs' welfare system was dissolved with the shrinking of state enterprises. Meanwhile, the central government established the social insurance system to replace the previous welfare provision, and authorized social insurance agencies with local authorities to be responsible for collecting contributions, and administrating and managing the insurance funds. Since then, conflicts of interest started between SOEs and urban governments, central and local governments over pension policy implementation.

How it was formed

Pilot experiences: two models from different actors' advocacy

The Ministry of Labour still dominated social security reform in the 1990s. The 1991 regulation confirmed the idea of a social insurance model co-funded by employers and employees. However, this regulation was only targeting the SOE rather than other ownership types of enterprise. The ESRC (Economic and Social Research

Council) as the upper-level social and economic development decision-maker appealed for fully funded individual accounts which was mostly copied from Singapore's central provident fund model (Nong, 1985). In early 1990, the ESRC held a conference inviting international experts from the ILO, the WB and ministry officials to evaluate the pilot experiences. As usual, the ILO and the Ministry of Labour still supported the 1991 regulation and confirmed their support for the social pooling practice and DB social insurance model (Gao, 1991). The ILO was worried about the individual account model, while the ESRC strongly supported the CPF and individual accounts. However, the WB experts did not recommend individual accounts because of the lack of aging risk pooling, and suggested that social pooling was the appropriate way to separate the social welfare administration from enterprises (WB, 1990). The disagreement between these two policy actors occurred not only because of their connection within international organizations and ideas but was also related to their functions and responsibilities. The purpose of the Ministry for Labour was to protect the benefits of labour, and it worried that the funds in individual accounts might be eroded in periods of high inflation (Lin, 2008), and the ESRC as the market economy reformer with a think-tank consisting of liberal economists preferred the individual account model because it conformed with the principle of efficiency and promoted the transition to a market economy. In other words, the individual account model as private property could motivate the formation of private interest, which was in line with the liberal reform idea (Hu, 2012).

The ESRC picked Hainan and Shenzhen as pilot regions to start social security reform and then extended it to other cities, including Xiamen, Guangdong province and Shanghai. The experience of Guangdong did not follow the fully DC model exactly because of pressure from local labour bureaus who were against it (Zhang, 1991). However, the provincial ESRC policy makers preferred the individual account model learned from Singapore through research trips and the support of CPF experts from Singapore (Hu, 2012). Therefore, the final policy plan considered the ideas of both sides and came up with a combined model with smaller individual accounts and bigger social pooling (Hu, 2012). The Shanghai model was another variant, with bigger individual accounts and smaller social pooling (Shanghai

Municipal Government, 1994). The pilot experiences in these two models provided the foundation for the 1995 regulation which aimed to deepen the pension reform and promote the formation of a pension insurance model. The differences between the two models were never resolved, and the pension regulations in 1995 allowed the local authorities to choose one of the two models in local policy design. This resulted in more than two thousand different systems in China, which was highly criticized later by the World Bank (WB, 1996).

National system design option

The publication of the WB's seminal 'Averting the old age crisis' in 1994 initiated its global campaign for pension privatization. In August 1995, the WB sent a mission to China with the cooperation of the State Planning Commission, and its research activities promoted the consolidation of a uniform public pension scheme for enterprise workers and stopping the local-level pilots (WB, 1996). The fully-funded DC or pension privatization advocacy also determined the formation of the 1997 national regulation. However, as for the manner of diffusing the WB plan, unlike what happened in other transitional or developing countries highly dependent on financial loans and compliance conditions, China did not receive massive loan assistance as other countries had done. For instance, Kazakhstan received \$324 million from the WB for pension reform while China, despite its much bigger economy, only got \$20 million (WB, 2006, p.11). As for how the WB template impacted and shaped Chinese policy makers, according to Frazier (Frazier, 2010b), several steps were taken to disseminate the WB idea in the Chinese case. First, the WB's famous publication of 'Averting the Old Age Crisis' (WB, 1994b) set off a debate about shifting the conventional PAYG DB system to a funded DC model, calling for governments to consider the existing fiscal burdens and the further severe crisis created by demographic aging. In that publication, the multi-pillar model and the partial privatization of the public pension system was proposed as an option to solve the budgetary crisis. Thus, the responsibility was shifted from public finance to individual contributions, employment history and capital market performance (Williamson and Deitelbaum, 2005). Many transition economies adopted this template and revised it according to their own conditions. For instance, privatization reform in Latin America countries attracted a lot of attention across the world (Huber

and Stephens, 2000). Chinese policy makers were also inspired by Latin American models and considered the policies learned from their experiences (Calvo and Williamson, 2008). Second, Estelle James, the leading expert of the WB's pension reform plans, arrived in China and disseminated the book's findings and discussed with high officials the possible reform options for China and how the WB could assist China's institutional transition (Pordes, 1994). The discussions mainly included the WB's actuarial predictions of future pension costs under the existing model, and the various outcomes of different reform strategies, such as making changes to the retirement age, contribution rate and so on (James, 2002).

The research team also drew from the data collected on local pension administration to conduct a survey about China's pension *status quo*, and then provided their report to State Council ministers. The report was published in the following year as *Old-Age Security: Pension Reform in China* (Agarwala, 1997). It criticised China's pension measures and warned of a possible crisis. In particular, it criticized the fragmented pension design and administrative system in terms of contribution rates, benefit calculations and the low level of social pooling. It pointed out that the crucial origin of the fragmentation was the 1995 regulation that allowed local authorities to choose between different reform templates according to local conditions (WB, 1997). In fact, the report was widely circulated at the highest levels of the Chinese communist party, and exerted an impact on Chinese policy makers and reform options (Wang, 1998).

In addition, even though pension privatization was a global trend, the Chinese policy makers were constrained by the institutional legacies. On the other hand, the fully-funded individual account was attractive for policy makers in terms of reducing pension debt and facilitating economic efficiency and growth (James, 1998). Given the less-developed capital market, fully-funded options would be risky to the minds of China's policy makers. Therefore, the partially-funded model proposed in the 1997 regulation was consistent with pension privatization on a smaller scale, but also considered the huge transition costs and maintaining the DB social pooling element (Hu, 2012).

The impact of the WB can be identified by comparing the 1997 State Council regulations and the 1996 Report. The motivation for the 1997 regulations was to deal with the local fragmented pension schemes and attempts to unify the national urban pension system by establishing a uniform set of rules on contribution rates, benefit calculations, fund management. For instance, the 1997 regulation was supposed to promulgate a national uniform scheme and terminate local experiments, and to call for higher local-level social pooling, which were highly in line with the recommendations in the WB 1996 report. However, the 1997 regulation also fell short of the suggestion proposed by the WB on the measures for dealing with a possible further crisis, such as increasing the retirement age, decreasing the replacement rate, and the passage of social security legislation, which were not touched in the 1997 regulation. Again, the regulation consolidated the partially-funded pension system combined with PAYG DB social pooling and funded DC individual accounts, which was different from the WB template that advocated separating them into two independent pillars. China followed the WB's advice to create individual accounts and refused to separate it as an independent pillar but adopted partial privatization, because the Chinese policy-makers were concerned about the capital market, and it seemed to them that an unsound capital market might diminish the individual account fund, and that having it at a smaller size might be an optimal option (Hu, 2012). In summary, from the comparison between the 1997 regulations and the 1996 WB report, it is possible to conclude that the WB was highly influential on Chinese pension design in terms of basic direction and principles. In the specific parameter design, the Chinese government adopted the international pension models, and WB expert assistance was used selectively to finally come up with the partially-funded public pension. China's convergence and divergence reflects the fact that the impact power of international idea in China, but it is constrained by domestic institutional and policy legacies.

How it was implemented

Local authorities and general local SOEs

In practice, integrating SOE restructuring into the social insurance establishment was a tough task for Chinese local authorities. During the 1990s, SOE bankruptcies and

mergers were the main strategy in the restructuring, and these resulted in mass unemployment and associated worker protest and social discontent (Cai, 2002). In order to cope with the social pressure induced by the reform of the SOEs, local governments found that the pension scheme could be an appealing measure to alleviate the transition pains. Local governments which had enough revenues in 1990 offered an early retirement package for workers near retirement age and facilitated the SOE restructuring by reducing the numbers of redundant personnel and increasing competitiveness in the market. If the local governments did not have enough revenues to rescue the indebted and overstaffed SOEs, they could collaborate with SOE managements to lay off some workers and give one-off payments as compensation. The laid-off were not offered early retirement pensions, but at least they retained their social insurance record in the enterprises (Frazier, 2010b). In sum, in the more prosperous areas the local authorities tended to adopt pensions as a measure of SOE restructuring and a means of maintaining social stability. While in the less prosperous regions, the shortage of financial resources to tackle the transition pains, the small lump-sum compensations as a pension or laid-off measure for maintaining the future pension commitment were adopted to mitigate the impact (Hurst and O'Brien, 2012). During this process, local authorities gained the upper hand by cooperating with SOE managers, and also owned the credit and the blame for the results which the measures achieved (Frazier, 2010b).

Local authorities and central privileged SOEs (integrating industrial pooling funds into the urban enterprise system)

The 1997 regulation addressed the main objective of unifying the pension system nationwide and integrating the fragmented pension scheme. Apart from improving the administration by shifting it to the provincial level, another issue that needed to be solved was to merge the central ministry-managed pension funds¹³ into the provincial pension funds. In 1998, the State Council issued a policy to urge the transfer of the central sector pension scheme to provincial agencies, and to set up working groups which would collaborate with the Ministry of Finance to supervise

¹³ Pension funds managed by central ministries, such as transportation, railroad, petroleum, banking, insurance, etc., had been established in 1951 and had evolved into a combination of basic state pension and occupation pension. These pension schemes provided more pension benefits than other general SOEs because of their good performance in their privileged status. While the locally-managed pension scheme was mixture of a social pooling basic pension as well as individual accounts.

the administration (State Council, 1997). However, the transfer process was extremely difficult given the resistance of the privileged sector SOEs. First, the funds of these SOEs administered by the central ministry tended to provide a higher replacement rate with lower contributions. For instance, the industrial sector enterprises were required to remit from 4% to 5% of their pay-roll as social insurance contributions while other enterprises had to contribute 20% or higher; in terms of payment, pensioners covered by sector pooling fund were entitled to benefits which were higher than the average pension enjoyed by local SOEs; the rate could range from 30% to 100% (depending on the sector).

The vested interest accumulated in privileged sector made them reluctant to turn over the fund to provincial governments. Second, the provincial authorities encountered a bureaucratic obstacle when they tried to claim the central sector fund management. In Chinese bureaucratic protocol, the enterprise managers in sector SOEs usually had the rank of vice-minister, which meant in effect that these enterprises were supervised directly by the Ministry or bureau in Beijing, rather than the local authority. These enterprises tended to neglect or even obstruct the local authority implementation. Therefore, the integration process was very difficult at the local level. On the one hand, the central government provided one-off fiscal subsidies to provincial funds to compensate for the potential loss of benefits which might occur in sector pension funds (Frazier, 2004a). On the other hand, the bargaining between these privileged enterprises and local authorities was often resolved by central government official intervention. For instance, two steel central SOEs in Panzhihua and Shanghai were reluctant to transfer their contributions to local funds, and the situation was finally resolved after Premier Zhu Rongji met leaders of the Shanghai municipal party committee (Frazier, 2010c). The sector fund integration process illustrated that the urban governments, with lower bureaucratic rank than the privileged SOEs, seemed to have no power to conflict with the vested interest groups unless the central power and resources stepped in.

Local authorities and private sector enterprises

As for the non-state sector enterprises, local authorities encountered different obstacles and confrontations. The non-state sector enterprises included collectives,

private firms, and foreign investment firms. According to several reports, the private or foreign investment enterprises did not participate in the pension insurance schemes or evaded their contribution duty by falsely reporting the wage bill or the number of employees, in this way reducing their contribution burden (McGillivray, 2001). Private firms bargained with local officials over reduced contribution fees and reduced workforce coverage, not only because this saved labour costs, but also because they were reluctant to pool the risk with other mature SOEs with a higher proportion of retirees. The relatively prosperous foreign-investment firms avoided the contribution by exempting temporary workers from coverage (Frazier, 2010c). Second, employees' preference in the enterprise also encouraged the non-compliant behaviour of employers. For instance, employees preferred payment other than social insurance benefits, or were reluctant to report any irregular operation in the enterprise. In terms of the Chinese case, workers in smaller private firms were very reluctant to deduct a specific percentage of their wages to pay contributions because they were likely to be employed on a short-term or seasonal basis, and the relatively high labour mobility in this sector undermined the workers' confidence in joining and maintaining their pension insurance records. In this sense, the employers seem to gladly collude with their employees to avoid participating in pension insurance schemes (Frazier, 2010c). However, local authorities' perceptions on this issue were paradoxical. On the one hand, local governments needed to expand the coverage to the non-state sector to collect funds to cover the current deficits. On the other hand, however, local officials were also reluctant to undertake vigorous monitoring of the compliance issue because of the fear that it might crowd out the private capital to other regions and thus reduce the fiscal revenues (Chen, 2002). Therefore, the bargaining and balance between non-state sector enterprises and local authorities were the main hindrances to extending coverage, and drawing more enterprises into schemes and collecting funds from them was and still remains a primary concern for the local authorities (Nyland et al., 2006, 2011).

Local authorities and pensioners (laid-off off workers, current active workers, transition groups between the old and new systems)

In early 1990, many pensioners engaged in protest over unpaid benefits and unfair compensation from bankrupt firms (Hurst and O'Brien, 2002). Chinese pensioners,

including those laid-off from SOEs, were not organized or mobilized on the legal and quasi-legal means in the system (Lee, 1998; Thireau and Linshan, 2003; Cai, 2002), but they held the perception that a pension was state compensation for their long-term service and should be delivered as promised. In other words, the social attitude favouring a stronger state role in pension provision encouraged the pensioners to fight for their benefits (Chǒng and Chung, 2000). In this sense, the protest over pension issues carried a greater degree of state legitimacy. Therefore, the local authorities also sought to calm down the local pensioners with increased benefits from pension funds or central subsidies, especially in the rust belt provinces with more retirees. Indeed, these provinces, Liaoning, Heilongjiang and Jilin, received respectively 14%, 11.9% and 5.9% of the national share of social security subsidies from central funds, while their national proportion of SOE retirees were 8.3%, 3.0% and 5.2% respectively (Whiteford, 2003, p.57). The disproportionate sharing of subsidies may not be sufficient to conclude that the central transfer went to the provinces where pensioner unrest was most severe, but the protests in these provinces were especially prominent (Frazier, 2004c). Unlike their counterparts in democratic pluralist systems, Chinese pensioners and their movement did not rewrite the social compact between themselves and the state legally, at least, as the transition eras put pressure on the local authorities, and even on the central government, to provide fairer compensation for their benefit loss.

Local authority and central government

The central government is in command of drafting basic pension regulations, leaving leeway for local authorities to interpret them and produce the final results. Local governments often modify central plans according to local conditions and economic interests and they sometimes do not comply with central directives, or sometimes even act in contrast with them (Chan *et al.*, 2008). When central and local regulations conflict in this way, unless the central government has the strength of power to prohibit non-compliance, the local rules or regulations in practice determine the final outcomes (Wang, 1995). Local authorities can introduce a new policy geared to local central funds demands, and they also have the opportunity to obstruct and misinterpret central policy according to local interests (Holzmann, 2000). In terms of 'empty individual accounts', in the pension reform review, it was

shown in the previous chapter that China started off from an established pension insurance system, combined it with social pooling and individual accounts in 1995, and consolidated the rules on how to integrate the two parts by establishing various system parameters in the 1997 regulation. In the 1997 regulations, the social pooling element is jointly funded by contributions from employees and employers, and the individual accounts are funded by employees' contributions and assumed to be private property. However, in reality, local governments have usually used the accumulated reserve in the individual accounts to pay current pension claims, leaving the individual accounts empty or simply notional (Li, 2005). This is because the central policy did not completely address the huge transition costs occurring from moving from PAYG to the partially-funded system, because the limited central subsidies could not cover the deficits in the transition period, and then because the local authority took money from the individual accounts intended for future retirees (Haico Ebbers, 2009). The reasons why this policy failed can be concluded as follows: the ambiguous central policy did not address clearly how to solve the implicit pension deficit occurring in the transition period and how to share the transition cost among the different levels of governments, which left space for local authorities to reinterpret policy according to their own interests and perceptions.

7.2.3 Reform of the social insurance model in the 2000s

This stage of the reform was targeted at solving the problems which emerged in the previous period. If the previous stage had dealt with the socialist legacies in the institutional transition, this stage of the reform was aimed at solving the problems which had been raised through paradigmatic adjustment and re-constructing the measures to improve the whole pension system design. The parameter adjustments were achieved by adding new policies in the public pension pillar to solve the unintended consequences in the previous stage, and the restructuring measure of adding a new pillar was to improve the pension system as a whole in the new context.

Parameter design change

The first change was establishing a social security reserve fund (the National Social Security Fund, or NSSF) to deal with the future payment challenges. The NSSF was

an innovative strategy intended to unify pension funding and enable the regions with deficits to deliver the payment commitment, and it can be regarded as the crucial effort to counterattack the fragmented pooling funds at the local level (Leckie and Ning, 2007). The second was the pilot schemes for re-financing individual accounts which started in Liaoning Province and then was extended to Hei, Longjiang, Jilin and other provinces (State Council, 2005). The measures included separating the administration of social pooling and individual accounts, increasing central and local financial transfer to cover the payment deficits, increasing the employers' contribution to 20% and so on. In this case, the central government has a strong determination to solve the pension deficits through direct public transfer as well as by coordinating and bargaining with local authorities regarding the share of costs. For instance, in Liaoning province, central finance subsidies were 75% of the 'empty accounts' and the local authority took on the 25% remaining deficits (State Council, 2005). In 2005, beyond the initial pilot projects in the North-eastern provinces, the government issued a new notice to expand the recapitalization pilot to more provinces, autonomous regions, and municipalities (State Council, 2005). The third change was in the urban pension reform domain, where there were also some measures to extend the system coverage, not only to non-state sector enterprises, but also to the self-employed and the flexible workforce in the 2005 regulation. In other words, expanding the urban pension coverage was the main objective in the 2000s after completing the overall system design and principal integrations. The fourth change was advancing the social pooling from county level to national level in order to facilitate labour mobility.

Architecture change (pillar and tier change)

First, adding the second pillar. From 2004, a series of trial policy documents to develop the corporate pension on top of the public pension came out, and they not only provided the institutional framework for this second pillar pension programme, but also formulated the practice of procurement regarding the establishing, administration, fund management and risk control (IRC, 2004; MOLSS, 2004; MOHRSS, 2011c). Second, a social pension pillar for the elderly as a zero pillar was added to provide the minimum life guarantee for senior citizens (aged 80 and above). Finally, adding more schemes into the first pillar. The pension reform for the public

sector workers was aimed at integrating this group into the established urban pension system. The newly established urban residents' pension scheme was intended to extend institutional access to the previously uncovered population (such as the unemployed).

How it was changed

With the idea of change in the CCP and a new leadership generation lead by Hu Jintao, building a harmonious society, tackling social inequality and expanding social welfare become obvious main strategies in the 2000s. The political rationale and strategy of the pension expansion in the 2000s reform process can be summarized as follows: first, the academic and social partners' involvement in the strategic plans and reform. When experts from international organizations such as the ILO and the International Social Security Association presented lectures in Beijing in the mid-1980s, the social security professionals had to struggle to follow their research work, but since then research centres in related disciplines have mushroomed in China, and this academic development as well as political concerns about social welfare facilitated the academic researchers and experts joining in the social policy-making at the top level by delivering lectures on social security (Zhu, 2009). Research projects and academic consultants updated the knowledge of the top leaders and policy makers on recent international trends and developments in the social policy domain, which considerably benefited central policy making (Zhu, 2009). In addition, consultation about the social insurance legislation with academic researchers and the general public to draw opinions from various circles before it finally came out and was enacted in 2010 (NPC, 2008). In sum, more involvement of social groups (academic, general public) in policy planning brought new and scientific perspectives to the policy initiatives, and the interest groups could not only shape policy formation but could also reduce the hindrance to future implementations. Furthermore, academic surveys and reports on the policy demands and policy implementation outcomes provided valuable references for the policy makers to avoid faulty policy design and failed enforcement, and their intellectual knowledge could provide policy recommendations and alternatives for policy-makers to choose from.

Second, Chinese policy makers demonstrated enormous political will in extending social security coverage, not only recognising the significance of maintaining social stability, but also intending to employ it as a powerful tool to cope with poverty and social inequality (Zhu, 2009). The strategy they adopted was to put the social security objective into national socio-economic development plans, and the idea change could be presented in the policy discourse. For instance, the government first put the objective of extending the urban pension insurance coverage into the 2006-2010 Five-year National Economic and Social Development plan (CCP, 2006). Meanwhile, the relevant ministries also worked out annual and five-year objectives and supervised their implementation nationwide (Zhu, 2009). The idea and policy change discourse also demonstrated the central willpower to redirect the development strategy away from marketization and privatization at the cost of social equality and justice, shifting to a more sustainable and equitable development path.

In summary, the limited involvement of policy stakeholders through academic think-tanks, general public consultancy and idea shifts shaped the pension insurance model development at this stage. The expansion of coverage, the central financial subsidies for the implicit deficit, and the addition of new schemes in the first pillar and the other pillars gradually sketched a multi-pillar system in China. However, it cannot be denied that new problems keep emerging in practice. The sharing of the financial burden between different levels of governments for the new scheme has not been explicit, and in particular the subsidies for the low-income groups have not been clarified. The policy communication to newly-covered groups, dealing with vested interest groups in the reform package, as well as balancing the development and redistribution effect of the supplementary pillar, are still headaches to be sorted out in the future.

How it was implemented

The re-centralization of pension management (fund and administration) and closing the coverage gap are the main reform efforts in this stage. The pilot project of funding individual accounts as one of the central measures reverses the empty individual account, and redirects the pension reform back to its original path. Redirecting the pension reform away from the PAYG system and partially

privatizing the pension system is the main objective of central policies (Zheng, 2006a). However, apart from the thirteen pilot provinces with public finance support, there are other provinces which are running the 'empty individual account' model. At the end of 2011, there were thirteen provinces with the re-funded pilot project which had accumulated 270.3 billion Yuan in their individual accounts funds. However, the size of the empty individual accounts is around 2200 billion Yuan (MOHRSS, 2011c).

Advancing the pension insurance management level is also encountering huge pressure in the implementation because of conflicts of interest. Up to the present, there are 31 provinces which have issued related regulations on provincial pooling, achieving the target in the policy paper. In practice, the implementation process has varied among different provinces. There are two types of provincial pooling in practice (Guo, 2009). One is the provincial pension reserve model in which all the cities and prefectures within the province turn in their pension fund surplus to the reserve fund, which is intended to pay the deficits of particular regions in the pay-out stage. This model is seen in Beijing, Shanghai, Tianjin and Shanxin province. The other model is the budgetary management model in which pension insurance contributions at the sub-province level have to be submitted to the province treasury and then transferred to a social insurance specific account. All the pay-outs have to be approved by the provincial finance department and then distributed through the specific account. All levels of social insurance agencies take charge of collecting contributions, keeping administrative records and paying benefits. All the revenues and expenditure are controlled by the province (Chen and Li, 2011). This model is observed in Qinghai, Xinjiang. All the remaining provinces have only realized the uniform institution design regarding the contribution rate, benefit formula and parameter design; there is no unified pension insurance administration or fund management at province level (Chen and Li, 2011; Lei and Hao, 2009). These difficulties could be explained through the interest and competition within the institutional structure and design openings. On the one hand, worry about benefit level decrease is the crucial reason. Some cities and industrial areas have more retirees while others have a relatively young workforce (Bai and Tong, 2011). The cities with a pension fund surplus do want to turn over their funds to the higher level

and see them redistributed to aid other areas' fund deficits. For example, the Shenzhen municipal government in 1998 had 2 billion Yuan of social insurance collection to support only 23,400 retirees and was strongly reluctant to turn over the pension fund to the government of Guangdong province which would definitely use the surplus to subsidize the 360,000 retirees in Guangzhou city (MOLSS, 2000). On the other hand, the spreading of responsibilities also brings about unintended consequences. The sub-provincial level authorities free from social insurance funding and pay-out responsibilities could intensify their development-oriented strategy and motivation of attracting capital (Zhang, 2009; Zhao, 2009; Xu, 2010). The richer areas are reluctant to turn over funds, or some areas have no incentive to collect contributions, and all these factors will pose continual challenges for provincial level pooling and administration.

Fourth, the further extension of coverage also faces barriers. The atypical labour force includes flexible workers and the self-employed. These labourers can be divided into three categories: the emerging interest groups in the private sector (self-employment), the flexible workers in the formal sector (on seasonal, project-based contracts) and the marginalized groups (unemployed, laid-off during the economic restructuring). Based on the empirical evidence presented in Chapter 6, the current social insurance agencies in local areas aimed to manage and supervise the social insurance for typical labour in the former sector. At the same time, the lack of specific policies and administrative measures supervise the development of the scheme for the self-employed (He and Zheng, 2002). For the second category group, a short-term contract or irregular contract could not guarantee the contribution and record maintenance in the long run. The flexibility of their employment determines that efforts to expand cannot be dependent on the employer. For the third group, the marginalized groups in transition are usually low-income groups which cannot afford the pension insurance contribution. The evidence suggests that it is the interest groups in the private sector who usually make fewer demands on social insurance while the marginalized groups which had SOE welfare benefits before prefer to be transferred to new social insurance schemes (Nyland et al., 2011). In addition, for all of these groups, the relatively high contribution threshold in the design is another reason why their participation is impeded, particularly for the marginalized group

(Dong and Luo, 2010; Zeng, 2008; He and Zheng, 2002; Sun, 2006). Therefore, the flexible and self-employed workers in private sectors were an emerging interest group after liberalisation; they do not have a vested interest in the previous welfare system and they have less rights-based concern about welfare institution access. In addition, the lack of policy communication also determines their opinion as to whether they should participate or not. For the marginalized group, the vested interest accumulated in the previous system caused them to demand renewed access to pension insurance, but their employment status as well as their income level could not enable them to join it.

Fifth, the development of the second pillar did not proceed as well as expected. From the empirical evidence discussed in the previous chapter, it can be concluded that the coverage rate of the second pillar is small, with low coverage, and with about 5% of the basic pension insured eligible to have the supplementary pension scheme. From the pension fund comparison data, the low coverage rate with relatively high proportion of fund accumulation reflects the generosity level of this pillar fund in terms of contribution accumulation and benefit payments. This contradiction also reflects that the supplementary pillar not only provides additional pensions for the insured but also increases the income inequality among the elderly. Expanding the second pillar pension coverage and promoting its development are the main solutions to mitigate further elderly income inequality in retirement. In practice, there are some constraints and difficulties which affect the development of a second pillar pension. First, the basic pension pillar crowded out corporate pension development (Dong, 2010). Currently, the contribution rate of the basic pension is set at 20% of payroll, and if added up with other public insurance schemes it could reach 30%. This high contribution rate crowded out the space to develop the supplementary scheme, particularly for the relatively low-income workers, mostly in small to medium enterprises. In this sense, establishing the supplementary pension plan will increase the burdens on enterprises and workers (Liu, 2007). In addition, the lack of policy incentive is another reason. The preferential tax policy for this pillar scheme only existed in the accumulation stage, in which 5% of total payroll for the supplementary pension scheme could enjoy income tax exemption (MOLSS, 2004). However, tax incentive measures in the pay-out stage or tax preferential measures

for the individual are still missing (Pu, 2005). Furthermore, the particular incentives or subsidy measures for the small-medium enterprise and relative low-income workers are absent too. Therefore, the current tax exemption measures for the capable enterprises and their high-income workers, the policy design for the conditionality of the second pillar, and the high burden from the basic pillar all constrain the expansion of the second pillar pension and may result in further inequality of income distribution in the future.

Sixth, as for the introduction and development of the social pension, institutional coverage is limited in some provinces. The pillar development is in the initial stage, and the current institutional extension is constrained by other factors (Jia, 2012). First, the lack of a compulsory national design cannot push the local authorities to develop this scheme. Second, currently the funding of the scheme is from local public spending, but most of the regions (except Ningxia and Tianjing) do not include the spending in the local budget management, which might create spaces for the unstable development of the scheme. In sum, the policy and financial resource provision of the social pension pillar are limited, and it has not reached the multi-pillar pension design (Yang, 2012b).

Finally, the integration of the public sector workers' scheme and the urban residents' scheme encountered difficulties in practice. For the public sector pension scheme, the reform was difficult because of the vested interest in the previous system (Lu, 2011a). The public-spending based and higher benefits level in the old system created vested interests for the current workers. The shift to the social insurance model and the possibilities of a decrease in benefits are the crucial challenges for the pilot project and for future reform (Han, 2010). In addition, public sector workers have more bargaining power over the policy change compared with private-sector workers (Bai and Jiang, 2013). Unlike the enterprise workers' scheme were associated with SOE restructuring, the public sector scheme reform was not from the economic pressure. In addition, rather like the marginalized groups (including early retirees and laid-off) during economic transition, public sector workers have more privileged status to protect interests. Therefore, the less stressful macro context and the more vested interests in the micro actors determined the pension institution reform for this group is difficult, even more difficult than in the enterprise sector. As

for the urban residents' pension scheme, it is designed to cover a larger population which was previously excluded from the formal institution, and the policy and financial input are supposed to be welcome to the general public. However, according to the survey evidences on this scheme (Lu, 2011b; Yang, 2012a), there are some barriers which affect further extension. On the one hand, the new scheme is not well-known among urban residents. Policy communication is limited at the grass-roots level (Lv, 2011). The communication of policy to this less-regulated population (no employer, no workplace) demands more effort from the community service which is responsible for public service delivery. On the other hand, some groups are reluctant to join this scheme because of worries about policy stability, the maintenance of asset value, and the possible loss of contribution (Jia, 2013). In general, they have little trust in the new policy provision. The new initiative is easy to create by the strong executive but the implementation process will encounter unexpected consequences because of the limited administrative capacities in the grass roots, as well as the lack of welfare right perception and policy communication.

7.2.4 the institutionalized social insurance model

The enactment of the social insurance law was the first legislation to consolidate the national pension schemes for different groups. It was the first legislation to put forward the institutional coverage of social insurance nationwide. In addition, it clarified the central government's responsibilities as the final resort of the payment crisis. However, the standardized basic pension insurance system is the main content of the legislation. As for the development of a multi-pillar pension system there are no clauses to deal with this issue. Furthermore, there are many clauses regarding the later improvement of the on-going pilot scheme (public sector, urban residents) and leave leeway for the local authorities to develop their own institutional designs, which might require adjustments of interest later if the national institutionalization is still desired.

Apart from the social insurance legislation unifying the national pension system, the twelfth five-year plan is a development outlook for the CCP in the next five years and this also brings into focus the objectives of equality and integration in the social

insurance system. Therefore, the social insurance legislation summarizes the past decades' experience of welfare reform and realises the need for universal access to public pension, and the next five-year plan is aimed at achieving more equal redistribution of the. It can be concluded that the period of the formation and development of national pension insurance in the past decades has now drawn to a close; equal access to pension insurance nationwide has been consolidated in the legislation. The equality of pension insurance across different population groups (urban versus rural, private sector workers versus public sector workers; employed versus unemployed; regular labour versus atypical labour) will become the trend of the next stage of development.

7.3 Conclusion

7.3.1 the dependent variable: the direction and extent of change

Based on the conceptual framework of dependent variables which we generated in Chapter 4, we have followed similar conceptual tools, coding framework and measurements to investigate pension reform in China. The sections above have listed the policy changes at the top level and revealed what the implementation looks like mainly based on the qualitative evidences. In this concluding section, we shall combine the qualitative and quantitative evidences together to analyse the reform direction and measure the degree of reform as well as dynamics.

Qualitative change based on qualitative evidence

From the historical review of policy documents (*see* Table 7.3.1) since the mid-1980s, we have found that China has concentrated on building and reforming its pension insurance model in the past decades. To distinguish the direction of the reform and the extent of change between structural and parametric change, we shall use the coding framework to analyse the pension institutional reform direction and scope (*see* Table 7.3.2).

Table 7.3.1 The characteristics of reform from the mid-1980s to the 2000s

Time	Reform Direction	Reform Extent
<i>Mid 1980s</i>	Retrenchment	Programmatic
<i>1990s</i>	Retrenchment	Systemic
<i>First half of 2000s</i>	Retrenchment	Programmatic
<i>Second half of 2000s</i>	Expansion	Systemic

The pension reform started in 1986 with two crucial initiatives: introducing social pooling and individual contributions for new contract workers. The pooling fund can help to share the pension commitment burden among prosperous SOEs and those making losses (Sander, 2010). The introduction of employee contributions combined with reform of the labour market represented the initial shift away from the SOE welfare system. The two measures aimed to reduce the financial pressure on SOEs and harmonise with the labour market change. There was no crucial shift in the SOE welfare paradigm but new policy instruments based on existing policy were brought out, which could be classified as a second-order change. The measure of increasing individual responsibility for pension entitlements was also one of the crucial measures identified in the retrenchment reform, and China's parameter change in this period led towards this direction. Therefore, I would argue that the dominant SOE welfare system was not challenged in the 1980s and that minor adjustment measures were the first attempts to reform public pensions in the direction of retrenchment.

The extensive reform efforts in the 1990s were aimed at building partially-funded public pension insurance to replace the previous SOE welfare system. Most of the reforms started with pilot projects at the sub-national level until 1997 when the pension programme was made mandatory nationwide. The crucial measures in this decade included creating the DC/NDC tier and transferring the financial mechanism from PAYG to pre-funded (partially). The integration of privileged industry SOEs'

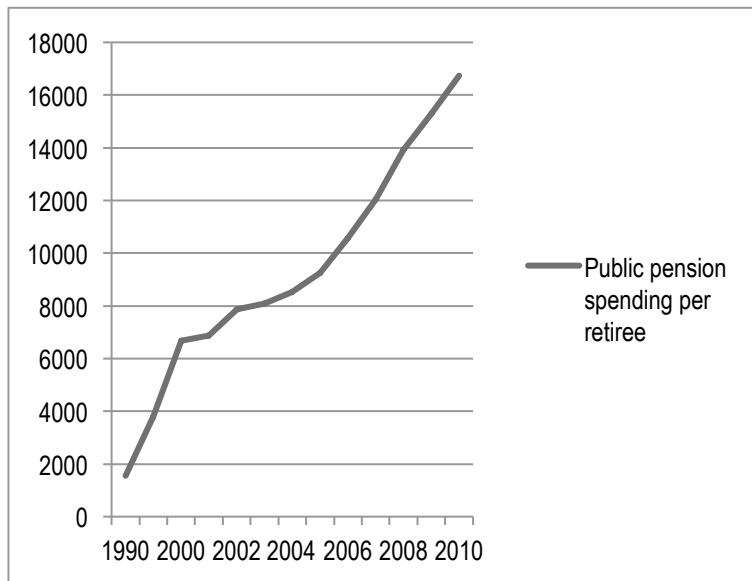
pension programmes into the newly-established partially-funded model were intended to reduce the state budget's involvement in the benefits pay-out and achieve greater risk-sharing among both privileged SOEs and general SOEs. According to our coding framework, these efforts match the systemic change in this period with the mandating of the national pension insurance model, which was a shift from the previous welfare model. The introduction of a public pension insurance scheme and of a pre-funded financial mechanism indicated that China was moving towards a social insurance welfare model. The overall objective or reform direction went in the direction of further retrenchment. For instance, harmonising the privileged sector schemes into the national programme and mandating individual contributions and the pre-funded mechanism were the focus in this decade.

The reform initiatives in the 2000s are a little more difficult to code. The measures included establishing the NSSF as a reserve fund, adjusting existing parameters to facilitate portability, mandating a fully-funded second pillar to create corporate pensions, and integrating public sector worker pension reform can all be classified as retrenchment efforts. However, reform efforts such as introducing a new non-contributory pension for senior citizens, extending the coverage to more groups including the atypical labour force and private sector workers, increasing the benefits promise, and adding a new mandatory scheme for urban residents, are all examples of systemic expansion in our framework. It seems that there is no doubt that China went through systemic change in this decade. To define the exact direction of the development, we have to examine and classify these measures in chronological order. Then we can roughly reach the conclusion that the feature of the first half of this decade was parametric retrenchment reform and that since 2005 the reform efforts moved more towards public pension expansion. To further test our conclusion, we can turn to the quantitative evidence in the next section and check whether the quantitative changes match this or not.

Quantitative change

Public pension generosity

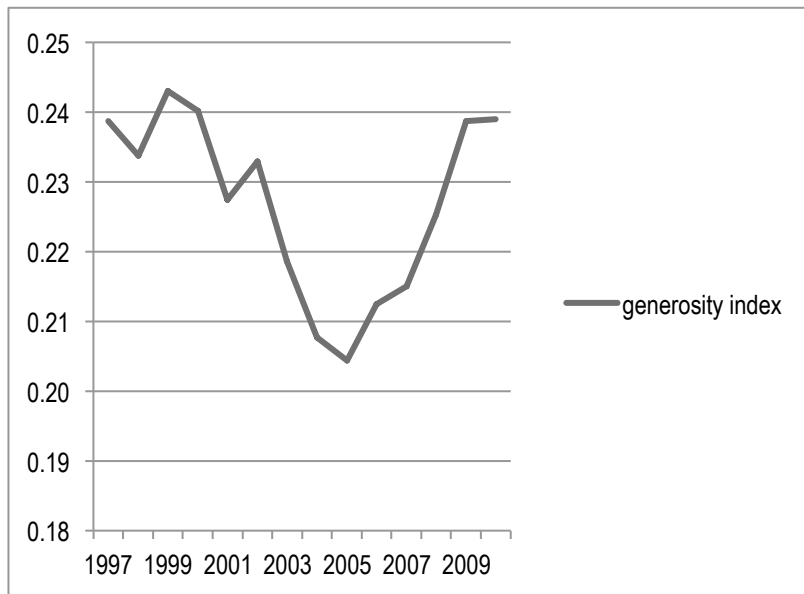
Figure 7.3.1 Public pension expenditure per retiree (1990-2010)



Source: Human resources and social security statistic yearbook 2011 (calculated by author)

Figure 7.3.1 shows the development of public spending per retiree from 1990 to 2010. As the figure suggests, the public pension spending increased over time, particularly after 1995. Given the lack of public expenditure data on public pensions, the indicator adopted here is the public pension fund expenditure, which constitutes both employer and employee contributions, public transfer and other sources. The only indicator of expanding spending cannot explain that the public pension is more generous, but it does indicate that the public pension insurance fund expanded with the development of the national public pension programme after 1997.

Figure 7.3.2: Public pension generosity index (1997-2010)



Source: China human resources and social security statistic yearbook 2011(it is calculated by author, based on the data of public pension fund expenditure and number of retirees)

Figure 7.3.2 shows the trends in public pension generosity based on the empirical data. The coverage data is calculated by the number of retirees and population above the retirement age (65+), the empirical replacement rate of urban worker scheme is adopted here (see table 6.2.5). It can be seen that from 1997 to 2005, the generosity of public pensions followed a declining trend in general but that after 2005 it gradually increased and went back to the same level as in 1997. The sharp fall in the generosity level since 1997 came from the decrease of empirical replacement rate. Going back to the original data, it is found that the pension benefits level did not decrease during this period, while the individual income increased more quickly than the pension, which made the whole replacement rate lower than before. And the growing generosity level after 2005 mainly came from the gradual expanding of coverage, more urban workers from different types of enterprises contributed to the urban scheme. Because the data issued in the previous decade is incomplete, we cannot generate the index from the start of the reform (1986) to the present, but the available data confirm what we concluded in the qualitative change in the whole 2000s, that the first half of the decade was largely in the direction of retrenchment with a declining generosity level, while the second half of the 2000s witnessed more generous public pension provision which indicates an expanding direction.

Pension privatization

In order to create a pension privatisation index, we standardized each of the four indicators (*see* chapter 4.2.3) on a scale from 0 to 10 in order to maintain the relative distances between each year. We calculated the mean of these four scores into one score as the index. Table 7.3.2 gives an overview of the raw data of the four components of index indicators and the component index. It shows that China followed a process of increasing privatisation from 2007 until the present; the complexity of the reform direction in the 2000s can be summed up as follows: in the first half of the 2000s the retrenchment reform efforts and quantitative data all confirm this direction, and the second half of this decade showed the public pension expanding and the development of private pensions as well. The index also shows that the degree of privatisation has been growing year by year (*see* Table 7.3.2).

Table 7.3.2 Privatization index (2007-2012)

Year	Replacement rate of public pension	Assets of funded pension as % of GDP	Private expenditure as % of public expenditure	Contribution rate multiplied by coverage of private pension	Compound index of pension privatization
	<i>Replacement</i>	<i>Funding</i>	<i>Expenditure</i>	<i>Contricot</i>	
2007	58%	0.32%	11.10%	18.75%	0.82
2008	58%	0.37%	12.67%	19.57%	0.87
2009	58%	0.47%	15.62%	20.30%	0.98
2010	58%	0.51%	15.76%	21.175	1.02
2011	58%	0.57%	18.31%	23.10%	1.11
2012	58%	0.65%	20.14%	24.81%	1.20

Sources: The bulletin of human resources and social security (2008-2012); The bulletin of labour and social security development, 2007

7.3.2 Independent variables and causal effects

Impact of the political institution

According to the hypothesis which we formed in Chapter 5, in China's political system the strong executive and less powerful veto players and veto points (or say *de facto* veto players and veto points) provide greater possibility to change the *status quo*. However, the empirical evidence suggested that any reform initiatives (big or small) are easy to introduce at the central level, but the effective implementation at the ground level is diminished. This is because of the presence of *de facto* veto

players (sub-national governments) as well as *de facto* veto points (policy space and institutional openings) to allow the veto powers to have an effect. For instance, at the top level, replacing the SOE welfare system with the social insurance model in 1990s was structural retrenchment reform, but the subsequent parameter changes in the first half of the 2000s were aimed at consolidating this model and fixing the practical issues emerging from the implementation, such as transition cost problems and administrative issues. It could be argued that the top-level policy shift would not be as difficult as in the democracies, but the real change did not take place as easily as we had assumed. In other words, the continuous confirmation and consolidation of the newly-established model in a decentralised and fragmented China were not as painless as expected.

At ground level, local governments took advantage of the decentralised administrative and fiscal system and had more leeway to redirect and reshape the policy outcomes. The problems of empty individual accounts, the difficulties of nationalizing public schemes and the extension of coverage were constrained by local government interests. The pro-economy development strategy and the decentralised system gave the local governments motivation to develop economies in the cost of social protection, to maintain local funds and less likely to engage in social pooling with other regions for fear of benefit decreases. The expansion of public pensions to non-state sector workers, part-time and flexible workers was also restrained because of the local governments' concerns about their own interests. Their concerns about the loss of private capital within their own jurisdiction determined their limited attitude to compliance, and their capacity to monitor the atypical labour force joining the pension insurance needs to be improved.

Impact of the pension institution and legacies

If we follow the propositions generated from other countries' reform experiences and the hypotheses for China, these suggest that the maturity of the PAYG system in China as well as the absence of a funded scheme might render large-scale reform impossible. But the empirical evidence shows the contradictory results: China had been through systemic reform in 1990s and the adoption of PDC (partially defined contribution) model replaced the PAYG. The hypothesis of the possibility of radical

reform in China is not true even though this case also have mature PAYG System. However, fixing measures in the following decade addressed the legacy problems and implement issues dominated in 1990s. In addition, in China's case, not only does the starting point of the pension system matter, the policy legacies in the reform process also affect the outcomes. For instance, the pilot experiences and trial-and-error policy practices have formed transition legacies (system fragmentation) and created a challenge for pension scheme nationalisation. The unclear financial burden-sharing within different levels of governments and the lack of policy intervention for the marginalized groups all resulted in the delay of public pension expansion and development in the latter half of the 2000s.

Impact of idea and macro context

In the previous chapter, we hypothesized that China might not turn to structural reform in the short term given the relatively positive data from the 1980s to the 2030s, and that the subsequent projected radical aging would cause China to consider deeper reform in the medium or long term. In addition, we hypothesized that capital dependence on the WB would determine the scope of reform, and the relatively smaller loans received from the WB might not bring radical reform in China. The empirical evidence shows that China went through structural change in the 1990s, shifting the pension provision model from SOE provision to a social insurance model, and also adopting the pre-funding mechanism that the WB had advocated. It seems that China went through fundamental change even in its relatively positive demographic situation and smaller loan dependence on the WB. However, if we bring the macro social economic context into consideration, we find that the structural reforms of the 1990s were intended to cope with the market economy reform and the SOE reform. The shift from a planned economy to a market economy rendered the critical change in pension provision, even in the favourable demographic situation. In addition, the formation of a partially-funded pension insurance model in China was also the result of a compromise between domestic design and international ideas; China's case reflects the fact that idea diffusion matters more than loan conditionality, which also brings about critical new features in policy design, not only in the short term, but also in the long term. For instance,

from PAYG to partially-funded in the 1990s, and in another structural shift in the second half of the 2000s, we find also conformity with the WB's multi-pillar model.

Impact of interest groups

Based on the hypothesis about interest groups (business interests and unions) formed in Chapter 5, we found that China's case does conform to our hypothesis. First, the absence of any union participation in the decision making and pension administration made the retrenchment reform easier at the top level and the ground level, and the retrenchment systemic reform from the 1990s to the early 2000s did not encounter the opposition of the unions in either decision making or implementation. In addition, as for the hypothesis about privileged business interest groups, China's case also saw that the privileged SOEs opposed the retrenchment integration through social movement and non-compliance, and the final solutions all involved compensation from public finance or the involvement of the top political elite. As for the general business interest, this also conformed to our hypothesis that private interests would oppose the introduction and expansion of a public pension programme by evading the insurance participation. Their perception of labour cost control and the local governments relaxing their supervision all contributed to the problem.

7.3.3 Change pattern

Identifying the causal factors of pension institution evolution, how it is taking place and what the interactive causal mechanisms are another set of our research questions. Adopting the historical institutionalist and incrementalist explanatory framework (Mahoney and Thelen, 2010) to identify the causal mechanisms behind the trajectory, the explanatory account explored the interactions between institution and actors, which conditions allow or obstruct changes, and the different actors' strategies of approving or blocking change.

Reviewing the evolution of pension provision in China since the mid-1980s, we can summarize the general strategies that the political actors adopted to change the pension institution through policy layering (*see* Table 7.3.3). At the same time, using the empirical evidences on ground level implementation (Whiteford, 2003; Bédard

and Yu, 2004; Chen, 2004; Frazier, 2004b; Frazier, 2004c; Frazier, 2006b; Salditt et al.; 2007, Yu 2007; Sin and Worldwide, 2008; Guo, 2009; Frazier, 2010b; Shi, 2011; Chen, 2012; Hu, 2012; Nyland et al., 2011; Nyland et al., 2006; James, 2003), we also found that the interest groups and other actors managed to redirect top level policies through the drift and conversion (*see* Table 7.3.3). Layering refers to the introduction of new rules on top of or alongside the existing ones; as already explained, layering does not introduce new institutions altogether, but provides amendments, revisions or additions to existing ones (Thelen, 2003). Drift denotes changes of existing rules due to environment change; it is understood as a process in which new environments alter the demands on existing institutions while the old rules remain the same, and drift may occur in order to accommodate shifts in external conditions (Hacker, 2004). Conversion occurs when the rules remain formally the same but are interpreted and enacted in new ways (Thelen, 2003). However, the misinterpretation is not driven by the changed setting; instead, the actors actively pursue and explore the inherent ambiguities of institutions. Through redeployment, they convert the institution to new goals, functions or purposes to serve their own favourable interests.

Table 7.3.3 Development path and patterns

Top level (central policy)	Ground level change
1980s: De-constructing socialist welfare and social insurance welfare development (State retreat)	The social insurance model is diffused into the SOE welfare model
1990s: The retrenchment of pension insurance through layering	Local governments redirect the PDC model into the NDC in practice (conversion) Private interest groups avoid compliance (drift)
Early 2000s: Top level layering to retrenchment through more state intervention and regulation Second half of the 2000s: Top-level layering to expansion in the public pillar	Curb the problems from the previous stage Institution layering in the top level will bring new actors and dynamics for further development (future plan)

In particular, the old-age insurance model replaced the socialist pension based on the state budget from the 1980s to the 1990s. This was the initial process of pension insurance development with the direction of retrenchment. The retreat of state financing for pension provision for the SOE workers on the one hand represented retrenchment while on the other hand the introduction of individual contributions implied the formation of a new pension insurance model in the market economy (see above).

The making of the pension insurance model underwent continuous policy layering from the 1990s. The incremental reforms included mandating the system design and setting unified parameters, and improvement of the practical procedure shifted the existing SOE pension institution to a social insurance pension in 1997. The policy layering in the 1990s gradually brought about systemic change. The institutional outcomes indicate that the pension institution has dramatically shifted from the

previous model, but the manner of the change was through incremental layering. In the first half of the 2000s, the reform efforts were policy layering by parameter adjustment in order to consolidate the newly-established partially-funded public pension nationwide. The advancing of pooling administration level and the mandating of funded individual accounts were all attempts to confirm the retrenchment reform. However, the systemic change in the 1990s seen as institutional characteristics only demonstrates the top-level policy change, and if we bring compliance and ambiguity into consideration, the dynamics and difficulties of systemic retrenchment become more apparent. Again, based on the empirical evidence in the literature (Gu, 2001; Chen, 2004; Smyth, 2000; Ma and Zhai, 2001; James, 2002; Sun and Maxwell, 2002; Whiteford, 2003; Béland and Yu, 2004; Jin, 2004; Frazier, 2010b), the central policy encountered a reverse impact from ground level through drift and conversion, and these impacts impelled the central government to look for programmatic change in the first half of the 2000s in order to confirm the newly-established system.

First, during the retrenchment reform in the 1990s, the challenge was the conversion of local governments. The decentralization and privatization process empowered the local governments and inspired their motivation to redirect the central policy (Zhang, 2006; Landry, 2008). Local authorities had more discretion over their own specific design and fund administration. The openings in the political institution and the targeted welfare institution (pensions) created spaces and opportunities for reinterpreting the central policy and even re-shaping the original objective. For instance, the challenges of pre-funded individual accounts, advancing the social pooling level and integrating the public pension scheme at provincial level all encountered sub-national opponents to various degrees. The notional individual account practice and the provincial reserve funds were innovations at the local level with their own interpretations (Sun and Maxwell, 2002).

The decentralization combined with pension retrenchment facilitated the state retreat and maintained the state legitimacy to a large degree. The local governments were authorized to develop economic and social programmes. The decentralized fiscal system and GDP-oriented development strategies motivated the local governments to proceed with the retrenchment through cooperation with local SOEs and reducing

the possible opposition through early retirement, lump-sum compensation, laid-off measures and so on (Frazier, 2010b). In addition, the pension reform measures which facilitated local economic development were adopted and implemented, but the initiatives which might erode local financial resources or local benefits levels were re-directed by the authorities through conversion or non-compliance. The call for the pre-funding of individual accounts from central funds was directed to notional individual accounts at the local level. Until the central injection of funds to support the change, only some provinces could achieve the goals set by the central government. In addition, the decentralized structure also constrained the pension nationalisation. The up-scaling of fund management and risk pooling encountered extreme difficulties in practice because of the local worry of losing control of the fund or suffering possible benefit cutbacks (Lei and Hao, 2009). Therefore, the state's re-intervention in the 2000s with the good intention of perfecting and improving pension provision did not proceed as smoothly as was assumed.

The policy feedbacks over the retrenchment and decentralization also constrained the realization of these good intentions. The privatization process in the 1980s changed the structure of risk groups. The decline of state sector workers and the increase of the private sector demanded a greater pension system response to the new risk group. The retrenchment and development in the 1980s and 1990s were targeted at the crucial constituency, urban SOE workers. The reform initiatives in the 1990s were aimed at achieving equal access and distribution of the pension system. However, the effects of equal access and equal redistribution through new rounds of policy layering also faced challenges in implementation. On the one hand, the extension of the basic pension to the private sector encountered private interest drift. The reform packages centred on SOE workers neglected the emerging and vested private interests with the development of private economy. The changing context was not reflected well in policy design in terms of incentive for private enterprise participation, the supervision and regulation. The evasion of private enterprises resulted from their neglect of the existing rule, and the reform efforts did not target on the supervision of private sector employers. The central policy failure to curb the non-compliance of private enterprises, and late response to changed demand in the pension expansion process all provided the space for the policy drift in the

implement process. Therefore, the private interest drift in the current existing policy pose further extension challenge. Non-compliance and high salaries as an alternative to replacing pension insurance contributions were the main strategies that the private employers adopted to evade participation in the public pension scheme (Nyland et al., 2006, 2011; Maitra et al., 2006). The economic privatization process fostered vested private interest in the process, and non-compliant behaviour came from reluctance to share the risks with SOE enterprises, as well as the labour cost consideration.

In order to solve the problems in the implementation process and reverse the change at ground level, the central government proposed new regulations to intervene in the implementation and ensure the consolidation of partially funded public pensions. In other words, the reform was centred on pre-funding individual accounts, advancing the administration and pooling level, and integrating the schemes across regions. In the latter half of the 2000s, the policy layering at top level not only dealt with the problem which occurred in the previous stage, but also moved towards building a multi-pillar system and expanding the public pension coverage. These new initiatives with expanding intentions also produced positive outcomes since the public generosity level has increased since 2005 and pension privatization has gradually developed. Given this study mostly focus on public pension pillar, the zero pillar (social pension) and secondary pillar (EA) implementation practices are not touched on, what happened in ground level after mid-2000s shift towards the interaction between public private provision mix and the adding of social pension, which worth studying in the future.

Chapter 8: The rural case

8.1 Introduction

In the pre-reform era, China's rural social services were mainly provided by family, kin communities and income from farming (Joseph and Phillips, 1999). Collective committees or local governments provided a unique social safety net for the vulnerable groups, such as the 'five guarantees'¹⁴ system. Apart from the limited social protection for the marginalized groups who had no family support, no comprehensive, universal social service was established in the past decades. However, with the collapse of the rural collective economy, the undermining of family protection due to the one-child policy, and massive migration to urban areas, the central government began to consider the aging challenge in the rural population and started a public rural pension programme in 1986. This chapter will review the process of rural pension scheme development and assess the current system performance. The institutional analysis will present how and why the policy change was formed and implemented. Finally, it concludes with the examination of the reform direction and scope, as well as the explanatory variable and dynamic effects on development process.

8.2 Historical development overview

8.2.1 Initiation stage (1986-1992)

The initial attempt to build a public rural pension system was proposed in the 1986 Seventh Five-Year Plan (CCP, 1986), which was the first political discourse to propose rural social security. The subsequent Eighth Five-Year Plan went further by emphasizing the significance of the social security system in improving economic development and social stability (CCP, 1991). After almost a decade of economic reform and restructuring, the state began to promulgate social welfare provision for the rural population.

¹⁴ The rural communes were required to provide "five guarantees" including food, clothing, fuel, education and burial expenses to the rural residents in extreme need, without kin to care for them. It is from the directive "Exemplary charter for advanced rural cooperatives" (1956).

In 1986, the State Council authorized the Ministry of Civil Affairs to be responsible for several pilot projects in rural areas (MOLSS, 2006). This was the first initiative to launch a social welfare scheme in rural China. Since there was no template to be copied, the uncertainties regarding how to form the scheme design and which model would be appropriate for the rural sector dominated the thinking among policy-makers (Wang, 2005; Yang and Luo, 2003). Given some local experiences in the developed areas, as well as the inequality across the country, the ministry adopted an incremental and conservative strategy and proposed a voluntary, DC fully-funded individual savings accounts model. In other words, a model was preferred in which the central government was responsible for the regulation and supervision of the scheme, but held back from final administrative responsibility (MOCA, 1986). This idea of limited state intervention was dominant in the 1990s. Afterwards, local experience was gained from various pension schemes carried out under the supervision of MOCA. At the beginning of 1991, MOCA launched a preliminary plan in five counties in Shandong province (Mouping, Longkou, Zhaoyun, Rongcheng and Rushan) as the first pilot group (Labournet, 1997). The basic features of the system design were individual contributions as the principal source, collective subsidies as supplementary sources, and the need for family support to combine with the social insurance system (Peng and Song, 2002).

In 1991, a national rural pension insurance conference was held by MOCA in Yantai; this conference drew conclusions from the pilot experiences, confirmed the specific implementation procedures and formed the local regulations (Lin, 2007). The conference achieved some consensus regarding the development of rural pension insurance: first, with the economic development and consequential income increases in rural areas, it had the financial source to develop the rural pension scheme. Second, the pilot should start in developed regions, that is, regions with annual per capita income exceeding 700-800 Yuan were allowed to launch the programme. Third, given the uncertainties of the social insurance design for the rural population, and limited knowledge about the social insurance and commercial insurance there, in some areas the commercial insurance companies replaced the civil affairs bureaus to handle pension provision, which impeded the development of public pension insurance. The local work was expected to target building the public programme in

the rural areas. Finally, establishing specific agencies and having trained personnel administrating the programme was another task (MOCA, 1992c). This conference settled the principles and measures for the development of the pilot project. The pilot projects then expanded to 29 provinces with 5.3 million participants. In particular, Wuhan was distinguished from the others because the pilot scheme there covered all the counties and prefectures within the jurisdiction (Labournet, 1997). In 1992 a 'national rural social insurance pilot experience exchange conference' was held by MOCA in Wuhan, and it was proposed to follow the Wuhan and Shandong experiences and push the project further forward nationwide (MOCA, 1992b). The Jiangsu province experience was an another pilot model praised by MOCA; another conference held in Zhang jia gang in Jiangsu province at the end of 1992 further advertised and promoted the expansion of the scheme (Labournet, 1997).

8.2.2 The expansion phase (1992-1998)

A clear central policy was launched in 1992, 'The trial measure of county level rural pension insurance programme' by MOCA (MOCA, 1992a); rural pension insurance was to be based on the local economic development level and combined with family support, land protection and social assistance. The basic principle was to maximize the family support function while the public was meant to provide merely limited supplementary support. Within the system design, individual responsibility was the principle which emphasized the close link between contributions and benefit levels. The collective subsidies as supplementary assistance could be used in the developed regions (MOCA, 1992a). In 1995, the State Council issued document No.51 to further clarify the advice on launching rural pension programmes based on the previous five years of pilot experiences (State Council, 1995b). On the one hand, it emphasized the institution extension; on the other hand, it heightened the administration issue, including information system construction and personnel training. In addition, fund management and supervision were another task alongside expansion. The fund supervision committee and accounting system had to be built up at the local level. Finally, advertising was another aspect to achieve the expansion, because with a new institution, public education and communication through media propaganda and mobilization could encourage participation (State Council, 1995b).

In 1997, MOCA adjusted the fund management measures and investigated the financial performance of rural pension funds. In addition, MOCA issued a notice about promoting institutional coverage to the rural collective enterprise workers and gradually expanded the coverage (MOCA, 1997). The ministry issued rural social insurance administration procedures to solve the technical issues in administration, and the rural social insurance computed individual account administration system (second version) was adopted. Finally, service delivery was improved by training service personnel. The expansion stages saw the publication of several policy documents and regulations to clarify the national system design and implementation procedures (MOCA, 1997).

8.2.3 The stagnation phase (1998-2002)

In 1998, the government's institution restructuring impacted the development of the rural scheme. The newly-established Ministry of Labour and Social Security (MOLSS) replaced MOCA and became responsible for the rural scheme. In 1999, with the rectification and reform of the insurance industry, the State Council changed its plan. Document No.14 (1999) clearly stated that China was not ready for a public rural pension programme (State Council, 1999). The central government instructed local authorities to stop the pilot expansion, and began a process of appraisal and rectification and transferred the existing programme into commercial insurances if possible. However, the specific rectification measures were not defined. This policy shift resulted in a sharp decline in the coverage: by 2001, the number of participants was under 60 million and it gradually decreased over time, to around 55 million in 2007 (State Council, 1999).

8.2.4 the renewal of local piloting (2003-2008)

In 2002, the 16th CPC National Congress report stated that “when the economic conditions permit, local governments should explore building a rural welfare system including pensions, health care and minimum life guarantee” (CPC, 2002), which clearly showed that establishing the social security system in the rural sector should be done according to the local development level. This new statement represented another policy shift in developing rural welfare programmes (Xinhua News, 2002). In 2003, the CPC Third Plenum conference issued a decision to improve the socialist

market economy system and emphasized the principle of the rural pension insurance programme: that the family support dominated model would be the guideline for the foreseeable future (CCP, 2003). Renewed efforts to introduce rural pension schemes started in 2003. The MOLSS issued a new guideline for the development of rural pension schemes. The second round of pilot projects started in 2008. In general, there were three types of pilot project formed at the local level (Cai 2012): first, social pooling plus individual accounts; second, flat-rate universal pensions combined with individual accounts; and third, individual accounts only. In addition, the scheme differed in the financing role of the government at the accumulation and pay-out stages. Therefore, there were five sub-national models with specific parameter variances based on the local pilot experiences. The first type was the flat-rate pension plus individual accounts with the government financing the pay-out stages. The government paid the flat-rate benefits from general revenues. This was represented as the Beijing model. The second type was a flat-rate pension plus a matching DC individual-account model, which meant that the government not only made a matching contribution to individual accounts but also financed the flat-rate pension. This model was seen in Baoji in 2007 and in Qian'an in Hebei province (Qin, 2009). The third model was individual accounts with social pooling, which was financed by the government. This type was implemented in Suzhou in Jiangsu province and Qingdao in Shandong province (Qu, 2012). The fourth model was the individual account plus social pooling and government finance meeting both the accumulation and pay-out stages; ZhongShan and Dong Guan implemented this measure (Huang, 2009). The fifth model was individual accounts only with the government matching contributions to individual accounts. This was observed in Yantai in Shandong province in 2005 and in Hangzhou in Zhejiang province (Huang, 2008). All of these sub-national pilot experiences provided lessons and suggestions for the design of a national pilot project.

8.2.5 the new rural pension scheme (2009)

A number of new trial schemes for the rural pension scheme were introduced at the local level in 2003, with local governments being responsible for the system design and for financial support, and the central government did not arrange special funding for the new experiment (Cai, 2012). It was not until 2008 that the Ministry of Labour

and Social Security issued a document entitled 'The Opinions of the State Council on Launching the New Rural Pension Insurance Pilot Programme' which promoted rural old-age support officially and introduced the attempt to form standard pilot projects nationwide in 2009 (MOLSS, 2008).

This new scheme was also a voluntary programme. All rural residents over the age of sixteen were eligible to participate and were entitled to benefits at age 60 with at least fifteen years of contribution history. The scheme provided a basic flat-rate pension and the individual account investment return. The flat-rate benefit was set at 55 Yuan per month initially. The individual account accumulation would have a rate of return of one year's deposit interest rate of the People's Bank of China and benefits were calculated by dividing by 139 in the claim period (MOLSS, 2008). Those aged 60 and above could receive the basic rate benefit if their children were contributing to the scheme. Those with an incomplete contribution record (less than fifteen years) before they retired could make a lump sum contribution for the short-fall in their record. The financing of the new scheme came from three sources: the government provided the basic flat-rate benefits, individual contributions ranged from 100- 500 Yuan per year based on personal choice, and matching contribution subsidies from local governments at a minimum of 30 Yuan per year; the collective subsidy was encouraged but not mandatory and no specific level was defined. The fund management was delegated to the local office of the MOHRSS at county level, and was intended eventually to advance to provincial level (MOLSS, 2008).

Table 8.2.1 Historical development (1986-2011)

1986: 7 th CCP Five-Year plan	<ul style="list-style-type: none"> Proposes rural social security
1986: MOCA's proposal on Exploring the Establishment of a Rural Social Security System	<ul style="list-style-type: none"> MOCA responsible for the rural programme development
1991: National rural pension insurance conference	<ul style="list-style-type: none"> Reflection on pilot experiences and confirmation of practical procedures and regulations Voluntary contributory individual accounts, managed by the county-level government, with state regulation. In developed regions, a collective subsidy is provided. The expansion of the programme by solving the administrative issues: information tracing system, personnel training, fund management and participation promotion. Unifying the policy, procedures, parameters and practical issues, including: administrative body and scheme administration, financial management, fund management, audit, record management, etc. Ending the rural pension insurance development and beginning appraisal and rectification
1992: MOCA's trial measure of county-level rural pension insurance programme	
1995: SC's views on the improvement of rural pension insurance	
1997: MOCA's trial procedures of county-level rural pension insurance management	
1999: SC issues notice of rectifying the insurance industry	
2002: 16 th CPC National Congress	<ul style="list-style-type: none"> Another round of proposals for the development of rural social security programmes Another round of initiatives for rural pension schemes Promotion of the rural pension scheme pilots at local level
2003: CPC's Third Plenum conference	
2008: MOLSS publishes the Opinions of the State Council on Launching New Rural Pension Insurance Pilot Programme	
2009: SC issues guidance on carrying out the new rural social pension insurance pilot	
2011: Social insurance legislation	
	<ul style="list-style-type: none"> Forming the pilot project at national level Mandating the rural pension scheme

Note: made by author

8.3 Old and new comparison

Drawing on the experiences and lessons learned from the old rural pension system, the new scheme had distinct features. The most evident was the greater role of government financial support. In the past decades, the government had not provided funds for the scheme except the means-tested security-net programmes. Also, the 1992 old rural pension scheme did not involve the financial responsibilities of the government, but the political will and policy regulations promoted the development of the scheme. This new pension scheme was a two-tier system in which the basic

pension benefits were provided by the government (central and local governments share the funding responsibility), and the second tier personal accounts funded by individual contributions, collective economic organization's contributions, and local government subsidies (Shen and Williamson, 2010). The contribution-sharing in the personal account could be different in local schemes, but the basic pension tier was standardized nationally. The central government provided the basic pension benefits of 55 Yuan per month. The central government promised to provide the full basic benefits for the less-developed inner and Western regions, paying half for the Eastern regions while the local governments bore the other half (MOLSS, 2008).

Apart from the public financial expansion in the rural pension scheme, the new rural system was aimed at achieving universal coverage by 2020 (State Council, 2009a). Contrary to the old scheme which had voluntary participation without the intention to build an institutionalized old-age welfare system, the new scheme was intended to build up a comprehensive rural sector pension scheme as a crucial part of the national welfare system (Shen and Williamson, 2010). In addition, the previous rural elderly welfare provision was basically means-tested and provided a security net only for the vulnerable groups. The 'five guarantees' and rural minimum income support were funded by public money and provide the basic living requirements (Hong et al., 2004). These selective rural welfare institutions provided safety-net protection rather than universal coverage. However, the new rural pension scheme could be seen as a first attempt to build a welfare system institutionally in China's rural sector, which can be assumed to be a crucial policy shift in rural welfare system building.

Table 8.3.1 A comparison of the old and new rural pension schemes in China

Category	Qualify conditions	Benefits	Financing	Management
Old scheme	Those aged 20 are eligible to participate.	The pension is calculated on contribution standard, contribution history, and the calculation parameter:	Financed from individual contributions ranging from 2 to 20 Yuan monthly with a matching 2 Yuan contributed by the collective.	Investment in bank deposit and national bonds. Committed to guaranteed rate of return. The local bureau of civil affairs administers the scheme and is subject to the internal control of the Ministry of Finance and to auditing
	Those aged 60 for both males and females are eligible for a pension	Benefits= 0.008631526 × total individual account accumulation		
New scheme	Those aged 16 are eligible to participate	The pension includes the basic flat-rate pension of 55 Yuan, plus individual account accumulation which is calculated on the balance of the insured's contributions plus interest rate returns, and divided by 139 (139 in 2012).	Financed from central subsidies to support the flat-rate benefit (100% for central and western regions and 50% for eastern regions). Individual contributions range from 100 to 500 Yuan annually as personal choice; matching contribution for the individual account from local governments of at least 30 Yuan per year; collective subsidies are encouraged but not mandatory.	Investment in bank deposit. Fund management begins at the county level, with the aim of shifting to provincial level. Local office of the Ministry of Human Resources and Social Security will supervise funds.
	Those age 60 for both males and females are eligible for pension			
	At least fifteen years of contributions to be entitled to the basic flat-rate pension (55 Yuan); those with less that fifteen years are subject to family binding ¹⁵			

Sources: The trial measure of county level rural pension insurance programme (MOCA, 1992a); Calculation measure of rural pension insurance (Trial)(MOCA, 1994); Guidance for carrying out the new rural social pension insurance pilot (State Council, 2009a)

8.4 Performance evaluation

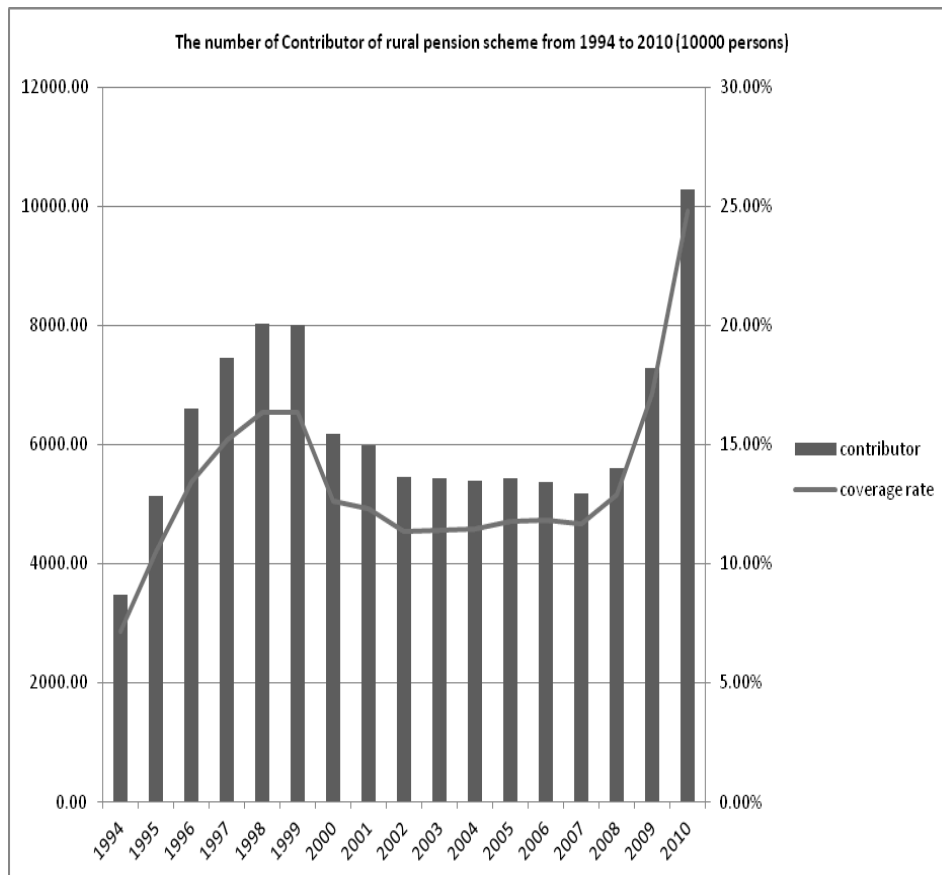
8.4.1 Coverage

The rural pension scheme pilots started in 1986, and the first national design was issued in 1992. This programme underwent gradual development with increasing numbers of participants until 1998. It can be observed that the number of contributors increased from 1994 and reached a peak in 1998, after which it

¹⁵ Older contributors close to retirement but with a record of less that fifteen years of contributions were eligible for basic pension benefits if they, their spouses or their adult children were contributing to the new scheme

decreased rapidly. From the period of stagnation to the renewal of the pilot phases, the number remained at a stable level. During the stagnation period, the withdrawal or closure of the programme caused the number of participants to plummet in 1999 and it remained at 50 million (*see* Figure 8.4.1). The initiation of the new pension scheme in 2009 brought more participants and the number increased rapidly, reaching 102,768 million, accounting for 24.81% of the rural active population in 2010 (*see* Figure 8.4.1). The number is higher than the peak number of old scheme and would increase further with the expansion of the new programme. The central government set the geographic coverage target; by the end of 2010 it would cover 24% of rural counties, by the end of 2011, the target was set at 60%, and universal coverage will be achieved by 2020 (State Council, 2009a). However, institutional coverage in the geographic sense does not mean that the rural eligible population will be able to access the new scheme; the coverage rate as a percentage of the active rural population was 24.81% in 2010, which demonstrates that there is a long way to go from geographic universal coverage to citizenship universal coverage (Dorfman *et al.*, 2012b).

Figure 8.4.1: The coverage of the rural pension scheme (1994 – 2010)



Sources: The bulletin of civil affair development (MOCA, 1994-1997); The bulletin of labour and social security development (MOLSS, 1998-2007); The bulletin of human resources and social security (MOHRSS, 2008-2010).

8.4.2 Adequacy

There are no national pension benefit data available. The benefit level is calculated from the rural pension funds' expenditure and the number of benefit claimants in the same year. It could roughly reflect the general benefits level across the country. The replacement rate is calculated based on the rural per capita income, which also represents the general level of pension benefits. For the years for which data are available (1999-2004), the pension benefits level was around 50-70 Yuan per month in most of the years. The replacement rate was around 20% in the old scheme, and in the new national scheme it was around 10% (see Table 8.4.1).

As for the adequacy level, will the benefit of 60 Yuan per month be adequate to protect the rural elderly from poverty? From the survey data from the China old-age research centre, the elderly incomes and expenditures both increased in the past

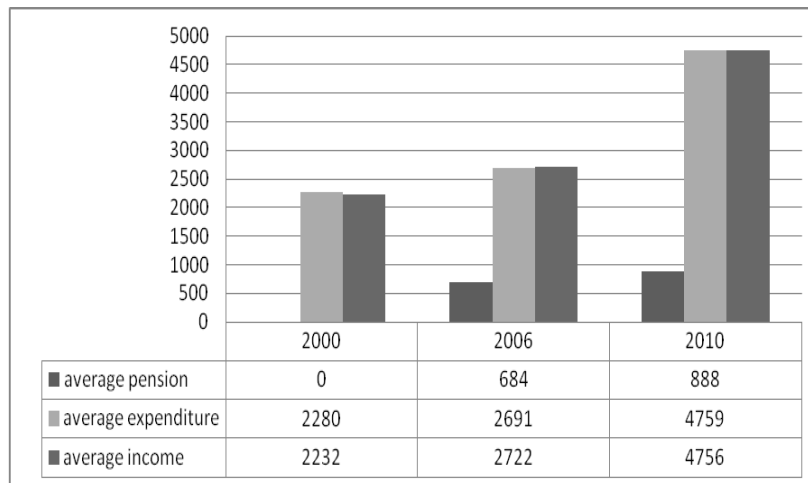
decade, particular in the last five years. However, the average pension benefits did not increase very much, and it is obvious that the pension benefits continued to fall short of the elderly average expenditure (*see* Figure 8.4.2). The low benefits level could not cover living expenses, which is also a reason why the programme is not attractive. In addition, the adequacy level is low by most measurements. The pension benefits account for 9.89% of rural per capita income in 2011 terms, 23.73% of \$1.25 per day, or 81.43% of the rural poverty line/minimum living guarantee threshold (MOHRSS, 2011b).

Table 8.4.1: The replacement rate of the rural pension schemes (1995-2011)

Year	Pension benefits (yearly)	Pension benefits (monthly)	Rural per capita income (yearly)	Replacement rate
1995	367.63	30.64	1578	23.30%
1996	575.86	47.99	1926	29.90%
1997	543.45	45.29	2090	26%
1998	903.01	75.25	2162	41.77%
1999	n.a	n.a	2210	n.a
2000	n.a	n.a	2253	n.a
2005	695.36	57.95	3255	21.36%
2006	845.07	70.42	3587	23.56%
2007	1020.41	85.03	4140	24.65%
2008	1109.38	92.45	4761	23.30%
2009	488.43	40.70	5153	9.48%
2010	698.57	58.21	5919	11.80%
2011	689.74	57.48	6977	9.89%

Sources: The author's own calculations; The bulletin of civil affair development (MOCA, 1994-1997); The bulletin of labour and social security development (MOLSS, 1998-2007); The bulletin of human resources and social security (MoHRSS, 2008-2010); China human resources and social security yearbook (MHRSS, 2011b); The Bulletin of the National Economic and Social Development (National Bureau of Statistics of China, 1994-1996)

Figure 8.4.2: The redistribution effect of the rural pension scheme



Sources: The elderly population survey in urban/rural areas 2000, 2006, 2010 (China Research Center on Aging, 2000, China Research Center on Aging, 2006, China Research Center on Aging, 2010)

8.4.3 Financial sustainability

It can be summarised that the fiscal costs come from the following sources: the central government subsidies for the basic benefits, at 55 yuan a month per person; the local government providing matching subsidies of at least 30 yuan per contributor; the local government providing the subsidies for the low-income groups (*dibao* recipients or others entitled to contribution subsidy); the local government providing the subsidy to finance the difference between the annuitized benefit and the more appropriate and actuarially fair annuity factor; the local government providing the payment to surviving spouses of any remaining balance (Hinz, 2012). The central government commitment to providing basic pension benefits was calculated from the lowest affordable level at the price of inadequacy of benefits, and some simulations using different system parameters have found that the central government spending on this pension scheme take up to 1.0-2.5 per cent of central general revenues (Cheng, 2011). The costs are projected to grow with demographic aging and increases in the numbers of recipients. However, if the benefits level increases with GDP growth, an estimate of the cost would still be less than 0.75 per cent of GDP in 2050 (Hinz, 2012). Financial sustainability at the local level (county, municipal) is more uncertain, because the matching contribution or subsidies for the contributor and beneficiary vary across localities. The cost to local governments of

providing minimum matching subsidies for the benefits are very low relative to GDP, and the likelihood of this being realized or not also depends on the local fiscal capacity. Finally, apart from the financing sources, the system design parameter also affects the future fiscal sustainability. The annuity factor used to calculate the benefits for the individual account was set as 139 months. It is based on the life expectancy calculation at age 60 and a 4 per cent expected rate of return on funds during retirement. The World Health Organization has published life expectancy figures for China and these indicate that the life expectancy at age 60 in 2009 was 15.6 years (187 months)(WHO, 2011). This suggests that the annuity factor of 139 is too low, and that the substantial subsidy embedded in the annuity factor for the individual account pension is about 65 per cent of the benefit amount (Wang *et al.*, 2012), which means that it may endanger the financial sustainability if this parameter is not changed according to life expectancy. Also, this subsidy has to be borne by the administering bodies, or the local governments in fact, the less developed regions with less fiscal capacities have more possibility to fall into the payment crisis.

8.4.4 Merits and problems

Merits

In terms of institution design, there has been major progress. First, the design of the parameters and rules has made the programme affordable for most rural citizens. Overall, fifteen years of contributions at 8.33 Yuan per month yields a benefit of 73 Yuan per month for 19.2 years (Dorfman *et al.*, 2011, p.100). This seems like a good deal for those who can afford it. Second, the incentive measures and financial subsidies reflect the government's willingness to develop the rural pension programme. The matching individual account contribution subsidized by the local government provides the incentive for farmers to participate in the scheme (Zhang and Zhang, 2012). In addition, the flat-rate pension benefits jointly financed by central and local governments are the new feature of the pension template for the rural areas (State Council, 2009a). Finally, the preferential financial support for less-developed regions reflects the equity objective in the institution design (Yibo *et al.*, 2011). In terms of institutional implementation, the universal access to pension provision for the rural population is the primary task (State Council, 2009a). Until

2011, the geographic coverage was 60%, and around 358 million farmers were included in the system. The incentive measures and political mobilization of institutional extension help to achieve the objective.

Problems

First, the flat-rate benefit is very low and has failed to fulfil the objective of poverty reduction. As the data discussed above show, the average pension benefits (flat benefits and individual accounts) could not reach the *dibao* threshold. Therefore, achieving universal poverty protection for the elderly will require additional minimum benefit guarantees under the current design, or establishing a non-contributory social pension targeting the vulnerable groups. Second, the incentive measure only works for those aged 45 and above. The empirical evidence shows that those aged 45 and above believe that the benefits are substantial, but the incentive is not strong for other age groups, particular those aged below 45. The younger groups contribute to the scheme on behalf of their parents because of family binding policies (Gao, 2012). Third, the financial support for the vulnerable groups is limited. The contribution subsidies mainly come from local revenues. The local financial subsidies of 30% of the flat-rate benefits and support for the *dibao* recipients are implemented variously across different regions. The less-developed regions with limited financial capacities cannot fulfil their responsibilities in practice (Zhang and Zhang, 2012).

8.4.5 Outlook

The bigger picture of the development of the rural pension scheme in the 12th Five-Year plan comprises two aspects. The first is to realize the universal coverage of the new rural pension scheme. Although the new rural pension design has some incentive features (matching contribution subsidies, government financing and so on), there is still some scope for improvement. Whether China will be able to achieve universal pension coverage will depend on sustained participation, the problems are particularly in less-developed regions with limited fiscal capacities and low-income group with limited contribution ability. The second objective in the 12th Five-Year plan is to consider the integration of the urban and rural pension systems, realizing the full equalization of benefits between rural and urban residents. In order

to achieve this, a common design framework will be needed to facilitate portability between schemes. However, the plan only addresses the general direction of development for the policy framework and a more operational policy design will be needed in the future.

8.5 Institutional analysis of the development of the rural pension programme

8.5.1 how it formed and reformed

The role of ideas and historical context

The role of ideas in the new institutionalist account is used to explain the source of institutional change. On the other hand, the idea of who should provide the old age support for the rural residents has a powerful influence on directing the perception and diagnosis of problems. The interplay between idea and institutional structure determines the policy design. According to Béland (2005), ideas not only determine the problem analysis and solution menu, but are also used in a narrative articulation for policy legitimacy. Ideas as cognitive maps define the interest of policy actors and shape the political conflicts in the policy process. Regarding China's rural pension case, the idea about whether the rural pension should be provided by public or private funds determines the development path (Shi, 2006). The fluctuating development path of the rural pension schemes is because the idea about the policy paradigm has changed over time.

In particular, in the development period of the old scheme, there was a retirement savings plan, and the state was responsible for institutional design and supervision and for providing limited finance subsidies through tax concessions (Wang, 2006a). During that phase, MOCA, as the main policy entrepreneur, supported the idea of more state responsibilities, and this was presented by an official speech of vice-minister Chen at a national conference on the rural pension scheme (Shi, 2006). Chen stated that the rural pension scheme was an important component of the economic strategy and a path-breaking initiative in the rural welfare system. In general, MOCA was convinced that the state should play a more active role in supporting the rural elderly by both policy initiatives and financial support (Chen,

1992). The Ministry of Finance and the People's Bank of China, however, questioned the viability of a rural scheme and doubted the necessity of a public rural pension scheme (Shi, 2006). They argued that the conventional support for the elderly based on land and on family should be the model in rural China. The state could encourage a multi-pillar approach based on family support, commercial insurance and community care. In short, they proposed a limited state role in rural pension provision (Lieberman, 2002). It can be seen that there were conflicting ideas among the *de facto* veto players: the principal policy maker, that is, the State Council, was drawn to the MOCA idea initially and promoted the development at the local level.

The wider East Asia crisis in 1997 altered the perceptions of the problem and policy orientation among central policy makers. For fear of a similar crisis in China, the central government began to regulate the insurance market to control possible risks. The State Council issued document No.14 in 1999 to regulate the insurance and financial markets, and the rural pension scheme was also included in the rectification plan (State Council, 1999). Premier Zhu Rongji, as one of the famous liberal reformers in China, repeatedly criticized the disorder of MOCA's pension schemes and the possible financial risks that they might bring, and he argued that the time for establishing a rural pension scheme was not yet ripe (Tencent, 2013). The premier's view determined the policy direction and the State Council set up an internal commission in 1998 to review the development of commercial insurance and other similar schemes, including the rural pension scheme. The group's members included the major actors involved in rural pension reform: the State Planning Commission, the MOF, the MOL and MOLA (Shi, 2008). This special committee was committed to investigating the possible problems and potential risks involved in the rural scheme. In 1998, the group presented a report claiming that there were several risks inherent in the current rural pension scheme, particularly in aspects of pension fund management and the policy distortion in the implementation. The report further entrenched the debate among the ministries on the future direction of rural pensions (Leisering *et al.*, 2002a). The MOCA still supported state involvement in the financial and administrative sphere because of the imperfect private insurance market, while the scheme's opponents partly advocated the state providing

supervision and regulation, and preferential tax treatment for the private insurance development (Shi, 2006). The SC made the final decision about rectifying the public rural pension situation in 1999, and premier Zhu also consolidated this policy shift in a speech which emphasized that rural old-age security should rely on family support and community care, and that the wealthy regions could adopt commercial insurance to supplement traditional family support (Leisering *et al.*, 2002). In addition, there were no specific measures for putting the rectification into practice. The shift from public provision to private provision brought the scheme into a period of stagnation. Therefore, after 1999, the coverage of the rural pension scheme slumped. The delayed decisions of the central policy-makers put the benefits of participants and local administrative staff in danger (Leisering *et al.*, 2002).

Apart from idea change among the top policymakers, the failure of the old scheme was also the victim of a reconstruction of various ministries in 1998. The responsibility for rural pension management was transferred from MOCA to MOLSS, and the related local bureaus and offices were forced to transfer the administration work from civil affairs to social security agents. The government administration system reform thus had an impact on the development of the old rural scheme. In some developed regions, the local government has stronger financial capacity to support massive organization and workload change (Zheng, 2007b). The overall transfer worked smoothly and the subsequent operations went well. Even so, in some inner and western regions, rural pension schemes in most localities have been more or less at a standstill. With little fiscal input, many local executive agencies had to use accumulated pension funds to maintain the internal administration. In some less-developed regions, they refunded all the money in the individual accounts to farmers and cancelled the rural pension scheme (Zheng, 2007b). The closure of a pension scheme unilaterally ruined trust in the government at the local level (Zheng, 2007b; Li and Zhu, 2012). By the end of 2005, the number of participants in rural pension schemes had dropped to 54.42 million, accounting for only 5.8% of the rural population. The accumulated fund reached 31 billion Yuan. Compared with the number of participants in the peak year of 1997 of 80 million, over 20 million farmers had withdrawn from the rural pension scheme (Chang and He, 2006).

In 2003, under the new leadership of Hu-Wen, the administration changed its idea about development strategy. The shift from efficiency-oriented economic development to harmonious society-building signified a paradigm shift in the Hu administration (Yu, 2009). Setting up a new rural pension scheme became a specific policy initiative under the new policy rationale. This idea change also could be as a demonstration of the political will to promote social development in rural areas. The Chinese government issued a series of documents concerning the establishment of the rural pension insurance system: 'The Opinions of the Central Committee of the Communist Party of China and the State Council on Building a New Socialist Country' (State Council, 2006) and the National Eleventh Five-Year Plan (CCP, 2006). These policy documents were aimed at establishing appropriate rural pension insurance according to local economic and social conditions.

In 2007, the Seventeenth National Congress of the CPC report expressed the will to explore the new rural pension scheme and encouraged local rural pension pilots (CPC, 2007). In 2008, the third session of the Seventeenth CPC issued the 'Circular of the CPC on several major issues in further improving rural pensions and development', which also mentioned establishing universal, multi-level and sustainable rural social security protection (CPC, 2008). In March 2009, premier Wen Jiabao stated in the Government Work Report that rural pension insurance pilots should be launched from 2009 and should cover 10% of counties (Liu and Han, 2010). In addition, the financial crisis of 2008 was a stimulus which promoted the national new rural scheme which then rapidly proceeded (De Haan, 2010). Increased public spending as a crucial change in the new design was consolidated in the policy document. Beijing Normal University's Professor Zhang Xiulan argued in 2009 that the financial crisis had accelerated comprehensive social protection in China (World Economic Forum, 2012). The swift launch of the new rural pension scheme in the middle of 2009 was a sign that the crisis had accelerated the initiative based on the previous political preparations under the idea of a 'harmonious society' (Haan, 2010).

8.5.2 Why

The institutional opportunities for the unintended consequences

In the old scheme development process, we find that the investigation and assessment of the old scheme conducted by the special committee in 1997 identified several problems in the implementation process: the overestimation of future benefits, the management risk of pension funds, misleading information given to farmers, and abuse of power over compulsory participation (Lieberman, 2002). The report presented the problems occurring in the implementation and proposed recommendations for policy change or transition. However, the report did not explore how and why the problem had taken place at the local level.

We will use the empirical evidence collected to analyse the determinant factors of these problems. First, the original institution design problem created possibilities for policy failure. The parameter set was not based on actuarial calculation results, which resulted in payment risk. It was a personal savings plan launched and administrated by the government, but the benefits level depended on individuals' contribution records without government financial support (MOCA, 1992a). Within the scheme design, the assured retirement benefit was calculated based on an annual interest rate of 8.8%. However, China's economy was at a high inflation stage when the policy came out. The accrued benefits would exceed the predicted level when the interest rate came down after the high inflation period. Actually, when the central bank repeatedly cut interest rates from 8.8% in 1997 to 6.8% in 1998 and then to 2.5% in 1999, the fund accumulation shrank with the decrease in the deposit interest rate (Leisering *et al.*, 2002, p.125). The future payment risk would be mounting while the benefits level remained unchanged. The imbalance between accumulation and pay-out posed financial risks for the old scheme. In addition, with regard to pension fund management, the policy regulated that the fund could only purchase government bonds and be deposited in the bank for investment. No department was allowed to divert the fund or use it for direct investment (MOCA, 1992a). Under this fund operation regulation, the fund's investment returns could not meet the benefits claim level when the interest rate continued to fall without violating the regulations and exploring ways to increase the fund returns. Therefore, the central government on the one hand had restricted fund operations, but on the other hand it steered away from providing financial support for the potential payment crisis. The absence of

fund investment plans and central financial support led to the ensuing payment crisis (Chang and He, 2006).

In the phase of stagnation, the lack of proper rectification measures eroded the old scheme and hastened its inevitable failure. Following the investigation by the special commission, the responsibility for rural pensions from MOCA to the newly-established Ministry of Labour and Social Security (MOLSS), which primarily took charge of the urban social insurance issue (Gov.cn, 2012). This adjustment represented the downgraded status of rural pensions. The so-called 'rectifications' only existed in the policy orientation, and there were no consolidated measures or guidelines for the local governments to follow except for halting further expansion (State Council, 1999). The MOLSS was supposed to introduce detailed regulations to enforce the State Council's decisions about rectification; however, the two proposals which the MOLSS put forward were not finally approved because of conflict between the related ministries. The first plan was intended to commercialize the existing pension schemes in poor regions and maintain the current scheme in well-off regions. This partially commercialized plan did not conform to the ideas of the Ministry of Finance, which claimed that the state had withdrawn from the rural social security system. In the other plan, the MOLSS made more concessions and agreed to follow the commercial insurance principle. It proposed setting up a special branch under China Life Insurance, which would take charge of the old scheme and administrative work. This meant that the special agency should operate under government regulations and supervision, and the state regulations involving the rural special commercial insurance. Although the basic principle was agreed among the associated ministries, insurance regulators did not agree to set up such an agency closely linked with government; MOF did not want to have any involvement in the policy framework design and was reluctant to propose other alternatives. Therefore, after 1999, the local pension schemes were again in a state of stagnation (Leisering *et al.*, 2002).

In the new scheme development process, the institutional design problem also affected the achievement of the policy objective. According to the evidence from a survey in the model provinces (Hubei, Chengdu, Hebei, Jiangsu), the incentive measures only played a partial role in practice (Zhang and Ma, 2012; Gao, 2012;

Yang and Zhang, 2012; Zhang and Jin, 2012). The universal flat-rate pension benefit design attracted farmers aged 45 and above. The threshold of fifteen years contributions for entitlement encouraged the age group who was relatively close to retirement. In comparison, the younger population did not have any incentives to join the new scheme (Zhang and Zhang, 2012). It was set that an individual could choose from five contribution benchmarks: 100, 200, 300, 400 or 500 RMB annually, and the benefits level was linked to the accumulated funds (State Council, 2009a). The more each person contributes, the more he/she will receive on retirement. It seemed likely that the policy design would generate incentives to attract rural residents to contribute more to their funds, but the empirical and anecdotal evidence shows that young farmers were reluctant to participate, and that the participants preferred the lowest contribution standard. In addition, the young age group (below 45) was worried about the long-term certainty and stability of the pension scheme, and this concern resulted in less enthusiasm for participation (Zhang and Jin, 2012). Some studies have found that the low participation rate among younger people resulted from the low return rate of individual accounts which was at the deposit interest rate of that year. Also, younger individuals would like to invest their money in other ways to generate greater returns. The overall low benefits level of this scheme might not attract the younger generation that thinks less about old age life and prefers to invest its savings in other ways (such as housing, stocks and shares) than in the pension scheme (Shen and Williamson, 2010); the designed benefits level was relatively low, and survey participants responded that the benefits could not cover their basic living expenses. Finally, the local financial subsidies as an incentive and compensation for the low-income groups were not implemented very well, which means that this incentive measure has not been realised in some poor localities (Yang and Zhang, 2012). Therefore, the new scheme design (benefits level, incentive measures) shaped the interest and perception of farmers over whether they should join or not. Also, the dependence on local financial resources in the design did not consider the various development levels across localities, and the conflict between the objective of expansion and the limited capacities is a dilemma for further development (Zhang and Zhang, 2012; Yang and Zhang, 2012; Zhang and Jin, 2012; Zhang 2009c).

Apart from institutional design, the decentralized administrative system generates possibilities for the localities to pursue their own interests and this might redirect the realisation of the policy objective. In the old scheme's development stage, the mismanagement problem in implementing it further deteriorated the scheme and undermined its sustainability. The old rural pension scheme and the civil affairs bureaucrats as the agent in charge of the administration had to draw money from the pension fund for their administration fees, at the rate of 3% of the fund, to support the day-to-day operation (MOCA, 1992a). In order to collect enough administration fees, the local bureaucracies were motivated to recruit more farmers into the scheme and expand the contribution base. With this administrative intervention, the originally designed voluntary scheme became compulsory in some areas (Wan, 2002). For instance, in some less-developed regions in Hunan province, the rural pension scheme implementation became a social movement: the government promulgated and allocated the task of fund collection to lower-level governments, and the grassroots officers also invented many measures to attract farmers to participate in the system (Chang and He, 2006). For example, in their promotional campaigns, many localities claimed that the scheme would secure the basic living standards even though there was no commitment to this from central policy. Some local civil affairs authorities even tried to link participation in the pension scheme with their marriage registration. In this sense, the implementation of the rural pension scheme at the level of grassroots government changed to competing for farmers' capital (Chang and He, 2006). The absence of public financial support for the system administration therefore resulted in mismanagement. In addition, the 1998 government administrative reform changed the management body of the rural scheme, and the social insurance agencies at the local level were reluctant to deal with the legacies from the civil affair bureaus. In some developed regions, the local government has stronger financial capacity to support overall transfer worked smoothly and the subsequent operation went well. In some inner and western regions, rural pension schemes in most localities have been more or less at a standstill. With little fiscal input, many local executive agencies have to use some of the accumulated pension funds to maintain their internal administration. In some less-developed regions, they have refunded all the money in the individual accounts to farmers and cancelled the rural pension scheme.

In the development of new scheme, a similar problem also exists. The policy design required the local governments to make matching contributions to subsidize the individual accounts. On the one hand, this was an incentive measure to attract farmers; on the other hand, the contribution subsidies for the vulnerable groups (*dibao* recipients) could reduce their burdens and improve equal access to the new scheme (State Council, 2009a). The local governments' public subsidy, or public spending in essence, could stimulate the farmers to participate in the new rural pension scheme and boost their confidence in the new policy (Tian and Ding, 2011). However, given the condition of unbalanced social-economic development in different regions, the inner and west regions have limited financial capacity to support the new rural pension scheme. The provinces with bigger rural populations are less-developed regions too, so the demands for huge financial subsidies and their limited capacities create a dilemma in implementation. Therefore, in order to maintain the expansion of the new rural system to less-developed regions, it is essential to reconstruct the financial responsibility between central and local governments, not only for providing more central support for the flat-rate pension benefits, but also for providing matching contributions in the individual accounts.

The institutional constraints for the unintended consequence

In the development of the old scheme, the limited administrative capacities and mismanagement problems not only derived from the opening of the institutional structure, but also from the institutional constraints. The political institution did not empower the farmers to mobilise their welfare demands and the top-down social mobilisation measures for the new institution building provided limited possibilities for the rural residents to affect the formation and implementation of the pension insurance model. In addition, unlike the long-term exploration of and experimentation with welfare reform in the urban sector, the rural reform was not urged by the vested welfare interest. In the SOE welfare system, the urban workers had an impact on the model design and adjustment; while in the rural sector pension programme as an innovative institutional design; there were no welfare legacies or vested interests among farmers. In comparison with their urban counterparts who had been entitled to welfare benefits before transition and had a vested interest in the old system and greater lobbying power to press both the central and the local

governments to provide and deliver new welfare provision, the rural populations have less lobbying power to affect decision-making. Similarly, rural populations have less weight to press the local governments to follow the central policy objectives or to provide an increased welfare service. Therefore, when the local authorities redirect policy implementation or distort the original objective (from a voluntary to a mandatory scheme, by mismanagement of the pension fund, or by closing the programme unilaterally, for example), the rural residents have fewer opportunities or rights to resist the failure of old scheme. The political institution and welfare institution constraints determined that the farmers as the crucial actors could not impact or reverse the mismanagement of the old scheme.

The legacies from the old scheme affected the expansion of the new scheme. According to various research surveys and reports (Feng, 2010; Feng Tieying, 2010; Zhang, 2010a; Zhang, 2010b), those approaching the age of 60 were most likely to enrol in the scheme because they could receive the basic public pension benefits when they reach 60 regardless of their contribution record; and those near the age of 45 have tended to have had a 'wait and see' attitude toward the new policy. They are doubtful about the long-term development of the new rural pension scheme. The lack of public confidence and trust over the new policy is another reason which prevents residents from joining it. Reviewing the rural pension reform process, especially the old scheme and its failure, it is easy to tell that rural policy has fluctuated according to changes in bureaucratic ideas and political will. The rural scheme has jumped on and off the policy agenda over the past decades. This unstable process has highly damaged public trust and confidence in this policy (Chang and He, 2006; Tian and Ding, 2011). In addition, the idea of family and land supporting life for the elderly as traditional value legacies still has a vast impact on the old conservative generations. The perception of welfare and social insurance is not taken for granted among rural populations as it is by their urban counterparts, and the lack of awareness of social rights and a lesser desire for a public service make the rural pension policy not easily acceptable for some rural residents. There is a concept that family and children caring for the elderly should be the right way and that the government has no obligation to provide a service except for caring for those who do not have family members (Daily, 2008). Also, the absence of easily understood and transparent

communication of policy to the general public is another reason affecting rural public opinion. The use of a top-down political campaign to add a new institution constrains the implementation of it as well. There were no education programmes or promotional campaigns when the new scheme was introduced at the local level, so the general public could not be actively mobilized to follow the policy (Zhong and Li, 2012). The institutional legacies and constraints combined together led to implementation problems.

Therefore, compared with the urban reform which was actively demanded by the urban workers in the transitional social economic context, the rural scheme initiatives and reform mainly derived from an active political intention, promoted by the central leadership and implemented by local authorities, which left limited space for rural residents to have any impact on the policy formation. These top-down active policy changes without any policy pressure from farmers may be subjected to the passive attitudes of the policy recipients at local levels, and the legacies of failure of past policies, as well as traditional idea legacies combined with the institutional structural constraints, affect public opinion and participation behaviour.

8.6 Conclusions

Following the conceptualization of dependent variables and independent variable effect hypothesis which we generated in Chapter 4 and 5, we provide here an institutional analysis of the rural case to reveal the development path and its dynamics. Again, we used the combined qualitative and quantitative evidences to analyse the direction and scope of change as well as the impact of change drivers.

8.6.1 Dependent variables: direction and extent

Based on the qualitative evidence (mainly policy documents) and the coding framework, we argue that the reform effort since the 1980s represents a systemic welfare expansion. The rural pension scheme was first proposed by the government. The rural welfare protection in the PRC was provided by the family and kinship with minimal collective subsidies for the vulnerable groups (the 'five guarantees' system). The old rural pension scheme proposed by the government reflected the state's will to build institutional welfare protection for rural residents for the first time. The

policy proposals were discussed among bureaucratic actors and piloted at the local level. Sets of formal regulations which were issued in the 1990s in order to administer and develop the rural pension scheme reflect the commitment to expanding the welfare system essentially by drawing in more people. However, the scheme was based on voluntary participation without state funding support, the coverage was selective based on the farmers' contribution capacities. In this regard, we argue that the old rural scheme development as the selective expansion from 1980s to 1998.

Accordingly, the quantitative evidence including coverage rate and replacement rate (*see* figure 8.4.1 and table 8.4.1) also shows that the generosity index increased from 1994 and reached a peak in 1998 (*see* Figure 8.6.1 below). Indeed, the direction of expansion was very explicit after the formal policy regulation was issued. However, the old rural scheme was suspended in 1998 and the quantitative evidence also shows a dramatic slump in numbers of participants accordingly. Starting 1998, the qualitative and quantitative evidence combined clearly suggest that the rural pension scheme moved in the direction of programmatic retrenchment. This retrenchment halted following another round of pilots for a rural pension scheme in 2003, which stabilised the generosity. During this period, the scheme was carried out on the pilot basis, and the local experiences provided the lessons for the mandating of new schemes, and we suggest the rural scheme underwent experimental period. Finally, the new rural pension scheme was proposed in 2009 with the introduction of basic pension subsidies from government (central and local), which reflected the fundamental change compared with the previous one. This again reflects a systemic shift from the old system, while it also indicates a more generous welfare provision for rural residents.

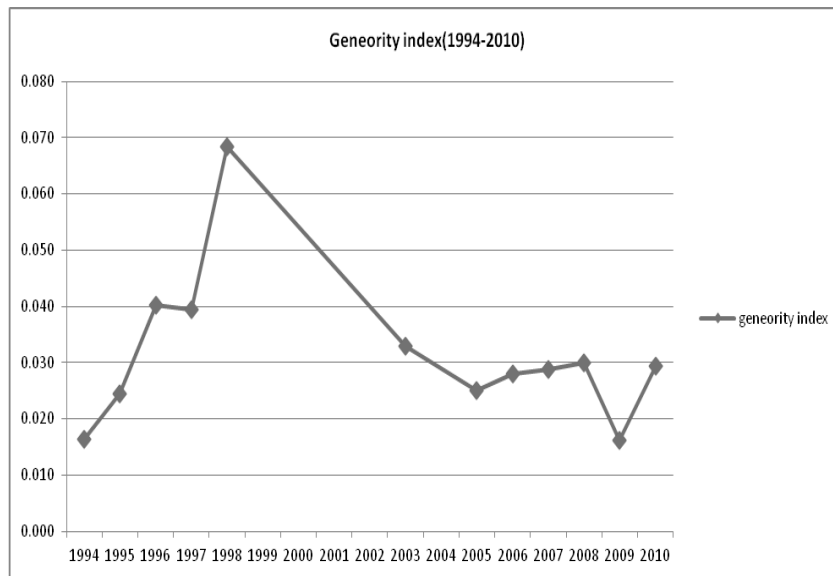
In sum, we can conclude the development path and direction as follows: the old rural scheme's introduction and in middle 1980s suggested a selective welfare expansion compared with the traditional family support for old age, and the development in most of the 1990s underwent rapid expansion with increasing generosity levels. The stagnation period (1998-2002) retrenched the old scheme seriously with a rapid decline of institutional generosity, although there was no change in programme parameters or profiles in this stage. The formation of the new

rural scheme since 2003 was in a experimental period and the local pilot projects provided the policy-making sources for the forming of new scheme. These new pilot projects carried out in local level to different degree brought in the government fund support, and in this sense, the reform direction went towards expansion with more generous design comparing with the old scheme. The final mandating in 2009 replaced the old scheme, and the programme's features also show that the new scheme is a systematic shift from the old one with more generous provision.

Table 8.6.1 The characteristics of reform from mid-1986 to 2009

Time	Reform Direction	Reform Extent
<i>Mid 1980s-1998</i>	Expansion	Selective
<i>1998-2002</i>	Retrenchment	Programmatic
<i>2003-2009</i>	Expansion	Experimental
<i>2009-now</i>	Expansion	Systemic

Figure 8.6.1: Generosity index from (1994- 2010)



Source: The bulletin of civil affair development (MOCA, 1994-1997); The bulletin of labour and social security development (MOLSS, 1998-2007); The bulletin of human resources and social security (MOHRSS, 2008-2010); China human resources and social security yearbook (MHRSS, 2011b); The Bulletin of the National Economic and Social Development (National Bureau of Statistics of China, 1994-1996)

8.6.2 Independent variables and causal effects

Impact of political institution

Just as in the urban sector, the Chinese political system with its strong executive and less powerful veto players and veto points provided the possibility for generating far reaching change in the rural sector. What is more, the empirical evidence also shows that the policy change process was unstable and without a clear blueprint before the new scheme initiatives in 2000s were introduced. The dismantling of the old rural scheme and its replacement by the new one in the past three decades suggests a fluctuating development path. Just as it happened in the urban sector, the top-level policy change was easy to initiate because of the absence of powerful veto players and veto points. Yet, what is different from the urban case is what happened at the ground level. Rather than acting *de facto* veto players, the local governments used the opportunities offered by decentralization to obstruct the development of the rural scheme, promoting it as a campaign by different measures. This brought about an expansion of the old rural scheme alongside some unintended consequences, such as the blind determination to expand coverage and impeding the fiscal sustainability of the old scheme. In addition, in the development period of the new scheme in 2000s,

the local governments were more cautious about the pace of development. With the more generous new scheme, it was supposed to be easy to reach universal coverage, but the empirical evidence does not confirm this and the generosity index remained at the same level from 2003 to 2009. Since the political institutions alone cannot explain this contradictory performance, we shall turn to the pension institution design for an explanation.

Impact of the pension institution

The absence of an institutionalised public pension for rural residents meant that the old scheme could be established and developed easily. The rapid expansion from 1992 to 1998 on the one hand can be explained by the absence of any impact from legacies, while on the other hand it also conforms with the welfare expansion proposition that it is easier than retrenchment – i.e. the politics of blame avoidance. In addition, the old scheme was a voluntary funded individual account, which was financed mainly by the contributors while the local management authority received the administration fees from the fund. This provided the local authorities with the incentive to promote the expansion of the old scheme. Thus, the absence of financial responsibilities and the possibility of gaining increased fees by expanding the contribution base were the crucial incentives for the local governments to develop the old scheme. However, the replacement of the old rural scheme with the new one was neither quick nor easy. On the one hand, we argue that the new design involved local financing for the programme, which affected the extension of the programme in less-developed areas with limited fiscal capacities. The higher the number of participants, the greater the financial burden for the local government, and the decentralized administration also allowed sub-national implementation at its own pace, which consequentially impeded the universal coverage. In addition, we argue that the legacies from the old scheme, such as the lack of belief in the public provision, also affected attitudes to participation, particularly for the middle-aged generation, as the evidence shows (*see above*: Change and He, 2006, Tian and Ding, 2011). Finally, the process of policy reform in China has followed a gradual paradigm, starting from sub-national piloting and accumulating experiences and lessons, and then forming the policy design at the national level. The local experiments were useful for accommodating the diversity of conditions at the

sub-national level; however, it also brought a challenge for the further nationalization programme and the nationwide integration of the scheme as the future project proposed.

Impact of idea and context

Contrary to the urban sector reform that more impacted by the ideas and paradigm promoted by the WB, the change in the rural pension schemes more involved more conflict of ideas between bureaucratic actors. This idea conflict between state provisions, commercial insurance or family support for the elderly in the rural sector was the crucial factors impacting the development path. The initiation and development of the old rural scheme were more dependent on promotion by the Ministry of Civil Affairs as the old programme only involved state regulation rather than state financing. The idea of commercial insurance and family support arrangements for retired rural residents took the upper hand during the stagnation stage since 1997, which was also caused by the macro context during this point in time. The insurance industry crisis brought about by the East Asian financial crisis and the low financial sustainability of the old scheme resulted in the stagnation of old scheme as well as the retrenchment in the following years with falling participation. The Hu-Wen administration with its development strategy emphasised the balanced development between the urban and rural sectors, and social security for the rural sector was put on the government agenda. The local pilot experiences in 2003 and the nationalized policy design in 2009 mandating the new rural pension scheme followed the idea of more state intervention for the support of retired rural residents. Not only the policy regulation but also the input of financial resources from the government demonstrated its strong political will to build institutionalised welfare provision in the rural sector. Therefore, the idea conflicts between the political actors and their bargaining determined the unstable development of the old scheme. The Hu-Wen administration's idea shift from efficiency to equity consolidated the new rural pension development in recent decades.

Impact of interest groups

Similar to the urban sector, the absence of organized interest groups (pensioners, rural residents) involved in the pension policy-making facilitated the policy change

easier. In addition, in the old scheme development stage, the relative lack of unity of rural residents determined their reduced power for affecting policy change or stagnation. When the reform turned towards retrenchment, the rural residents and the pensioners had no channel to oppose the change. In the new programme, there is some evidence for the generational conflicts over whether or not to join the new scheme were seen in the empirical evidences. The family-bond design of the new programme connects the young generation with the middle-aged generation who is closer to retirement, which incentivised the promotion of the extension of coverage. In practice, however, the young generation had less incentive to take up the scheme because of the low benefit level and low investment returns, while the middle-aged generation was more concerned about the feasibility of payments and more inclined to join the scheme. These conflicting attitudes towards the new programme also caused problems in implementation.

8.6.3 Change pattern

Adopting the historical institutionalist and gradual change theory, we can delineate the model type of institutional change in the rural sector. We argue that the rural pension institution underwent a displacement pattern. To remind ourselves displacement represents the removal of existing rules and the introduction of new rules, and this kind of change can happen abruptly or slowly (Streeck and Thelen, 2005). More gradual replacement occurs when a new institution competes with an older one rather than supplementing it (Mahoney and Thelen, 2010). The new institution in this case was introduced by the actors who were the losers in the old institution, and the old supporters could not prevent the new rule from coming in, so the gradual replacement happened. More precisely, the new administration Hu-Wen administration as the new actors brought in the new design for the rural sector, and the supporters or the vested interests in the old scheme (the previous participants) had no capacity to block the new rules. In addition, the retrenchment and the dismantling of the old programme under the previous government administration further de-powered the supporters of the old system. In addition, the new rule in the direction of welfare expansion was more welcome and more acceptable than the old ones. The gradual replacement pattern in rural pension development took place with no explicit opposition.

Part Four: discussion and conclusion

Chapter 9: Discussion

9.1 Research questions and findings

9.1.1 Question 1: what pension policy change has happened from 1980s to 2010s?

Pension policy change in China represents vigorous efforts to shift from the state financed SOE welfare system to the social insurance pension model in the urban areas and to create a state-regulated individual account pension scheme in the rural areas in the 1980s. The 1980s witnessed the dismantlement of the socialist welfare system as part of the de-regulation of the Chinese economy and society. Both in the urban and the rural sectors, the debates and experiments regarding which pension provision model would be most appropriate for China in the market economy context were going on over the course of the entire 1990s. Policy learning from other countries (such as Singapore and Latin American countries), the diffusion of international ideas, and the various local pilot projects firstly started from different models (DB social insurance model, funded individual accounts, and so on) and was finally consolidated as the partial DC (PDC) social insurance model in 1997 under the support and advice of the World Bank. In the rural sector, a voluntary personal savings account model regulated by the government was piloted and quickly expanded during the 1990s and then halted in 1998.

In the 2000s, the partial DC pension insurance was improved by issuing more regulations to address the implementation issue and investing more central financial resources for the transition costs. In addition, the previous state sector worker-targeted system was gradually extended to other labour groups, including workers in the private sector, the self-employed, flexible workers and other atypical workers. Finally, apart from the basic pension pillar development, efforts to set up a multi-pillar pension system were also observed: establishing the corporate pension scheme and social pension scheme pilots at the local level. Unlike perfecting the established system in urban areas, the rural sector underwent another round of new rural pension pilots and experiments to replace the old system. In 2009, the State Council consolidated the new rural pension model and the new scheme differed from the old by the substantial public financial support from both central and local

government. This injection of public spending was an innovation and reversed the urban-biased trend in welfare service provision. Comparing the size of the benefits, and the development level of the new pension scheme with its urban counterpart, the standard for the rural population was substantively low; however, the objective of building an institutionalized pension scheme for the rural population, the principle of universal coverage, and the provision of support from public finances all represent a dramatic policy shift in the development of a rural welfare system. Therefore, if we observe the pension policy change in this decade, the greater coverage, increased support from public finances, and the strong political will to achieve institutionalized pension provision for both rural and urban populations indicate a considerable welfare expansion.

Universal coverage of the pension system was being formed, and different segments of the population were covered by different schemes in the basic pension pillar. However, as for the integrated national pension scheme, it still has a long way to go to achieve universality. Currently, the segmentation of the urban and rural systems is striking. The policy designs, parameters, principles and objectives are quite different and it is hard to expect a harmonisation of the urban and rural pension systems in the near future. In addition, even within the separate urban and rural sectors, the divisions of the basic pension are also obvious. The schemes for urban formal workers, informal workers and urban residents, as well as workers in the public sector, are quite diverse in terms of system design, benefits level and so on. Apart from the formal policy with its specific target, there are some omissions in the universal coverage; the groups who are not capable of contributing to the scheme are excluded from the basic pension system. Within the rural sector, the national rural scheme as a unified design for the rural population is clearer than its urban counterpart in terms of system design; however, its voluntary nature also brings about a difference between insiders and outsiders – contributors and non-contributors. The empirical evidence shows that the outsiders are usually the vulnerable groups who are in need of a pension but cannot afford the contributions. Therefore, even though the basic pension schemes provide universal coverage for the urban and rural citizens based on their status, the empirical universal coverage, particularly including the low-income vulnerable groups, is a crucial issue to be sorted in the future. In

addition, universal coverage does not mean that a national basic pension system is forming. The objectives of integration and harmonization of the rural and urban schemes, as well as the segmented systems within the urban sector as the reform direction proposed by government, are difficult to achieve in the short term. The integration and harmonization measures, procedures and parameter adjustments will be the questions to be answered in the future.

9.1.2 Question 2: has the pension institution undergo change or not, to what extent and in which way?

After reviewing the pension policy change over the past decades, the second set of questions seeks to trace the pension reform trajectory at the institutional level. In general, pension reform started from the dismantlement of the old system and its replacement with a new one. The pension insurance system which replaced the old scheme was featured by the retrenchment from the 1980s to the 1990s. In the advanced economies in the West, welfare retrenchment usually generated a reduction in the generosity of benefits, the coverage or the quality of social programmes since the 1970s (Bonoli, 2000a). In China's case, from the 1980s to the 1990s, pension reform also suggests a degree of retrenchment. During this time period, the state retreated from previous welfare commitments by establishing new scheme while passing responsibilities to the individual and society as a whole.

First, the reform during this time was aimed at reducing the number of beneficiaries by unemployment and lay-off measures. The SOE workers who were entitled to pension benefits under the old system were dropped from the system during the social transition (Cai, 2002). The decreasing numbers of SOE workers meant a decreasing welfare burden for the state. Lay-offs, with or without compensation, and early retirement packages were adopted to reduce the SOE welfare burden and the number of potential beneficiaries. Second, the formation of a new pension insurance model changed the financial mechanism with the state retreating from the principal financial responsibilities. The employer and employee joint contribution method replacing state financing represents another aspect of retrenchment. The introduction of individual contributions and pooling at the local level gradually shifted the responsibility for pension provision from the state to the employer and the individual,

and the government was responsible for regulation and administration. The formation of the pension insurance model out of the SOE welfare model on the one hand replaced the welfare legacies, but on the other hand it coincided with the demographic aging and PAYG crisis in the global context. Third, consolidating the urban worker pension scheme in 1997 also unified the system parameters and design. The individual contribution rate was increased from 4% of payroll gradually to 8% and the employer contribution rate was capped at 20% of payroll. Compared with the previous parameters, the contribution rates for employers and employees were raised. This constituted a direct retrenchment strategy with the aim of containing expenditure. Another measure in this regulation was that the benefit level was decreased, with the replacement rate falling from 80% to 60%. Forth, entering the first half of 2000s, there was continual adjustment of the basic pension benefits for urban workers according to economic growth and wage levels, pre-funding of the individual accounts with central and local financial subsidies, and the setting up of a social security reserve fund as the last resort for a payment crisis, as well as specific measures issued to deal with implementation problem in scaling-up the pooling level and improving the portability of pension benefits. All these parametric adjustments were intended to solve the problems which had occurred in the previous stage and improve and confirm the PDC design. Finally, in the second half of 2000s, the expanding of coverage and adoption of the new pension scheme for urban residents incurred considerable amounts of additional central public spending. The multi-pillar pension model was being formed in this period – albeit with coverage of only a small fraction of the population. The supplementary pillar was set up as a voluntary scheme on top of the basic pillar targeting the insured already in the basic pension pillar. In addition, the non-contributory senior citizen's allowance as a miniature social pension was developed at the sub-national level from local public funds. The multi-pillar pension model was introduced at the top level, but its development (in an empirical sense) still has a long way to go. In sum, the reform efforts and direction during this time period were a reversal of the retrenchment by expanding access to the pension scheme and increasing public financial inputs.

In rural areas, the old pension scheme for the rural population was regulated by the state without providing further financial support. As the first formal welfare

provision for the rural residents, it indicates a systemic shift towards more institutionalized pension provision. With the development of old rural scheme and more insured were covered from 1992 to 1998. Our institutional analysis concluded that the rural areas underwent pension expansion from in the 1990s until 1998. The stagnation since 1998 not only reflect the retreat of state in provision but also the declines of generosity level, both the qualitative and quantitative evidences demonstrated the rural pension welfare retrenchment from 1998. The new pilots projects started from 2003 resumed the institutional provision for rural elderly, the quantitative data also shows the halt of generosity level decline and gradually increased since the new rural pension scheme confirmed in 2009. Given the design features and the more coverage witnessed, we concluded that the rural sector underwent a gradual expansion since 2003.

Therefore, from an overview of pension development in both the urban and rural sectors, we find that the retrenchment was evident from 1980s to 1990s in urban sectors while the rural experienced expansion with increasing number of participants. Even though within the same context of liberalized China, the arguments of the different development paths are not odd. Because we do the analysis within the separate sectors, and comparison over the crucial time points are still within the same sectors. The different starting point of pension provision will lead us into different judgments of change directions and feature. However, if we putting these two sectors together, and overviewing the rationale of reform initiatives behind them, the state retreatment from financing was evident in both sectors. The PDC model in urban and voluntary individual accounts in rural both demonstrate the constrained state involvement of financial support. The scenario after the mid-2000s were different from the previous and we witnessed the pension expanding trend in both sectors comparing with their last stage. More state financial input, policy regulation increasing generosity was observed in qualitative and quantitative evidences in the latter half of 2000s. The only difference resides that urban sector was more complicated with public provision expanding and greater privatization at the same time.

9.1.3 Question 3: what factors bring about the change in policy and institutional level?

Liberal ideas, economic openness, demographic aging

The second leadership generation of the PRC under Deng Xiaoping began the liberal reform of the economic sector and the third generation lead by Jiang Zemin further developed the liberal reform by privatising the economy and welfare provision. The conservative idea holders in the political elites initiated economic openness through privatisation, marketization and trade openness. This openness on the one hand brought market competition from the private sector and the dismantling of communal economies, while on the other hand it exposed the state-owned economy to foreign capital and integration with the global market. The emerging private sector and the growth of foreign capital flowing into China greatly reduced the competitive and financial capacities of SOEs. Risk pooling was introduced to share the pension payment burdens of different-sized SOEs in order to force the SOEs with a young age structure to subsidise those with older employees.

Labour market reform was another aspect of the new economic openness, with the introduction of contract workers and the gradually replacement of the life-employment guarantee in the socialist system. As a response to these new welfare needs, the individual account funded by individual contributions was introduced and this would be used to pay future benefits rather than state budgets continuing to pay them. These two measures were adopted in the 1980s as problem responses to the initial economic openness but did not change the socialist welfare system in essence. In the 1990s, with the assistance of international organizations, the consideration of demographic aging, and the development of urbanisation under the liberal economy process, pension reform was aimed at creating basic pension systems in the market economy context and replacing the old systems.

In the urban sector, by separating pension provision from the SOE corporate system and introducing employer/employee contributions for the pension funding with the state as the last resort, the state gradually retreated from pension provision responsibilities. The administration and financial responsibilities were delegated to employers, employees and sub-national governments. In rural areas, the collapse of

the collective economy, and the undermining of family support for the elderly in the urbanization process pushed the development of rural pension pilots. However, the individual account design without state or collective economy support could not mitigate the effect of dismantling collective and family support.

Idea change, new social risks, and policy legacies

First, the fourth leadership generation under Hu-Wen directed China's development in the 2000s (2003-2011); this generation was distinguished from its predecessors by adopting the scientific development concept¹⁶ and emphasizing the coordination of social and economic development in order to reverse the pro-economy, pro-efficiency trend of the previous decades and solve the problems which had occurred in the previous stage. The ideas of 'building a harmonious society', alleviating social inequality, and increasing the protection of vulnerable groups were the crucial welfare development efforts at this stage. In addition, the problems which had occurred in the previous stage of China's economic transition also urged the policy makers to design an appropriate response. This new social and economic context provided an enabling environment for reform.

Second, the economic reforms of the recent decades on the hand increased household incomes and decreased the proportion of the population living in poverty; on the other hand they increased the income gap between urban and rural dwellers across different regions and sectors. The unequal access to welfare provision because of the constraints of institutional design aggravated social inequality. Even for the population entitled to welfare benefits including pensions, the benefits inequality among workers in different sectors was obvious. The decreasing replacement rate of the basic pension in 1990s also raised concerns about the adequacy of benefits. Overall, the inequality and inadequacy were other drivers of reform in this period. Increasing the urban workers' pensions in line with wage increases, building the second pension pillar and a series of social pension experiments were all initiatives responding to these issues. In addition, with the liberalisation and deregulation of

¹⁶ It is one of the guiding social economic principle of CPC. It incorporates scientific socialism, sustainable development, social welfare, a humanistic society increased democracy and ultimately building the harmonious society

the labour market, various types of employment began to emerge: migrant workers, flexible workers, part-time workers, self-employment and so on. The emergence of new risk groups in the labour market also called for the introduction of risk prevention (including pensions) for them. How to reform the welfare system to adapt to these social and economic changes and to include the new groups into the pension system required crucial initiatives in this stage. Extending coverage to private sector and atypical workers was the major reform effort accordingly. Finally, the economic crisis which started in 2008 resulted in GDP falling below the pre-crisis, so how to achieve recovery and make appropriate responses to mitigate the impact of the crisis were also immediate drivers to the issuing of pension reform regulations. The continuing economic growth seen in this decade provided sound financial support for pension reform through publicly-financed subsidies for matched contribution scheme for the new rural scheme with that for urban residents. The resume of rural pension scheme and more state finance and subsidizes and institutionalized pension design as the whole represent the welfare expanding package within the future development strategy in post crisis.

Third, the policy legacies and effects in the transition time, such as fragmentation occurred from the trial process and pilot projects urged the reform efforts in early 2000s to solve the implement issue. Because this fragmentation delivered little risk pooling and had limited redistributive effect. The fragmentation also impeded labour mobility across different geographic areas of pooling. In addition, the mismanagement of pension insurance at the local level (the withdrawal of individual account funds) engendered the future pay crisis. All these constraints on the pension reform legacies were another trigger for new rounds of reform such as re-centralizing the pre-funding of individual accounts and pension pooling levels, providing social security reserve funds, and regulating the transfer and portability of pensions.

9.1.4 Question 4: how the casual factors interact with each other and push the pension institution evolve over the last decades?

Beyond identifying the macro-level causal factors or drivers of pension institution evolution in China, how it took place and the interactive manner at the institutional (meso) level was another set of research questions. To this end, this study adopted a

historical institutionalist and incrementalist conceptual framework to identify the causal mechanisms behind the pension policy change trajectory in China, in particular, the interactions of context, institution, and actors which allowed or obstructed changes and the various actors' strategies for approving or blocking change.

Reviewing the evolution of pension provision in China, we found that the general strategies which the actors adopted were replacement, layering, drift and conversion, strategies which have been described in detail elsewhere in this thesis. 'Replacement' means the removal of existing rules and the introduction of new ones; 'layering' refers to the introduction of new rules on top of or alongside the existing ones, 'drift' denotes the changed impact of existing rules due to change(s) in the environment, and 'conversion' represents the changed enactment of existing rules because of strategic redeployment (Mahoney and Thelen, 2010). In particular, we argue that the rural sector is examined as the gradual institutional replacement, and the new scheme completely replaced the old one. It happened on the one hand because of local government conversion and erodes the old scheme in the end; on the other hand the top level actors adopted the replacement strategy to start the new scheme. The urban sector scenario is more complex. The forming of this basic pension insurance model underwent a continuous policy revision, adjustment and policy layering process. The parametric reforms regarding the system design and parameter set after 1997, and the improvement in practical procedures did not change the existing institution but added more policy regulation to address the problems in implementation. The systemic reforms which included adding more pillars on top of the basic pillar, as well as more schemes for the new risk groups, are usually assumed to be typical institutional layering. **Here it is argued that the top policy actors, the bureaucratic actors and CCP elites, directed the pension institution transformation through policy layering strategies which included adding new schemes but also adding more rules to the existing scheme and revise and adjust the design of policy parameter. And the implementation problems in 1990s and early 2000s emerged because of local authority conversion and private interest drift.**

To be specific, the reform in urban sector was initiated and deliberated on by these top-level actors with limited consultation with other stakeholders such as social partners and local authorities. As a consequence, the implementation suffered the risk of non-compliance or reinterpretation. *In this case, sub-national interests and private interests presented the main barriers to implementation.* First, during the retrenchment stage, the challenge was the local government conversion. The decentralization and privatization process empowered local governments and inspired their motivation to redirect the central policy. Local authorities had more discretion over specific design and fund administration. The openings in the political institution and the newly-targeted welfare institution (pensions) created spaces and opportunities for reinterpreting the central policy and possibly re-shaping the original objective. For instance, the challenges of pre-funding individual accounts, advancing the social pooling level, and integrating the public pension scheme into the provincial level all encountered sub-national opposition to various degrees. The notional individual account practice and provincial reserve funds were innovations added at the local levels according to their own local interpretation. Those pension reform measures which facilitated local economic development were adopted and implemented, but initiatives which might erode local financial resources or local benefit levels were re-directed by the local authorities through conversion or non-compliance. In the first half of 2000s the call for the pre-funding of individual accounts from central funds was directed to notional individual accounts at the local level. Before the central injection of funds to support the change, some provinces could not achieve the goals set by the central government. In addition, the decentralized structure also constrained the nationalisation of pensions. Up-scaling fund management and risk pooling encountered extreme difficulties because the local authorities were worried about losing control of their funds or the possible cutback of benefits. In this sense, the policy layering in the early 2000s with the good intention of perfecting and improving pension provision did not proceed as smoothly as had been assumed. The policy feedback on retrenchment and decentralization also restrained the realization of the good intentions.

Second, the privatisation process in the 1980s changed the structure of risk groups. The decline in the numbers of state sector workers and the increase of the private

sector demanded a greater pension system response to the new risk groups. The retrenchment and development in the 1980s and 1990s were targeted at a crucial constituency, urban SOE workers. The reform initiatives in the 1990s were aimed at achieving equal access to and distribution of the pension system. However, the effects of equal access and equal redistribution by new rounds of policy layering also faced challenges of implementation. On the one hand, extending the basic pension to the private sector encountered private interest drift. Non-compliant behaviour and the high salary alternative replacing pension insurance contributions were the main strategies that private employers adopted to evade participation in public pension provision. The economic privatization process in 1990s fostered the vested private interest in the process, and the non-compliant behaviour of private sector, were the results of the reluctance to undertake risk sharing with SOEs as well as the consideration of labour costs. The pension reform in 1990s were targeted on the SOE workers and failed to response to the demand of private sector enterprise. The pension policy design neither resolved the incentive issue to motivate the private sector nor their reluctance of sharing pension deficit with SOE. On the one hand, the contradiction between the segregated economic structure and generalized pension design generated the non-compliance of private sector. The non response to the changed economic situation and new demand of emerging private sector caused the policy drift in the implement. On the other hand, the reform efforts failure to curb the non-compliance behaviour are another reason bring about the policy drift. In addition, the extension of coverage to atypical workers in the private sectors also encountered difficulties. The non-compliant behaviour towards these groups on the one hand occurred because of limited administrative capacities to supervise, while on the other hand these new risk groups usually had limited financial capacities to contribute to the scheme. Therefore, the neglect of the private interest groups emerging in the post transition China as well as neglect of new risk groups feature resulted in the private interest drift in the pension expansion process. In addition, the private sector enterprises could not set up supplementary pension schemes if they did not participate in the basic pension, and this regulation also obstructed private business interests from joining the second pillar and constrained the development of private pensions. To summarise, the objective of equal access to public pensions and adequate benefits still encountered difficulties in practical terms.

9.1.5 Question 5: has the pension reform achieve the original objectives and what challenges are ahead in the future development?

The contradiction between the dynamic labour market and pension fragmentation

The rapid demographic and economic transformation, including aging, family structure change, urbanization, labour mobility and the formalization of the labour force, demanded that pension reform should respond to the pace of change. However, currently, the fragmented pension provision in both the horizontal and vertical levels has created a barrier to labour mobility across sectors and regions. The separate schemes for waged residents (urban enterprise workers) and non-waged residents (urban and rural resident schemes), the different schemes for workers in different sectors (enterprise, public sector, self-employed), and the fragmented financing and administration at city level rather than provincial and national level, are all impeding labour mobility across different sectors and provinces. A national pension framework which includes the portability of pension rights is needed to cope with the dynamic labour market. The portability of urban and rural rights will be essential in the context of increasing urbanization because it would strengthen the pension security of the growing migrant population. The portability of pension rights across regions would assure that individuals could make labour market decisions without worrying about the loss of benefits because of a change in location.

The contradiction between fiscal capacities and participation

First, from the state perspective, high transition costs need a high contribution rate to fund them. In China's urban scheme, the contribution rate of 28 per cent of coverage is relatively high compared with OECD countries. The high fiscal burden for employers is a disincentive to their take-up rate, and the regional differences in the fiscal burdens affect the economic competitiveness between regions, which further increases the inequality of development. Second, from the individual perspective, individuals' personal capacities do not allow them to contribute to scheme. For instance, the empirical evidence shows that the low-income groups or non-waged residents cannot afford the contributions and they also tend to need pension protection the most. The vulnerable groups such as low-income and marginalized

people cannot afford the contributions and are not eligible for the entitlements, which is the crucial obstacle to empirical universal coverage. Measures including subsidies and deductions for these groups are needed in future reforms. The contribution-based scheme excludes the most-needy element of the population with limited fiscal resources, and this further increases income inequality among the retired population. Therefore, to date, the pension system design has in some ways contributed to the divergence.

The contradiction between the declining public pension and the less-developed supplementary scheme

As we found in a previous chapter, the decline in public pension generosity in the urban sector required the provision of a supplementary pension. The promotion of occupational and personal pension schemes could improve old-age income protection. However, as the data show, the coverage of the enterprise annuity was quite low, and the institutional framework was only for enterprise workers. The second pillar was less developed in both policy design and the extent of coverage.

The contradiction between good design and reverse choice in implementation

First, governments and social insurance agencies attempted to expand pension coverage through the traditional social insurance model which relied on the imposition of mandating participation and payroll tax collection (Hinz, 2012). In China's case, legally mandating the coverage has only applied to formal sector workers in urban areas, while participation is not mandatory for the schemes for informal sector workers, residents without work, and rural residents. In addition, the scope of coverage largely relies on the legacy of the old system in which the state as the employer was responsible for pension provision, and the state retreat and labour market re-regulation caused an increase in the numbers of informal workers as well as a fall in the coverage rate. With a strong state will to promote pension development, closing the coverage gap has been the principal objective of pension reform in recent decades, and China has witnessed the development of institutions which formally provide a pension insurance scheme for different segments of the population. The addition of new schemes for the previously uncovered population has closed the institutional and coverage gap, and this has achieved universal access

to public pension provision in both the rural and the urban sectors. However, the newly-established schemes for urban residents and rural residents and the integration measures for atypical workers in urban areas are based on voluntary participation, which reduces the implementation effect.

Third, the integration of various schemes in the public pension pillar is another challenge for China. The fragmentation of the public pension scheme based on urban/rural registration, occupation and employment status is the current scenario. The creation of a national public pension system is the long-term objective of pension reform (State Council, 2012). However, the segregation between public and private sector workers, formal and informal labour, and urban and rural populations cannot be solved in the short term (Wang, 2012). The mature schemes such as the public sector and urban workers' pension systems, and the new scheme for the urban residents and rural residents are very different in terms of parameter design and system rules. The integration and harmonisation of these separate programmes poses a huge challenge for reform design and implementation, which suggests another round of interest and resource reconstruction. In addition, the full portability of acquired pension rights across professions, sectors and geographical areas for an increasingly mobile labour market is another concern in the integration reform. Currently, the portability of pension rights, measures and procedures for urban formal workers has been confirmed in State Council documents, and more measures will have to be issued after the design of pension integration has been settled.

The non-compliant behaviour among employers and local governments is a significant challenge for the next step of the reform. Keeping records, supervision of employers, communicating policy to the public and introducing explicit evaluation and incentive measures for local implementers could enhance compliance with the implementation process. In addition, the adjustment of policy design to reshape the actors' preferences and perceptions is another way of facilitating the achievement of the objective.

The contradiction between pre-funding reform and the distributive consequence

Equal institutional access is one part of the story, but equality in the redistribution effect is another purpose for the future development of pension provision. For a long time there has been an unsolved income gap between the urban and rural sectors, and across professions, sectors and regions. This income disparity in distribution is not mitigated by plans for the redistribution of the public pension programme. The empirical evidence demonstrates that the preferential benefits for public sector workers, the urban population, and formal workers further strengthen the disparity in the outcomes. In addition, the benefit adequacy for disadvantaged groups is another issue, and the low benefits for atypical workers, unemployed residents and rural residents cannot cover old-age expenditure and just in fact increase the inequality. The next five-year blueprint proposes redistribution equality as the purpose for the next reform, and reversing the income inequality through a redistribution programme including public pensions is another challenge ahead (State Council, 2012).

The contradiction between fiscal resource demand and bad performance

The financial sustainability of pension funds is another issue to be fully addressed. Currently, the management of social insurance funds is undertaken at local level and these funds are only deposited in state-owned banks or used to purchase domestic state bonds, which puts pressure on the fund values declining in real terms. The diversification of investment profiles for the pension fund and maintaining or increasing the fund values for future payment are crucial for financial sustainability. Diversifying the investment portfolio and increasing investment returns at a rate higher than inflation are necessary to maintain the fund value. Currently, the State Council has approved Guangdong's proposal for diversifying the investment portfolios managed by NSSF, and more local funds or national measures should be adopted for other provinces.

9.2 Research aim: bringing China into comparative welfare studies

9.2.1 A comparison between the Chinese system and mature systems

Dependent variable: the change direction and extent

The pension systems of many western countries have been under budget pressure because of globalisation, aging populations, in the short term and financial sustainability in the long term. These pressures have stimulated many governments to put reform on the agenda. Pension retrenchment initiatives not only include cutting spending but also structural reforms which move a welfare state towards a more residual model or adopting a funded pillar to replace a PAYG system. Compared with the pension reform experiences in West and globally under these various pressures, there are two main differences in China's case.

Over viewing the pension development path from the quantitative and qualitative evidence suggests that China underwent retrenchment in the 1980s and entered a period of expansion in the early 2000s. Unlike Western countries undergoing welfare expansion first and then retrenchment, China's case is the reverse: retrenchment with state retreat in the 1980 and 1990s was followed by a shift to expansion with increased state intervention since mid- 2000s. Therefore, under the same global context, the different starting points and sequences of development map out different reform trajectories between China and the west. In addition, China's pension retrenchment was initially triggered by economic reform. The retrenchment in the 1980s was a state retreat from public financing as well as decreasing the size of SOEs in the economy, which indirectly reduced public spending burdens. The dismantlement of the socialist pension system and the building of a new pension insurance model coincided with a global diffusion of neo-liberalism, which led to the formation of a partial DC model in China. It has been argued that China has undergone a systemic shift from socialist pension provision to social insurance pensions. The path departure development was seen explicitly in China's case in the initial decades of reform, which was also different from the path-dependent arguments observed in mature welfare states. The Western retrenchment has been a rewriting of the embedded social pact between state and society, while China's retrenchment was more a means of building new social pact in a market economy. Therefore, it seems like China has been through more radical shift from the starting point since late 1980s and through out 1990s and 2000s. Not only the development trajectory is different with west counterparts, but also the reform process and manner are different. For instance, from overviewing of policy profile and pension

programme, China case had been through radical reform in 1990s and witnessed less opposition compared with West counterparts. However, if we bring the compliance and implementation process into observation as we propose in chapter 5, it is found that the path dependent effects and opposition exerts more impact in the implement process in China case. The systemic path departure in the policy document did not realized in the real practice. The pension institution evolution in China is not that radical path departure as it appeared. The comparison with west case helps us to find that radical path shift through top policy change is mitigated by the path dependence effects. How to explain the different development trajectories (sequence of expansion and retrenchment); how to explain the different extent and dynamic of pension reform between China and West (difficulty of rewriting social pact and difficulty of implementing it); as well as how to explain the different response to the same international idea (privatization). In order to answer these questions, we would turn to our explanatory variables to get more comparative analysis findings.

The independent variables

First, the roles of context and idea

Pension reform stems from the projected changes in demographic ageing which require a policy response to maintain the long-term sustainability of a pension system (Pordes, 1994). Much pension reform has been driven by the budgetary crisis that is accelerated by population aging. In addition, low economic growth, de-industrialization and other external factors such as globalization and financial crises all contribute to an environment of general austerity leading to welfare state retrenchment (Pierson, 2002). Observing similar factors in China's context, demographic aging is a serious issue in terms of size and speed. It took around 40 to 50 years for the population aged 60 to increase from 5% to 10% in many western countries, while it took China only eighteen years to increase from 4.9% in 1982 to 10% in 1999. The contributing factors were not only longevity but also the one-child policy in China. In addition, unlike the demographic aging which followed industrialization in the West, China has been characterised as "getting old before getting rich" (Zhu, 2002, p.2). The aging pressure is the crucial reasons for China's shift to a DC-funded mechanism as well as the justification for unpopular reform.

However, if we go back to the hypotheses formed before (Chapter 5) in which putting China into international comparative landscape (demographic projection and size of IPD), we hypothesized that China may not adopt radical reform straight away. And this PDC model adoption and confirmation in 1990s and 2000s witnessed in China confirm this hypotheses. Rather than locking in path dependent PAYG model nor the fully privatization like Latin America, China came to the comprise template with partially funded public pension reform, and the size of DC funded part (8% of payroll contribution with 24.5% target replacement rate) is relatively small compared to DB component (20% of payroll contribution with 35% target replacement rate).

In contrast, the low economic growth and de-industrialisation which can be witnessed in the welfare state retrenchment literature are not factors contributing to the pension reform in China. The average growth of 8% of GDP and the rapid industrialisation and urbanisation in the liberal reform process gradually decreased the number of state-owned enterprises and opened the space for private capital to emerge and develop. The initial reform was the policy response to the economic reform and an adjustment measure to initiate the reform of the pension system for SOE workers. With the emergence of a private sector and urbanization, the reform efforts turned to expansion, catering for the private sector workers and the rural population. Therefore, the retrenchment in China was not a policy response to a time of austerity as it was in the Western counterparts, but the restructuring of the economic system and the dismantling of SOEs brought about the retrenchment in the end. In addition, just as economic growth and industrialisation have promoted welfare development in the West, these variables also contributed to China's pension reform which increased state subsidies and policy intervention since mid- 2000s. However, given the continuously GDP growth after the market economy throughout 1990s and the absence of expansion in these decades, we will argue that the economic growth and industrialisation is the crucial determinants of welfare expanding, rather the leadership administration change and their idea shift as well as demands of social policy for the new risk in the post-transition time play more crucial role in shifting Chinese welfare reform direction.

The role of liberal ideas in social policy and welfare retrenchment are also seen in Western case literature. The implicit definition of ideas and the explanatory framework to explain the success or failure of retrenchment varies. However, the ideational approach as the source to explain policy change has been reaching consensus (Lieberman, 2002; Béland, 2005,2007,2009; Shi, 2006; Babich and Béland, 2009). Here, ideas are mostly treated as complementary variables within institutionalist studies. Welfare retrenchment is the result of the advancement of the liberal idea. In this, China shares a similarity with the Western case: the global diffusion of the liberal idea and the policy learning of political leaders in the post-Mao era initiated China's economic reform and the associated change to the social programme. In particular, the partially-funded DC model adopted in China was the consequence of compromise between privatization idea and domestic conditions. In the welfare extension stage, the debates and discussions about the zero pension pillar, or the social pension programme in China, was also the consequence of idea diffusion from the international organizations (UN, ISSA, WB). Compared with other developing countries, China's pension reform efforts were not primarily dependent on money from international organizations, but the power of ideas was nevertheless diffused in the Chinese context. Coming back to our hypothesis that China may not have reformed fundamentally given the less loan dependence on WB. But the analysis in the previous chapter (*chapter 7*) finds out that China has not carried out radical change through fully privatization, but the idea diffusion in 1990s did impact the final formation of partially fund model in China case. In addition, the multi pillar model promoted by the WB, including supplementary pillar, social pension idea (from ILO) all contributed to the reform initiatives in 2000s. Therefore, China adopts the international idea diffusion as the policy learning process and combined certain advocated policy paradigm into the existing domestic design. The extent of dependence on the international organization and their ideas is modest compared with west democracy as well as capital dependent developing countries. The former more tends to use the international idea and template as the strategy to justify and legitimize the unpopular domestic reform and reduce the reform difficulties, while the later are highly connected with the capital conditions of IO and have less freedom in domestic adjustment. Rather than using the international idea to justify the domestic welfare cutback or fully accepting the privatization reform,

China's reform experiences adopted the global trend from the idea diffusion, but also considered more the domestic background to recreate the scheme.

Second, the possibilities of veto

At the centre of the pension reform debate in the West, the pension systems with path dependence and veto points arguably constraining government ability to implement changes of the status quo (Pierson, 1994; Myles and Pierson, 2001; Immergut et al., 2007). The number of veto players and veto points combined constituted an important explanation of the differences in reform trajectories and options across countries. In the Western case literature, veto points and veto players are conceptualised on the basis of the extent of the involvement of social partners in the administration of a social insurance programme and the particular structure of constitutional constraints (i.e. a majoritarian system versus a proportional one, Lijphart, 1999). Furthermore, the number of political parties and their preferences and ideational distances determine the dynamics of the policy making process. In particular, the high involvement or embedment of social partners in the pension insurance programme constitutes the high possibility of veto and the greater difficulty to change the *status quo*. Not least, changing a highly institutionalized retirement system proves difficult because the constituencies of a welfare state have an interest in maintaining the *status quo* (Pierson, 2001). Political institutions with numerous veto players and veto points provide opportunities for the related interest groups to influence the decision-making or impede legislative change. The political institutions in democracies allow the interest groups to represent their interest through political parties or mobilization, and to block any reform which might damage their own interests. In order to overcome the veto possibilities in pension reform, governments adopt different strategies including social consensus or consultation to make the reforms possible (Ebbinghaus, 2006).

In contrast with the Western cases, Chinese political system with its CCP authoritarian government suggests an absence of partisan and institutional veto players in the Chinese system. The SOE welfare system was actually administrated by the state with budget financing by the state as the last resort, which also indicates the absence of veto points for the social partners. However, it is possible to

conceptualize the possibilities of veto in China's case by looking for similar players or openings at other 'points' in the Chinese system. The bureaucratic actors holding different reform preferences and ideas within the top-level decision process determine the conflicts and competition in the policy deliberation process. The ideological distance and conflicts of interest between more liberal actors (such as the Ministry of Finance and the reform commission) as well as leftist idea holders (the Ministry of Civil Affairs, and the Ministry of Human Resources and Social Security) ultimately confirm the compromise pension model of China's partial DC model. In addition, apart from the activities of these *de facto* veto players, the top political elites in the CCP had a significant impact on resolving the conflicts between these players and initiating a new round of reform. For instance, the idea changes of the CCP in different stages reflected in policy discourse determined the direction of pension development in their particular leadership term, whether retrenchment by state retreat or expansion by state re-intervention. If we come back to our hypothesis about the veto players and veto points in China context, we find that the evidence confirmed with the hypothesis that China with fewer powerful veto player face less difficulties to change of the status quo. The top-level policy change and reform initiatives started from mid-1980s and continued to date. The policy amendment, revision, adjustments were always in the process, and the building and improving national pension system is still on the way.

As to veto points, rather like the western counterparts with social partners playing veto roles in the decision-making or adopting demonstrations to press the government to make comprise options for administering pension programmes, China's system usually lacks the involvement of similar social partners in decision-making, implementation and administration. However, there are nevertheless opportunities in the political institution and pension institution polices to block or redirect the reform direction. For instance, the decentralized system was shown to empower the local governments to administer the pension insurance system which led to local governments becoming directly involved in administration and fund control and thus having the power to delay or redirect particular reform initiatives. In addition, the policy practice of trial-and-error, central guidelines and the procedure for local innovation, as well as the ambiguity of policies, also

generated veto possibilities for the local actors by way of re-interpretation of the central policies. Therefore, the *de facto* veto points in the Chinese system challenged the achievement of the central policy objective. In this sense, our hypothesis about the less powerful veto points resulting fewer barriers is not true. Rather, the *de facto* veto points existing in the informal rule and practice posed a lot of implementation challenges, which is another dynamic reason why top level policy layering in early 2000s was needed. The findings also provide certain implication, the institutionalisation of the local governments within the decision-making at the top level, and an explicit top policy design with a long-term view are seriously needed to address the current implementation challenges and future development.

Third: welfare institution legacies and feedback effects

In Western cases, welfare state retrenchment is seen as extremely unpopular and politically difficult to achieve. Cutbacks and any restructuring in the pension field are very difficult to carry out not only because of the double payment issue, which originates from the pension design, but also because of the enduring popular support for a mature and developed system (Pierson, 2000). The welfare expansion in the post-war period developed the welfare arrangements in the West, which generated profound social and economic underpinnings and made it politically difficult to alter. By contrast, China's incomplete welfare system built at the beginning of the PRC is distinctive by its pro-urban and pro-state sector constituency features. The political movement and ideological education promoted by the communist party in the Mao era confirmed these features. The deprivation of the agricultural and rural population under the socialist industrialisation, and the preferential treatment for the working class and party members who were the backbone of socialist development were also justified before the reform. However, because of the low development level in terms of industrialisation and urbanisation, the size of welfare protection for the crucial socialist constituency was small compared with the western welfare states based on universal citizenship rights. But the maturity of the PAYG and the absence of funded scheme in China context still provide the difficulties of structural change, particular in the implement process. Therefore, the retrenchment and state retreat from providing financial support at the very start of the social transition was more plausible compared with the west, even though the process still encountered social

discontent and incurred social issues. One reason is that the size of pension institution is relatively small comparing with West case; another reason comes from the less powerful opposition of interest groups which will be analysed later. In addition, over viewing China's case, another difference can be observed in the legacies of retrenchment in the privatisation process. The emerging private and local government interest as the legacies built up in the privatisation and decentralisation process in the 1980s had a significant impact on the extending pensions and centralizing reform efforts in the 2000s. The protection of private benefits and regional pension funds and benefit levels through non-compliant behaviour or local policy innovation highly impeded the top-down reform even though it was developed with good intentions and objectives.

Fourth: the role of interest groups

Labour unions and movements and the allied political parties affect social policy indirectly through their mobilization and electoral strength. Organized labour has played a crucial role in expanding welfare (Esping-Andersen, 1990a; Korpi, 2001). The strength of the unions and the electoral power of the left influence welfare state expansion (Huber and Stephens, 2001). In China, the CCP has the authoritarian power over general economic and social development. Unlike social partners such as unions, employer associations or pensioner associations which are involved in the management of pension programmes or have collective power to oppose reform, the Chinese unions were dependent on the Communist party and had to obey the strategy laid down by the party, so the organized labour movements or mobilizations were less influential than in western counterparts (Chan, 2000). Neither urban workers nor farmers have had any legal or formal channels to veto policies which damage their benefits. Therefore, the dismantlement of socialist welfare and the social insurance model which replaced it as efforts at retrenchment were implemented without serious opposition, although in some regions with a high incidence of social discontent, the compensation packages from central subsidies also played a role in maintaining both social stability and state legitimacy (Frazier, 2004c). Overall, the opposition from the generations who lost their entitlement or suffered most from the cutbacks was modest compared with the democracies, and the weak role of social partners in protecting their benefits was the crucial reason for this. In other words, the political

system constrained the social partners from performing their assumed role of defending the labour benefits. Therefore, the hypothesis that the absence of union involvement in pension reform provides fewer barriers to retrenchment reform is confirmed with the findings. However, the extension stages of pension reform in early 2000s witnessed more involvement of social partners and academic and intellectual groups. For instance, government think tanks are usually constituted by professors from universities, and academic publications on the strategies for social security development are funded and supported by the central government. In addition, the government has duly consulted with the social partners, including employers' organizations and trade unions, in the process of drafting social insurance legislation, and the top-level legislature normally releases draft laws in order to seek suggestions and opinions before formally enacting them. Academic attention is being given to social inequality and unbalanced development, and the academic think-tank is playing a role in reversing the trend in economic efficiency and contributing to more social welfare reform efforts from the central government. Soliciting opinions from social partners on the one hand justifies the eventual enactment and on the other hand decreases the veto possibilities in the practical implementation.

Another crucial interest group are employers who were known to oppose the mandatory social insurance and welfare expansion. Employers and their association have offered the most forceful opposition to the introduction and expansion of public pension schemes, so policy makers have to take employers' interests into consideration when changing the policy (Mares, 2003; Swenson, 2002). The mandatory pension insurance forced the payment of contributions from wages and created the incentive for concern about competition. Alternatively, the national programme pooling the risk unevenly might favour the larger firms (Mares, 2003). China's case shares similarities with the west in this respect. The non-compliance of employers, particularly in the private sector, reflects their opposition to introducing and expanding the mandatory public pension programme. In addition, the national pension programme's initiatives for integrating the schemes for state sector and private sector enterprises; privileged SOEs and general SOEs also encountered opposition from different employers with different interests and perceptions. For instance, the privileged SOEs were reluctant to be integrated into the national

programme because of their concern about declining benefits, which confirmed with our previous hypothesis that the privileged sectors have more power to oppose reform. The private sector enterprises did not want to join the national risk sharing because they considered that it provides more advantages for the large state sector enterprises, which confirmed with our hypothesis that employers with their associated interest are highly possible to oppose the introducing and expanding the public pension scheme.

9.2. 2 Comparison within China – urban vs. rural

Development path

If we look at the urban and rural sectors together, we find that the two sectors went through different development paths. Starting from the mid-1980s, the urban sector was in retrenchment reform with the state's gradual financial retreat from the SOE welfare programme, and further systemic change was completed in 1997 with the national regulation. The reform efforts in the first half of the 2000s focused on improving the partially-funded pension insurance scheme and this consolidated the retrenchment direction in more specific policy design. The quantitative data also confirm that this redirection produced a declining generosity level of public pensions. The increase in reform efforts toward expansion by addressing the coverage gap in institutional design reflects the expanding path with the generosity level beginning to rise. Overall, the development path underwent retrenchment first and then in the middle of 2005 shifted to more generous protection in policy design and outcomes.

The overall development path in the rural sector started from welfare expansion compared with its previous status. The state-regulated pension programme was first introduced for rural residents in the mid-1980s and rapidly expanded in the 1990s. Even though the generosity level was limited given the voluntary nature of the scheme and the absence of state financial support, this institution protection was still expanding in 1998. From 1998 to the early 2000s, the old rural scheme was being dismantled with declining participation and development stagnation at the local level. The new scheme replaced the old one in 2003 with various local pilot projects, and most of these put more public financial resources into the scheme. The mandating of the new rural pension scheme in 2009 confirmed the more generous protection for

rural citizens. Overall, the development trajectory started with expansion through institutional protection in the middle 1980s, underwent retrenchment from the late 1990s to the early 2000s, and converged with the urban sector in the expansion period in the middle 2000s. The different trajectories of these two sectors can be explained by the variables, including interest groups and pension institutions (starting point and legacies).

Explanatory variables compared

First, the political veto possibilities impact the difficulty of reform. Although the programmes in the two sectors were initiated and implemented under the same political system, the political veto power affected their development paths differently, particularly in the implementation. For instance, local governments in both sectors had discretionary powers in the implementation process, and the decentralized system empowered the local governments to follow or redirect the central policy according to local conditions. The difficulty of retrenchment in the urban sectors came from the veto power of the local governments in terms of advancing the pooling level and funding costs. While in rural sector, the first expansion be explained by the attractiveness of welfare expansion, and the mis-management in local blindly promoted the voluntary program and deteriorate the fiscal prospect and finally resulted in the stop of old scheme. In addition, the retrenchment in rural sector in the late 1990s was not hard as in the urban sector. It can be explained by the pension design: the old rural pension schemes did not involve local fiscal responsibilities, which reduced the conflicts between central and local governments. The voluntary individual savings scheme with limited government involvement made it easier to follow the central reform in the implementation process. The less opposition from farmers also contributed to this, which will be analysed later.

Second, how context and idea impact the reform in both sectors. The reforms of the two sectors were carried out in the context of social transition. The shift from socialist economy to market economy rendered the reforms different at the outset. The urban reform started with state welfare cutbacks and gradual retrenchment with the decline of the SOE economy and the emergence of a private economy. The rapid urbanization and declining family support initiated the institutional pension

protection for the rural sector. However, both sectors entered an expansion stage in the mid-2000s, with the political will emphasizing more sustainable, scientific development. In this sense, the move towards national pension development can be seen to have started from then. As for the influence of idea, the formation of the urban insurance programme was more affected by the diffusion of the international idea (such as the WB), while the old rural scheme was more influenced by the domestic bureaucratic actors. However, the new rural pension schemes and the expansion in the urban sectors in recent years have both been affected by the pension re-framing and discussion among international organizations (WB and ILO).

Third, the starting point of pension institution and associated vested interest groups determines the different reform paths in. The reform of the urban scheme started in the 1980s and underwent continuous reform in the following decades. In contrast, the rural pension scheme underwent a unstable process, initially developed in the mid-1980s, halted in the mid-1990s, resumed in the 2000s and finally confirmed in 2009, and this fluctuating process was quite different from the continuous development path of the urban system. This difference can be explained as the effect of policy feedback and the associated vested interest groups' sizes and capacities. As Pierson (Pierson, 2000) has argued, historically enacted policies will generate considerable lock-in effects and foster the interest group constituencies to maintain the *status quo* and form the path-dependent logic. When the elected officials seek to dismantle, replace or reform such policies, they are likely to face not only the costs of path departure, but also resistance from interest groups and bureaucratic constituencies. Following this logic, on average, less-entrenched policies are easier to alter or more vulnerable to radical change than older, more established policies which have created profound social and economic underdogs (Pierson, 1994). In the Chinese case, the urban-rural dualism is a basic feature of China's society, and the pro-urban development strategies and urban-biased welfare provision was formed at the start of the PRC. The socialist welfare system was SOE welfare in essence, with the state financing the urban workers and their families in the state sector. Rural welfare was a residual system targeting the most vulnerable groups, and family and kin communities provided the old-age support in the socialist era until 1986 when the old rural pension scheme was piloted at local levels. Therefore, the urban

population suffered from the state's financial retreat and welfare commitment cutback or loss in the social transition, which generated discontent among the vested interest groups who were in the SOE welfare protection scheme. The organized labour in the areas with high densities of SOEs received compensation out of central financial subsidies as a result of their demonstrations (as happened in the North-eastern provinces). The less-organized labour in the regions with a lower density of SOEs generally shouldered the transition costs on their own. Massive numbers of laid-off workers had to find employment opportunities in the labour market, with or without pension insurance records. These groups gradually became marginalized groups in unemployment or self-employment and have usually been excluded from the urban pension insurance system, which was also the reason for extending the coverage and adding the urban residents' scheme after the mid-2000s. The rural counterparts faced another scenario, and the establishment of a rural pension scheme for the first time in 1986 was the first initiative to provide an institutional pension programme for the rural population, even though the scheme was not mandatory. For the general public, it was welcomed and developed by the local authorities' campaigns and mobilization. The introduction of the new scheme for the rural population did not encounter any opposition from farmers or local authorities. However, the mis-management and development of the old scheme implied a budgetary crisis, and it was halted in 1998 and replaced by the new rural pension scheme finally in 2009. This halting and replacement occurred with fewer obstacles mainly because of the lower vested interest it created and the lower organizational capacities of farmers compared with their urban counterparts. The voluntary participation and low-level benefits together with the short-term development (1992-1998) determined the reduction in the difficulties when make the radical change in the rural sector. The rural population's awareness of their rights to public pension had not been formed because of the urban-biased legacies. In addition, the new rural pension scheme, with more support from public spending and increased incentives, was more acceptable or at least welcome for the famers. All these factors contributed to the relatively easy institutional replacement in the rural sector. However, the policy feedback effects also existed and the hesitant attitude towards the new pension scheme indicates the concern of rural dwellers about the stability of the public policy and the possible risks in the future.

In addition, not only did the starting points of the pension institutions and the associated interest groups affect the development trajectory and extent of change in both sectors, but also the policy feedback in the transition process (privatisation, urbanisation) also shaped the perception and demands of citizens in different ways. In the post-transition stage, the urbanization and declining family support in rural areas, as well as the stagnation of the old scheme, required comprehensive institutional pension provision for the rural elderly, and the demand for public pension provision was urgent. This is why the politicians re-emphasised the new rural pension institution. While for the urban counterparts, the post-transition featured the emergence of privatized interests and private sector employers who evaded the high cost of the public pension scheme and preferred the private pension alternatives. The opposition from private employer groups and their evasion behaviour were challenges to implementation after 1997. Therefore, the transition legacies also shaped the perception and demands of the citizens in different ways.

Chapter 10: Conclusion

10.1 Implications

10.1.1 Practical: recent global trends towards a new paradigm of privatization

In this section, we shall draw on the recent global pension reform trends and experiences to provide some policy lessons for China. The changes in objectives, reform needs and environment has pushed a new round of pension reforms across the globe in recent years. First, the reforms focus on basic income protection for the elderly, providing protection for the vulnerable elderly across countries. The reasons for developing this approach can be concluded as follows. When the coverage expansion in systemic reform is not realized as expected, an alternative approach should be adopted to force the coverage. The increase in the contributions/benefits link limited the redistribution to low-income groups within the system. The International Labour Organization also shifted from the multi-pillar, funded efforts to a 'social floor' campaign which emphasized access to essential health care and income protection for the elderly (ILO, 2011). Second, recent reforms have also addressed the challenge of projected demographic aging across the world. The measures include increasing contribution rates, decreasing benefits levels, setting a later retirement age and so on. A recent development is that politicians and policy makers are now aware that the future generation should not bear all the pains (more contributions, fewer benefits), so working longer or retiring later is the most natural way to achieve this. Mandating later retirement is not enough, introducing incentive policies to encourage people to want to work longer and retire later are more important (European Commission, 2012). Third, the post-crisis challenge also poses a new drive for pension reform. In particular, the fall in GDP and in pension assets caused by the crisis needs greater efforts to be undertaken to address population aging and public budgets in order to prevent the further meltdown of the pension system (Clements *et al.*, 2013). The financial crisis has also rendered the newly-introduced funded pillar more difficult to sustain. Finally, the financial crisis has further increased uncertainty about pension funds. The expected high returns of the funded system in the 1990s were dampened by the early 2000s and the

fluctuation in asset prices further challenged confidence in the returns on funded assets.

Accordingly, public pension reform over recent decades across the world has included introducing or strengthening the basic protection for the vulnerable elderly, the move towards funded schemes, and encouraging government efforts to expand coverage. The development of a pre-funded scheme might suffer in a financial crisis and the concern over deteriorating fund assets generates more reconsideration of this approach. However, such reviews are unlikely to stop this scheme, and the providers have to work hard to deliver what they promised in the unfavourable capital situation (Holzmann, 2013). In particular, first, the zero pillar as the mean of poverty reduction has become the focus of reform over the past two decades. The modes of universal, means-tested or cash transfer provision have been the instruments in low- and middle-income countries over the last decade (Grosh, 2008). The key questions about the development of this pillar are fiscal affordability, disincentive effects and the administrative issues of universal benefits. The first pillar, a mandatory, unfunded DB public pillar, has undergone reform to various degrees, mostly aimed at fiscal sustainability by reducing generosity, increasing retirement age and so on. The recent reform discussion topic on this pillar is the adoption of the NDC which operates as a DC scheme in accumulation and annuity payments, but remains unfunded. This approach is under discussion in many EU countries as well as China. Finally, the policy makers are more interested in providing coverage for the employed in the informal sector in low- and middle-income countries. In order to motivate participation, matching contribution subsidies has been adopted (Palacios and Robalino, 2009). The issues in this scheme include high administrative costs, lack of good annuity products, and the role and scope of the regulation. The final reform trend in public pension provision is to centralize public pre-funding, creating public pension reserve funds to support the unfunded pillar and offering a cushion against future crisis.

New paradigm of pension privatization

After reviewing the reform trends after the financial crisis, Orenstein found that the privatization trend after the 1980s had been scaled back by the international

organizations (WB and ILO) as well as model countries (Chile) for economic, ideational and institutional reasons (Orenstein, 2011). In particular, privatization might reduce the long-term fiscal burden but it increases government debt in the short and medium term because of the double payment issues occurring in the transition period. Therefore, governments with high transition cost may put off privatization reform (Brooks, 2005). The global financial crisis affected balance sheets further and is expected to produce a slowdown of privatization. In addition, the crisis also shifted the perception of the privatization approach and caused people to doubt the ability of free market capitalism to provide welfare. Rather than providing high productivity and efficiency, more problems and dis-functionality in free market capitalism are predicted (Birdsall and Fukuyama, 2011). In addition, the ideational shift has also changed debates about privatization among the very international institutions that used to advocate it. For instance, the World Bank shifted from a focus on free market liberal policies and began to focus on inclusiveness and sustainability in an environmental and social sense. The IMF also agreed to reduce the use of neoliberal policy conditionality and focused on fiscal and monetary management. The IMF responded to fiscal crises in several countries by not advising further privatization, but instead advised a scaling-back of it in countries such as Hungary and Latvia, which was different from their previous advice (Orenstein, 2013).

However, Orenstein (2013) argues that privatization has not come to an end but is evolving new paradigms and new features by reviewing the reform experiences across countries. Two trends can be seen in the empirical world. First, the scaling back of commitment to individual accounts rather than eliminating them. Second, the economic problems expected to be solved by privatization have become more serious because of the crisis (Orenstein, 2013, p.9). As for how to cope with the privatization trend in the new context, he argues that there is no death of privatization, but a rebirth instead. As the European Commission's green paper suggests, pension privatisation must move towards adequate, sustainable and safe systems. Two recent trends following this direction are renewed interest in the design and implementation of a minimum pension (Bonnet et al., 2010; ILO, 2008), and automatic enrolment in pension savings scheme rather than mandatory

participation. These two trends demonstrate a future direction which deals with the distributive consequence of privatization and new forms of individual choice. In detail, increasing interest in a minimum pension is being promoted by the ILO (Holzmann *et al.*, 2009,p.11), and even though ILO had little impact on pension reform compared with the WB from 1994 to 2006, it has achieved greater success in the design and implementation of social pensions (McCord, 2010), which converged with the policy priority of the WB after the crisis. However, the emphasis on minimum pension protection does not exclude the development of privatization, and the reframing of reform only addresses the consequences of privatization and ensures a transition with more protection for the poor (Orenstein, 2011). The second trend mostly witnessed in English-speaking countries was the 'nudge' measure during the crisis, which encouraged workers to contribute to individual savings account by automatic enrolment when taking a new job or changing employers, as well as allowing them to opt out if they prefer. In addition, providing incentives for working longer and retiring later are another approach to regulating workers' behaviour and reducing the fiscal burdens of a pension system rather than only mandating an increase in retirement age. For instance, the national employment savings trust (NEST) introduced in the UK features automatic enrolment and mandatory employer and employee contributions, as well as tax incentives for the savers (Williams, 2010). The nudge pension plans allow the government to encourage pension saving while not being so heavy-handed. Third, the increasing interest in notional defined contributions (NDC). The recent development trend in the transitional debate is an increasing interest in NDC pensions (Brooks, 2005). This was advocated because it generates the same benefits without a large transition cost and high management fees. NDCs are administrated in the form of PAYG based on individual accounts and is used for the contribution and investment return records. The benefits are paid on the basis of contributions in the personal accounts. In this way, the individual account is a transparent accounting mechanism to encourage saving and working through the link between benefits and earnings. NDCs are conceptually similar to a DC pension because the benefits are adjusted to the capital market risk, but they are also similar to a DB pension because they are not fully-funded and function financially in the form of PAYG in which benefits are determined by formulas as well as the market return rate.

In summary, the financial crisis had a strong impact on policy makers to reframe pension privatization worldwide. Rather than dismiss the funded pension reform trend, the new approach has added a move towards minimum pension protection and nudge-type automatic pension saving, as well NDCs and quasi-mandatory occupational pension development. The reform objectives have shifted from free market dependence to controlling costs by raising the retirement age, providing better cover for the poor, and nudging people to save (Orenstein, 2011).

Practical implication for China

1. Social pension?

Although the institutional design has made steps towards universal coverage for the elderly, innovations such as the national rural resident scheme and the urban resident scheme, and the senior citizen's allowance, are all aimed at building institutional coverage for the elderly nationwide. Some elderly people may not be entitled to pension benefits under this programme. The empirical evidence shows that the poorest often have the least capacity to save for their retirement and cannot meet the criteria for the basic benefit in RPS and URPS. The sub-national governments with weak fiscal capacity may not have sufficient matching resources to motivate the participation of rural residents and informal sector workers, which would leave some of elderly population uncovered. In addition, the senior citizen's allowance pilot scheme sets the entitlement age at 80, which only covers a small fraction of the retired population (aged 60 and above) and the limited benefits could not address the elderly poverty issue. Analysis of elderly poverty and vulnerability in China and the global advocacy of social pensions in recent years provide a solid rationale for minimum pension protection development in China. In addition, the critical features of a social pension should be a non-contributory basis and funding from general revenues, particularly with the minimum benefits protection from central government. This feature on the one hand would include the vulnerable elderly in the protection, but on the other hand the local fiscal capacities would not affect the delivery of minimum protection for the elderly.

2. 'Nudge' measures - an incentive for working longer?

Increasing the legal retirement age is one approach to addressing the demographic aging and pension sustainability issues over the world. The recent trend occurring in developed countries is moving towards more incentives for working longer rather than just legitimizing later retirement. In China, discussions about raising the retirement age have been prevalent in recent years. Shanghai has experimented with a flexible system of retirement and has allowed senior managers and skilled workers to work longer (Dorfman *et al.*, 2012a). There is concern about increasing the retirement age, however, on the one hand because of the pension fiscal crisis, and on the other hand, in China's case the retirement age is relatively low (60 for men and 55 for women) compared with other countries (Pallares-Miralles *et al.*, 2012). The recent nudge trend might encourage Chinese policy makers to generate incentives for older workers to stay in employment and to reduce the barriers to them prolonging their employment. Allowing such personal choices about retirement or longer employment through policy design could reduce the barriers and opposition to reform, for instance, a tax incentive measure for continued employment, and considering changing the existing incentives for early retirement and disincentives for delaying retirement. In addition, in order to promote longer employment, the policy environment should enable the elderly to work in a different form (part-time, self-employed and so on), as well as generating an enabling labour market environment to increase the demand for elderly workers, reducing discrimination against older workers and so on.

3. NDC scheme?

NDC schemes have been adopted by several countries (Italy, Latvia, Poland and Sweden) and Norway and Egypt joined this trend in 2011 and 2010 respectively (Holzmann, 2013). As the mechanism strengthening the link between contributions and benefits, it has the advantages of dealing with the current transition cost problem as well the future fiscal sustainability, because the system operates on a PAYG basis, and no more funds are injected to cover the transition cost. So the benefits are calculated on the individual notional account balance and remaining life expectancy, which helps to achieve financial sustainability. What can China learn from these policy experiences apart from the general advantages, particularly for solving the challenges? A shift from a partially-funded public pension to the NDC scheme might

solve the current problem. The financing of transition costs (from PAYG to funded) or the so-called 'empty individual accounts', the portability of pension rights, and the integration of a national pension scheme across sectors, professions and regions could be solved to a certain degree by shifting the funded individual accounts to NDC accounts. Dorfman (2012a) pointed out that NDCs could accommodate regional heterogeneity and support portability. The NDC framework provides full portability of accrued rights (the value of the national account balance) across different regions. Workers moving across regions could gain the accrued pension rights by combining the notional account balances in different locations during their whole working life. In addition, NDCs could facilitate the future pension integration between urban and rural areas. The contributions and accumulations in the different schemes (RPS, URPS) could be aggregated as the notional account, and the accrued pension rights could be portable across different schemes and different locations.

10.1.2 Theoretical: what does welfare regime discussion offer China?

Discussions about China's welfare regime can be divided into two groups. One seeks to classify the Chinese welfare state based on the specific features of welfare protection. The other attempts to capture the welfare protection features at one point in time, with the regime framework implicit or explicit. This current research study goes beyond the discussion about whether the Chinese welfare state is forming or not, or in which group China should be located. Rather, this study treats the Chinese welfare system as equal with other mature welfare states and traces the pension protection development path over the past three decades, with the aim of offering the specific implication of generalizing the Chinese welfare regime change trajectory and determinants. A pension system is the crucial part of a welfare programme and takes up a large proportion of public spending, and extensive reform efforts in China have been devoted to this field over time. The development template and principle of this programme provide some clues about the direction and dynamics of a holistic welfare programme. First, China's pension programme underwent systemic retrenchment in the 1990s and moved towards a more generous direction in the middle of the 2000s, and there is the prospect of future expansion in the government's plan. This development path in China's pension programme provides a template to re-examine other welfare programmes and then generalize the trajectory

of welfare regimes as a whole. Second, from the pension reform experiences, it has been found that the making and reforming of the Chinese welfare system have been influenced by the diffusion of international organizational ideas and their advocated model. Even if China may not be dependent on the capital conditionality of IOs, the policy paradigms they promote were diffused in the policy design to certain degree. Third, the political system and strong central executive make welfare reform (either cutting back or expansion) not as difficult as in the developed democracies in the decision-making process, while non-compliance or over-compliance at the local level redirects the implementation of the policy. The veto possibilities in the political system challenge further welfare development, particularly when the local governments bear the fiscal burden but have limited fiscal capacities. Fourth, the starting point of the target welfare institution and the policy feedback in the reform process also impose veto possibilities to block change. The urban-rural divide in welfare design and the segregated schemes for different population groups based on profession and employment status as the current features of the welfare system represent intensive efforts to improve welfare coverage; however, they also imply future difficulties for building a national welfare system which is the emphasized objective in the future development design. Fifth, the interest groups, particularly the private interests emerging in the transition context as a reverse force of expansion, will challenge further welfare extension. Finally, the organized labour welfare constituency in China's case does not play as great a role as in the counterpart mature systems. Based on the findings from pension reform experiences, it is argued that the Chinese welfare system entered a period of expansion led by politicians in the mid-2000s. However, the fragmented and decentralized design and administration of the welfare system mitigated the central initiatives. Also the accumulated private interests in the market economy interplaying with the public welfare provision alleviated the state's welfare intervention. The relative weakness of organized labour and the welfare constituency made the change easier, even in the retrenchment reform. Unlike the way the labour lobby and the leftist parties have promoted welfare development in mature welfare states, their roles in China's expansion context are very limited. How far the state-initiated welfare expansion can go and the extent to which it can benefit China's citizens are the questions to be answered in the future.

10.1.3 Methodological: what does the historical institutional analysis offer?

This study draws on the historical institutionalist approach to study a single country case with the intention of bringing China into comparative welfare studies and improving the understanding of the development of the pension element of the Chinese welfare system. First, it has connected the historical institutionalist approach with welfare policies. A comparative welfare study grouped in the institutionalist tradition is not novel in western cases. Arguments about welfare state resilience and welfare path dependency are prevalent in the literature, while the adoption of historical institutionalism to study welfare policy in China's case is not so prevalent. Indeed, historical institutionalism as used in Chinese political science studies more often concerns political change and political reform (Yang and Li, 2013). This research study has incorporated a historical institutionalist approach to examine China's case, which is usually considered as exceptionalist and myth within the mainstream welfare discussion. Not only the differences in development level between China and mature and developing welfare regimes, but also the political system itself render China distinctive and make equivalent comparisons difficult. The use of historical institutionalism could overcome this exceptional issue of China's case, and this grounded theory built the case study design, observation and analysis units. Second, this study generated an explanatory framework based on global pension reform experiences. This framework structure was generated from historical institutionalism and institution change, and the variables in the framework, or the specific objects of investigation in terms of the operationalization and measurement of each variable used for the case study were generated from the pension reform literature (mostly on mature welfare regimes and some prominent reform experiences, such as Latin America and socialist transitional countries). The causal propositions between independent variables and dependent variables which emerged from the literature provided the foundation to create causal hypotheses for China's case. Overall, the whole design was used to study a single country - China - in this study, and it could be adapted for qualitative small case studies in the future. The examination of the dependent variables and the various extents of impacts from independent variables among several countries could present a comparative and complete picture of each case. Finally, in an orthodox historical institutionalist

account, change is usually tied to a punctuated equilibrium in which change is sudden and radical and breaks the previous equilibrium. More recent works have challenged this picture: Kathleen Thelen, James Mahoney, Wolfgang Streeck and Sven Steinmo have turned to institutional dynamism or institutional incrementalism. They argue that as the context shifts, targeted institutions begin to create more space or openings to adopt the new environment and the actors also play a role of change in the shifting context. Different forms and patterns of gradual institutional change, for instance layering, drift and conversion, were proposed to capture the empirical reality. This study has stepped away from the traditional historical institutionalist approach and has used the case of China as evidence to explain the pension policy change pattern over the recent decades. Given the short history of the application of institutional incrementalism (Van Der Heijden, 2010), this study has made efforts to contribute to this field too.

10.2 Limitations

First, from the dependent variable perspective, this study tends to focus on the political and policy analysis of pension reform. Even though it also considers the macro social and economic context, it is still weak on observing the meso level institutional network associated with the pension institution, such as industrial relations, production and employment regimes, financial systems and other social institutions. These meso level institutional complementary and interacting effects are definitely another set of resources and drivers of pension institution change and continuity.

Second, from the dependent variable perspective, this study mainly overviews the public pension reform process and outcomes. With the introduction of a multi-pillar pensions system in the mid-2000s, the study of the architecture of pension institutions within the whole pension arrangement and the interplay of private and public pillars might also inspire pension reform literature. The different types of pension plans, eligibility and benefits levels, and incentive measures would shape the preferences of the policy actors and interest groups and consequently affect the reform design and outcomes. The shortage of examination of the relationship between public and market provision, as well as the interaction with family-based

support in China, can clearly not produce overall performance outcomes. It is necessary to examine the achievement of pension arrangement objectives: poverty relief, consumption smoothing and insurance (Barr, 2002). In addition, this study conducts a qualitative assessment of pension system change and dynamic over time. The change pattern could be revealed from the empirical evidence. As for the extent of change, this qualitative study could not address it very well. A method which could scale or quantify the qualitative evidence would offer a possibility of revealing the extent of reform over time, or over leadership generations in China's case: it could demonstrate the scope of welfare change and its impact on social change in China.

10.3 Future work

Accordingly, future work could be built on the limitations discussed above. First, from the independent variable perspective, a fruitful direction of a future research plan might be to incorporate meso-level institutional complementary studies, bringing more political, economic and social variables into consideration, such as the labour market institution. This might yield insights into the relations between the special features of Chinese capitalism and the welfare institution, which might also inspire the defining of the Chinese welfare regime. In addition, the welfare constituencies and their attitudes, perceptions and opinions regarding the welfare system also affect the interaction between state and society as well as welfare consequences. This is another aspect which could be explored further in the future.

Second, from the dependent variable perspective, more consideration deserves to be given to pension privatization in the multi-pillar pension framework. The interplay between public and private pensions could reveal complete picture of the consequences of state-led welfare expansion. The quantitative indicators (as opposed to other methods such as qualitative comparative analysis and the fuzzy set method) could be adopted to suggest the extent of change in a more specific, numerical way. This would not only help to clarify the extent of reform over time or across governments within one country, but could also be useful when bringing more cases into comparative observation. Furthermore, the analysis framework, operationalization and measurements used in this study could be expanded to more

cases studies. A broader, implicit comparative pension study is feasible in further research.

List of abbreviations

Miscellaneous:	
ACFTU	All-China Federation of Trade Union
ADB	Asian Development Bank
ALMP	Active Labour Market Policy
APEX	Analysis of Pension Entitlement Across Countries
CCP	Chinese Communist Party
CPC	Communist Party Committee
CPF	China Pension Fund
DB	Defined Benefit
DC	Defined Contribution
EA	Enterprise Annuity
ESRC	The Economic and Social Research Council
FSITA	Fuzzy-Set Ideal Type Analysis
HI	Historical Institutionalism
ILO	International Labour Organisation
IO	International Organisation
IPD	Implicit Pension Debt
MOCA	The Ministry of Civil Affairs
MOF	The Ministry of Finance
MOHRSS	The Ministry of Human Resources and Social Security
MOLSS	The Ministry of Labour and Social Security
NDC	Notional Defined Contribution
NPC	National People's Congress
NPM	New Public Management
NSSF	The National Social Security Fund
PAYG	Pay As You Go
PDC	Partial Defined Contribution
PROST	Pension Reform Option Simulation Toolkit
RPS	Rural Pension Scheme
SC	State Council
SOE	State-Owned Enterprise
URPS	Urban Resident Pension Scheme
UN	United Nation
WB	World Bank

Reference

- ADAMCHAK, D. J. 2001. The effects of age structure on the labor force and retirement in China. *The Social Science Journal*, 38, 1-11.
- ADAMS, G. R. & SCHVANEVELDT, J. D. 1985. *Understanding research methods*, New York, Longman.
- AG, A. G. I. 2007. *China: Building a three-pillar system*. Munich.
- AGARWALA, R. 1997. *Old age security: Pension reform in China*, World Bank Publications.
- ALCOCK, P., MAY, M. & WRIGHT, S. 2011. *The Student's Companion to Social Policy*, Wiley-Blackwell.
- AMENTA, E. 2003. What we know about the development of social policy. *Comparative historical analysis in the social sciences*, 91-130.
- ANDERSEN, J. G. 2000. Change without Challenge? : *Working-paper from Centre for Comparative Welfare State Studies*, Aalborg University: Department of Economics, Politics & Public Administration.
- ANDERSEN, J. G. 2007a. Ambiguity of welfare state change: institutions, output and outcomes. *Investigating welfare state change : the 'dependent variable problem' in comparative analysis* Cheltenham, UK; Northampton, MA: Edward Elgar.
- ANDERSEN, J. G. 2007b. Conceptualizing Welfare State Change. Institut for Økonomi, Politik og Forvaltning, Aalborg Universitet, Aalborg.
- ANDERSEN, J. G. & LARSEN, C. A. 2002. *Pension politics and policy in Denmark and Sweden: path dependencies, policy style, and policy outcome*, Department of Economics, Politics and Public Administration, Aalborg University.
- ARMINGEON, K. & BONOLI, G. 2007. *The politics of post-industrial welfare states: adapting post-war social policies to new social risks*, Routledge.
- ARTS, W. & GELISSEN, J. 2002. Three worlds of welfare capitalism or more? A state-of-the-art report. *Journal of European Social Policy*, 12, 137-158.
- ARZA, C. & KOHLI, M. 2008. *Pension reform in Europe: politics, policies and outcomes*, Taylor & Francis.
- ASPALTER, C. 2001a. *Conservative welfare state systems in East Asia*, Praeger Publishers..
- ASPALTER, C. 2001b. Identifying variations of conservative social policy in North East Asia: the welfare state in Japan, South Korea and Mainland China.

Australia National University, Graduate Public Policy Programme, Discussion Paper.

- ASPALTER, C. 2005. In the Pursuit of New Ideologies: Social Security in China and Chile. *Korean Journal of Policy Studies*. 19(2), 53-71
- ASPALTER, C. 2006. The East Asian Welfare Model. *International Journal of Social Welfare*, 15, 290-301.
- AYSAN, M. F. & BEAUJOT, R. 2009. Welfare regimes for aging populations: no single path for reform. *Population and Development review*, 35, 701-720.
- B LAND, D. 2005. Ideas and social policy: an institutionalist perspective. *Social Policy & Administration*, 39, 1-18.
- B LAND, D. 2007. Ideas and Institutional Change in Social Security: Conversion, Layering, and Policy Drift. *Social Science Quarterly*, 88, 20-38.
- B LAND, D. & SHINKAWA, T. 2007. Public and private policy change: Pension reform in four countries. *Policy Studies Journal*, 35, 349-371.
- B LAND, D. & YU, K. M. 2004. A long financial march: pension reform in China. *Journal of Social Policy*, 33, 267-288.
- BABICH, K. & B LAND, D. 2009. Policy Change and the Politics of Ideas: The Emergence of the Canada/Quebec Pension Plans. *Canadian Review of Sociology/Revue canadienne de sociologie*, 46, 253-271.
- BAI, T. L. & JIANG, N. 2013. Why public sector pension reform is blocked. *China Daily*. Available : http://www.chinadaily.com.cn/micro-reading/china/2013-05-24/content_9120763.html [Accessed 24 May 2013]
- BAI, W. J. & TONG, X. 2011. "Stabilizing provincial pooling level, promoting nationwide adjusting" The realist choice of Chinese pension insurance's pooling level and model. *Social Science*, 5.
- BAIDU. 2013. "Empty account " in pension system. Available: <http://baike.baidu.com/view/1129683.htm>. [Accessed 19 March 2012]
- BAILEY, C. & TURNER, J. 2001. Strategies to reduce contribution evasion in social security financing. *World Development*, 29, 385-393.
- BAILEY, K. D. 1978. *Methods of social research*, New York, Free Press.
- BARR, N. 2002. Reforming pensions: myths, truths, and policy choices. *International Social Security Review*, 55, 3-36.
- BARR, N. & DIAMOND, P. 2008a. The backdrop. In: BARR, N. & DIAMOND, P. (eds.) *Reforming pensions: Principles and policy choices* Oxford University Press, USA.

- BARR, N. & DIAMOND, P. 2008b. Principles and lessons for policy. In: BARR, N. & DIAMOND, P. (eds.) *Reforming pensions: Principles and policy choices* Oxford University Press, USA.
- BARR, N. & DIAMOND, P. 2010. *Pension reform in China: issues, options and recommendations*. Available: <http://economics.mit.edu/files/6310>[Accessed 6 Feb 2010]
- BELL, S. 2002. *Institutionalism: Old and New*, 363-380. Available: <http://espace.library.uq.edu.au/eserv.php?pid=UQ:9699&dsID=Institutionalism.pdf>
- BENNETT, A. & ELMAN, C. 2006. Qualitative research: Recent developments in case study methods. *Annu. Rev. Polit. Sci.*, 9, 455-476.
- BINGWEN, Z. 2012. China: An Innovative Hybrid Pension Design Proposal. *Nonfinancial Defined Contribution Pension Schemes in a Changing Pension World*, 189.
- BIRDSALL, N. & FUKUYAMA, F. 2011. *New ideas on development after the financial crisis*, JHU Press.
- BLAU, J. 1989. Theories of the welfare state. *The Social Service Review*, 63(1), 26-38.
- BLYTH, M. 2002. *Great transformations : economic ideas and institutional change in the twentieth century*, New York, Cambridge University Press.
- BOAS, T. C. 2007. Conceptualizing Continuity and Change. *Journal of Theoretical Politics*, 19, 33-54.
- BONNET, F., EHMKE, E. & HAGEMER, K. 2010. Social security in times of crisis. *International Social Security Review*, 63, 47-70.
- BONOLI, G. 2000. *The politics of pension reform institutions and policy change in Western Europe* [Online]. Cambridge; New York: Cambridge University Press. Available: <http://site.ebrary.com/id/2000862>.
- BONOLI, G. 2001. Political institutions, veto points, and the process of welfare state adaptation. *The new politics of the welfare state*, 238-264.
- BONOLI, G. 2003. Two Worlds of Pension Reform in Western Europe. *Comparative Politics*, 35, 399-416.
- BONOLI, G. & SHINKAWA, T. 2005a. 1. Population ageing and the logics of pension reform in Western Europe, East Asia and North America. *Ageing and pension reform around the world: Evidence from eleven countries*, London: Edward Elgar.
- BONOLI, G. & SHINKAWA, T. 2005b. *Ageing and pension reform around the world : evidence from eleven countries*, Cheltenham [etc.], Edward Elgar.

- BOTTELIER, P. 2002. Where is pension reform going in China? Issues and options. *Perspectives*, 3, 30.
- BOWEN, G. A. 2009. Document analysis as a qualitative research method. *Qualitative research journal*, 9, 27-40.
- BROOKS, S. 2004. What was the Role of International Financial Institutions in the Diffusion of Social Security Reform in Latin America? *Learning from Foreign Models in Latin American Policy Reform*. Washington, DC: Woodrow Wilson Center Press, and Johns Hopkins University Press, forthcoming.
- BROOKS, S. M. 2005. Interdependent and domestic foundations of policy change: The diffusion of pension privatization around the world. *International Studies Quarterly*, 49, 273-294.
- BROSCHEK, J. 2012. Historical Institutionalism and Comparative Federalism. *World Political Science Review*, 8, 101-128.
- CAI, F. 2012. *The elderly and old age support in rural China challenges and prospects* [Online]. Washington, D.C.: World Bank. Available: <http://public.eblib.com/EBLPublic/PublicView.do?ptiID=881433>. [Jan 2011]
- CAI, Y. 2002. The resistance of Chinese laid-off workers in the reform period. *The China Quarterly*, 170, 327-344.
- CAI, Y. 2008. Power Structure and Regime Resilience: Contentious Politics in China. *British Journal of Political Science*, 38, 411-432.
- CALVO, E. & WILLIAMSON, J. B. 2008. Old-age pension reform and modernization pathways: Lessons for China from Latin America. *Journal of Aging Studies*, 22, 74-87.
- CAMPBELL, J. 2005. How Institutions Evolve: The Political Economy of Skills in Germany, Britain, the United States, and Japan. *Contemporary Sociology: A Journal of Reviews*, 34, 502-503.
- CAMPBELL, J. L., LINDBERG, L. N. & JOHN L. CAMPBELL, J. R. H. 1991. *The evolution of governance regimes Governance of the American Economy*, Cambridge University Press.
- CARRILLO, B. & DUCKETT, J. 2012. *China's changing welfare mix: local perspectives*, Routledge.
- CASTLES, F. G. 1999. Decentralization and the post-war political economy. *European Journal of Political Research*, 36, 27-53.
- CASTLES, F. G. 2002. Developing new measures of welfare state change and reform. *European Journal of Political Research*, 41, 613-641.

- CCP. 2003. *Decisions on improving the socialist market economic system*. Available at . <http://www.people.com.cn/GB/shizheng/1024/2145119.html>
- CCP. 1986. *The outline of national economic and social development 7th five-year plan*. Available at <http://www.people.com.cn/GB/other4349/4456/20010228/405422.html>
- CCP. 1991. *The outline of national economic and social development 8th five-year plan*. Available at <http://www.people.com.cn/GB/other4349/4456/20010228/405426.html>
- CCP. 2006. *The outline of national economic and social development 11th five-year plan*. Available at http://www.gov.cn/gongbao/content/2006/content_268766.htm
- CERNY, P. G. & EVANS, M. 2000. New Labour, globalization, and the competition state. *working paper*. Available at <http://www.people.fas.harvard.edu/~ces/publications/docs/pdfs/evans.pdf>
- CERNY, P. G. & EVANS, M. 2003. Globalization and social policy *In: PIERSON, C. E. N. (ed.) Developments in British social policy 2*. Basingstoke: Palgrave Macmillan.
- CHAN, A. 2000. Globalization, China's free (read bonded) labour market, and the Chinese trade unions. *Asia Pacific Business Review*, 6, 260-281.
- CHAN, C. K., KING, L. N. & PHILLIPS, D. 2008. *Social policy in China : development and well-being*, Bristol, Policy.
- CHANG, H. X. & HE, Y. X. 2006. Farmers don't believe in utopia. *Finance and Economics*, 6.
- CHEN, H. 1992. Adapting to the further reform, strengthening and accelerating the pace of the fight for the establishment of a rural pension insurance system with Chinese characteristics. *Speech at the National Conference on Rural Pension Pilot Schemes*, Wuhan,.
- CHEN, T. 2002. Demolishing the barrier: Social insurance comprehensive economic measures toward the non-state sector. *China Social Security*, 181-86.
- CHEN, V. Y. 2004. A Macro Analysis of China Pension Pooling System—Incentive Issues and Financial Problem. *PIE Working Paper*, 195.
- CHEN, X. 2012. Pension Liabilities and Government Funding Countermeasures in China. *Compensation & Benefits Review*, 44, 34-39.
- CHEN, Y. & LI, X. 2011. Analysis of the status quo and reform options of pooling level of basic pension insurance *Journal of chongqing university of science and technology(Chinese)*, 25.

- CHENG, J. 2011. Fiscal burden estimates of new rural pension scheme: possibility of universal coverage during the 12th Five-Year plan period. *Social Security Studies*, 1, 57-66.
- CHINA, N. B. O. S. O. 2005. *China Statistic Year book*.
- CHINA RESEARCH CENTER ON AGING. 2000. *Elderly population survey in urban/rural China 2000*. Available at <http://www.crea.cn/publication/book-124-18.html>
- CHINA RESEARCH CENTER ON AGING. 2006. *Elderly population survey in urban/rural China 2006*. Available:http://www.china.com.cn/news/txt/2007-12/17/content_9392818.htm
- CHINA RESEARCH CENTER ON AGING. 2010. *Elderly population survey in urban/rural China 2010*. Available: http://wenku.baidu.com/link?url=nG6rb1fEvRK7LBDGQmD96va1eIkUErKnlxpwq9GpHalVAol1k1FH0MpZaJpRVUS20tsrHSDHJ8i_753vOhREgnWw6TIIxFRT2j5ty0M6aO
- CHÖNG, C.-H. & CHUNG, J. H. 2000. *Central Control and Local Discretion in China: Leadership and Implementation during Post-Mao Decollectivization*, Oxford University Press on Demand.
- CHOW, N. & XU, Y. 2003. Pension reform in China. *Social Policy Reform in China. Views from Home and Abroad, Ashgate, Aldershot*, 129-41.
- CIRC,. 2004. *Enterprise annuity fund management trial measure*..Available: http://www.gov.cn/flfg/2011-02/23/content_1808854.htm
- CLASEN, J. 1999. *Comparative social policy : concepts, theories, and methods*, Oxford; Malden, Mass., Blackwell Publishers.
- CLASEN, J. 2007. Comparative Social Policy—Old Questions, New Topics and Original Answers—By Jochen Clasen. *Government and Opposition*, 42, 250-257.
- CLASEN, J. & SIEGEL, N. A. 2007. Comparative welfare state analysis and the “dependent variable problem”. *Investigating Welfare State Change—the Dependent Variable Problem in Comparative Analysis*, Cheltenham: Edward Elgar, 166-97.
- CLASEN, J. & VAN OORSCHOT, W. 2002. Changing principles in European social security. *Eur. J. Soc. Sec.*, 4, 89.
- CLAYTON, R. & PONTUSSON, J. 1998. Welfare state retrenchment revisited. *World Politics*, 51, 67-98.

- CLEGG, D. & CLASEN, J. Conceptualising and measuring the changing principles of social security in Europe: Reflections from a five-country study. *1st ESPAnet annual conference "Changing European Societies-the role of social policy"*, Copenhagen, 2003.
- CLEMENTS, M. B. J., COADY, D., EICH, F., GUPTA, M. S., KANGUR, M. A., SHANG, B. & SOTO, M. 2013. *The Challenge of Public Pension Reform in Advanced and Emerging Economies*, International Monetary Fund.
- CO-OPERATION, O. F. E. & DEVELOPMENT 2005. *Private Pensions: OECD Classification and Glossary*, Organisation for Economic Co-operation and Development.
- COLLIER, R. & COLLIER, D. 1991. *Shaping the Political Arena: Critical Junctures, the Labor Movement and Regime Dynamics in Latin America*, Univ of Notre Dame.
- COOK, S. 2002. From rice bowl to safety net: Insecurity and social protection during China's transition. *Development Policy Review*, 20, 615-635.
- CPC. 2002. *Building a well-off society and develop the new situation of the socialism with Chinese characteristics*. Available: http://news.xinhuanet.com/ziliao/2002-11/17/content_693542.htm
- CPC. 2007. *The report of 17th National Congress of the CPC*. Available: http://news.xinhuanet.com/newscenter/2007-10/24/content_6938568.htm
- CPC. 2008. *Circular of CPC on several major issues in further improving rural pension and development*. Available: http://news.xinhuanet.com/theory/2008-02/19/content_7628350.htm
- CROLL, E. J. 1999. Social welfare reform: Trends and tensions. *The China Quarterly*, 159, 684-699.
- DEMURGER, S., SACHS, J. D., WOO, W. T., BAO, S., CHANG, G., & MELLINGER, A. 2002. Geography, Economic Policy, and Regional Development in China*. *Asian Economic Papers*, 1(1), 146-197..
- DAVIS, D. 1988. Unequal chances, unequal outcomes: Pension reform and urban inequality. *The China Quarterly*, 114, 223-242.
- DE DEKEN, J. 2013. Towards an index of private pension provision. *Journal of European Social Policy*, 23, 270-286.
- DE HAAN, A. 2010. A defining moment? China's social policy response to the financial crisis. *Journal of International Development*, 22, 758-771.
- DEEG, R. 2001. *Institutional change and the uses and limits of path dependency: The case of German finance*. Available: http://edoc.vifapol.de/opus/volltexte/2011/2814/pdf/dp01_6.pdf

- DEEG, R. 2005. *Complementarity and Institutional Change: How Useful a Concept?* (No. SP II 2005-21). Discussion papers//WZB, Wissenschaftszentrum Berlin für Sozialforschung, Forschungsschwerpunkt Märkte und Politik, Forschungsgruppe Institutionen, Staaten, Märkte. Available: <http://www.econstor.eu/handle/10419/51225>
- DELLA PORTA, D. & KEATING, M. 2008. *Approaches and methodologies in the social sciences: A pluralist perspective*, Cambridge University Press.
- DING, Y. Z. 2002. Current Pension and Its Reform in the Transition China. *Hitotsubashi journal of economics*, 43, 163-172.
- DIXON, J. E. K. H. S. 1985. *Social welfare in Asia*, London; Dover, N.H., Croom Helm.
- DONG, L. Q. 2010. On the harmonious development of enterprise annuity and basic endowment insurance. *Hebei Academic Journal*, 30.
- DONG, X. & LUO, W. 2010. The Obstacles of flexible employment labour participating the pension insurance *Theoretical Journal(Chinese)*, 2, 020.
- DORFMAN, M., KEEFE, O. P. & WANG, D. 2011. *China's national rural pension scheme*. Available: http://siteresources.worldbank.org/INTPENSIONS/Resources/395443-1142535808399/2329423-1308330352906/MDC_Dorfman_China_Rural_Pension_Pilot.pdf.
- DORFMAN, M. C., HOLZMANN, R., O'KEEFE, P. & WORLD, B. 2012a. *China's pension system : a vision*, Washington DC, World Bank.
- DORFMAN, M. C. & SIN, Y. 2000. *China: Social Security Reform, Technical Analysis of Strategic Options*, Human Development Network. Washington, DC: The World Bank.
- DORFMAN, M. C., WANG, D., O'KEEFE, P. & CHENG, J. 2012. China's Pension Schemes for Rural and Urban Residents. *Matching Contributions for Pensions: A Review of International Experience*, 217.
- DUCKETT, J. 2003. Bureaucratic institutions and interests in the making of China's social policy. *Public Administration Quarterly*, 27, 210-235.
- DUNAWAY, S. & ARORA, V. 2007. Pension reform in China: the need for a new approach. *IMF Working Papers*, 1-15.
- EBBERS, H., HAGENDIJK, R., & SMORENBERG, H. 2008. China's Pension System. *Positioning paper*. Available: <http://www.nijenrode.nl/FacultyResearch/BMI/ICBD/Europe%20China%20Institute/research/Documents/China%20Pens.Pos.Paper.pdf>
- EBBINGHAUS, B. 2005. *Can path dependence explain institutional change? two approaches applied to welfare state reform*. Available : http://edoc.vifapol.de/opus/volltexte/2007/44/pdf/dp05_2.pdf

- EBBINGHAUS, B. 2006. The Politics of Pension Reform: Managing Interest Group Conflicts. In: CLARK, G. L., MUNNELL, A. H. & ORSZAG, M. (eds.) *Oxford handbook of pensions and retirement income*. Oxford: Oxford University Press.
- EBBINGHAUS, B. 2011. *The varieties of pension governance : pension privatization in Europe*, Oxford; New York, Oxford University Press.
- EBBINGHAUS, B. & GRONWALD, M. 2011. The changing public–private pension mix in Europe: From path dependence to path departure. *The Varieties of Pension Governance–Pension Privatization in Europe*, Oxford, Oxford University Press.
- EBBINGHAUS, B. & HASSEL, A. 2000. Striking deals: concertation in the reform of continental European welfare states. *Journal of European Public Policy*, 7, 44-62.
- EBBINGHAUS, B. & MANOW, P. 2001. *Comparing welfare capitalism: social policy and political economy in Europe, Japan and the USA*, Psychology Press.
- EGGLESTON, K., OI, J. C., ROZELLE, S., SUN, A., WALDER, A. & ZHOU, X. 2011. Will Demographic Change Slow China's Rise? *The Journal of Asian Studies*, 1-14.
- EICHENGREEN, B., PARK, D. & SHIN, K. 2012. When Fast-Growing Economies Slow Down: International Evidence and Implications for China. *Asian Economic Papers*, 11, 42-87.
- ELKINS, Z. & SIMMONS, B. 2004. The globalization of liberalization: Policy diffusion in the international political economy. *American political science review*, 98, 171-190.
- ESPING-ANDERSEN, G. 1990. *The three worlds of welfare capitalism*, Polity press Cambridge.
- ESPING-ANDERSEN, G. 1996. *Welfare states in transition: national adaptations in global economies*, Sage.
- EUROPEAN COMMISSION, 2012. An agenda for adequate, safe and sustainable pensions. *White paper*. Available <http://europa.eu/rapid/pressReleasesAction.do>.
- FANG, C. 2004. The aging trend and pension reform in China: challenges and options. *China & World Economy*, 12.
- FELDSTEIN, M. 1999. Social security pension reform in China. *China Economic Review*, 10, 99-107.
- FENG, J. 2010. New Rural Pension Program: Policy Design and Practice Effect (in Chinese). *World Economic Outlook*, 8, 14-19.

- FENG TIEYING, D. X. 2010. On New Rural Endowment Insurance Demand and its Determinants under the Background of Labor Force Deficiency. *Northwest Population*, 6, 10-19.
- FLORA, P. & HEIDENHEIMER, A. J. 1981. *The development of welfare states in Europe and America*, Transaction Publisher..
- FRAZIER, M. W. 2004a. After Pension Reform: Navigating the "Third Rail" in China. *Studies in Comparative International Development*, 39, 45-70.
- FRAZIER, M. W. 2004b. China's pension reform and its discontents. *The China Journal*, 97-114.
- FRAZIER, M. W. 2006a. One Country, Three Systems: The Politics of Welfare Policy in China's Authoritarian Developmental State. *Capitalism with Chinese Characteristics: China's Political Economy in Comparative and Theoretical Perspective*. Indiana University, Bloomington, Indiana.
- FRAZIER, M. W. 2006b. Pensions, public opinion, and the graying of China. *asia policy*, 1, 43-68.
- FRAZIER, M. W. 2006c. Welfare State Building: China in Comparative Perspective. *Annual Meeting of the American Political Science Association*. Philadelphia, Pennsylvania. Available : http://citation.allacademic.com/meta/p_mla_apa_research_citation/1/5/1/1/4/pages151149/p151149-1.php
- FRAZIER, M. W. 2010a. Pathways to pensions. In: FRAZIER, M. W. (ed.) *Socialist insecurity : pensions and the politics of uneven development in China*. Ithaca: Cornell University Press.
- FRAZIER, M. W. 2010b. *Socialist Insecurity: Pensions and the Politics of Uneven Development in China*, Ithaca, NY, Cornell University Press.
- GALLAGHER, M. E. 2005. *Contagious Capitalism: Globalization and the Politics of Labor in China*, Princeton University Press.
- GAO, S. Q. 1991. Establishing Social Security System Is an Urgent Task. In: *Guang Dong Documents*, 42-43.
- GAO, W. 2012. The impact factor analysis of new rural pension participation *Journal of Huazhong Normal Univeristy (Humanities and Social Science)*, 51.
- GE, Y. 2007. *What do unions do in China?* Available: <http://fortunetrust.net/admin/uploadfile/200912/20091218081535873.pdf>.
- GEORGE, A. L. & BENNETT, A. 2005. Process-tracing and historical explanation. In: GEORGE, A. L. & BENNETT, A. (eds.) *Case studies and theory development in the social sciences*. Cambridge, Mass.: MIT Press.

- GEORGE, A. L. B. A. 2005. *Case studies and theory development in the social sciences*, Cambridge, Mass., MIT Press.
- GIFFORD, R. 2012. China's Achilles heel. *The Economist* Available: <http://www.economist.com/node/21553056> [Accessed 21 April 2012].
- GOODMAN, R. 1998. *The East Asian welfare model: welfare orientalism and the state*, Routledge.
- GORDON WHITE, X. S. 1996. Issues and answers: reforming the Chinese social security system, *International Workshop*, Beijing.
- GOSC. 2011. *Occupational pension for the public institution workers*. Available: . <http://www.most.gov.cn/kjzc/gjkjzc/kyjggg/201308/P020130823577143755255.pdf>
- GOUGH, I. 2004. 13 Social policy regimes in the developing world. *A handbook of comparative social policy*, 239.
- GREEN-PEDERSEN, C. 2004. The Dependent Variable Problem within the Study of Welfare State Retrenchment: Defining the Problem and Looking for Solutions. *Journal of Comparative Policy Analysis: Research and Practice*, 6, 3-14.
- GREEN-PEDERSEN, C. & HAVERLAND, M. 2002. Review Essay: The new politics and scholarship of the welfare state. *Journal of European Social Policy*, 12, 43-51.
- GRIMMEISEN, S. 2004. *Path dependence and path departure: Analysing the first decade of post-communist pension policy in Hungary, Poland and the Czech Republic* (No. 01/2004). ZeS-Arbeitspapier.
- GROSH, M. E. 2008. *For protection and promotion: The design and implementation of effective safety nets*, World Bank-free PDF. Available: <http://web.worldbank.org/WBSITE/EXTERNAL/WBI/WBIPROGRAMS/SP/LP/0,,contentMDK:21956122~menuPK:461694~pagePK:64156158~piPK:64152884~theSitePK:461654,00.html>
- GU, E. X. 2001. Dismantling the Chinese mini-welfare state?: Marketization and the politics of institutional transformation, 1979–1999. *Communist and Post-Communist Studies*, 34, 91-111.
- GUO, B. 2006. Political Legitimacy in China's Transition. *China's Deep Reform: Domestic Politics in Transition*, 147.
- GUO, J. 2009. *China has 28 provinces establishing the provincial pooling pension insurance system*. Available: <http://news.sohu.com/20090713/n265172715.shtml>. [Accessed 13 July 2009]

- GUO, J. 2013. Expert explaining the difficulty of provincial pooling: the upper level government shuffle. *First Financial Daily*. Available <http://finance.sina.com.cn/china/20130621/024615864259.shtml> [21 June 2013]
- HAAN, A. D. 2010. *The Financial Crisis and China's "Harmonious Society"*. *Journal of Current Chinese Affairs*, 39(2), 69-99.
- HACKER, J. S. 2004. Privatizing Risk without Privatizing the Welfare State: The Hidden Politics of Social Policy Retrenchment in the United States. *The American Political Science Review*, 98, 243-260.
- HALL, P. 1993. Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain. *Comparative Politics*, 25, 275-296.
- HALL, P. A. 1989. *The political power of economic ideas: Keynesianism across nations*. Princeton University Press.
- HALL, P. A. 1993. Policy paradigms, social learning, and the state: the case of economic policymaking in Britain. *Comparative Politics*, 275-296.
- HALL, P. A. & TAYLOR, R. C. 1996. Political Science and the Three New Institutionalisms*. *Political studies*, 44, 936-957.
- HAN, X. 2010. Public institution pension reform *Academic Journal of Zhongzhou*, 4.
- HANSEN, R. & KING, D. 2001. Eugenic Ideas, Political Interests, and Policy Variance: Immigration and Sterilization Policy in Britain and the U.S. *World Politics*, 53, 237-263.
- HAY, C. & WINCOTT, D. 1998. Structure, Agency and Historical Institutionalism. *Political Studies*, 46, 951-957.
- HAYDU, J. 1998. Making Use of the Past: Time Periods as Cases to Compare and as Sequences of Problem Solving. *American Journal of Sociology*, 104, 339-371.
- HE, P. & ZHENG, G. C. 2002. The research report of situation of social insurance for flexible employment workers. *The proceedings of international conference "changing employment environment and social security"(Chinese)*.
- HERD, R., H. HU & KOEN, V. 2010. *Providing Greater Old-Age Security in China*. Available at [http://search.oecd.org/officialdocuments/displaydocumentpdf/?doclanguage=en&cote=eco/wkp\(2010\)6](http://search.oecd.org/officialdocuments/displaydocumentpdf/?doclanguage=en&cote=eco/wkp(2010)6)
- HIBBS, D. A. 1992. Partisan theory after fifteen years. *European Journal of Political Economy*, 8, 361-373.
- HINRICHS, K. 2000. Elephants on the move. Patterns of public pension reform in OECD countries. *EUROPEAN REVIEW-CHICHESTER-*, 8, 353-378.

- HINRICHS, K. & KANGAS, O. 2003. When Is a Change Big Enough to Be a System Shift? Small System shifting Changes in German and Finnish Pension Policies. *Social Policy & Administration*, 37, 573-591.
- HINZ, R. P. 2012. *Matching contributions for pensions a review of international experience* Washington, DC: World Bank. Available: <http://elibrary.worldbank.org/content/book/9780821394922>.
- HOLLIDAY, I. 2000. Productivist welfare capitalism: Social policy in East Asia. *Political Studies*, 48, 706-723.
- HOLZMANN, R. 2000. The World Bank approach to pension reform. *International Social Security Review*, 53, 11-34.
- HOLZMANN, R. 2013. Global pension systems and their reform: Worldwide drivers, trends and challenges. *International Social Security Review*, 66(2), 1-29..
- HOLZMANN, R. & HINZ, R. P. 2005. *Old-age income support in the 21st century: An international perspective on pension systems and reform*, World Bank Publications.
- HOLZMANN, R., ROBALINO, D. A. & TAKAYAMA, N. 2009. *Closing the coverage gap: The role of social pensions and other retirement income transfers*, World Bank-free PDF.
- HONG, D.-Y., FANG, L.-J. & QIU, X.-Q. 2004. Dilemmas and Solutions: A Study on "Wubao" in Post-collective Rural China. *Journal of Renmin University of China*, 1, 007.
- HORSFALL, D. & CHAI, H. 2013. Square pegs and round holes: extending existing typologies fails to capture the complexities of Chinese social policy'. *Social Policy Review*, 25.
- HOWLETT, M. 2009. Process sequencing policy dynamics: beyond homeostasis and path dependency. *Journal of public policy*, 29, 241-62.
- HOWLETT, M. & CASHORE, B. 2009. The dependent variable problem in the study of policy change: Understanding policy change as a methodological problem. *Journal of Comparative Policy Analysis*, 11, 33-46.
- HU, A. 2012. The Global Spread of Neoliberalism and China's Pension Reform since 1978. *Journal of World History*, 23, 609-638.
- HU, Y.-W. 2006a. Pension reform in China - a case study. *School of Social Sciences Research Papers Economics and Finance*. Available: <http://bura.brunel.ac.uk/handle/2438/1020> [Accessed 2 Feb 2006]
- HU, Y. W. 2006b. China's Pension Reform: A Precondition Approach. *Global Economic Review*, 35, 413-424.

- HUANG, J. 2003. Economic restructuring, social safety net, and old-age pension reform in China. *American Asian Review*, 21, 171-98.
- HUANG, L. 2009. The land institution innovation and rural social insurance construction. *Economic issue inquiry*, 7, 23-30.
- HUANG, X. 2013. The Politics of Social Welfare Reform in Urban China: Social Welfare Preferences and Reform Policies. *Journal of Chinese Political Science*, 18, 61-85.
- HUANG, Y. 2008. The model choice of rural pension pilot in Shangdong. *Study and Practice*, 134-139.
- HUBER, E., RAGIN, C. & STEPHENS, J. D. 1993. Social democracy, Christian democracy, constitutional structure, and the welfare state. *American journal of Sociology*, 711-749.
- HUBER, E. & STEPHENS, J. D. 2000. *The political economy of pension reform: Latin America in comparative perspective*, United Nations Research Institute for Social Development.
- HUBER, E. & STEPHENS, J. D. 2001. *Development and crisis of the welfare state: parties and policies in global markets*, University of Chicago Press.
- HUDSON, J. & K HNER, S. 2011. 3. Analysing the productive dimensions of welfare: looking beyond East Asia. *New Welfare States in East Asia: Global Challenges and Restructuring*, 35-59.
- HUDSON, J. & LOWE, S. 2009. *Understanding the policy process analysing the welfare policy and practice*, Bristol, Policy.
- HURST, W. & O'BRIEN, K. J. 2002. China's Contentious Pensioners. *China Quarterly*, 170, 345-60.
- ILO .2006. *Extending Old-age Insurance Coverage in the People's Republic of China*. Available : http://www.ilo.org/beijing/what-we-do/publications/WCMS_158635/lang--en/index.htm [Accessed 30 Jan 2006]
- ILO. 2011. *The Social Protection Floor*. Geneva: ILO. Available: <http://www.ilo.org/secsoc/areas-of-work/policy-development-and-applied-research/social-protection-floor/lang--en/index.htm>
- ILO. 2012. *Social security for all: The ILO Social Protection Floors Recommendation*. Available: http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---multi/documents/publication/wcms_213761.pdf
- ILO. 2013. Executive summary - World of Work Report 2013: Repairing the economic and social fabric. *World Work Rep World of Work Report*, 2013, i-4.

- ILO. 2009. *Social security for all : investing in social justice and economic development*. Available:
http://www.ilo.org/secsoc/information-resources/publications-and-tools/policy-briefings/WCMS_SECSOC_10177/lang--en/index.htm [Accessed 1 Jan 2009].
- IMMERGUT, E. 1990. Institutions, veto points, and policy results: a comparative analysis of health care. *Journal of Public Policy*, 10, 391-416.
- IMMERGUT, E. 2010. Political institution. In: CASTLES, F. G., LEIBFRIED, S., LEWIS, J., OBINGER, H. & PIERSON, C. (eds.) *The Oxford handbook of the welfare state*. OUP Oxford.
- IMMERGUT, E. M. 1992a. *Health politics : interests and institutions in Western Europe*, Cambridge England ; New York, NY, USA, Cambridge University Press.
- IMMERGUT, E. M. 1992b. The rules of the game: The logic of health policy-making in France, Switzerland, and Sweden. *Structuring politics: Historical institutionalism in comparative analysis*, 57-89.
- IMMERGUT, E. M., ANDERSON, K. M. & SCHULZE, I. 2007. *The handbook of West European pension politics*, Oxford ; New York, Oxford University Press.
- IRC. 2004. *The trial measure of corporate annuity fund management*.. Available:
http://www.gov.cn/gongbao/content/2004/content_62935.htm
- ISSA. 1999. *The Chinese Government's experience and practices in extending social insurance coverage*. Available:
<http://www.issa.int/Observatory/Good-Practices/The-Chinese-Government-s-experience-and-practices-in-extending-social-insurance-coverage>.
- ISSA. 2007. *Pension for retired workers to increase for another three years* [Online]. Available:
<http://www.issa.int/Beobachtungsstelle/Laenderprofile/Regions/Asien-und-Pazifik/China-Volksrepublik/Reforms/Altersrenten-der-Arbeiter-sollen-weitere-drei-Jahre-steigen>.
- ISSA. 2012. *Rapid extension of pension insurance coverage in China*. Available:
<http://www.issa.int/Observatory/Good-Practices/Rapid-extension-of-pension-insurance-coverage-in-China>.
- JAMES, E. 1998. *New models for old age security - how can they be applied in China?* Available:
<http://www.eldis.org/go/home&id=29214&type=Document>
- JAMES, E. 2002. How can China solve its old-age security problem? The interaction between pension, state enterprise and financial market reform. *Journal Of Pensions Economics & Finance*, 1, 53-75.

- JAMES, E. 2003. The Interaction between Pension, SOEs and Financial Market Reform: How can China Solve its Old Age Security Problem?. *Comparative Economic and Social Systems*, 3, 004.
- JAMES, E. & BROOKS, S. 2001. *The political economy of structural pension reform*. Available http://www.estellejames.com/downloads/political_economy.pdf.
- JANOWITZ, M. 1976. *Social control of the welfare state*, New York, Elsevier.
- JEFFERSON, G. H., RAWSKI, T. G., LI, W. & YUXIN, Z. 2000. Ownership, productivity change, and financial performance in Chinese industry. *Journal of Comparative Economics*, 28, 786-813.
- JENSEN, C. 2009. Policy punctuations in mature Welfare States. *Journal of Public Policy*, 29, 287-303.
- JERVIS, R. 2006. Understanding Beliefs. *Political Psychology*, 27, 641-663.
- JIA, H. Y. 2012. The difficulties of old age allowance system construction and development. *Social Welfare*, 7.
- JIA, L. P. 2013. The migration status impact the urban and rural resident pension extending. *The proceedings of Chinese society*, 438.
- JIN, F. 2004. Welfare Analysis of China's Pension Reform. *Economic Research Journal*, 2, 55-63.
- JOCHEM, S. 2005. Contemporary Welfare State Reforms: Beyond Path Dependency? *ESPAnet Conference 2005*. Fribourg, Switzerland.
- JOCHEM, S. 2007. 12. Pension reform: beyond path dependency? In Jochen, S (ed.) *Investigating Welfare State Change: The 'dependent Variable Problem' in Comparative Analysis*. Edward Elgar Publishing Ltd, 261
- JONES, C. 1993. Confucian welfare states. *New perspectives on the welfare state in Europe*, 184.
- JOSEPH, A. E. & PHILLIPS, D. R. 1999. Ageing in rural China: Impacts of increasing diversity in family and community resources. *Journal of Cross-Cultural Gerontology*, 14, 153-168.
- KENNETT, P. 2004. *A Handbook of comparative social policy*, Northampton, Edward Elgar.
- KERSBERGEN, K. & BECKER, U. 2002. Comparative politics and the welfare state. In: KEMAN, H. (ed.) *Comparative democratic politics: a guide to contemporary theory and research* SAGE Publications Limited.

- KITTEL, B. & OBINGER, H. 2003. Political parties, institutions, and the dynamics of social expenditure in times of austerity. *Journal of European Public Policy*, 10, 20-45.
- KOELBLE, T. A. 1995. The New Institutionalism in Political Science and Sociology. *Comparative Politics*, 27, 231-243.
- KORPI, W. 2001. Contentious Institutions and Argued Rational-Action Analysis of the Origins and Path Dependency of Welfare State Institution in Western Countries. *Rationality and society*, 13, 235-283.
- KRASNER, S. D. 1984. Approaches to the State: Alternative Conceptions and Historical Dynamics. *Comparative Politics*, 16, 223-46.
- KU, Y. & JONES FINER, C. 2007. Developments in East Asian welfare studies. *Social Policy & Administration*, 41, 115-131.
- KU, Y. W. 1995. The development of state welfare in the Asian NICs with special reference to Taiwan. *Social Policy & Administration*, 29, 345-364.
- KUHNER, S. 2012. Welfare retrenchment under left and right government leadership: towards a consolidated framework of analysis? *Social Policy Review*, 24, 137-163.
- KUHNER, S. 2007. Country-level comparisons of welfare state change measures: Another facet of the dependent variable problem within the comparative analysis of the welfare state. *Journal of European Social Policy*, 17, 5-18.
- KUHNER, S. 2010. Do Party Governments Matter After All? Executive Ideology, Constitutional Structures and their Combined Effect on Welfare State Change. *Journal of Comparative Policy Analysis: Research and Practice*, 12, 395-415.
- KUHNER S & ZHANG, L. 2012. Conceptualising pensions reforms with fuzzy sets. *2012 International Academic Conference on Old-Age Security*. Wuhan, China.
- KWON, H.-J. 1998. Democracy and the politics of social welfare: a comparative analysis of welfare systems in East Asia. In Goodman, R., Kwon, H. J., & White, G. (edt.). *The East Asian welfare model: Welfare orientalism and the state*, Routledge, 27-74.
- KWON, H.-J. 1999. *The welfare state in Korea : the politics of legitimation*, New York, St. Martin's Press in association with St. Antony's College, Oxford.
- KWON, H. 1997. Beyond European welfare regimes: comparative perspectives on East Asian welfare systems. *Journal of Social Policy*, 26, 467-484.
- LABOURNET. 1997. *The development of rural pension insurance*. Available: <http://www.labournet.com.cn/shebao/lisyg12.asp>.

- LANDRY, P. F. 2008. *Decentralized authoritarianism in China : the Communist Party's control of local elites in the post-Mao era*, Cambridge ; New York, Cambridge University Press.
- LECKIE, S. & NING, P. 2007. A review of the National Social Security Fund in China. *Pensions: An International Journal*, 12, 88-97.
- LECKIE, S. H. & OBE, J. 2003. Pension reform in China. *Pensions-London* Henry Stewart Publications-, 8, 147-151.
- LEE, C. K. 1998. The Labor Politics of Market Socialism: Collective Inaction and Class Experiences among State Workers in Guangzhou. *Modern China*, 24, 3-33.
- LEI, X. & ZHANG, C. 2011. *Incentive Problems in China's New Rural Pension Program*. Available http://www.iza.org/conference_files/CIER2011/lei_x6071.pdf
- LEI, X. K. & HAO, K. 2009. The problems and experiences of provincial pooling of pension insurance. *Theoretical Journal(Chinese)*, 47-50.
- LEISERING, L., GONG, S., HUSSAIN, A. & ASIAN DEVELOPMENT, B. 2002. *People's Republic of China : old-age pensions for the rural areas : from land reform to globalization*, Manila, Philippines, Asian Development Bank.
- LEUNG, J. C. B. 2003. Social security reforms in China: Issues and prospects. *International Journal of Social Welfare*, 12, 73-85.
- LEVI, M. 1997. A model, a method, and a map: Rational choice in comparative and historical analysis. *Comparative politics: Rationality, culture, and structure*, 28.
- LI, B. S. & ZHU, M. Y. 2012. The orientation analysis of participating new rural pension scheme. *Journal of Jiangsu University (Social Science)*, 1, 005.
- LI, H.X. 2006. *Pension policy implementation in Tianjin: Who pays pension in loss-making public firms?* Available : <http://scholarbank.nus.edu/handle/10635/15299>
- LI, L. C. 2005. Understanding institutional change: fiscal management in local China. *Journal of Contemporary Asia*, 35, 87-108.
- LI, L. C. 2010. Central local relations in the people's Republic of China: Trends, processes and impacts for policy implementation. *Public administration and development*, 30, 177-190.
- LI, S. & LIN, S. 2011. Is there any gain from social security privatization? *China Economic Review*, 22, 278-289.
- LI, W. 1997. The Impact of Economic Reform on the Performance of Chinese State Enterprises, 1980–1989. *Journal of Political Economy*, 105, 1080-1106.

- LI, Y.B. WANG, R. & DONG, H.R. 2011. System Design for China Further Implementing a New Old-Age Insurance System for Rural Residents and Policy Suggestions--The Clustering Analysis Based on 31 Provinces, Autonomous Regions and Municipalities. *Third International Conference on Multimedia Information Networking and Security (MINES)*. IEEE, 248-252.
- LIANGJIN, C. 1994. *Zhongguo Shehui Gongzuo Baikequanshu* (Chinese Social Work Encyclopaedia), Beijing, Chinese Social Press.
- LIEBERMAN, R. C. 2002. Ideas, Institutions, and Political Order: Explaining Political Change. *American Political Science Review*, 96, 697-712.
- LIEBERTHAL, K. 1995. *Governing China: From Revolution Through Reform* NY and London, W. W. Norton & Co.
- LIEBERTHAL, K. & LAMPTON, D. M. 1992. *Bureaucracy, politics, and decision making in post-Mao China*, University of California Press Berkeley.
- LIEBERTHAL, K. A. L. 1992. *Bureaucracy, Politics and Decision Making in Post-Mao China*, Berkeley, University of California Press.
- LIM, E., WOOD, A. & WORLD, B. 1985. *China, long-term development issues and options : the report of a mission sent to China by the World Bank*, Baltimore, Published for the World Bank [by] the Johns Hopkins University Press.
- LIN, A. C. 1998. Bridging Positivist and Interpretivist Approaches to Qualitative Methods. *Policy studies journal: the journal of the Policy Studies Organization.*, 26, 162.
- LIN, S. 2008. Forced Savings, Social Safety Net, and Family Support: a New Old-age Security System for China. *Chinese Economy*, 41, 10-44.
- LIN, Y. S. 2007. China's rural pension insurance: past, present and future. *Social insurance studies of China*, 10, 73-75
- LINDBLOM, C. E. 1959. The science of "muddling through". *Public administration review*, 79-88.
- LINDLEY-FRENCH, J. & BOYER, Y. 2012. *The Oxford handbook of war*, OUP Oxford.
- LIPSET, S. M. & ROKKAN, S. 1967. *Party systems and voter alignments: cross-national perspectives. [Contributors: Robert R. Alford and others]*, New York, Free Press.
- LITTLE, D. 1991. *Varieties of Social Explanation: An Introduction to the Philosophy of Social Science.*, Boulder, CO: Westview Press.
- LIU, C. L. & HAN, Y. 2010. New rural pension insurance system in China. *China Journal of Social Work*, 3, 83-87.

- LIU, J. L. 2007. The research of relationship between enterprise annuity and basic endowment insurance. *Journal of Jiangxi University of Finance and Economics*, 1.
- LONDON, J. 2009. Welfare regimes in the wake of state socialism: Viet Nam, China, and the Market-Leninist Welfare Regime. "Asian Social Protection in Comparative Perspective" Conference, Singapore,
- LONGSTRETH, F., STEINMO, S. & THELEN, K. A. 1992. *Structuring politics : historical institutionalism in comparative analysis*, Cambridge, Cambridge University Press.
- LU, C. W. 2011a. The constrains and reform strategies of pension reform for public sector workers. *Theoretical Exploration*, 5.
- LU, H. 2011b. The survey on urban resident old age insurance scheme Old-age Mordern Trade Industry(Chinese), 23, 48-48.
- LU, M. & FENG, M. 2008. Reforming the welfare system in the People's Republic of China. *Asian Development Review*, 25, 58-80.
- LV, H. Y. 2011. The survey and analysis of urban resident pension system. *Mordern Business Trade Industry*, 18.
- M LLER, K. 1999a. Pension Reform Paths in Comparison. *Czech Sociological Review*, 7, 51-66.
- M LLER, K. 1999b. The political economy of pension reform in Central-Eastern Europe. *Cheltenham u Northampton*.
- MA, J. & ZHAI, F. Financing China's Pension Reform. *Conference on Financial Sector Reform in China*. JF Kennedy School of Government. Harvard University, 2001.
- MABBETT, D. & BOLDERSON, H. 1999. Theories and methods in comparative social policy. *Comparative social policy: Concepts, theories and methods*, 34-56.
- MADRID, R. 2002. The politics and economics of pension privatization in Latin America. *Latin American Research Review*, 159-182.
- MAHONEY, J. 2000a. Path dependence in historical sociology. *Theory and society*, 29, 507-548.
- MAHONEY, J. 2000b. Strategies of causal inference in small-N analysis. *Sociological Methods & Research*, 28, 387-424.
- MAHONEY, J. & THELEN, K. A. 2010. *Explaining institutional change: ambiguity, agency, and power*, Cambridge University Press Cambridge.

- MAITRA, P., NIELSEN, I., NYLAND, C., SMYTH, R. & ZHU, C. 2006. Firm compliance with social insurance obligations where there is a weak surveillance and enforcement mechanism: Empirical evidence from Shanghai. *American Law & Economics Association Annual Meetings*. Bepress, 17.
- MARES, I. 2003. *The politics of social risk: Business and welfare state development*, Cambridge University Press.
- MARIER, P. 2002. *Institutional Structure and Policy Change: Pension Reforms in Belgium, France, Sweden, and the United Kingdom*. Diss.University of Pittsburgh. Available: <http://d-scholarship.pitt.edu/10309/>
- MARIER, P. 2008. *Pension politics : consensus and social conflict in ageing societies*, London ; New York, Routledge, Taylor & Francis.
- MARIER, P. 2012. Squeezing social partners to embrace reforms: The case of private earnings-related pension schemes. *Global Social Policy*, 12, 316-331.
- MARTIN, M. F. 2010. Understanding China's political system. 2010. *Library of Congress Washionton DC Congressional Research Service*. Available: <http://oai.dtic.mil/oai/oai?verb=getRecord&metadataPrefix=html&identifier=ADA518968>
- MOCA. 2010. *Briefing on the establishment of senior allowance*..Available: www.saic.gov.cn/.../W020120620577213371026.doc
- MCCORD, A. 2010. The impact of the global financial crisis on social protection in developing countries. *International Social Security Review*, 63, 31-45.
- MCGILLIVRAY, W. 2001. Contribution evasion: Implications for social security pension schemes. *International Social Security Review*, 54, 3-22.
- MERTHA, A. 2009. "Fragmented Authoritarianism 2.0": Political Pluralization in the Chinese Policy Process. *China Quarterly*, 200, 995.
- MOHRSS. 2011a. *China Human Resources and Social Security Statistic Yearbook*, China labour and social security press.
- MOHRSS. 2011b. *Human Resources and Social Security Bulletin*..Available: http://www.mohrss.gov.cn/SYrlzyhshbzb/zwgk/szrs/ndtjsj/tjgb/201206/t20120605_69908.htm
- MOHRSS. 2011c. *Measures for the Administration of Enterprise Annuity Fund*. Available: http://www.gov.cn/flfg/2011-02/23/content_1808854.htm
- MIDGLEY, J. & TANG, K. L. 2001. Introduction: Social policy, economic growth and developmental welfare. *International Journal of Social Welfare*, 10, 244-252.
- MIERZEJEWSKI, D. 2009. 'Not to Oppose but to Rethink' The New Left Discourse on the Chinese Reforms. *Journal of Contemporary Eastern Asia*, 8, 15-29.

- MLSS. 2008. *The Opinions of the State Council on Launching New Rural Pension Insurance Pilot Programme*. Available: http://www.gov.cn/zwgk/2009-09/04/content_1409216.htm
- MOCA. 1986. *Proposal on Exploring the Establishment of a Rural Social Security System*. Available: <http://law.people.com.cn/showdetail.action?id=2585909>
- MOCA. 1992a. *The trial measure of county level rural pension insurance program*. Available: http://w1.mohrss.gov.cn/gb/ywzn/2006-02/15/content_106552.htm
- MOCA. 1992b. *The report of rural pension insurance development*. Available: <http://www.labournet.com.cn/shebao/lsyg12.asp>
- MOCA. 1992c. *The speech of national rural pension insurance pilot conference*. Available: <http://law.51labour.com/lawshow-18755-1.html>
- MOCA. 1994. *Calculation measure of rural pension insurance(Trial)*. Available: http://code.fabao365.com/law_258112.html
- MOCA. 1994-1997. *The bulletin reports of civil affair development*.
- MOCA. 1997. *The trial procedures of county-level rural pension insurance managment*. Available <http://www.bjld.gov.cn/LDJAPP/search/fgdetail.jsp?no=2379>.
- MOHRSS. 2008-2010. *The bulletin of human resources and social security*.
- MOK, K.-H. & KU, Y.-W. 2010. *Social cohesion in greater China: Challenges for social policy and governance*, World Scientific.
- MOK, K. H. & LAU, M. K. W. 2013. *Managing Social Change and Social Policy in Greater China*, Routledge.
- MOLSS. 1998-2007. *The bulletin of labour and social security development*.
- MOLSS. 2004. *The trial measure of corporate annuity*. Available: http://www.gov.cn/gongbao/content/2004/content_62935.htm
- MOLSS. 2007a. *Labor and Social Security information construction " Eleventh Five-Year Plan"*. Available: http://w1.mohrss.gov.cn/gb/zt/2007-05/31/content_180052.htm .
- MOLSS. 2007b. *Notice on Promoting the provincial pooling of the basic old-age insurance*. Available: <http://www.calss.net.cn/n1196/n1394/n1831/100989.html> .
- MOLSS. 2008. *The Opinions of the State Council on Launching New Rural Pension Insurance Pilot Programme*. Available: http://www.china.com.cn/news/txt/2009-09/04/content_18467924.htm

- MURTON, T. 2005. Recent Development in the Social Security System. *The China boom and its discontents*, 196.
- MYLES, J. & PIERSON, P. 2001. The comparative political economy of pension reform. *The new politics of the welfare state*, 305-333.
- MYLES, J. & QUADAGNO, J. 2002. Political theories of the welfare state. *Social Service Review*, 76, 34-57.
- MYLES, J. A. P., P. 2001. The Comparative Political Economy of Pension Reform. In: PIERSON (ed.) *The New Politics of the Welfare State*. Oxford: Oxford UP.
- NANWE, J. C. A. L. 1999. Contradictions in China's Pension Insurance after Provincial-Level pooling: Analysis and Research on Countermeasures. *China Center for Economic Research*.
- NATIONAL AUDIT OFFICE OF CHINA. 2012. *Audit results of the National Social Security Fund*. Available: <http://www.audit.gov.cn/n1992130/n1992150/n1992500/3071265.html>[Accessed 2 Aug 2012]
- NATIONAL BUREAU OF STATISTICS OF CHINA. 1994-1996. *The Bulletin of the National Economic and Social Development*. Beijing.
- NAUGHTON, B. 1995. *Growing out of the plan : Chinese economic reform, 1978-1993*, New York, NY, Cambridge University Press.
- NBS. 2005. *China Statistic Year book*, Beijing, China Statistic Press.
- NBS. 2011. *China Labour Statistic Yearbook*, Beijing, China Statistic Press.
- NBS. 2012. *China Statistic Yearbook*, Beijing, China Statistics Press.
- NOLAN, P. 2004. *Transforming China: Globalization, transition and development*, Anthem Press.
- NONG, H. 1985. Social Security and Economic System Reform. *Guangdong Documents*, 3, 62.
- NORTH, D. C. 1990. *Institutions, institutional change, and economic performance*, Cambridge ; New York, Cambridge University Press.
- NPC,. 2008. *Call for advice of social insurance law of the people's Republic China(Draft)*. Available: http://www.npc.gov.cn/npc/zt/2009-01/12/content_1467058.htm [12 Jan 2009]
- NYLAND, C., SMYTH, R. & ZHU, C. J. 2006. What Determines the Extent to which Employers will Comply with their Social Security Obligations?

- Evidence from Chinese Firm-level Data. *Social Policy & Administration*, 40, 196-214.
- NYLAND, C., THOMSON, S. B. & ZHU, C. J. 2011. Employer attitudes towards social insurance compliance in Shanghai, China. *International Social Security Review*, 64, 73-98.
- O'BRIEN, K. J. 1990. *Enlarge Image Reform without Liberalization China's National People's Congress and the Politics of Institutional Change* London, Cambridge University Press
- O'CONNOR, J. 1973. *The fiscal crisis of the state*, New York, St. Martin's Press.
- OECD. 2005. *Private Pensions: OECD Classification and Glossary*, Organisation for Economic Co-operation and Development.
- OECD. 2011. *Pension at a glance*, Paris, OECD Publishing.
- OFFE, C. & KEANE, J. 1984. *Contradictions of the welfare state*, Hutchinson London.
- OLSON, P. 1988. Modernization in the Peoples' Republic of China: the Politicization of the Elderly. *Sociological Quarterly*, 29, 241-262.
- ORENSTEIN, M. A. 2000. *How politics and institutions affect pension reform in three postcommunist countries*, World Bank Publications.
- ORENSTEIN, M. A. 2011. Pension privatization in crisis: Death or rebirth of a global policy trend? *International Social Security Review*, 64, 65-80.
- ORENSTEIN, M. A. 2013. Pension Privatization: Evolution of a Paradigm. *Governance*. Available: <http://onlinelibrary.wiley.com/doi/10.1111/gove.12024/abstract> [Accessed 10 Jan 2013]
- ORLOFF, A. S. 1993. Gender and the social rights of citizenship: the comparative analysis of gender relations and welfare states. *American sociological review*, 303-328.
- PALACIOS, R. & ROBALINO, D. A. 2009. Matching Defined Contributions: A way to increase pension coverage. *Closing the Coverage Gap: The Role of Social Pensions and Other Retirement Income Transfers*, 187-202.
- PALACIOS, R. J. & PALLARES-MIRALLES, M. 2000. *International patterns of pension provision*, Available: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.203.5366&rep=rep1&type=pdf> [April 2000]
- PALIER, B. 2006. Beyond Retrenchment: four problems in current welfare state research and one suggestion how to overcome the problem. In: Pierson, C., & Castles, F. G. (Eds.). *The welfare state reader*. Polity Press.

- PALLARES-MIRALLES, M., ROMERO, C. & WHITEHOUSE, E. 2012. *International Patterns of Pension Provision II*. Available: http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2012/06/21/000333038_20120621024626/Rendered/PDF/703190NWP0SPL000Box370035B00PUBLIC0.pdf. [Accessed 21 June 2012]
- PAMPEL, F. C. & WILLIAMSON, J. B. 1989. *Age, class, politics and the welfare state*, New York, Cambridge University Press.
- PENG, I. & WONG, J. 2010. East Asia. In: CASTLES, F. G., LEIBFRIED, S., LEWIS, J., OBINGER, H. & PIERSON, C. (eds.) *The Oxford handbook of the welfare state*, OUP Oxford.
- PENG, X. Z. & SONG, T. 2002. The review of rural old age insurance. *Journal of population studies*, 5, 43-47.
- PETERS, B. G. 2005. *Institutional theory in political science : the 'new institutionalism'*, London ; New York, Continuum.
- PHILION, S. 1998. Chinese welfare state regimes. *Journal of Contemporary Asia*, 28, 518-536.
- PIERSON, C. 2006. *Beyond the Welfare State? the new political Economy of Welfare*, 3. Cambridge: Polity Press.
- PIERSON, P. 1994. *Dismantling the welfare state? : Reagan, Thatcher, and the politics of retrenchment*, Cambridge, England ; New York, Cambridge University Press.
- PIERSON, P. 1995. Fragmented Welfare States: Federal Institutions and the Development of Social Policy. *Governance*, 8, 449-478.
- PIERSON, P. 1996. The new politics of the welfare state. *World Politics*, 48, 143-179.
- PIERSON, P. 2000. Increasing Returns, Path Dependence, and the Study of Politics. *The American Political Science Review*, 94, 251-267.
- PIERSON, P. 2001. *The new politics of the welfare state*, Oxford University Press, USA.
- PIERSON, P. 2002. Coping with permanent austerity : welfare state restructuring in affluent democracies. *Revue française de sociologie.*, 43(2), 369-406.
- PIERSON, P. 2004. *Politics in time : history, institutions, and social analysis*, Princeton, Princeton University Press.
- PIERSON, P. 2005. Fragmented welfare states: federal institutions and the development of social policy. *Governance*, 8, 449-478.

- PIERSON, P. 2011a. *Politics in time: History, institutions, and social analysis*, Princeton University Press.
- PIERSON, P. 2011b. *The welfare state over the very long run*. Available: <https://www.econstor.eu/dspace/bitstream/10419/46215/1/65484416X.pdf> [Accessed Feb 2011]
- PIERSON, P. & DOLOWITZ, D. 1994. *Dismantling the welfare state?: Reagan, Thatcher, and the politics of retrenchment*, Cambridge Univ Press.
- PIERSON, P. & SKOCPOL, T. 2002. HISTORICAL INSTITUTIONALISM IN CONTEMPORARY POLITICAL SCIENCE. *Political science: The state of the discipline*, 3.
- PIGGOTT, J. & BEI, L. 2007. Pension Reform and the Development of Pension Systems: An Evaluation of World Bank Assistance. *Background paper, China Country Study, World Bank, Washington, DC*.
- PORDES, A. 1994. *Averting the old age crisis: policies to protect the old and promote growth*, New York [etc.]: Oxford University Press.
- PU, X. H. 2005. Causal analysis of the slow development of company pension in China and possible countermeasures. *Journal of Anhui University(Philosophy and Social Science)*, 29.
- QIAN, Y. 2010. Shanghai Opens Door to Delayed Retirement. *China Daily*. Beijing. Available http://www.chinadaily.com.cn/china/2010-09/29/content_11361529.htm
- QIN, X. 2009. New rural pension - "Baoji" model. *West Development*, 4, 011.
- QU, H. 2012. *The study of new rural pension pilot in S city Jiangxi University of Finance and Economics*.
- QUADAGNO, J. 1987. Theories of the welfare state. *Annual Review of Sociology*, 109-128.
- RAGIN, C. C. 1987. *The comparative method : moving beyond qualitative and quantitative strategies*, Berkeley, University of California Press.
- RAMESH, M. 2004. *Social policy in East and Southeast Asia: education, health, housing and income maintenance*, Routledge.
- RATHKE, W. 2006. A Wal-Mart workers association? An organizing plan. *Wal-Mart: The Face of Twenty-First Century Capitalism*, 268-69.
- RATTS , J. & S RENSEN, R. J. 2010. Grey power and public budgets: family altruism helps children, but not the elderly. *European Journal of Political Economy*, 26, 222-234.

- REICH, S. 2000. The Four Faces of Institutionalism: Public Policy and a Pluralistic Perspective. *Governance*, 13, 501.
- ROBERT HOLZMANN, I. W. M. A., YVONNE SIN. 2000. Pension Systems in East Asia and the Pacific: Challenges and Opportunities. *Social Protection Discussion Papers*. Washington, D.C.: The World Bank.
- SAICH, A. 2001. *Governance and Politics of China*, New York, Palgrave Macmillan.
- SALDITT, F., WHITEFORD, P. & ADEMA, W. 2007. *Pension reform in China: progress and prospects*. OECD Publishing.
- SALDITT, F., WHITEFORD, P. & ADEMA, W. 2008. Pension reform in China. *International Social Security Review*, 61, 47-71.
- SALDITT, F. W. P. A. W. 2007. Pension Reform in China: Progress and Prospects. *OECD Social, Employment and Migration Working Papers*. OECD Publishing. Availbe: <http://www.oecd.org/china/38757039.pdf> [Accessed Aug 2007]
- SAM, W. 2008. The relevance of the concept of path dependence in path-breaking retirement protection reforms in Hong Kong and urban China. *Journal of Comparative Social Welfare*, 24, 191-198.
- SANDER, C. S., STEIN KUHNLE 2010. Towards a Chinese welfare state? Tagging the concept of social security in China. *6th International Policy and Research Conference on Social Security*. Luxembourg.
- SANZ, I. & VEL ZQUEZ, F. J. 2007. The role of ageing in the growth of government and social welfare spending in the OECD. *European Journal of Political Economy*, 23, 917-931.
- SAUNDERS, P. & SHANG, X. 2002. Social security reform in China's transition to a market economy. *Social Policy & Administration*, 35, 274-289.
- SCHMIDT, M. G. 1996. When parties matter: A review of the possibilities and limits of partisan influence on public policy. *European Journal of Political Research*, 30, 155-183.
- SCHMIDT, V. 2006. Bringing the state back into the varieties of capitalism and discourse back into the explanation of change. *Annual Meeting of the American Political Science Association*, Philadelphia.
- SCHMIDT, V. A. 2002. Does discourse matter in the politics of welfare state adjustment? *Comparative political studies*, 35, 168-193.
- SCHMIDT, V. A. 2010. Taking ideas and discourse seriously: explaining change through discursive institutionalism as the fourth 'new institutionalism'. *European Political Science Review*, 2, 1-25.

- SCHNEIBERG, M. 1999. Political and Institutional Conditions for Governance by Association: Private Order and Price Controls in American Fire Insurance. *POLITICS & SOCIETY*, 27, 67-103.
- SCOTT, W. R. 1994. Institutions and Organizations: Towards a Theoretical Synthesis. In: W. RICHARD SCOTT, J. W. M. (ed.) *Institutional Environments and Organizations: Structural Complexity and Individualism*. Thousand Oaks CA: Sage.
- SCRUGGS, L. 2006. The generosity of social insurance, 1971–2002. *Oxford Review of Economic Policy*, 22, 349-364.
- SEWELL, W. 1996. Three temporalities: Toward an Eventful Sociology. In: MCDONALD, T. J. (ed.) *The Historic Turn in the Human Science*. Ann Arbor: University of Michigan press.
- SHANGHAI MUNICIPAL GOVERNMENT. 1994. *Old-age insurance for urban workers in Shanghai*. Available: <https://www.google.com/#q=在上海城镇职工养老保险+1994>[Accessed 27 April 1994]
- SHAO, Y. & XU, J. 2001. China's urban pension system: Reforms and problems. *Cato J.*, 21, 395.
- SHEN, C. & WILLIAMSON, J. B. 2006. Does a universal non-contributory pension scheme make sense for rural China? *Journal of Comparative Social Welfare*, 22, 143-153.
- SHEN, C. & WILLIAMSON, J. B. 2010. China's new rural pension scheme: can it be improved? *International journal of sociology and social policy*, 30, 239-250.
- SHI, S.-J. 2006. Left to Market and Family – Again? Ideas and the Development of the Rural Pension Policy in China. *Social Policy & Administration*, 40, 791-806.
- SHI, S. J. The Contested Quest for Social Cohesion: Political Institutions and Their Challenge for Governance in Chinese Social Policy. *RC 19 conference 'The Future of Social Citizenship: Politics, Institutions and Outcomes'*. Stockholm, 2008. 4-6.
- SHI, S. J. 2011. The contesting quest for old-age security: institutional politics in China's pension reforms. *Journal of Asian Public Policy*, 4, 42-60.
- SHI, S. J. & MOK, K. H. 2012. Pension privatisation in Greater China: Institutional patterns and policy outcomes. *International Journal of Social Welfare*.
- SIN, Y. 2005. Pension liabilities and reform options for old age insurance. *World Bank working paper*.

- SIN, Y. & WORLDWIDE, W. W. 2008. *Understanding China's Pension System: Yesterday, Today and Tomorrow*, Watson Wyatt Worldwide.
- SKOCPOL, P. P. A. T. 2002. Historical Institutionalism Institutionalism in Contemporary Political Science. In: MILNER, I. K. A. H. V. (ed.) *Political Science: The State of the Discipline*. New York: NY: W. W. Norton.
- SKOCPOL, T. 1985. Bringing the state back in: strategies of analysis in current research. In: vans, P. B., Rueschemeyer, D., & Skocpol, T. (Eds.). *Bringing the state back in*. Cambridge University Press , 3-37
- SKOCPOL, T. 1992. *Protecting soldiers and mothers : the political origins of social policy in the United States*, Cambridge, Mass. ; London, Harvard University Press.
- SMYTH, R. 1999. Labor-market and social-welfare reform in the state-owned sector in China. *The Journal of Developing Areas*, 223-244.
- SMYTH, R. 2000. Old age pension reform in China's state-owned enterprises. *Journal of aging & social policy*, 11, 69-85.
- THE ECONOMIST.2009. China's predicament. *The Economist*. Available at <http://www.economist.com/node/13888069> [Accessed 25 June 2009].
- STARKE, P. 2006. The politics of welfare state retrenchment: A literature review. *Social Policy & Administration*, 40, 104-120.
- STATE COUNCIL. 1986. *Provisional regulations of implementing the labor contract system in state-owned enterprises*.. Available: http://news.xinhuanet.com/ziliao/2005-02/06/content_2553808.htm
- STATE COUNCIL. 1991. *Decision on Enterprise Employee pension Insurance System Reform*. Available: <http://wenku.baidu.com/view/e1f937f0f90f76c661371a2a.html>
- STATE COUNCIL. 1995a. *Circular on Deepening the Reform of Pension Insurance System for Enterprise Workers*. Available: http://w1.mohrss.gov.cn/gb/ywzn/2006-02/16/content_106876.htm
- STATE COUNCIL. 1995b. *The views on the improvment of rural pension insurance*. Available:http://w1.mohrss.gov.cn/gb/ywzn/2006-02/15/content_106554.htm
- STATE COUNCIL. 1997. *The Decision on Establishing a Uniform Basic Old-Age Insurance System for Enterprise Employees*. Available: http://w1.mohrss.gov.cn/gb/ywzn/2006-02/16/content_106876.htm
- STATE COUNCIL. 1998. *The notice of Prompting Provincial Pooling of Enterprise Employee Pension Fund and Transferring management of Industrial pension to localities*. Available: http://www.molss.gov.cn/gb/ywzn/2006-02/16/content_106846.htm

- STATE COUNCIL. 1999. *The notice of approving the insurance industry working group and rectify program of insurance industry.* Available: http://www.law-lib.com/law/law_view.asp?id=70176
- STATE COUNCIL. 2000. *The notice of improving the urban social security pilot program.* Available: <http://www.mca.gov.cn/article/zwgk/fvfg/zdshbz/200711/20071110003519.shtml>
- STATE COUNCIL. 2005. *The decision of improving the basic old-age insurance system for enterprise employees.* Available: http://www.gov.cn/jrzg/2005-12/14/content_127311.htm
- STATE COUNCIL. 2006. *Building New Socialist Country.* Available: http://www.gov.cn/jrzg/2006-02/21/content_205958.htm
- STATE COUNCIL. 2009a. *The guidance of carrying out the new rural social pension insurance pilot.* Available: http://www.gov.cn/zwgk/2009-09/04/content_1409216.htm
- STATE COUNCIL. 2009b. *Notice of public sector pension insurance reform pilot program.* Available: http://sydw.offcn.com/2014/zc_0103/65702.html
- STATE COUNCIL. 2009c. *The transfer and portability measure of Urban enterprise employees' basic pension insurance.* Available: http://www.gov.cn/zwgk/2009-12/29/content_1499072.htm
- STATE COUNCIL. 2011. *Guidance regarding the development of urban residents pension system.* Available: http://www.gov.cn/zwgk/2011-06/13/content_1882801.htm
- STATE COUNCIL. 2012. *Notice of Social Security " 12th Five-Year Plan.* Available: http://www.gov.cn/zwgk/2012-06/27/content_2171218.htm.
- STEINMO, S. 2008. 7 Historical institutionalism. in Della Porta, Donatella, and Michael Keating, (ed.). *Approaches and methodologies in the social sciences, Allyn and Bacon.* 118
- STEINMO, S., THELEN, K. A. & LONGSTRETH, F. 1992. *Structuring politics : historical institutionalism in comparative analysis,* Cambridge England ; New York, Cambridge University Press.
- STEPHENS, J. D. 1986. *The transition from capitalism to socialism,* Urbana, University of Illinois Press.
- STREECK, W., & THELEN, K. A. 2005. *Beyond continuity: institutional change in advanced political economies,* Oxford, Oxford University Press.
- SUN, J. 2006. The discussion on the social security policy for flexible employment workers. *Development Studies(Chinese),* 2, 15-18.

- SUN, Q. & MAXWELL, J. W. 2002. Deficits, Empty Individual Accounts, and Transition Costs: Restructuring Challenges Facing China's Pension System. *Journal of Insurance Issues*, 25, 103-126.
- SWENSON, P. 2002. *Capitalists against markets: The making of labor markets and welfare states in the United States and Sweden*, Oxford University Press Oxford.
- SWIDLER, C. A. 1986. Culture in Action: Symbols and Strategies. *American Sociological Review*, 15, 273-286.
- TAKAYAMA, N. Pension reform of PRC: Incentives, governance and policy options. *ADB Institute 5th Anniversary Conference*, Tokyo, 2002.
- TANG, K.-L. 2000. *Social Welfare Development in East Asia*. Basingstoke: Palgrave Macmillan.
- TANNER, M. S. 1999. *The Politics of Lawmaking in Post-Mao China: Institutions, Processes, and Democratic Prospects* Clarendon Press
- TATLOW, D. K. 2012. Rise in China's Aging Poses Challenge to Beijing. *The New York Times*. Available: <http://www.nytimes.com/2012/09/11/business/global/rise-in-chinas-aging-poses-challenge-to-beijing.html> [Accessed 10 Sep 2012]
- TAYLOR-GOOBY, P. 1998. *When is an Innovation?: Recent Pension Reform in France, Germany, Italy and the UK*, Centre for Comparative Welfare State Studies (CCWS), Department of Economics, Politics and Public Administration, Aalborg University.
- TAYLOR-GOOBY, P. 2002. The silver age of the welfare state: perspectives on resilience. *Journal of Social Policy*, 31, 597-621.
- TAYLOR-GOOBY, P. 2004. New risks and social change. *New risks, new welfare*, 66.
- TAYLOR, B. & LI, Q. 2007. Is the ACFTU a Union and Does it Matter? *Journal of Industrial Relations*, 49, 701-715.
- TAYLOR, M. 1989. Structure, Culture and Action in the Explanation of Social Change. *Politics & society* 17, 115-162.
- TAYLOR, P. 1996. Political Science and the Three New Institutionalisms. *Political studies*, 44(5), 936-957.
- TENCENT. 2013. *Rural pension program: failures and problems*. Available: <http://www.ce-china.cn/article/1031.html>
- THELEN, K. 1999. Historical Institutionalism in Comparative Politics *Annual Review of Political Science*, 2, 369-404.

- THELEN, K. 2000. Timing and Temporality in the Analysis of Institutional Evolution and Change. *Studies in American Political Development*, 14, 101-108.
- THELEN, K. 2002. *The Explanatory Power of Historical Institutionalism*. Available: http://pubman.mpdl.mpg.de/pubman/item/escidoc:1234649:1/component/escidoc:1234646/mpifg_m02_42.pdf#page=89
- THELEN, K. 2003. How Institutions Evolve: Insights From Comparative Historical Analysis. In: MAHONEY, J. & RUESCHEMEYER, D. (eds.) *Comparative historical analysis in the social sciences*. Cambridge University Press.
- THELEN, K. 2009. Institutional Change in Advanced Political Economies. *British Journal of Industrial Relations*, 47, 471-498.
- THELEN, K. A. 2004. *How institutions evolve : the political economy of skills in Germany, Britain, the United States, and Japan*, Cambridge ; New York, Cambridge University Press.
- THIREAU, I. & LINSHAN, H. 2003. The Moral Universe of Aggrieved Chinese Workers: Workers' Appeals to Arbitration Committees and Letters and Visits Offices. *The China Journal*, 83-103.
- TIAN, B. H. & DING, Z. 2011. A Study on Farmers' Willingness to Join the New Rural Social Endowment Insurance System. *Journal of Gansu Administration School*, 3, 006.
- TSEBELIS, G. 1995. Decision Making in Political Systems: Veto Players in Presidentialism, Parliamentarism, Multicameralism and Multipartyism. *British Journal of Political Science*, 25, 289-325.
- TSEBELIS, G. 1999. Veto Players and Law Production in Parliamentary Democracies: An Empirical Analysis. *The American Political Science Review*, 93, 591-608.
- TSEBELIS, G. 2002. *Veto players : how political institutions work*, Princeton, N.J., Princeton University Press.
- TSEBELIS, G. 2011. *Veto players: How political institutions work*, Princeton University Press.
- TSEBELIS, G. & CHANG, E. C. 2004. Veto players and the structure of budgets in advanced industrialized countries. *European Journal of Political Research*, 43, 449-476.
- UNFPA 2012. *Ageing in the twenty-first century: a celebration and a challenge*, New York, United Nations Population Fund.
- UNGER, J. & CHAN, A. 1995. China, corporatism, and the East Asian model. *The Australian Journal of Chinese Affairs*, 29-53.

- UNITED NATIONS 2011. World Population Prospects: The 2010 Revision. *In*: DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS, P. D. (ed.). New York. Accessible : <http://esa.un.org/unpd/wpp/index.htm>
- VAN DER HEIJDEN, J. 2010. A short history of studying incremental institutional change: Does Explaining Institutional Change provide any new explanations? *Regulation & Governance*, 4, 230-243.
- VAN VLIET, O. 2010. Pension Reforms and the Political Economy of the Welfare State. *European Integration*, 32, 413-419.
- VENNESSON, P. 2008. Case studies and process tracing. *In*: DELLA PORTA, D. & KEATING, M. (eds.) *Approaches and methodologies in the social sciences: A pluralist perspective*. Cambridge University Press.
- VIDLUND, M. 2006. *Old-age pension reforms in the EU-15 countries at a time of retrenchment*. Available : https://www.utu.fi/fi/yksikot/soc/yksikot/sosiaalitetiet/topsos/julkaisut/Documents/vidlund_mika.pdf
- WALKER, A. & WONG, C. 2004. The ethnocentric construction of the welfare state. *A Handbook of Comparative Social Policy*. Cheltenham: Edward Elgar, 116-130.
- WAN, K. D. 2002. The irregularities of rural pension scheme implement. *The Journal of Northwest Population*, 4, 42-52.
- WANG, D. 2006a. China's urban and rural old age security system: Challenges and options. *China & World Economy*, 14, 102-116.
- WANG, D., KEEFE, P. O. & THOMPSON, L. 2012. *China's pension system integration: the case of Guangdong*. Washington, DC.: World Bank.
- WANG, D. J. 1998. *China's social security system*, Beijing, Enterprise Management Publisher.
- WANG, H. 2010. Ministry of Civil Affairs official said only six provinces complied the National Old Age Allowance. *China Economic Weekly*. Available : <http://news.sina.com.cn/c/2010-06-08/002520429384.shtml> [Accessed 08 June 2010]
- WANG, S. 1995. China Pension Provision and Pension Administration. *China: Pension System Reform*. China and Mongolia Department, East Asia and Pacific Regional Office, the World Bank.
- WANG, S. 2006. *China: pension provision and pension administration*. Available: http://www.cuhk.edu.hk/gpa/wang_files/Pension.pdf
- WANG, T. 2005. *The way out of the rural pension system*. Available: <http://theory.people.com.cn/GB/40557/49139/49143/3505817.html>.

- WANG, Y. 2001. *Implicit pension debt, transition cost, options and impact of China's pension reform: a computable general equilibrium analysis*, World Bank Publications.
- WANG, Y. Z. 2012. *China social security development report NO.5*, Beijing, Social Science Academic Press
- WANG, Y. Z. & HOU, H. L. 2012. The income redistribution effects of China's social security system and its assessment. *In: WANG, Y. Z. (ed.) China social security development report NO.5*. Beijing: Social Science Academic Press
- WORLD BANK. 2013. *Living Standards Measurement Study*. Available: <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTLSMS/0,,contentMDK:21610833~pagePK:64168427~piPK:64168435~theSitePK:3358997,00.html>
- WORLD BANK. 2013. World Development Indicators. Available <http://data.worldbank.org/data-catalog/world-development-indicators>
- WEAVER, K. 2003. The politics of public pension reform. *Available at SSRN 1136874*. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1136874
- WEAVER, R. K. 1987. *The politics of blame avoidance*, Cambridge Univ Press.
- WEST, L. A. 1999. Pension reform in China: Preparing for the future. *Journal of Development Studies*, 35, 153-183.
- WHITE, G. 1998. Social security reforms in China: towards an East Asian model? *The East Asian welfare model: Welfare orientalism and the state*, 175-197.
- WHITEFORD, P. 2003. From Enterprise Protection to Social Protection Pension Reform in China. *Global Social Policy*, 3, 45-77.
- WHITEHOUSE, E. 2006. Pension panorama. *World Bank*. Available: http://www-wds.worldbank.org/external/default/WDSContentServer/IWB/2006/11/09/000310607_20061109145238/Rendered/PDF/379610Pensions101OFFICIAL0USE0ONLY1.pdf
- WHITEHOUSE, E. 2012. *Pension indicators : reliable statistics to improve pension policymaking* . Washington D.C.: World Bank.
- WHO.2011.*Health profile China* .Available: <http://www.worldlifeexpectancy.com/country-health-profile/china>.
- WIKIPEDIA. 2013. *Generations of Chinese leadership*. Available: http://en.wikipedia.org/wiki/Generations_of_Chinese_leadership.
- WILENKY, H. L. 1974. *The welfare state and equality: Structural and ideological roots of public expenditures*, Univ of California Press.

- WILLIAMS, J. 2010. UK increases pension age ahead of schedule, confirms NEST. *Investment and Pensions Europe*, 20.
- WILLIAMSON, J. B. 2004. Assessing the pension reform potential of a notional defined contribution pillar. *International Social Security Review*, 57, 47-64.
- WILLIAMSON, J. B. & ZHENG, B.W. 2009. *The applicability of the notional defined contribution model for China*. Available: <https://www2.bc.edu/~jbw/documents/NDCmodelforChina.pdf>
- WILLIAMSON, J. B. & DEITELBAUM, C. 2005. Social security reform: Does partial privatization make sense for China? *Journal of Aging Studies*, 19, 257-271.
- WONG, C. P. 1991. Central--Local Relations in an Era of Fiscal Decline: The Paradox of Fiscal Decentralization in Post-Mao China. *China quarterly*, 691-715.
- WONG, L. 1998. *Marginalization and Social Welfare in China*, London, Routledge.
- WORLD BANK. 1990. *China : reforming social security in a socialist economy*, Washington, D.C., World Bank.
- WORLD BANK. 1978. International Economic Dept. Development Data, G&World Bank. Development Data. Available:<http://data.worldbank.org/data-catalog/world-development-indicators>
- WORLD BANK. 1994a. *Averting the old age crisis*, Washington, D.C. , World Bank.
- WORLD BANK. 1994b. *World Development Report: infrastructure for development*. Washington, D.C. , World Bank
- WORLD BANK. 1997. *Old Age Security: Pension Reform in China*. Washington DC: World Bank.
- WORLD BANK. 2006. *Pension Reform and the Development of Pension Systems: An Evaluation of World Bank Assistance*. Washington, D.C.: World Bank.
- WORLD BANK. 2013. *Database of Political Institutions*. Available http://www.edac.eu/indicators_desc.cfm?v_id=251
- WORLD BANK 1996. *China pension system reform*, [Washington, D.C.], Resident Mission in China, China and Mongolia Dept., East Asia and Pacific Region.
- WORLD ECONOMIC FORUM. 2012. *The Case for an Integrated Model of Growth, Employment and Social Protection*. Available: http://www3.weforum.org/docs/WEF_GAC_CaseIntegratedModelGrowthEmploymentSocialProtection_Report_2012.pdf.

- XIE, L. 2013. Aging China's Empty Nests. *The Economic Observer*, Feb 18, 2013.
- XINHUA NEWS. 2002. The 16th CPC National Congress report. *Xinhua Net*. Available http://news.xinhuanet.com/ziliao/2002-11/17/content_693542.htm
- XINHUA NEWS. 2012. The provincial pooling of public pension has achieved. *Xinhua Net*. Available http://news.xinhuanet.com/politics/2012lh/2012-03/07/c_111617696.htm
- XIONG, Y. 2009. Social Change and Social Policy in China: National Adaptation to Global Challenge. *International Journal of Japanese Sociology*, 18, 33-44.
- XU, S. 2010. To promote the pension fund provincial administration. *Modern agriculture(Chinese)*, 1, 058.
- XU, W. 2012. China to see first aging population growth peak in 2013. *Morning Whistle*.
- YANG, B. 2012a. The survey on resident pension insurance pilot *China 's national conditions and strength(Chinese)*, 36-37.
- YANG, G. & LI, M. 2013. Western Political Science Theories and the Development of Political Theories in China. *Political Science and Chinese Political Studies*. Springer.
- YANG, L. & LUO, J. 2003. The value orientation of rural pension legislation in China. *Rural Economy(Chinese)*, 3, 41.
- YANG, L. X. 2012b. The research of senior old age allowance. *Academic Journal of Zhongzhou*, 2, 56
- YANG, X. & ZHANG, S. F. 2012. The status quo , experience and Perfecting measures of new rural pension insurance pilot-based on survey in Jiangsu Province. *Rural economy(Chinese)*, 7, 016.
- YIN, R. K. 2003a. Analyzing case study evidence. In: YIN, R. K. (ed.) *Case study research : design and methods*. Thousand Oaks, Calif.: Sage Publications.
- YIN, R. K. 2003b. *Case study research : design and methods*, Thousand Oaks, Calif., Sage Publications.
- YIN, R. K. 2003c. Collecting the evidence. In: YIN, R. K. (ed.) *Case study research : design and methods*. Thousand Oaks, Calif.: Sage Publications.
- YIN, R. K. 2003d. Designing case study. In: YIN, R. K. (ed.) *Case study research : design and methods*. Thousand Oaks, Calif.: Sage Publications.
- YU, B. 2009. The Politics of Social Harmony: Ruling Strategy and Health Care Policy in Hu's China. *Asian Politics & Policy*, 1, 186-222.

- YU, W. K. 2007. Pension reforms in urban China and Hong Kong. *Ageing and Society*, 27, 249-268.
- ZENG, Y. 2008. The reasons and solutions for the flexible employment to be insured. *Human Rights(Chinese)*, 56-59.
- ZHANG, C. 2010a. Intention of the Peasants on Participating in New Rural Pension Program and Its Influencing Factors (in Chinese). *Journal of Agrotechnical Economics*, 6, 4-10.
- ZHANG, G. Y. 1991. Reflections on Singapore Central Provident Funds. *Guang Dong Document*
- ZHANG, H. M. & MA, Q. 2012. The factors of impacting the implement of new rural pension scheme-based on the Hubei Province survey. *Journal of Huazhong Agricultural University(Social Science)*, 54-59.
- ZHANG, H. X., Wu, B., & Sanders, R. (Eds.). 2007. *Marginalisation in China: perspectives on transition and globalisation*. Ashgate Publishing.
- ZHANG, H. X. 2010c. Migration, Risk and Livelihoods: A Chinese Case, *Duisburg Working Papers on East Asian Studies*, No. 85. Universität Duisburg-Essen, Germany. Available at <http://www.econstor.eu/handle/10419/45001>
- ZHANG, J. 2010b. Problems of the New Rural Pilot Program in Practice and Suggestions (in Chinese). *Dang Shi Bo Cai (Theory)*, 12.
- ZHANG, J. & WU, Y. 2005. Analysis of Trends of Urban Labor Supply and Demand in China. *Population Science of China*, 5.
- ZHANG, J. F. & JIN, B. C. 2012. The difficult of promoting new rural pension pilots in Hebei Province. *Northwest Demography(Chinese)*, 1, 019.
- ZHANG, L. 2009. The reform path and development trend of pooling level in pension insurance. *Journal of Chinese Institute of Labor Relations*, 23, 74-78.
- ZHANG, L. 2013. The Chinese State's Retreat from Health: Policy and the Politics of Retrenchment. *Europe-Asia Studies*, 65, 776-777.
- ZHANG, S. F. & ZHANG, W. X. 2012. The experiences and problems of rural pension pilots--based on survey of three provinces and six counties. *The Journal of Xi'an Jiaotong University*, 2, 009.
- ZHANG, W. 2012. *Ageing China: Changes and challenges* Available at <http://www.bbc.com/news/world-asia-china-19572056>
- ZHANG, X. 2006. Fiscal decentralization and political centralization in China: Implications for growth and inequality. *Journal of Comparative Economics*, 34, 713-726.

- ZHANG, X.Q. 2009a. Rural Development since 1978: Three Rural Issues". In David Pong, (Eds.). *Encyclopedia of Modern China*, Detroit, MI.: Charles Scribner's Sons, 316-18
- ZHANG, X.Q. 2009b. Transforming Rural China: Beyond the Urban Bias? *Journal of Current Chinese Affairs*, 38, 4.
- ZHANG, X.Q. & Christiansen, F. 2009c. The Political Economy of Rural Development in China: *Reflections on Current Rural Policy*, Duisburg Working Papers on East Asian Studies No. 81, Institute of East Asian Studies, University Duisburg-Essen, Germany
- ZHAO, L. 2009. The problems and solutions of provincial pooling of basic pension system-the case of Guangdong Province. *Guangdong academy of social sciences(Chinese)*, 4, 159.
- ZHENG, B. 2006a. Assessment for Social Security Pilot in Jilin and Hei Longjiang of China1. *China & World Economy*, 14, 65-77.
- ZHENG, B. W. 2007a. The Origin of China's Partially Funded Social Security Scheme and Its Future Direction. *Chinese Economy*, 40, 6-28.
- ZHENG, W. 2007b. The reflection on China's rural old-age insurance predicament. *Insurance Research(Chinese)*, 11, 53-56.
- ZHENG, Y. 2006b. Explaining the sources of de facto federalism in reform China: intergovernmental decentralization, globalization, and central-local relations. *Japanese Journal of Political Science*, 7, 101-126.
- ZHENG, Y. 2007c. *De facto federalism in China: Reforms and dynamics of central-local relations*, World Scientific Publishing Company. Available <http://www.nottingham.ac.uk/cpi/documents/discussion-papers/discussion-paper-8-de-facto-federalism.pdf>
- ZHENG, Y. 2010. Society Must Be Defended: reform, openness, and social policy in China. *Journal of Contemporary China*, 19, 799-818.
- ZHONG, H. B. & LI, F. 2012. Effect and Economic Rationality: A Study on the Behavioral Logic of Farmers Participating in New Rural Social Security Based on the Investigation of Shuangliu Street, Xinzhou District, Wuhan City. *The Study of Sociology*, 3.
- ZHU, N. K. G. 2003. Reinventing the Communist Government In a Transitional Economy-A Review of China's 1998 Central Government Restructuring. *Asian profile*,5.
- ZHU, Y. 2002. Recent developments in China's social security reforms. *International Social Security Review*, 55, 39-54.

ZHU, Y. 2009. A case study on social security coverage extension in China. *In:* ZHU, Y. (ed.) *Examining the Existing Knowledge on Social Security Coverage Extension*. Geneva: International Social Security Association.