

**SOCIAL INSURANCE WITH THE
CHARACTERISTICS OF CHINESE SOCIALISM**

SUBMITTED BY

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POLITICAL SCIENCE**

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ABSTRACT

This research aims at exploring the features of social insurance in China in the mid 1990s. From the Marxist structuralist view social insurance is an institution built on the economic system of the country. In view of the inadequate research from this perspective, this research employs the proposition of sociological study on social insurance to identify the issues of social insurance including the funding formats, service provision patterns, coverage, and the people's experiences and expectations on social insurance in China.

This research applied qualitative and quantitative strategies to collect the information. For qualitative research strategy this research traced the historical development of income maintenance services from the feudal stage to the 20th century in China. Also it arranged unstructured interviewing with government officials from various departments, the managers at work units, and the academic who are the experts on income maintenance in the country. This research also reviewed policy papers and internal documents on labour and social insurance in China. The most distinguished part of this study is the quantitative research work carried out in Guangzhou Shi, Guangdong Province in 1995. 25 managers from work units of different types of ownership were interviewed and 520 employees participated in the structured interviewing with questionnaires administered by extraordinary interviewers.

The research findings demonstrate that socialist ideology governs the provisions of social insurance in China. However, in the process of building up a socialist market economy, the Communist Party of China also mingled Confucian values with Marxist socialism that makes social insurance with the characteristics of Chinese socialism. The socialist economic system is still the main body of social insurance whilst Confucianism is the means. This appeals to the people to socialise the social insurance services that are heavily financed by state and operated within work units but cover only the categorised labour force in urban China.

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Technical Notes

1. The names of persons (e.g. Deng Xiaoping), places (e.g. Guangzhou Shi), and organisations (e.g. Guomindang) originally in Chinese script are romanized according to the Chinese Phonetic System (*Hanyu Pinyin*). The *pinyin* system is used by the Chinese government and the Beijing Foreign Languages Institute and is described in 'The Pinyin Chinese-English Dictionary' published by the Commercial Press (1990).
2. For the terms used by the Chinese, e.g. social insurance (*shehui baoxin*), medical and sicknesses insurance (*yiliao baoxin*) the *pinyin* is placed in brackets and rendered in italics.
3. For names of persons in Chinese, the surname takes first order of precedence followed by the first and middle names combined as a single word. For example 'Mao Zedong', 'Deng Xiaoping'.
4. The exchange rate between pound sterling and *renminbi* or RMB (the Chinese currency) was £1 sterling to RMB 13.087 on 27 October 1995. On 9 March 2000 the buying rate set by the People's Bank of China was £1 pound sterling to RMB 13.067. (Financial Times 12 March 2000)

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INTRODUCTION

Social insurance studies in capitalist developed countries exist in abundance. The most important reason is that social insurance started first and developed gradually in these countries like Germany, France, Britain, Austria and Switzerland. (Köhler *et al.* 1982) However, social insurance is different from country to country because it is an institution set up for solving the socio-political problems on the diversified economic structures. (Zacher, 1982). Thus, there are dissimilarities in social insurance services even between capitalist developed countries like Britain and Germany. For example Ongus (1982, p. 150) states that “(social insurance) scheme which did emerge (in Britain) was different in significant respects from the German model.”

The previous paragraph brings out an issue that the features of social insurance of one country are unique to its history, culture, society, and politics framed by its economic base. In other words, the issues of social insurance like financing, coverage, types of services and levels of benefits are particularly related with the ‘mode of economy’ of the country and different from the others. Nevertheless, it is found that studies on social insurance in socialist countries is very inadequate and it is built upon the knowledge on the social insurance in these countries and enriches the field of social policy studies.

In order to complete the incomplete jigsaw of social policy, this research project aims at finding the features of social insurance in China with the case of Guangzhou Shi. This project will also make use of the Marxist structuralist view to explain the effects of public ownership system on the social moral and values as well as the roles and functions of state institutions in China. The first step to explore the features of social insurance in China is to establish a thesis. The thesis for this study is that social insurance is a social institution framed and determined by the economic structure of a country. There are two levels of study on this thesis. First, it is necessary to find out the details on the social institution. For the case of social insurance it includes the historical development, management and provision formats, and the services effects on society and people. At the second level the study applies the Marxist structuralist view to analyse the research results. This level of study will demonstrate how the economic base of China affects social insurance in China and differs from countries with a different economic

base.

In general, the study methodology of this study is a sociological approach that focuses on understanding the roles and functions of a social institution in relation with the national economic structure. Based on the ‘sociology of social security’ thesis proposed by Rys (1964) and Sigg (1985), this research project developed a sociological study method to explore the features of social insurance in China. The main concern of the sociological study on social insurance in China is to learn about the features of social insurance in the country in terms of its establishment, management, provisions, and reforms. This study approach also employs the Marxist structural view to understand the effects of the national economic structure of the social insurance services. In practice, the sociological study method in this project uses both quantitative and qualitative research techniques to collect the information needed. These include 540 questionnaires in total administered by trained interviewers and carried out in work units. Furthermore, review on policy documents, unstructured interviewing with policy makers, academics and officers from related government departments also contribute invaluable materials to this study.

Chapter One of this study starts the discussion by delineating the origins of social insurance in capitalist developed countries. It particularly points out that the value of providing social insurance in these countries is individual economic freedom. This ideology reflects the dominant liberal thinking and the value of individual in capitalist market system. It also directs the development of social institutions built upon it. Therefore, it is found that social insurance in capitalist developed countries is an income maintenance measure with the features of mutual help and risk pooling for achieving the objective of enhancing individual economic freedom. This implies the features of social institutions relate with the economic base of the country. However, the literature review in Chapter One reveals that research and articles on social insurance in China do not go deeply on this issue. The chapter also demonstrates that the studies on social insurance in China are seldom supported by quantitative study, and do not discuss its specific features and the effects of the socialist public ownership system. Therefore in Chapter One the research method, the main research question and the four sub-questions that guides this exploratory study on social insurance in China are outlined.

Before going to the part on the field study carried out in Guangzhou Shi, Chapters Two and Three review the policy documents on social insurance in China. This review is important because it provides the insight on the development of social insurance in the country's social and economic environment. Also, it can facilitate the understanding of the specific process under which social insurance in China was founded and developed. Chapter Two and Three present the provisions of income protection in China from the petty peasant economy in the feudal period to the 'socialist market economy' in the 1990s.

Particularly Chapter Two highlights the self-sufficiency and non-state intervention ideology of Confucianism. The Confucian individual-family-social system and discriminatory view on the values of capitalists has great impact on the development of statutory income maintenance services. Disregarding some formats of mutual help in kind at local levels are found, voluntary social relief rather than mandatory social insurance services prevailed in China as the main income protection approach before 1949. Institutionalised income maintenance services including a Soviet style social insurance were started only after the Communist Party of China took power in 1949 for enhancing the socialist economic production objectives. The review in this chapter traced the development of social insurance in China in relation with the changes in the political lines in different periods directed by the interpretation on socialism. For example in the Great Leap Forward Movement in the early 1960s labour (social) insurance was despised under collectivism and the economic public ownership system.

Chapter Three of this study aims at presenting social insurance reforms in China in the modernisation era from 1980 to the mid 1990s. This chapter describes in detail what and how social insurance services are provided and reformed after the rehabilitation of Deng Xiaoping, a pragmatic line leader who prefers economic construction to political struggles. Under the leadership of Deng, modernisation changes China from, first, 'collective communism' to 'market socialism' and second, 'closed-door policy' to 'open-door policy'. The first move is evidenced by the releasing of the central controls gradually for building a 'socialist market system'. A series of economic measures like the initiation of contracting responsibility system, the emergence of private economic production units, and the implementation of new employment and salary structure have emerged since the mid 1980s. The other move from closed-door to

open door indicates the government's acceptance by and of the outside world. The examples are the opening of the home market to foreign capitalists in various ways.

In the period of 1980-1995 the landmark of economic reforms is the dismantling of the commune system and reforms in state-owned work units for rejuvenating the national economy and facilitating the socialist transition. All of these change the peoples' income source patterns in China that consequently lead to the reforms in social insurance in different aspects like coverage and funding formats. Among the many features of social insurance in China found in Chapter Three is the 'occupational nature' created by the close relationship between the state and work units under the socialist 'all people's ownership' ideology. This social insurance feature exists with the ruling of the communist government in the country. The solid party-state-work units-individual relationship develops a specific type of social insurance services built up on the country's economic production relationship.

The distinguishing achievement of this study is the field study carried out in China that greatly delineates the features of the social insurance services in the country. Before going to present and analyse the results of the quantitative study in 1995, Chapter Four firstly draws the reader's attention to Guangzhou Shi, the provincial city of Guangdong Province that was selected as the primary sampling unit of the field research. This background information is important because it sets the background for the readers to comprehend the field research report on the features of social insurance in China in the subsequent four chapters.

Chapters Five to Eight report and analyse the data collected from a quantitative research on the characteristics of social insurance in China. This had not been attempted before. The focus of this study is on the funding, provision formats, and coverage of social insurance. All of these issues of the sociology of social insurance are discussed thoroughly with charts and graphs in Chapters Five and Six. On the other hand, Chapters Seven and Eight summarise the findings and maintain that social insurance in China is a 'dual service system' for the labour force of different gender groups, education levels, household registration statuses and employment natures. In general, as pointed out in Chapter Eight, the features of social insurance in China include being non-contributory, occupational welfare in nature, and having indistinct roles and

responsibilities between state, employers and individual. Apart from these, the people's perception and expectations cultivated by Confucianism and communism have strong impacts on the social insurance services in the mid 1990s. The people's values and attitude towards social insurance is apathetic and not confident. Furthermore, such a perception on social insurance also contrasts greatly with that in capitalist developed countries.

The final chapter that concludes the discussion of this study clearly spells out that, with the case of Guangzhou Shi, social insurance as a social institution in China is governed by the country's economic structure. The features of social insurance in China found in this study embody discriminative coverage, heavy state financial inputs, non-income protection oriented, and is occupational welfare in nature, an uninterested public and sluggish developmental process. These particularities are attributed to the Communist Party of China which strongly persists in Marxist socialism and skilfully makes use of the deep-rooted Chinese social culture especially Confucianism under the banner of 'socialism with Chinese characteristics'.

In a nutshell, this exploratory study on the features of social insurance in China sets an example of using the sociological study method to understand the issues of social insurance. With this general study methodology it employs both quantitative and qualitative research strategies to find out the features of social insurance in China that have never been tried before. Finally, the results of this study evidence that social insurance is an institution strongly affected by the economic structure of a country.

Chapter One

The study of the features of social insurance

Introduction

This chapter begins with the examination of the original concepts and values of social insurance. It will then probe into the social insurance services in capitalist developed countries and socialist countries to review the areas where the notion and development of these social insurance systems relate to the original social insurance concepts and values discussed. However, the main purpose for making such a review is to highlight the economic system that determines the features of social insurance in a country. Hence, this chapter also reviews the literature on social insurance in China, a socialist developing country, to discern how and to what extent the features of social insurance are examined.

The first section of this chapter discusses the beliefs in individual freedom and social solidarity that drive the establishment of social insurance. These general values and objectives springing from liberal thinking since the Renaissance in view of the rising needs for economic security in the changing economic production modes and social support system in the past two centuries. Since neo-liberalism and industrialisation originated in capitalist developed countries the ideals and services of social insurance, to a great extent, are largely tinted with the particular characteristics of those countries and developed for realising pre-set objectives.

The second part reviews the roles, nature and objectives of social insurance in capitalist developed countries in order to see how far the general values and perspectives on social insurance are observed in these countries. Together with the part on social insurance in socialist countries, the subsequent section argues that the general values and perspectives on social insurance found in these countries are dissimilar from capitalist developed countries to some extent. This reflects the general values and objectives of social insurance that explains the unique features of social insurance in a country are affected by its political and economic systems. Accordingly, the specific social, economic and political environment in China, a socialist developing country, cultures the general values and perspective that sculpt its features of social insurance.

Nevertheless, it is explained in the following part that literature on social insurance in China is rare, especially for understanding its features from the general values and perspectives on this contributory income maintenance service. Thus there are research questions and study methods set in the final part to spell out in detail how to examine the subject matter of this thesis.

Economic insecurity and social insurance: The origins and concepts

Social insurance is one of the income maintenance measures set up for satisfying the income needs of individuals in a society undergoing economic system changes. These needs can be found particularly in the transformation from small-scale economic production to the specialisation of labour in which the peoples' way of gaining a livelihood is changed from petty production for self-sufficiency to the selling of labour power for money values in the labour market. One of the consequences of these changes is the break down of the family support and self-help system so that mutual-help is needed. Accordingly, institutionalised social services like education, health care, and welfare systems are established to replace the traditional family services on the one hand, and, on the other, to assist those who are less able because of various reasons.

The concept of and needs for mutually participatory support system is long standing. In earlier periods of human history, human beings already lived and grouped together in defence against natural disasters and for communal needs. This ignites the idea of social insurance against economic insecurity through mutual help. Nevertheless, the formats of self-help and mutual-help for safeguarding economic security are also changed in correspondence with the changes in the modes of production in human society so that the social and insuring natures of social insurance becomes more and more significant. In the following paragraphs the discussion will focus on economic insecurity and changes in human society before turning to outline the objectives, roles and functions of social insurance.

As mentioned above one's need for economic security changes from time to time. In general, the more diversified the economic production systems the higher the needs of the people for economic security. In addition, the needs for income security

change in the dynamic social, economic, and political environment. Economic security was treated as the subject of the household or the clan under paternalism in primitive society. Later, religious and political freedom in 16th Century Europe after the Renaissance made economic and production systems change as well as the philanthropic values on the needs of the weak driven by monastic teaching.

Concepts of and approaches to economic security changed in the 18th and 19th centuries with the rise of utilitarianism and liberalism. Whilst Jeremy Bentham argues for the greatest happiness, J. S. Mill, on the other hand, supports positive freedom.¹ These philosophers sow the seeds of *laissez faire* and free economy that leads to large-scale public education and the speeding up of technological development. The use of machines, ample supply of waged labourers and the changed ownership mode of production materials after the Industrial Revolution increased the people's economic insecurity. Karl Marx, applies dialectical materialism, to elaborate in *Das Kapital* that because of the rise of capitalism that alienates people from production materials and the exploitation of the surplus values by capitalists the working class lives in destitution.² Marx also notes that the unstable capitalist economic and production systems will inevitably be transformed by the proletariat or working class that has no land and capital. Marx's view on the extended social instability and economic insecurity opened Bismarck's eyes to the danger of revolution so that the world's first social insurance legislation on labour sickness benefits was promulgated in Germany in 1883.

Economic insecurity becomes the main concern of the people in the changing or developing society. It is generally found that there are four aspects of economic insecurity. (Ke, 1990, p. 7-10) The first refers to the loss of real incomes, especially when one has not enough or no capital, savings or other resources to supplement one's income up to the poverty line. The second aspect is the benefits that cover outgoings such as medical expenses or sickness or injury charged to oneself or one's family. The third one is insufficient income from employment or other means in covering one's needs or wants. The fourth is unstable incomes caused by unstable jobs such as seasonal or contract employment.

¹ See Mill 1974, & Barber 1967.

In countries of all systems, the causes of economic insecurity are various but in general they can be grouped into 'economic' such as substandard wages, price changes and 'non-economic' like premature death, ageing, sickness and injury, natural disaster, and personal reasons. (Ke 1990, p. 10-15) However, since the more developed the society is the more entangled the social fabric in which the causes are related. For example, unemployment may be caused by one's personal characteristics such as skill, age, and health conditions, apart from the availability of job opportunities.

The above paragraphs suggest that economic insecurity is the manifestation of economic development and changed social conditions. It also relates to one's adaptability and responses to the changing social and economic systems. Accordingly, there are four principles guiding the design of economic security plans. (Rejda in Ke 1990, p. 21-22). First, the 'principle of subsidiary' determines the state and individual's responsibility in overcoming economic instability. It also assigns the roles played by governments at different levels. This approach enhances a free economy with flexibility and creativity where state intervention is minimal. Second, the 'principle of sovereignty of demand' conditions the actions taken by democratic government as the responses to the needs of the people. In other words, this economic security measure is built upon a voting system for satisfying people's needs and wants. Third, the 'principle of prevention and rehabilitation' for preventive and rehabilitative purposes to minimise social costs. This implies the augmentation of economic and social benefits by alleviating the economic losses within the society. Finally, the 'principle of diversity' encourages the use of all means to solve the problems of economic insecurity. For example unemployment insurance, creation of employment opportunities, and retraining of the unemployed are all necessary to ameliorate poverty and unemployment.

The above discussions on economic security spell out the backgrounds and rationales of providing social insurance in most capitalist developed countries like England and the United States. It reflects that, apart from the functions and objectives of satisfying basic human needs, social insurance is also a mutual help system for the people to join for social good. In addition, social insurance pursues the maintaining of a free society since it recognises the limitations of individual members in society in doing

² See Barber 1967, p. 124-153.

away with economic insecurity. Such ideology, values and thinking of social insurance are in fact influenced by utilitarianism and liberalism prevailing in Europe since the last century. In sum, it is very clear that social insurance is set up for ameliorating the income problems and living difficulties of individuals in society. However, the orientation of social insurance is non-economical in terms of its belief in enhancing social consolidation and guarding the existence of a positive free society. These generalities of social insurance are found in most countries with democratic political systems and free economy. The following section will examine to what extent these general values and beliefs of social insurance are observed in capitalist developed countries, which are the pioneers of social insurance services.

Social insurance in capitalist developed countries

The main objective of this section is to study the specific roles, nature and objectives of social insurance in order to demonstrate how they are rooted in promoting individual freedom and the acceptance of responsibility and enhancing social solidarity in capitalist developed countries. This section will highlight the views and perspective on social insurance of the International Labour Organisation and distinguished academics like Richard Titmuss for achieving the aforementioned objective.

Social insurance is part of the social security system. Social security was described as 'a jigsaw puzzle', which 'is assembled' to cover all people and "the various contingencies which threaten the wages and income and thus the quality and standard of living, of working people".³ (ILO 1984, p. 2) Nevertheless, social security systems have some specific characteristics. First, they are started and developed in "countries which are now regarded as 'industrialised nations'." (ILO 1984a, p. 1) The example is the development from old age pension schemes to "social security" in the United States. (Social Security Bulletin 1992, p. 63) Second, they evolve from various statutory poor relief services and mutual help programmes like the cooperative or friendly societies in Britain. Third, 'social security' is a collective term for state assistance provided to people with contingent income needs. Accordingly, the ILO defines social security as the follows:

³ Michel (1970, p. 82) raised this point that "social protection appeared as a mosaic of independent schemes, distinct in scope with multiple sources of financing and granting of very

“(Social Security is) the protection which society provides for its members, through a series of public measures, against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earning resulting from sickness, maternity, employment injury, unemployment, invalidity, old age and death; the provision of medical care; and the provision of subsidies for families with children.” (1984a, p. 3)

According to the ILO social security is a comprehensive state system for income protections that includes: “social insurance; social assistance; benefits financed by general revenue; family benefits; and provident funds, together with supplementary provisions made by employers, and the ancillary and complementary programmes which have developed around social security.” (ILO 1984a, p. 3) In summarising the nature of different social security programmes in capitalist developed countries, Hill (1992, p.1) observes insurance and means-tested benefits as the two main forms.

Although social insurance is a part of social security system, Midgley states that not all countries use the term ‘social insurance’ to describe the actual social insurance system. For example, ‘social security’ is used in France whilst in the United States it describes the income maintenance programmes that have an insurance nature. (1984, p. 90) In other countries like China the term ‘labour insurance’ was widely used before the mid-1980s and, in some occasions, the terms ‘social security’ and ‘labour insurance’ are still being mixed with social insurance in the country even in the 1990s. This situation illustrates the diversities of social insurance services in countries of different cultural, political, economic and social backgrounds. In order to avoid the ambiguities, Hill uses ‘income maintenance’ but not social security to cover social insurance and social assistance services. (1996, p. 61)

No matter what terminology is used, social insurance is the ‘social security systems related to transactions by government … of meeting comparable needs and contingencies through the operation of direct taxation.’ (Titmuss, 1974 p. 88) This insight highlights the important elements of social insurance in capitalist developed countries: state transactions, contingent needs, and taxation through a mandatory enforced contributory system. As refers to the experiences of the countries discussed above, social insurance means statutory or mandatory income maintenance services or programmes supported by a multi-party contribution system for insuring against the loss of incomes of the eligible. Thus ‘sharing’ in terms of the risks and costs is the varied types of benefits.”

momentum for establishing and developing social insurance whilst 'contributing' and 'participating' are the means for achieving the ends of 'risk pooling' and 'mutual help'.

'Sharing' in social insurance reflects the recognition of the individual's incapability or the risks in dealing with income loss under a system of specialisation of production that might hinder the achieving of individual freedom.⁴ On the other hand, the values of participation are on the provision of accesses for individuals to express their risks and satisfy their contingent income needs with mutual help. Furthermore, these risks are anticipated within one's life-span so that the individuals who contribute can enjoy their eligible portions when the needs rise through a redistribution mechanism.⁵ Thus Titmuss elaborated that social insurance has the effects of meeting one's 'future presumptive need' that makes it different from the satisfaction of 'immediate demonstrated need' with public assistance payments. (1974, p. 88) More importantly, social insurance also has redistributive effects in addition to risk sharing or pooling and mutual help. With the example of Britain, Titmuss (1974, p. 87) maintained that the redistribution function is the crux of social policy and public insurance, especially when the services are supported by taxable incomes collected from employers and employees.

Nevertheless, as Titmuss pointed out, the redistributive effects may be 'unintended or unforeseen' because the political, administrative or technical factors affect the objectives of social insurance that depends on the role of taxation. (1974, p. 89) For capitalist developed countries, Titmuss summarised that the compulsory social insurance in Germany in the 1880s and the National Insurance for unemployed and sickness in Britain in 1911 belonged to an 'individualised actuarial model', which were 'part of the residual welfare model of social policy.' (1974, p. 90) Titmuss explained that this model of social insurance makes reference to the assumptions in the private insurance model, which is based on risk theory and honoured the insured according to the terms and conditions agreed in a contract. (Titmuss 1974, p. 90)

Social insurance in Britain in later days, for example, the 1959 graduated pension

⁴ The understanding on the relationships between income protection and individual freedom can refer to Maslow's human hierarchy of needs in which he identified basic human needs like security, shelter, food, etc. are essential for one to actualise one's own ability.

⁵ According to Titmuss, the needs for income protection arise from old age, widowhood, sickness, disability, unemployment, the dependant needs of children, etc. (1974, p. 88)

scheme was developed from the 'individualised actuarial model' that framed 'ideologically and semantically... the social security system in Britain and other countries'. (Titmuss 1974, p. 90) However, the 'group insurance model' in the mid 20th century, as termed by Titmuss, formed a 'contractual sharing group' that 'the risks are said to be pooled or shared.' (1974, 91) Although Titmuss queried the effectiveness of risk pooling and sharing because of the inadequate statistical and economic studies, it is clear that social insurance in capitalist developed countries espouses certain consistent high ideals.

It has been mentioned earlier that social insurance has insurance and mutual help natures that make it different from other social security services. The ILO notes that "...the insurance principle (that) gave expression to the solidarity of the workers ... and to the interest of both sides of industry in financing a scheme whose results would be beneficial not only to the work force but also to the management." (1984a, p. 4) This observation gives prominence to mutual aid in social insurance that cannot be found in other social security programmes. In addition, this perspective latently concedes the 'antidote effects' of social insurance in countries with a growing labour force and the growing disparity of interests between the working class and the capitalists in capitalist countries.⁶

One of the recent studies on social insurance in capitalist developed countries is by Spicker (1993). Spicker identifies three different models of social insurance among capitalist developed countries, namely, the 'Bismarck Model' of Germany, the 'Beveridge Model' of England, and the 'French Model' of France. Spicker argues that all of these social insurance systems can only partly accomplish the work of poor relief but in general they are set up for promoting social stability and providing social protection to those with contingent income needs. More importantly, the 'three-model' analysis carries the message close to Titmuss that risk pooling for meeting contingent income needs and enhancing social stability are the commonly found objectives in capitalist developed countries, albeit such services in these countries are not monotonous

⁶ For example Cockburn states that social security "...may be seen as a stabilising factor both in the workplace and in the widest community." Furthermore, Cockburn also mentions that "social security measures are therefore not only economic in impact but also social, psychological and political, serving as a stabilising influence in societies experiencing rapid social change." (1980, p.357)

and have diversified characteristics.

The discussions on social insurance in this section can be summarised into two points. First, social insurance is financed by a multilateral contributory system that “...sustains the sense of responsibility of the contributor and the dignity of the beneficiary.” (ILO 1984a, p. 115) Second, social insurance programmes or services support “...what is in effect a mutual benefit society on a national scale...” which is promoted by “citizens with a social conscience (who) understand the moral and material value of social security....” (ILO 1984a, p. 115) These two issues spell out that the values and practices of contemporary social insurance in capitalist developed countries have strong links with its original ideals and objectives. Nevertheless, it is found that the service pattern varies from country to country because of the different political, administrative and economic factors.⁷ Hence it is assigned in the following section to examine how far social insurance is different in other political and economic systems.

Review of social security and social insurance in socialist countries

The previous section presented the values and patterns of social insurance in capitalist developed countries. All of these countries, in fact, established their social insurance systems long ago. For instance, Germany under Bismarck in 1889 was the first nation in the world to set up social insurance services, with Austria, Britain, Luxembourg and Sweden following in 1906, 1908, 1911 and 1913, respectively. (Nie *et al.* 1995, p. 4-5) Social insurance as an income maintenance service is developed in these countries from the ideal of transforming economic production as well as maintaining individual freedom at the same time. These ideologies turn to be the postulates of social insurance, which to a great extent moulds the pattern of social insurance in capitalist developed countries. It is for this reason that most of the studies on social insurance programme concentrate on capitalist developed countries but not the countries of other economic and political systems.⁸ This section is going to describe a picture of social insurance programmes in socialist countries before turning to address the case of China with a literature review.

⁷ See, for examples, Titmuss (1974, p. 89), Rys (1964).

⁸ The examples of studies on social insurance in capitalist developed countries are Flora *et al.* (1981), Köhler (1982), Gould (1993), Spicker (1993), Flora (1998), etc.

Because of the very limited number of published studies on social insurance in socialist developing countries, this review of social insurance in socialist countries is based largely on the literature on socialist developed economies like the former USSR. Furthermore, these articles only touch on particular social insurance programmes instead of discussing the whole system in a comprehensive manner. For example Deacon (1983) reviews the health, income maintenance and housing services in selected socialist countries in order to understand 'socialist social policy in Britain'. On the other hand Porket (1979) examined the coverage, entitlement, and levels of benefits of the old age pension schemes and their social effects in the Soviet Union, Hungary and Poland. Nevertheless these pioneers share their insights on social insurance in socialist countries. For instance Porket says in his paper that "...in the countries discussed, egalitarianism is far from being a reality..." and social insurance services were provided for purposes other than income maintenance.

"The functions of social security depending on the nature of the Communist system, though also influenced by the stage reached and the momentary situation, include especially to legitimise the take-over of power and the stabilised system; to strengthen work discipline; to raise labour productivity; to reduce absenteeism and labour turnover, and to maintain, restore and improve the capacity for work." (Porket 1979, p. 31-32)

The illustration of the pension schemes in three East European countries offered by Porket shows that social insurance in socialist developed countries plays a significant role in labour management. For these countries the roles and objectives of social insurance are for controlling the social productivity that it is significantly different from the capitalist developed countries discussed before. Such an approach reflects the uniqueness of social insurance in the countries of a socialist nature. In 1980, George and Manning studied the social welfare system in the USSR including the social security system. Their conclusion, in referring to the three principles set out by Lenin, is close to Porket's view that social insurance in a socialist country is highly related to economic production. They found that the social insurance system in the former USSR was a form of 'occupational welfare' that "...the Soviet system rewards labour in difficult and unhealthy occupations (whilst) the occupations of capitalism reward middle-class and white-collar labour." (1980, p. 59) The social security system in the USSR was "either regressive or neutral" because "there is no unemployment and assistance benefit which usually benefits the low paid." Another comment on the Soviet social insurance is that it is a 'system of state managerialism ... with greater involvement of trade union members

at the local level.” (George *et al.*, 1980, p. 62)

In sum, according to George and Manning, social insurance services in socialist countries with the example of the former USSR has several features different from capitalist countries. First, regarding the coverage these services protect only those who work hard for the socialist state. Second, the systems are managed by the state for occupational purposes. Furthermore, social insurance in socialist countries is the means for labour and production control under the state’s direction. In a nutshell, the accesses to social insurance programmes in socialist countries are determined by one’s participation in socialist production and social insurance usually only covers the production forces in state-owned units.⁹ Apart from limited coverage, social insurance services in socialist countries are alienated from the risk pooling that is a relatively significant aim in most capitalist developed countries like Britain and the United States. With the strong and direct intervention by the state, mutual help is mobilised by collectivism for economic growth, political stability and social cohesiveness. In socialist countries, the risk-pooling objective is effected through the centralised economic and political systems that social insurance openly plays the occupational welfare role. The exposition of the Soviet social insurance system made by George *et al.* provides a good reference to study social insurance in other socialist countries like China that is still a blank page.

Trofimyuk, the Head of the State Social Insurance Department of the Central Council of Trade Unions in the USSR, mentioned two special objectives of social insurance in the country citing the case of medical services in 1981. First, it was “...to ensure safe and healthy working conditions for working people”. Second, it was “...to give effect to the principle of prevention in the health services provided for the workers.” (1981, p. 169-170) According to Trofimyuk, the former is for economic efficiency purposes whilst the latter is for social purposes. The illustration of the medical services demonstrates two outstanding features of the Soviet social insurance. First, the eligibility to and provision of insurance benefits is based on one’s productivity. Second, non-productive forces only have lower priority or are even barred from getting the services. Both of these features are far removed from the functional objectives of risk pooling for

⁹ Please see the example of medical services in the former Soviet Union in Trofimyuk (1981).

income maintenance, and social solidarity stems from the ideals of protecting the individual's freedom in economic changes as in capitalist developed countries.

It is rather clear that 'productivity' is the basic criteria for one to access social insurance services in socialist countries. This contrasts with the 'duty-right' contractual relationship realised through contribution and entitlement in capitalist social insurance systems. Political orientation and the recognition of the applicant's achievements are the significant features of socialist social insurance. Political orientation and personal achievements refer to one's productivity whether it enhances the development of socialist economy and society or not. Hence the nature of socialist social insurance is political-occupational rather than protecting one's freedom in economic transformation.¹⁰ Moreover, the political-occupational approach satisfied more the 'immediate demonstrated needs' of the state than the 'future presumptive needs' of individuals. The coverage of the social insurance in socialist countries is therefore discriminative and selective.

In another study on social security system in former USSR, George (1991) highlights the specific political-occupational nature from reviewing its historical development. This article is a very good piece of work in spelling out the driving forces for the development of the social insurance in the country: "...authoritarian rule, party membership and heavy industrialisation." The general features of social security in former USSR, as described by George, are that:

"Benefits were paid on the strength of a person's work record, the amount depended on previous earnings, the distinction between ordinary and privileged work was maintained, special pensions to high government and party dignitaries continued and, above all, benefits remained static, without any indexation to either prices or wages." (George 1991, p. 49)

In concluding the paper, George argues that the socialist social security system "...helped to alleviate poverty ... (but it) never became a central aim of that system because the resources were allocated for other purposes." (1991, p. 62) It seems

¹⁰ For example, Kozlov (1989) mentioned that the members of *kolkhozes* (collective farms) and *sovkhозes* (large, agricultural enterprises owned by the state and other agricultural enterprises) were eligible for old-age pensions as were those manual workers and salaried employees of the state. He also remarked that "the social security scheme pays pensions to disabled ex-servicemen and allowances to mothers of large families, single mothers, low-income families and other groups...." (1989, p. 62) This clearly shows the political-occupational nature of social insurance programmes and the different provisions to the productive and non-productive

therefore that social insurance services in socialist countries are not targeted at providing income maintenance to those in need. Rather, they are assigned with politically determined duties that are extraneous to social insurance. The specific roles and duties of social insurance for political and economical development are very unique to social insurance in socialist country.

Another special feature of social insurance system in socialist countries is the management of the contributions and benefits. Trofimyuk (1981) mentioned in his article that the Central Council of Trade Unions was responsible for managing social insurance in the former USSR. Trade unions in socialist countries are one of the many organisations in managing labour related issues. Unlike trade unions in capitalist countries that are mainly self-developed interests groups for people sharing a way of making a living, trade unions in socialist countries as the former USSR and China are quasi-governmental organisations formed and maintained under the instructions of the ruling parties and categorised as 'social and political groups'.¹¹ Among the many assigned functions trade unions in China are the 'links for the communist party to tie with the masses'. (Zhu *et al.* 1991, p. 669, my translation) Such links have wide impacts from mobilising the members for political movements to collecting the views on and assisting in the implementation of social insurance policies. Therefore the management of social insurance by labour unions and work units in socialist countries is another distinguishing characteristic.

Other distinguishing features of social insurance in socialist countries are 'multilateral-managed organisations', 'unidentifiable employer' and 'unitary funding source'. 'Multilateral-managed organisations' is the by-product of the practice of public ownership in socialist countries. For example, in China, the state controls social insurance through resource allocation and legalisation. At the same time, work units and trade unions are assigned to implement social insurance services. Thus the close state-

members in society.

¹¹ See, for example, Zhu *et al.* state that the earliest trade unions were formed among the workers in wool processing and spinning industries in England in the mid-18th Century as mutual-help and aid groups. Similar workers' organisations in China can be traced back to 1912 but the first formal trade union 'Machinery Workers' Trade Union' was founded in 1920 in Shanghai 'under the guidance of Marxism'. In May 1925, the 'All China Trade Unions' was established by 'The Secretariat for the Realignment of Labour Forces in China (Quanguo Laodong Zuheshuju)' as the institution for 'leading the workers' movements in the country'. (1991, p. 669)

enterprise relationships are found in economic production as well as social administration.¹² Since both the work units and the trade unions are state agents for labour management they take part in social insurance management. In other words, there is no definitely or specifically assigned organisation which deals specially with social insurance.

The second concern is that neither the work units nor the trade unions are employers in the socialist public ownership system and the tripartite social insurance system extant in Western countries is hardly found in socialist countries. Last but not least social insurance funding in socialist countries is supported by a centralised re-allocation system in that work units have to turn over all the profits to state first and then ask for an apportion to meet the expenses of social insurance. By such action contributions from work units are latent but their roles in managing the insurance benefits are still active.

The review in this section demonstrates that the approaches and objectives of social insurance in socialist countries with the case of the former USSR are dissimilar to those in capitalist developed countries mentioned above. The case reflects that social insurance in the USSR is directed by its collective economic system set up for securing the communist regime by enhancing economic production. Social insurance in the USSR emerges from the collective, or, more precisely, the ruling party's need in managing the labour force in the country's work units. This explains why the government, work units and trade unions managed social insurance in the USSR jointly and covered mainly employees in state-owned units. On that ground individual needs are left out of the account or disregarded.

In a nutshell, the ideologies of social insurance services in socialist countries are not in line with those in capitalist countries. The most distinguishing difference is the emphasis on the collective needs in socialist countries whilst in capitalist nations it is on the individual's. Social insurance in socialist countries is expected to enhance the development of socialism by providing income maintenance to the socialist labour force.

¹² Lu (1989, p. 71) defines "the social organisations or institutions in which the people work - factories, shops, schools, hospitals, research institutes, cultural groups, party and political institutions, etc. are called 'units'". In this study 'work unit' or 'unit' connotes the same meaning.

On the other side, social insurance in capitalist countries is for promoting social conscience in dealing with the externalities on the people in capitalist economic development. At the operational level, expenses for social insurance in socialist countries is part of the planned economic system that risks and contingent income needs of the labour force are cared for by the state, with assistance from employers and trade unions. Social insurance in capitalist developed countries, however, is supported by a multiparty contributory system that is separate from the control of employers.

It is apparent that socialist social insurance is built on a set of values and objectives that is distinctive from the general conception of social insurance in capitalist developed countries. These values and perspectives explain why the features of social insurance in socialist countries are a kind of occupational welfare, cover selected groups of people, and is heavily supported by state resources. This finding sustains the argument that the features of social insurance are conditioned by the values and perspectives on social insurance held in the country. Accordingly, an observation is derived that the different social and economic systems in socialist countries make its features of social insurance distinct from those found in capitalist developed countries. In order to examine this notion this study will explore social insurance in China to find out what are its specific features of social insurance in its particular social system and economic mode of production. Before that, it is necessary to review the studies on social insurance in China to find out how far the scholars tried to explore this area of study.

Literature review on social insurance in China

It is seen from the discussions above that the characteristics of social insurance are unique to the country because of its social and economic systems that culture certain values and perspectives. Hence, the studies on social insurance in capitalist developed countries and the former USSR are neither sufficient nor appropriate to understanding social insurance in China, a socialist developing country. Accordingly, an important question is 'What are the characteristics of social insurance in China?' Before proceeding to answer this question it is necessary to review the literature on the Chinese social insurance in order to see to what extent and how the scholars research the Chinese social insurance services.

Studies on the characteristics of social insurance in China are meagre. There are studies on the values and ideologies of welfare in China like Chan and Chow (1992). Chan *et al.* reviews the provision pattern of welfare in the country after 1949 in order to find out the welfare ideology in the country. The book by Chan and Chow is a good examination of the welfare pattern and strategies in China although it does not study social insurance, especially its particularities. Some other studies analyse the 'Chinese model of social welfare' from the administrative structure of the Ministry of Civil Affairs (Wong 1995), or generally discuss the various aspects of welfare services in China (Wong and MacQuarrie, 1986). These studies, however, do not mention the non-welfare social policy such as social insurance in China, nor do they explore the features of social insurance.

A pioneer on the studies on social security in China is John Dixon. The book written by Dixon (1981) focuses on the financial implications and administrative difficulties of the entire social security system in China. In this book Dixon makes a comprehensive examination of the 'social assistance system' in China from 1949-1979. This is a very good book for those who want to know the founding and development of occupational welfare and social relief systems in China under Mao's leadership. However, this study has not discussed labour insurance or social insurance in China, not to mention the distinctions of its social insurance.

In general, there are five dimensions found in the literature on the social insurance in China after 1979. The first is about financial resources. The second is about reforms of the services in general. The third is about emerging or changing needs under the reforms. The fourth is about the service structure or system and policy legislation. The final one is about the need to examine deeply the changing social insurance policies and the effectiveness of its reforms in China. However, none of these digs deep into the characteristics of the services.

Regarding the financial matters in social security in China, Chow (1988) studied the financing mechanism and problems in social security in China. Chow analysed the financial administration of social security in China in the first few years of the reforms. In mainland China, a book titled "The Economics of Social Security" by Ge (1990) makes a special study of the financial management of social security in China. One of

the important areas in this book is a review on resource allocation for the provisions of service. It is particularly useful for evaluating how the quality of the services is affected.

Yet, some other studies on social insurance in China are rather general. Yan (1993) describes social insurance policies in China after the reforms. On the other hand, the book on social security edited by the State Economic Systems Reforms Commission (SESRC) (1995) discusses different social insurance programmes in the early 1990s with some examples drawn from different regions along the eastern coast of the country. However, these books neither provide a panoramic view of the development of social insurance, nor highlight the features of social insurance in China under the control of the communist government. On the other hand, Zhu and Pan (1995) review the development of social insurance from the fall of the Qing Dynasty in 1911 to the reform era in the 1980s. This book provides lots of information on social insurance development and also forecasts the changes in the reforms so that readers can grasp the rather comprehensive view on the social insurance system in China. In addition, Chen (1996), an officer from the Planning and Financing Department of the Ministry of Civil Affairs, evaluates generally the social security programmes as well as predicting the trend of social relief work and social insurance in China in the mid 1990s.

An example of the study on the reforms in social security in China is Hussain's paper (1994) that reviews and analyses the development and the difficulties. In fact Hussain and others at The Development Economics Research Programme of the London School of Economics have been actively participating in the research on social security programmes in China. In 1989 Hussain and Liu complied a list of references on Chinese social security that is an excellent start to research on income maintenance services in the country. Atkinson (1993), on the other hand, offered an analysis on the newly introduced unemployment insurance and the impacts in 1990. Ahmad and Wang (1991) review the impacts of the development of market socialism in China on poverty in the first decade of economic growth from 1979. In 1993 and 1994, Hussain's two papers concentrated on the reforms of social security system in China. In his paper titled 'Reform of the Chinese Social Security System' Hussain points out four main features of the Chinese social security system: segmentation, diversified management and financing, variation, and occupational nature (1993, p. 14-17). This discussion offers stimulating and valuable insight to initiate this study.

In comparing the book written by SESRC mentioned before, with a chapter by Chow (1995) which describes generally the reforms in social security with the case of Shenzhen, Chow also discloses some features of Chinese social security, i.e. the neglected peasants, inefficient services, and alienation from Chinese culture. (1995, p. 28-31) In referring to the proposition made by the Chinese government in 1985 that the country is planning for '...a socialist security system with Chinese characteristics,' Chow makes two comments. First, there is no clear definition of 'socialist social security' and second, the 'Chinese characteristics' seems to mean the return to 'mutual assistance among relatives, friends and neighbours.' The two points raised by Chow are very innovative and stimulate the study on the characteristics of social insurance system in China. Nevertheless there are no studies which have ever explored these issues specifically. Another study on income protection schemes takes the case of Shenzhen in China. This is the chapter contributed by Wong and Lee (1996). This particular chapter assigned a part to discuss the rising needs and management problems of social insurance in this Special Economic Zone in southern China.

To study social insurance in China is a broad issue. There is a rural-urban dichotomy in that the two social insurance systems are mostly incompatible. Most researchers on Chinese social insurance, e.g. Hussain (1993), Chow (1995), and Wong (1995), mention the 'party-state-enterprises' issues as one of the notable features. In view of the significant state role in social insurance, a paper by Cui (1988), the former Minister for Civil Affairs in China, provides a structural review to understand the practical issues such as management and financing of social insurance in China. These two pieces of work point out the significance of understanding the financial pattern of social insurance from the close relationships between politics and economy in China.

In referring to the ideology of income maintenance programmes in China, some scholars examine the social security system from the people's changing values and attitudes on financial supports for the elderly. For example, Davin (1993) finds that the roles and functions of family on caring for the elderly are deteriorating. She also mentions that there are some policies such as Family Law and Heritage Law which are set-up for correcting this trend. The message brought out by Davin is that social value

and supports are changed in different economic and political environments that ultimately affect income maintenance services. In other words, it is necessary to explore the features of a country's social insurance from understanding the social values and expectations.

Regarding materials referring to the applied studies on social insurance, a rather particular piece of work is provided by Shao (1991, p. 175-183). This focuses on the attitudes of the participants in the individual economy towards old age pensions in Shanghai. In the introduction of the study Shao said "In order to understand the greatest affordability of the people on social security, it is necessary to understand the most flexible part of the labour system, that is, participants in individual economy and their psychological preparation for social security." (My translation) Shao's view is rather limited. It is necessary to study this "psychological preparation" of the employees in general in the changing employment and economic ownership systems in China. Such an approach can also reflect one of the features of the Chinese social insurance, that is, the ideology of the people in China on social insurance.

Another social research project relates to the themes of social insurance in China which was carried out in 1993 by Guangzhou Shi Social Science Academy. (GSK, 1995) The report "A Study on the Concepts Of Social Security of the Residents in Guangzhou Shi", prepared by Cai, discloses that the 'work unit orientation' is very significant and strong among local residents. This situation is even stronger among older people and those who work in state organisations. (GSK, 1995, p. 47) The paper spells out the strong relationships between the work unit and employees and this extends the party-state-units relationships to party-state-units-individuals. This linkage determines social insurance provisions in China. In brief, this paper is a very good reference material in seeking an understanding of the features of Chinese social insurance from the employees' perspective.

The Chinese social insurance services can also be distinguished by the changes in the reforms such as the labour system, the welfare system, the enterprise reforms, the ownership system, etc. The case of China is that reforms from a planned to a 'socialist market' economy leave commodity prices difficult to control. Wages have been rising in formal employment sectors. It seems that those who have incomes generated from

formal employment or other alternatives can escape from living in relative poverty. To take the elderly as the example that "...over the decade wage-rises protected the majority of those in regular employment from the economic effects of this inflation, but the value of pensions was seriously eroded." (Davin 1993, p. 110) In this sense, financial support to people with long-term needs such as the elderly becomes more striking when there are "high inflation and uncertainties of life in the conditions of rapid social, economic and political change." (Davin 1993, p. 112) To understand the features of Chinese social insurance an in-depth field study is required and an account of its policies and services development should be made.

In sum, most of the studies on social insurance in China focus on certain areas: financial and policy implications, sectional needs such as the elderly and the peasants, values of the people on social security, etc. In fact, the particular features of social insurance in China have not been fully explored. Although it is learnt that Chinese social insurance is patterned on systems devised in the former USSR, the immature economic development, distinct interpretation of socialism, and social traditions in China constitute a macro environment that makes the characteristics of the service dissimilar.

Conceptual framework, research questions and research methodology

After having completed the literature review on social insurance in countries of different political and economic systems, it is found that there is no related framework for understanding the features of the Chinese social insurance. This section will look for an analytical framework from the proposition of 'the sociology of social insurance', set up the research questions and design the methodology to carry out this study.

The 'sociology of social insurance' maintains that social insurance is a 'social institution' within the social structure.¹³ Structural functionalists such as Radcliffe-Brown, Talcott Parsons and Emile Durkheim propose that the social institution is part of the social structure and change. In applying the structural functionalist perspective, social insurance is a social institution that has specific norms and roles because of its particular types of activities and sphere of life. However, social insurance is one of the

¹³ See, for example, Titmuss (1974) also uses 'institution' in his discussion to describe the public insurance systems and services.

social institutions in the social structure whose existence is dependent on the others. Furthermore, the emergence, development and reforms of social insurance bear upon the economic and political systems of the country as other social institutions.

Another 'structural' perspective for distinguishing the features of social insurance refers to the social 'base and superstructure' viewed by Karl Marx and Friedrich Engels. In addition to feudal societies, Marx categorises all societies in general into capitalist and socialist according to their modes of economy. Marx and Engels propose that there is a social substructure (or base) that refers to the mode of economy (or economic structure) of the society. The substructure determines the superstructure that refers to the state in terms of political and social institutions and social consciousness that generate specific 'social relations of production' in society.¹⁴ In brief, social insurance is a social institution determined by the particular economic mode of the society and directed or affected by the production relations set up for responding to the changing social conditions. Marx's structural view explains how and why human society is different and developed. It also suggests why social insurance services are provided differently between capitalist and socialist countries and in various economic conditions. The Marxist structural view on society is used in this study to explain the features of social insurance in China found in this study.

Both the structural functionalists and the Marxist structuralists provide a general concept to understand social insurance from the social institution perspective. However, these perspectives do not offer practical methods to demonstrate what the products (i.e. the social institutions) look like (i.e. the features) in relation to the particular social system or economic production mode. The research method of finding out the features of social insurance in a country therefore refers to the 'sociological study of social insurance' proposed by Rys (1964) and Sigg (1985), whilst the Marxist structuralist perspective is used for explaining the research results. Rys remarks on the study method of 'sociological study of social security' that the development of social security is conditioned by internal and external factors. For internal factors it refers to population, economy, social structure, politics, pressure groups, and social psychology. On the other hand the external factors include the spread of culture, technological development,

¹⁴ For detail explanation on 'social base and superstructure' please refer to Bottomore (1983) p. 42-45.

international cooperation, and technical aid.

The two main points raised by Rys are the ‘changing forces behind the emerging and development of social security’ and ‘social security system is a social institution’. The first point directly points out the controlling forces that create and reform social security system. The second point stresses that as a social institution social security performs some expected roles and functions in achieving pre-set objectives. For instance, the social security system is built for keeping the set living standard (e.g. at or just above the poverty line) of the waged working class when they have contingent income needs. Furthermore, the influential and affected pressure groups like trade unions, employers’ associations, professional medical groups, etc. may counter check or work hand in hand with politicians in reforming the contents and benefit levels of social security.

In echoing Rys, Sigg proposed that there are several sociological factors in social security schemes and they can be grouped into those “...relating essentially to a national entity” and those that “...transcended a national level.” (1985, p. 4) The former comprises the country’s demography, economy, social structure, politics and pressure groups, the development of institutions, and social psychology. On the other hand the latter includes the spread of culture, the development of techniques, standards, technical assistance and international cooperation.

In a way different from Rys, Sigg does not only spell out the ‘national and transcendent-national level’ factors in the development of social security but also the need to synthesise all of them. According to Sigg two different levels of sociological study on social security could be carried out. At the macro-sociological level the study should include the cultural, historical and institutional factors whilst at the micro-sociological level, the research topics are social needs, social security management related issues like the techniques, organisation, structure and operation and administration. (1985, p. 5)

In contrast to Rys, Sigg argues that “sociology has no clear perception of what is at stake in social security.” (1985, p. 7) Therefore Sigg suggests five aspects in the study of social security through the sociological perspective. These include ‘evaluating social

security programmes', 'the functioning of the institution of social security', 'the development of the institution of social security', 'a sociological definition of social security' and 'the need for sociological research in social security'. (1985, p. 11-17) Sigg also suggests some topics or areas like the structure of means of livelihood, inequality and life styles, or even social structures in this particular field of study. (1985, p. 11) In brief, sociological analysis on social security calls for a holistic perspective that includes the institution, historical development, services, and effectiveness of income protection.

Both Rys and Sigg suggest some areas that reflect the characteristics of social insurance of a country, but for China the social, economic and political conditions are unique. First, the country was isolated for a long time so that influence from other countries on the setting up, development and reforms of social insurance have been weaker. Second, the Chinese social insurance system is different from the capitalist developed countries in that the social classes, apart from the workers and peasants, are insignificant and do not play an active role in social insurance development.¹⁵ Hence, this study on the features of social insurance in China will exclude the external factors but include the people's experiences and views on social insurance in the macro-sociological factors group. Furthermore, this study will focus on the social sectors like employees in state-owned work units, residents with permanent household status, etc. since this grouping method is more appropriate in China.

In sum, social insurance is a social institution whose founding, objectives, management, and effects relate with the social system or economic production mode of the country. The features of social insurance in China, however, were not described in detail in the past, irrespective of the structural functionalists or Marxist structuralists offering good analytical framework to understand how and why these features come about. For the case of China this study will employ the two-level sociological approach that will only take into account the national factors. Thus the sociological study on social insurance in this study will explore the internal determinants including the cultural, historical and institutional elements, as well as the management of social insurance and the views of the people to outline the features of social insurance in the country.

¹⁵ On this particular point Rys (1964) mentions the influence of the growing middle and low-income classes in formulating social security through election and legislation but these are insignificant in China.

The above discussed conceptual framework and study methodology aim at finding out the answers for the main research question “What are the specific features of social insurance in China in its particular social system and economic mode of production?” In achieving this study objective, there are four sub-questions set for this study:

- i.) How was social insurance founded and developed in China?
- ii) How are the social insurance services provided and managed in China?
- iii) Who and to what extent are the people covered, benefited, or neglected by social insurance in China?
- iv) How do the people react towards the social insurance services and what are their expectations?

The first question will focus on the historical development of social insurance in China from the feudal stage to the mid 1990s. It will also present the Confucian and communist ideologies on income maintenance and its effects on the development of social insurance in the country. Apart from these, this part of the study will also review the rules, policies and regulations on social insurance from 1949, the year in which the Communist Party of China took over the country and initiated labour insurance for its ‘socialist labour force’. The chronological study on social insurance in China in parallel with the changing social systems and economic production mode will give the insight on the social values and ideologies that govern and mould the social insurance system. The answers for this question will therefore facilitate the study on the characteristics of social insurance in China with a concrete and detailed background.

In referring to the second question the study focus is put on the practices and provisions of social insurance in China. This inquiry will touch on how the services were designed and delivered in different periods, especially after 1949 the Communist Party of China had set up a formal income maintenance system including social insurance across the country. This review on the provisions of the services will also bring out the financing pattern and other management features like the types of benefits, benefit levels, the revisions of benefits, entitlement criteria, disbursement of benefits, social insurance service structure, etc. In addition, it will also highlight the roles and

responsibilities of state, employers and individuals in social insurance services in China. All of these materials are important in understanding the specific features of social insurance in a country.

The third question relates to the effects of social insurance in China. Particularly, this question will improve exploring the coverage issue in social insurance that can reflect largely the objectives and approaches of the social insurance. For example, in exploring the question of 'Who are being covered and to what extent these people are covered?' will also lead the discussion to another question that is 'Why are they covered in that way?' This logical method of finding out the answers for the related questions will provide evidence to substantiate the propositions on some features of social insurance in China.

The fourth question touches on the experiences and expectations of the people on social insurance. This research question focuses on the social effects of the social insurance in China that reflects the effectiveness and operation of the services within the entire social, economic and political structure. In other words, with this indirect approach the features of social insurance are brought to light from the 'social perspective'.

These four questions target the seeking out of features of the social insurance in China in four different areas: the development of social insurance, the management issues of social insurance, the social insurance policy effects, and the social effects of social insurance services. All these four areas depict a picture of the features of social insurance in the particular social system and economic production mode in China that has not been tried before. Most importantly, the findings in this study will also evidence in what area and to what extent social insurance in a socialist developing country, with the example of China, are different from those found in capitalist developed countries. In order to find out the answers for these four questions the research strategies employed in this study are mainly literature review, unstructured individual interviewing and structured interviewing with questionnaires, and statistical analysis. In the following all these research strategies will be presented in detail, especially on how they were applied and which research question they addressed.

It is stated above that this project is a sociological study that focuses on finding out the particular features of a social institution in a socialist developing country. To achieve this objective it needs ample information or data to outline the characteristics of such a social institution in the country. For this study the research strategies can generally be grouped into quantitative research strategies like structured interview with questionnaires and statistical analyses, and qualitative research strategies like literature review and unstructured interview. Qualitative research strategies like literature review and unstructured interviews are mainly used for collecting materials and information for the first and second research questions. It is important to look into the research reports, policy documents, and materials collected from interviewing the experienced officials and related people to get insights on the issues like the historical development and reforms of social insurance. It is also necessary to understand the features of social insurance from the published materials and views of the service providers about their values on social insurance, the types, organisation, financing, policies and regulations of social insurance services in the country.

For the third and fourth research questions, quantitative research strategies are the best in finding out the answers. Quantitative research strategies like structured interviewing with questionnaires and statistical analysis quantify the issues and situations that facilitate the conceptualisation of the features of the services. For example, the data collected from interviewing with structured questionnaires are counted and cross-tabulated to get the frequencies of and the correlation between different variables. The results derived from the statistical analyses facilitate the understanding, for example, which groups of the urban employees are covered by social insurance and under what situations they benefit, etc. in China.

In applying the research strategies mentioned above some research techniques are used in this study. These include the draft of a list of organisations and people to be interviewed, the access to policy and internal documents concerning social insurance services in the country, the networking with the related government and civic bodies, the design, draft and test of the questionnaires, the use of machines, computers and computer software to analyse the data, etc. In the following pages, all of the research techniques applied in this study and the organisations and people contacted are presented.

First, the qualitative research strategy adopted unstructured interviewing with social insurance professionals and experts to elicit the concepts of social insurance in China. This is crucial since the perception and views of the experts extracted from interviews facilitated establishing the validity of the orientation, ideology and values of social insurance in the country. These unstructured but focussed interviews were arranged by the researcher and evolved over a period of time. The list of interviewees includes mainly those officers working in relevant state organisations. It also incorporates the views of the distinguished academics on the issue.¹⁶ During interviewing tape recorders were used with consent gained beforehand.

Unstructured interviewing was carried out in the period from late 1994 to mid 1996. Visits were paid to the Social Insurance Section of the Economic Systems Reforms Committee of Guangdong Province, the Social Insurance Services Bureau of Guangdong Province, the Guangdong Province Society of Social Insurance. Among these organisations, the Guangdong Province Society of Social Insurance is a quasi-governmental organisation affiliated to the Social Insurance Services Bureau of Guangdong Province and formed by the veterans of the Labour Bureau, a state organ that managed all labour services including labour insurance in China prior to the reforms.

The interviewing of the officials from the Guangdong Province Society of Social Insurance is invaluable, especially because of their practical experiences and the materials they compiled on the roads of development of the Chinese social insurance. These internal materials contain the views and updated information on the rationales and changes in social insurance in different regions of Guangdong Province that outline the features of urban social insurance in the province. In relation to the Society, the two state organisations that are charged with the responsibility to look into social insurance reforms also proved very helpful. Although the Social Insurance Services Bureau is a section independent of the Labour Bureau, in 1992, it was doing well in centralising the planning and management of social insurance in the country, especially the initiating of new social insurance services like unemployment benefits and reforming other long-

¹⁶ A full list of the persons contacted is found in Appendix.

established items. In the interviews with its deputy head, Mr. Long Huisi, in Guangzhou Shi, this project was enriched with his insights and experiences on the principles and objectives of socialist social insurance, the financial resources patterns and the future development of social insurance in the country.

The contacts with the Social Insurance Section of the Guangdong Province Economic Systems Reforms Committee provided opportunities to build up relationships with other related state organisations for this study. In acknowledgment of all the invaluable assistance provided this project special significance is attached to other state organisations visited: the Systems Reforms Committee assisted the researcher to access the Labour Bureau, the Social Insurance Services Bureau and even the Zhongshan University that provided the researcher with extraordinary field workers to administer the structured questionnaires.

Systems Reforms Committees were formed in the early 1980s as the think tanks of the governments at different levels. With support from the central authority of the government, or precisely, the Premier of the State Council, the Systems Reforms committees have very strong links with all the state and non-state owned work units across the country. For the specific purpose of this study, the Social Insurance Section of the Systems Reforms Committee of Guangdong Province was enlisted. The Social Insurance Section at the provincial level centralises the research and planning of new initiatives on social insurance service at different localities within the province. In other words the Section maintains the most comprehensive and current materials available on the provisions of the services. In fact the close contacts with Mr. Dong Binguang, the deputy head of the Section allowed the researcher access to the data, share his knowledge, and interview other officials directly.

Unstructured interviewing also extended to the Labour Bureau of Guangzhou Shi. The offices of the Labour Bureau at local levels are responsible for implementing the labour management policy from job allocation to the provisions of labour insurance. Since the early 1990s labour bureaux are also charged with the duties of registering and retraining those unemployed who were discharged because of enterprise reforms (*xiagang*). The Ministry of Labour at the central level and the labour bureaux at local levels have different directly controlled and subsidiary units to carry out its roles in

unemployment management.¹⁷ For this research project the 'Unemployment and Management Section' was visited. The Section provided information on the policies and services for the unemployed. Furthermore, the researcher also held in-depth discussions with the section heads on the emerging of unemployment benefits in the Labour Bureau in the mid 1990s and the transference of the service to Social Insurance Services Bureau. In the course of several visits to Labour Bureau of Guangzhou Shi, the researcher received strong support from the officials like the Deputy Head of the Bureau Ms Jiang Yuan, leading personnel from the Unemployment and Management Section Mr Ye Wuxiong and Mr Yang Bingzhao, as well as Ms Zhang QiuHong, the Head of the General Office. Interviewing the officers from the Labour Bureau enhanced the understanding of the changes and development of labour insurance, as well as the motivating ideals and rationales in providing insurance services to urban workers.

In order to get a full picture on the living standards of those on social relief, the researcher also visited the Social Relief Section of the Guangzhou Shi Civil Affairs Bureau. The Ministry of Civil Affairs is a designated state organisation that works on poor and disaster relief in urban and rural areas.¹⁸ One of its important assignments since the modernisation in the 1980s is to quantify the poverty line used as the standard for poor relief. Although the design is in its initial stage, the poverty line in China is also the basis for determining the social insurance benefits levels. Thus the visits are meaningful because the information reflects the extent to which social insurance services are effective in income maintenance in China. In general the visits were very fruitful. The researcher obtained the official views on determining benefit levels, the characteristics of the beneficiaries and the relations between social relief and social insurance that provides a closer insight into the social policies designed to meet the people's contingent income needs in the country.

In order to strengthen the understanding of the features of the Chinese social

¹⁷ There are three ministries responsible for the management of the *xiagang* (suspended) and *shiye* (unemployed) workers. The Ministry of Civil Affairs looks into the social relief for these urban workers. The Ministry of Labour assists these workers to live independently from state relief like retraining and encouraging them to run small business. The Social Insurance Services Bureau that was made an implementation unit of the newly founded Ministry of Social Security in 1998 is responsible for the management of unemployment benefits.

¹⁸ For a comprehensive study on the services of the Ministry of Civil Administration please refer to Wang (1995).

insurance, the researcher also interviewed the academics who have special expertise in this area of study. Among these scholars Professor Cai He from the Sociology Department of Zhongshan University in Guangzhou Shi proved the most helpful. Professor Cai is a sociologist specialising in urban sociology and social services in China. Although social policy studies is not a well developed field in China, Professor Cai has been trying to apply a range of sociological perspectives on social institution studies in the country. Specifically, Professor Cai assisted the researcher to understand the Chinese social insurance from the academic view, helped in making contacts with the targeted work units and in organising an interviewing team to carry out the field study. The researcher also benefited from the interviews with other professors in China and discussed with them the related issues like enterprise and employment systems reforms and the growth of the non-state owned system and its impacts on social insurance. The significant contributions of these experts are their insights into the related areas of social insurance and their concrete research experiences in China. Briefly speaking, the largest part of the background knowledge of this study is derived from a review of the literature of policy documents and the transcriptions worked out from the recordings of the interviews. Through systematic collection, classification and analysis of the facts collected from interviewing and literature review new concepts are generated for further analysis on the features of the Chinese social insurance.

The research techniques of structured interviewing methods include questionnaire design and pilot testing, training of interviewers, sampling and selection of the target units, use of hard- and software in data input and analysis. For this study there are two different sets of questionnaires which were administered by the interviewers. One set of the questionnaires were formulated for the management of social insurance in 25 work units whilst the other set were designed for the 520 employees. A thorough description of the samplings and success rate is presented in Chapter 5.

The field study with structured questionnaires was targeted at the management of the service and the employees completed the inquiry into the features of the Chinese social insurance system together with the interviewing and literature review. On the management side 25 work units of state and non state-owned organisations were identified. These work units were all located within Greater Guangzhou Shi and consist of significant types of business. In these work units the staff who are responsible for the

management of social insurance were interviewed. For most of the work units these were factory managers or unit heads who have direct access to the data and information about the services provided in the units.¹⁹

On the employee side, initially 520 employees were contacted and interviewed in their work units. The management of the work units and the researcher arranged the time and place of the interviews with the employees. These managers were absent from the interviewing after having introduced the interviewers. After they left the interviews were carried out in a random manner on the spot. Nevertheless the managers were provided with a sample of the questionnaire beforehand. The process of interviewing went very smoothly since all the interviewers were recruited from a local university that is well known and respected by all the people in the vicinity. The interviewees were very cooperative with the student interviewers for two reasons. First it was made known to them the study was for academic study purposes and second, the managers notified them in advance and allowed the interviews to be carried out in an environment familiar and comfortable to them. The whole interviewing process lasted four weeks in the period before the start of the Chinese New Year in mid February 1995. The completed questionnaires were returned to the research team stationed at the Zhongshan University in Guangzhou Shi for counter checking. The data in the successful questionnaires were then input and saved in the computer with the statistical computer program 'SPSS for Windows'. The 'SPSS for Windows' software was also used to analyse the frequencies of and correlation between different variables.

Before proceeding to summarise this section it is necessary to mention the limitations of this research. First, this study only focuses on the social insurance services for waged workers in cities in spite of the facts that the majority of the population is termed as rural and the major part of the country's labour force is agricultural.²⁰ The waged labour groups included employees in individual economic units, private economic units, collective units, foreign capital-related units, joint ventures, and state-owned units. Hence, the discussions and findings of this study only reflect the social insurance services for the labour force in urban China that can be found in other countries.

¹⁹ Details of the background and a list and names of the work units are provided in Appendix 2.

²⁰ In 1994 the rural population in China was 71.38% (Table 3-1, p. 59, China Statistical Yearbook 1995) and the employment in the 'farming, forestry, animal husbandry and fishery' sector was

Second, this study explores more in-depth with a field study on the social insurance services in China in the 1990s because the services have been undergoing a series of developments and reforms in relation to the transformation of the national economic system. For example, the use of the terms such as 'social insurance', 'unemployment benefits', etc., reflect changes in the social and political ideologies on social insurance. In addition, the rejuvenation of private economy and the initiation of contract employment in state-owned and non state-owned work units have great impacts on the social insurance services built up by the communist government in the country. The far most important reason of centring the study on the mentioned period is the rapid growth of waged labour in the modernisation period that contrasts can be made between the labour forces of different status, e.g. permanent labour, contract labour, urban household, migrant workers, state-owned work unit employees, etc. All of these provide invaluable information to understanding the unique features of social insurance in China.

Third, facing difficulties like the great number of the target population, limited resources, and fragmentary sampling frame in China, this study uses the 'non-probability quota-sampling method' to carry out the structured interviewing of the employers and employees with about 520 questionnaires in 25 work units.²¹ The number of work units set for the study is based on the considerations of the scale of this study and the researcher's capability. Hence, this sampling method does not cover all target units selected from the sampling process that might lead the conclusions of the research to be random. However, the success of this project demonstrates a practical way for other researchers to follow, or revise and develop it to carry out social research on social insurance in other cities in China or in other socialist developing countries.

Fourth, this study examines social insurance regulations in Guangdong Province and the implementation of the services in its capital city Guangzhou Shi, a relatively developed and industrialised city at the southern end of China. The main reason of selecting Guangdong Province and Guangzhou Shi as the case is that the social and

54.31% of the national employment (Table 4-3, p. 86, China Statistical Yearbook 1995).

²¹ For explanations on 'non probability quota sampling' please refer to Nachmias (1981, p. 298-300) and Bulmer *et al.* (1993, p. 97-98).

economic features of this region resemble that of the country.²² In addition, this southern province has also built up an advanced and comprehensive social insurance system relative to other places in China. Thus Guangzhou Shi is an ideal environment to carry out the field study for accomplishing the tasks of this study and the results of this research reflect to a great extent the features of social insurance in big cities in China such as Guangzhou Shi.

Last but not least, in this study, the definition of social insurance in China refers to the non-relief or non-welfare income maintenance services initiated by the communist government. It embraces 'labour insurance' in the period before the mid 1980s and 'social insurance' in the later period.²³ These two interchangeable terms refer to six direct services: retirement pensions, medical insurance, maternity allowance, occupational injury, sickness and handicap insurance, survivors' and funeral benefits, and the newly implemented unemployment insurance.

In sum, this section presented the core and structure of this study: the conceptual framework, the research methodology and research questions. In this study social insurance is regarded as a social institution whose features are determined by the social system and economic mode production in the country. The theoretical framework and research methodology of this study refers to the 'sociological study on social insurance' adapted from Rys and Sigg. Also, this study will apply the Marxist structuralist perspective on the relationship between state institution and economic structure to explain the found features of social insurance. For the research operation it is learned that there are two levels of sociological study on social insurance: the national and international levels. However, for the case of China it is necessary to concentrate on the national factors because of its specific social and political development. Accordingly, this study set up four sub-questions to explore first, the breadth of social insurance in China in its historical development and change in the policies and regulations and the social values and ideologies. On the other hand, these questions also study the depth of

²² For a detail comparison please refer to Chapter 5 of this study.

²³ The use of the term 'labour insurance' has two main reasons. First, it refers to the services provided under the 1951 'Regulations on Labour Insurance in People's Republic of China'. Second, because of its limited coverage on employees in major state-owned work units only and emphases on the insurance for the working class but not the 'exploitative bourgeoisie' in the country. (Fu *et al.* 1994, p. 2-3) Except for unemployment insurance, the service items of labour insurance are generally the same as social insurance in the 1980s in China.

the social insurance services in China on its practices and provisions issues like financing, eligibility and the criteria, level of benefits, etc. In addition, it also studies the effects of the services such as the coverage, and experiences and expectations of the people towards the services. All of these are the parameters of the social insurance in the particular social system and economic production mode in China. Finally, this section also spells out the research strategies and techniques used in the study. In general for information collection and background studies literature review and unstructured interview are used, whilst structured interview with questionnaires and statistical analyses are utilised for collecting and processing the statistical data to understand the features of the social insurance in the country.

Summary and conclusions

The literature review in this chapter finds that social insurance is a social institution founded and developed upon a country's social and economic systems. Accordingly, social insurance services in capitalist developed countries are not necessarily the same as those in capitalist developing countries. Similarly, although China and the former USSR are categorised as socialist countries and the Chinese social insurance services model followed that of the USSR, their features of social insurance are not necessarily the same.

Studies on social insurance in the past did not pay any special attention to the features of the Chinese social insurance. The literature review shows that most scholars made great efforts to examine social insurance in capitalist developed countries but only a handful of them tried to investigate the Chinese social insurance services. In addition, although there was a body of literature on the Chinese social security system, hardly any one examined its features from the social institution perspective with structured and unstructured interviewing methods.

This chapter also discusses the conceptual framework for analysing a country's features of social insurance. It finds that there are two main groups of factors used for accomplishing the task. However, for China the national factors such as social and economic changes and institutional factors like policies, financing and service delivery are the most appropriate for exploring the features of the Chinese social insurance.

Practically, this research project looks into both the macro and micro levels of the ‘sociological study of social insurance’ by answering four sub-questions that are developed from the main research question. Briefly speaking these four questions range from historical and institutional factors to social insurance management issues and the effects on the people.

This chapter also presented both the qualitative and quantitative research strategies. For qualitative study unstructured interviewing and literature review especially on the policy and regulations were carried out for conceptualising the Chinese social insurance. This process involved focused interviews with the officers from the relevant state departments and academics in the country. The review of services, policy papers and regulations of social insurance from the feudal stage to 1995 in the country bring out the insights on the designs and contents of the services that enhance the tracing out of the features. However, the conclusions of the study are also supported by the data collected from quantitative research techniques like structured questionnaires and statistical analyses. The quantitative fieldwork has not been conducted in the past and the materials obtained are invaluable, especially for delineating the features of the Chinese social insurance. In the following two chapters there will be a review on social insurance in China from the feudal stage to mid 1995.

Chapter Two

Income Maintenance Services in China Before 1980

Introduction

To build up a consolidated society with mutual help is an abiding desire for the Chinese. In *The Book of Rites* (*Liji: Liyun Bian*) compiled by Confucian scholars some two thousand years ago it says that a consolidated society is a utopia in which the old are attended, the young can utilise their ability, whilst the children are raised and the less capable are cared for. It further delineated that money is shared among the people and the able-bodied help those in need. According to *The Book of Rites* such an ideal society emerged in the Qin and Han periods (300 BC to 87 BC) in China. Such a perfect society was later termed as the Great Harmony or *Datong* that is always adduced to by many politicians and government officials. (Cui, 1990, p.1)

Although the needs for building up the great harmony are emphasised in the long history of China, the approaches change with the rulers of the country. The road to Great Harmony proposed by the communist government after 1949, for example, is explicitly directed by socialist ideologies. In his *Report on the Draft of the Revised Constitution of the People's Republic of China* (PRC) in 1982, Peng Zhen talked about the integration of “the general truth of Marxism and Chinese socialism” in order to build up “socialism with Chinese characteristics”.

The description of China is “a socialist country under the people’s dictatorship that is led by the working class and based on the alliance between workers and peasants.” (Chapter 1, Article 1, Constitution of the PRC) and the aim of the communist government of China is the building of a thoroughly modern country. In this socialist country, “The basis of the socialist economic system is socialist public ownership of the means of production, namely ownership by the whole people and collective ownership by the working people. The system of socialist public ownership supersedes the exploitation system of man by man; it applies the principle of **‘from each according to his abilities and to each according to his work’**.” (Chapter 1, Article 6, Constitution of the PRC, my emphasis)

In order to realise the Chinese socialist Great Harmony, the communist government states in the Constitution (1982) that the “Citizens of the People’s Republic of China have the right to material assistance from the state and society when they are old, ill or disabled. The state develops social insurance, social relief, and medical and health services that are required to enable citizens to enjoy this right.” (Article 45)

This chapter tries to examine the development of social insurance in China after 1949 by reviewing the policy documents and interviewing government officials. Nevertheless, it will first present the income protection policies in the feudal period prior to describing the labour insurance provided by the Chinese communist party from 1949 to 1980. The historical development of income maintenance services in the country is presented in line with the particular characteristics in the period. Nonetheless, there are also analyses of the particular ways in which the services developed as well as an analysis of the general effects and impacts.

Residual income maintenance services in China before 1949

Social insurance in China is also termed labour insurance.²⁴ According to Zhu, labour insurance in China includes: medical and health insurance; occupational injury and sickness benefits; maternity benefits; retirement pensions, death benefits and funeral supplements to the family dependants of the related workers for relieving their living hardships. Nevertheless, for a long time in the history of income maintenance in China, contributory social insurance hardly existed.

²⁴ The term labour insurance or *laodong baoxian* is interchangeably used with social insurance or *shehui baoxian*. Zhu explained that “labour insurance is a social security system provides to labour force when one losses productivity permanently or temporary. Labour insurance is a mandatory insurance provided to staff and workers only. It is a part of the social insurance.” (1991, p. 483, my translation) In explaining the term social insurance, he said it is the assistance offered by the state or society for assisting the less able bodies such as elderly, sick, handicapped and those living with difficulties. In these senses he differentiated labour insurance from social insurance since the former is restricted to employers in state-owned units only. He also elaborated that the first legislation on labour insurance in China is the “Regulations on labour Insurance of the People’s Republic of China” in 1951. (Zhu 1991, p. 489) On the other hand, Zhao (1993, p. 31) explains that social insurance is a system to assist “citizens or workers” when they have living difficulties because of old age; being sick, handicapped, unemployed, etc. He also mentions the five aspects in social insurance: sickness and maternity, work injury, old age and retirement; death; and unemployment. Furthermore, he stresses that social insurance and labour insurance has no differences in nature. “Social insurance is a more widely covered insurance for the labour force in society. ... In the past, the term ‘social insurance’ is found in some of the regulations sometimes whilst ‘labour insurance’ is used by the leaders in the other time.” (Zhao 1993, p. 34, my translation)

State intervention in kind as relief to the people was started more than two thousand years ago in feudal China. According to Fu *et al.* (1994, p. 43) in the Western Zhou (*Xizhou*) period (1025 B. C. to 721 B. C.) the emperors assigned government officials to provide means of living supports to people in need.²⁵ For example, those who were at the age of seventy or above and at ten or below were eligible for the state's relief in kind. Other poor relief measures included the provision of housing and the state's supply of staple foods. Later in the Northern Wei (*Beiwei*) period (386-439 A. D.), the emperors promulgated edicts that community supports should be organised for the elderly, handicapped and poor who could not live on their own. The Northern Wei emperors also initiated "Land Equalisation Policy" (*Juntian Zhi*) to promote the 'self-supporting' ideology in poor relief. This policy stipulated that those who were of the age of fifteen or above, irrespective of gender and social class, should be allocated farmland. In addition, the males should assist widows or those families with no mature male members. This policy also exempted widows and those who were aged over seventy from paying rent on farmland.

In the Tang Dynasty (618-939 A. D.), the 'self-supporting' belief was maintained. For example, the Tang emperors implemented "Land Allocation Policy" as one of the income maintenance programmes. In addition, a progressive tax system was implemented in 780 A. D. for releasing the burdens of the poor. In 628 A. D. a Tang emperor followed the system of 'collecting crops to aid the destitute' (*Yi cang*) that was started in the Sui Dynasty (581-618 A. D.) by asking the productive force to contribute and prepare for rainy days. Furthermore, a system that collected the crops from households proportionately in the community was also set up. This system resembles contemporary contributory social insurance system in that both the state and citizens are involved in a statutory scheme. These arrangements are probably the earliest social insurance approach income maintenance in Chinese history. In brief, social insurance in China, as in most Western capitalist countries, is founded on residual social relief programmes. However, since the socialisation of production emerges very recently in China and the development of capitalism is discouraged by Confucianism and communism, the practice of Western style social insurance does not follow in the same

²⁵ The chronological history of China can be referred to Gernet 1985, p. 680-735.

manner.

Social relief services were more institutionalised in China in later period. For example, Fu *et al.* (1994, p. 44-45) finds that the emperors in the Song Dynasty (960-1271 A. D.) established the homes (*Futian Yuan*) to accommodate in cold weather the poor elderly and children who had no families. Other institutions such as *Juyang Yuan* and *Anji Fang* provided more permanent services to the widowed, orphans, elderly and handicapped. A rather innovative step made by the Song emperors was the legislation of income maintenance services. The 'Housing and Subsistence Law' (*Juyang Fa*) stipulated that those who lived in *Juyang Yuan* were supplied with rice and beans as the staple food. On the other hand, the poorest families who lived in *Anji Fang* were eligible for benefits both in cash and in kind as well as medical services. In expanding the mutual help concept, the Song emperors promoted co-operative crediting services at community level. Participants were allowed to borrow from co-operatives with very low interest rates to meet their contingent needs. Such assistance and relief services for income maintenance were maintained for a long time till the national revolution in the early 20th century. The pursuit of 'people's livelihoods' advocated by Dr. Sun Yatsen aimed at establishing a social security system is one of the 'Three People's Principles (*Sanmin Zhuyi*)' still being avowed by the *Guomindang* (Nationalist Party) in Taiwan.²⁶

Many studies point out that statutory social insurance for wage-workers in China was started in the 1920s.²⁷ (Zhao 1993; Fu *et al.* 1994; ZSBZ 1995) In 1921 the newly formed Communist Party of China set up a Secretariat for Labour to co-ordinate labour movements in China and to educate the working class to help themselves. In February

²⁶ The Nationalist Party or *Guomindang* was formed by a group of military graduates in Guangzhou in early 1910s. One of these young military officers Jiang Jieshi (Chiang Kai-shek) was selected to succeed Dr Sun Yatsen after his death in 1925 to lead the Nationalist government and carry out Sun's Three People's Principles in China. However, the Nationalist government under the leadership of Jiang Jieshi moved to Taiwan in 1949 at the failure of the Suppress Communist Movements. Since then the 'Three People's Principles' is claimed as the social, economic and political guidelines for the Nationalist party in Taiwan.

²⁷ The term 'statutory' is controversial in some aspects. The communist government controlled certain regions (Soviet Autonomous Regions) in the Civil War period whilst the nationalist government was recognised in the international issues. According to Ke (1990, p.351) the nationalist government started social insurance co-operatives for workers in salt-works in northern Sichuan in 1943. "In 1947 the nationalist government put social security with social insurance as the national policy." (Ke 1990, p. 351, my translation) Because of the particular situations in China in this period, 'statutory' here does not completely equal to the rules and regulations set by the official government. It refers to the actions taken or laws promulgated by the government in its own sphere of influences.

1922, the National Meeting of Labour resolved that a worker's daily working hours should be limited to eight per day. (Fu 1994, p. 643-644) Afterwards, the Secretary for Labour of the Communist Party drafted and proposed the "Outlines For Labour Law (*Laodong Fa Dagang*)" to be included in the constitution written by a warlord in August 1922. About half of the 19 articles of the *Laodong Fa Dagang* related to workers' benefits that included state and employer social insurance contributions for the labour force. (ZSBZ 1995, p. 65)

In the period between the First National Meeting for Labour and the founding of the People's Republic of China, the Communist Party of China designed several other policies on labour insurance. Among these an important one is the "Labour Law in Chinese Soviet Areas" in 1931 which was part of the economic policies in the "Constitutional Outline for the Chinese Soviet Areas".²⁸ (Wang 1995, p. 2) The 1931 Labour Law outlined a more comprehensive insurance system for the social productive force. It provided benefits for workers suffering long-term sickness and disease, maternity leave, retirement pensions, and unemployment relief. (Shao 1991, p. 24) The labour law also stipulated that employers had to make a contribution to social insurance equal to about 10-15% of the payroll. (ZSBZ 1995, p. 65) A revised Labour Law was implemented from October 1933 which adjusted the employers' contributions equivalent to 5-10% of the payroll payable to the Social Insurance Bureau. The Labour Law specified that employers were not allowed to collect social insurance funding from workers or make deductions from their wages. The main aim of these revisions was to halt the unreasonable expenses on benefits of the 1931 policy. (Wang 1995, p. 2)

The prototype of the communist labour insurance in China was finally completed in the Sixth National Meeting for Labour. The policies were not implemented because of the unfavourable and unstable social and economic conditions in the Chinese Soviet Areas. (Shao 1991, p. 25) After the Long March, in the late 1930s, labour protection systems including labour insurance services, were started in the Chinese Liberated Areas. These social security measures incorporated insurance services such as sickness,

²⁸ Before 1949 the Communist Party built up the "Soviet Autonomous Regions" (hereafter called SAR) as their bases to struggle with the nationalist government. The use of the word 'soviet' reveals first, the Chinese communists were greatly influenced by the Communist International that was controlled by the Russians. Second the Communist Party of China in that period wanted to practise the communist society that is managed by the proletariat.

death, maternity and handicapped benefits for the workers. (Shao 1991, p. 26)

According to Shao, the resources for supporting social insurance in the Chinese Liberated Areas were very scarce. (1991, p. 26) Therefore the guiding principle of the policies was “to provide the insurance benefits at moderate levels to those who lost productivity, i.e. at the level a bit higher than the peasants’ income.” (Shao 1991, p. 26, my translation) Based on this principle some benefits were provided in kind and in services such as the caring for the aged. In addition, Mao Zedong claimed in April, 1945, that “... it will protect the interests of the workers, institute an eight- to ten-hour working day according to circumstances, provide suitable unemployment relief and social insurance and safeguard trade union rights....”²⁹ The purpose of these measures, as stated explicitly by Mao, is for “...adjusting the interests of labour and capital (in) the new democratic state system.”³⁰ Mao’s views affected the development of social insurance in China greatly. Ge (1991, p. 27) comments that the implementation of labour insurance in the Liberated Areas was guided by Mao. Most importantly, the political functions of social insurance are also assigned.

In brief, the eagerness to provide social insurance under such socio-economic conditions features the strong political ideal of “to each according to his needs”. The insufficient national resources and inefficient management system for social insurance consequently led to the decentralisation of the management and provisions of labour

²⁹ Please refer to “On Coalition Government” in Selected Works of Mao Zedong, 1975, Volume III, p. 254.

³⁰ Ditto. The meaning of ‘new-democratic state system’ can be referred in “On New Democracy” in Selected Works of Mao Zedong, 1975, Volume II, p. 339-384. According to Mao, “the politics of New Democracy are the concentrated expression of the economy of New Democracy”. The economy of New Democracy “must develop along the path of the “regulation of capital” and the “equalisation of land ownership”, and must never be “privately owned by the few”; we must never permit the few capitalists and landlords to “dominate the livelihood of the people”; we must never establish a capitalist society of the European-American type or allow the old semi-feudal society to survive.” When discussing about the new-democratic state system, Mao stated that it is a ‘republic under the joint dictatorship of several revolutionary classes’ and a ‘transitional form for state to be adopted in the revolutions of the colonial and semi-colonial countries.’ In Mao’s understanding, the situations of China in the early 1940’s were “different from the old European-American form of capitalist republic under bourgeois dictatorship, which is the old democratic form and already out of date. On the other hand, it will also be different from the socialist republic of the Soviet type under the dictatorship of the proletariat which is already flourishing in the USSR....” (Mao, 1975, p. 350) In brief, social insurance as viewed by Mao and the Communist Party of China is for ameliorating the adverse conditions of the Chinese working class under the exploitation of the imperialists and colonialists. Income protection schemes initiated by the Communist Party of China were politicised as part of the class struggles at the national level and part of the nationalist activities at the international level.

insurance to work units. This model held sway into the early 1990s, and has many unique features inviting exploration.

In anticipating the victory in the Civil War, the Chinese soviet government promulgated the “Provisional Labour Insurance Regulations for Publicly Owned Enterprises in North-eastern Areas in the Wartime” (*Dongbei Gongying Qiye Zhanshi Zanxing Laodong Baoxian Tiaoli* or DGQLB) in December 1948 and started to apply it in the Chinese Liberated Areas in February 1949. (Table 2-1) These regulations were practised in state-owned railways, postal services, mines, military logistical industries, energy resources industries and spinning and weaving industries. (ZSBZ 1995, p. 66) “This was a more comprehensive set of social insurance regulations before the liberation of the country. It is also the basic reference for the legislation of labour insurance in the post-liberation period.” (ZSBZ 1995, p. 66, my translation) In other words, the DGQLB is the starting point to study social insurance and its reforms in China after 1949.³¹

Table 2-1 The details of the DGQLB

| Type of insurance | Provider | Benefit |
|---|-----------|---|
| Occupational injury | Work Unit | Free medical expenses and full-paid leave |
| Occupational handicapped | Work Unit | 50-60% of the wage according to the levels of seriousness and causes. |
| Non occupational handicapped | Work Unit | Up to 50% of the wage for occupational handicapped. |
| Sickness or non occupational sickness | Work Unit | Free medical services in the work unit's clinic; living supplements equal to 50-100% of the wage if leave is less than 3 months; relief equal to 30-60% of the wages if leave is longer than three months |
| Retirement pensions | Work Unit | 30-60% of the wage based on the length of the working period. |
| Maternity benefit | Work Unit | Full paid leave for 45 days. |
| Sickness benefits for family dependants | Work Unit | Free medical services in the work unit's clinic, lower rates for medicine. |
| Funeral supplements for family dependants | Work Unit | One third of the monthly salary of the worker |
| Collective welfare | Work Unit | Convalescent hospital, rest home, homes for elderly, home for the handicapped, etc. |

Source: Extracted from ZSBZ 1995, p. 66.

³¹ The impacts of DGQLB are far-reaching. Dixon comments that “as a forerunner of the nationwide 1951 labour insurance program, the CCP embarked on an experimental program in Manchuria toward the end of 1948. ... This course of action was taken to consolidate the CPC's position among the workers in this vital industrial centre; to provide them with a greater work incentive; and to give CCP cadres practical experience in administering labour insurance, so necessary if a nationwide program was to be successfully introduced in the near future.” (Dixon 1981, p. 27-28)

This section provides a historical account of the income maintenance services in China from the feudal period to the dawn of the communist regime. In the discussion it is found that income maintenance services in China are founded on social relief that emerged two thousand years ago. These relief services, residual in nature, were provided in kind and institutional care. Contributory social insurance was not well developed in China before 1949 because of the insignificant size of the capitalist and working class and the retarded development in the socialisation of production. Residual income maintenance was reserved until the social, economic and political systems were changed by the communists. The literature shows that socialist income maintenance is of an occupational welfare nature because it has a strong relationship with the work unit.

In brief, non-contributory funding by state in terms of central and local government is a major feature of Chinese social insurance. This non-contributory characteristic arises from the values calling for self-reliance, family-centred and non-state intervention that are highly touted by Confucian teaching. In addition Confucianism also discriminates against business people and artisans. This consequently delays the rise of the capitalists and a wage labour force in society. On the other hand, the Chinese socialists have been working hard since the late 1910s to realise communism. In order to evince the highest spirit of 'to each according to his needs', unrealistic labour insurance services were shouldered solely by the state, in disregard of the underdeveloped condition of the national economy. Since the state's responsibility for social insurance sees a transfer of the administration to the work units this makes a contrast in delivery of the services practised in capitalist developed countries and requires in-depth investigation.

Socialist movements and social insurance in China in 1949-1980

The Communist Party of China tried out a specific social insurance system in its spheres of influences that was comprehensive in scope and characterised by direct intervention. Apparently it is for political reasons that the communist government provides social insurance to the 'exploited proletariat'. Accordingly, the Chinese labour insurance system seems to have two ends: to stress the exuberance of socialism and to procure supports from the proletariat. In this section the discussion is focused on the development of

social insurance after 1949 but it will delineate the term 'social insurance' used in China first.

Shao (1991) finds that the existing 'social insurance system' (*shehui baoxian zhidu*) in China has three main groups: social security benefits (*shehui baozheng daiyu*), means of living supplements (*shenghuo buzhu fei*), and collective welfare facilities (*jiti fuli sheshi*). This grouping may not specifically reflect the social insurance functions. For example, Zhu *et al.* explains that the means of living supplements are "the provisions of services and cash supplements to solve the daily living problems." (1991, p. 450, my translation) The examples are barber shops, nurseries, supplements for non-staple food, etc. From this perspective, Zhu *et al.* put this group of benefits into "welfare benefits" (*shenghuo fuli*) to pinpoint its particular nature. On the other hand, collective welfare facilities are "for satisfying the common needs of the staff and workers of two main kinds. The first is the provision of services such as canteen and dormitory to facilitate the daily accommodation of the employees whilst the other one is the provision of facilities for promoting the quality of life of staff and workers, especially the cultural aspects typified by clubs, libraries and sports centres, etc." (Zhu *et al.* 1991, p. 464, my translation) Thus in strictly speaking both of living supplements and collective welfare facilities should not be identified as part of social insurance services.

The terms 'social security' (*shehui baozheng*) and 'social insurance' (*shehui baoxian*) are even more ambiguous in China. Shao offers the example of 'social security benefits' which includes retirement pensions, medical benefits, disability allowances, and work injury benefits. (1991, p. 82) In most other countries, such benefits are grouped under social insurance. In turn, Zhao explains that the concepts of social security and social insurance are different. "Social insurance is an important part of social security.... Social insurance and social security are the mechanisms for providing assistance in kind and cash. However, the differences lie in their objectives, targets and formats of assistance." (1993, p. 32-33, my translation) In the previous part in this chapter the definition of social insurance in China was made and the cited example is the "Regulations for Labour Insurance in the People's Republic of China". Accordingly, social insurance should be treated as the "stipulated assistance given by state, society or related government departments to the productive force or citizens when they are old, sick or have lost their working abilities and have difficult living." (Zhu *et al.*, 1991, p.

489, my translation) Nevertheless, it is necessary to point out that, no matter whether the term ‘social security’ or ‘social insurance’ in China is used, it includes six main services or programmes: medical and sickness benefits, maternity benefits, occupational related injury and disability allowances, retirement pensions, unemployment benefits, and survivor's benefits and funeral supplements.³² As a result, ‘collective welfare’ and ‘welfare benefits’ as well as state relief for the most needy in urban areas (e.g. *samwu* and *wubao*) are excluded in this study.

The ZSBZ states that there are six different subsystems in the social security system in China: the social insurance subsystem, the social relief subsystem, the social welfare subsystem, the protection for servicemen subsystem, the medical protection subsystem and the subsystem of other protections.³³ (ZSBZ 1995, p. 45) In the social insurance subsystem there are six different programmes: retirement pensions, unemployment insurance, medical social insurance, occupational injury and sickness social insurance, maternity benefits, and social insurance for other purposes. (ZSBZ 1995, p. 46) Except for medical social insurance, all of the programmes or services within the social insurance subsystem are unique and not related to other subsystems in social security. Nevertheless, medical social insurance should be treated as part of the social insurance subsystem because of its strong insurance nature. (ZSBZ 1995, p. 48)

Social insurance in China, therefore, includes the following items: retirement pensions, medical and sickness benefits, occupational related injury and sickness benefits, maternity benefits, unemployment benefits and survivor's benefits and funeral supplements. This categorisation is widely accepted in the studies on social insurance in China.³⁴ However, it is necessary to remark that in the 1951 “Regulations for Labour

³² Zhao explains that in Article 45 of the 1982 Constitution of China the term ‘social insurance’ is used to refer to the state's assistance to the old, sick, and those who lost working ability. “The development of the country should react to the people's rights in getting social insurance, social relief and medical and health services. The state and society should protect the lives of the handicapped ex-servicemen, to give compassionate grants to the martyrs and their family dependants.” (1991, p. 32)

³³ The ‘medical protection subsystem’ is mainly the public health services. For example, the immunisation programmes, co-operative medical services in rural areas, and special medical supplements to the families in need, etc. (ZSBZ 1995, p. 48)

³⁴ See, for examples, Su (1994) puts labour insurance that includes retirement pensions, occupational related injury and sickness benefits, medical insurance and waiting-for-job insurance in the section titled ‘Social Insurance’. In addition, the ZSBZ (1995) groups these mentioned insurance programmes in Chapter Two of the book under the heading of ‘Social Insurance System’.

Insurance of the People's Republic of China" the 'waiting-for-job' or unemployment insurance was not mentioned. In the period of 1949-1980, unemployment benefits did not exist because of first, the efficient and effective centralised 'job allocation policy'. Second, the Communist Party of China held a unique view on unemployment different from capitalist countries. In general, waiting-for-job means the labour force is ready to take up the jobs assigned by state but for some reasons such as the great demand from graduates that the allocation mechanism cannot cater for the needs immediately. Therefore waiting-for-job is only an administrative problem which is transitional and temporary. In contrast, unemployment in capitalist countries is a necessary and permanent feature of the economic structure, an echo from the Last Supper might be for the capitalist is that the unemployed are always with you. For example, surplus labour emerges from technological changes and the restructuring of the mode of production. Unemployment is ineluctable in the process of modifying the supply and demand of labour in capitalist economy. In such situations some workers are dismissed from economic production. In brief the incidence of waiting-for-job is because of an administrative problem in a certain period while unemployment is the necessary condition of the capitalist system.

According to ZSBZ, the development of social insurance from 1949 to 1980 can be differentiated into three main periods: 1949-1957, 1958-1965, and 1966-1976. (1995, p. 69) A similar work in marking the periods is also provided by Ahmad and Hussain (1993). They schematised the periods as Wang *et al.* (1995) in their study on the development of social security in rural and urban China after 1949. It is also interesting to find that the development of the Chinese welfare system as reviewed by Dixon (1981) is very close to the others as mentioned. Dixon demarcates the periods as 'the creation of social assistance system' from 1949 to 1958; the 'consolidation of the system' from 1958-1965; and the 'reconstruction of the system' from 1966 to 1979.

A rather different perspective is offered by Wang *et al.* (1995, p. 4-14) in that he dates the second period from 1958-1978, i.e. longer than that specified by the others. Their differences, however, are centred on the emphases on first, collectivisation and rapid industrialisation in the period 1958-1960 and, second, the turbulent social, economic and political conditions in the ten years of the Great Cultural Revolution from 1966-1976. The argument made in the ZSBZ is that:

"In the ten years of social riots, social insurance services were seriously disturbed as in other economic and cultural areas under the chaotic conditions in the country. The collection and management of the funding for social insurance were interrupted. Social insurance organisations were abolished and this led to the suspension of the retirement pension system." (1995, p. 69-70, my translation)

In referring to the similar period and issue, Wang *et al.* comment that

"In the twenty years from 1958 to 1978, social security was disturbed and stopped. In this period, the government initiated many policy measures that changed the approaches, levels of benefits and coverage. However, the principles and rationales of social security were still maintained as those set at the founding stage." (1995, p. 9, my translation)

It seems that the two different periods marked by Wang *et al.* and ZSBZ are compatible. In fact, social insurance development in China in these two periods was strongly affected by the political movements. First, at the initial stage from 1949 to 1957 the country carried hard work on establishing and developing a socialist social insurance system. Second, the social insurance system was interrupted by national economic and political struggles from 1958 to 1978. It is obvious that social insurance in China in these two periods has a strong political flavour. For instance, the social insurance laws were based on and revised on those used in the Chinese Liberated Areas. The main features are the emphases on the protection of the working people and maintaining the close state-unit-employees relationship. (Yan 1987, p. 302) On the other hand, Wang *et al.* elaborates that social insurance programmes were only implemented in the "cities and towns" and for "the protections of the staff and workers in state-owned units that the collective-owned enterprises at county level or above could follow voluntarily." (1995, p. 5, my translation) This explicitly shows that, for political and economic purposes, labour insurance in China favour the urban production forces that work for 'socialist construction' (*shehui zhuyi jianshe*).

According to Wang (1995, p. 5) there were two main social insurance systems in this period. The first was "Labour Insurance" (*Laodong Baoxian* or *Laobao*) which was designed for the staff and workers in state-owned enterprises. The other one was "Social Insurance" (*Shehui Baoxian*) that included medical services (*Gongfei Yiliao*) and compassionate grants for death (*siwang fuxu*). The following discussion will focus on these two groups of social insurance programmes.

Labour insurance originated from the 1951 "Regulations for Labour Insurance in

the People's Republic of China" as the outcome of the joint efforts of the Ministry of Labour (*Laodong Bu*) of the State Council and the All-China Trade Unions (*Zhonghua Quanguo Zhonggonghui*). "These regulations were applied in state-owned units, state-private joint ventures, and their subsidiary units including factories, mines, railway shops, transportation, postage and communication industries with employees of one hundred or over." (Zhao 1993, p. 64)

The first reform in labour insurance was made in 1953 in order to address "the needs of mass scale economic constructions" in the First Five-Year Plan.³⁵ (Zhao 1993, p. 64) In order to achieve this objective labour insurance was extended to cover those engaged in factories, mines and transportation services and who were ignored by the previous regulations. The 1953 reform in labour insurance also covered the state-owned building and construction business and raised the levels of benefits. In 1956 a further revision was made to extend the coverage to those engaged in business and financial services, co-operatives, marine products and agricultural industries, etc. Consequently, labour insurance was provided in most state-owned enterprises until the mid 1960s.

In government departments (*guojia jiguan*) the staff (i.e. cadres or *ganbu*) were not covered by labour insurance in the early years of the communist regime because of the practice of the 'supply system' (*gongji zhi*).³⁶ (Zhao 1993, p. 64) According to Zhao, the first set of social insurance policy for cadres was the "Regulations on Compassionate Grants to Staff with Occupational Injury or Death in Revolution" in 1950. (1993, p. 64) After 1952, social insurance measures for cadres on medical, maternity and retirement benefits were issued. All of these measures, however, were promulgated separately and were not related or compatible with labour insurance.

The unified social insurance programmes for both staff and workers (*zhigong*) in state-owned units was started in the 1958 'Provisional Regulations on the Management

³⁵ The revision was made in January 1953, i.e. two years after the first version in 1951.

³⁶ 'Supply System' or *gongji zhi* is 'a benefit system in kind practised during the revolutionary wars and in the early days of the People's Republic to supply with primary necessities in the daily life of the personnel and their dependants.' (Beijing Waiyu Xueyuan 1991, p. 237) Zhu treats this as incomes of the labour force and it was originally set up for the purposes of maintaining the spirit of frugality and communism among cadres and the army. *Gongji Zhi* was changed into 'a payment system in kind and cash' (*baogan zhi*) in 1954, and then changed into wage system (*gongzi zhi*) in 1955. (Zhu 1993, p. 422)

of the Retirement of Workers and Staff".³⁷ In some senses this move settled the discordance between 'supply system' and 'wage system' in earlier period. The centre of attraction of the 1958 policy, however, was on the modification of the retirement system.³⁸ For examples, *zhigong* might apply for early retirement (*tuizhi*) if the applicant could produce a medical certificate to prove the loss of working ability and being unfit to work. (Item 3, Article 2) Another change was to raise the benefit levels by 5% for those who had made a special contribution to the country. Furthermore, for those who had to withdraw from production because of occupational injury or sickness were guaranteed to get the benefits. (Article 5) In March of the same year another policy paper titled "Draft on the Provisional Regulations on the Management of the Staff and Workers in Early Retirement" was issued by the State Council. This set of regulations clearly worked out the details of early retirement of staff and workers in state-owned units.³⁹

In sum, there are four specific features of social insurance in 'the establishing period of social insurance' in China. First, with the experiences in the Chinese Soviet Areas, social insurance under the communist regime was developed quickly and methodically. In contrast with the *Guomindang* in the 1920-1930s in China,⁴⁰ the communist government set up a relatively comprehensive social insurance system in a short time.⁴¹ Second, the development and changes in social insurance are motivated by

³⁷ Please refer to Wang (1995, p. 339-340) for the details of the document.

³⁸ "Draft on the Provisional Regulations for the Management of Retirement of Workers and Staff" revised and passed by the State Council in February 1958.

³⁹ The term 'early retirement' in Chinese is *tuizhi*. Zhao (1993, p. 249) explains that *tuizhi* means "the staff and workers do not satisfy the requirements for retirement but withdraw from production or the work post because of the loss of working ability". This group of people is protected by the regulations on retirement.

⁴⁰ Shao *et al.* record that the Nationalist government had proposed some social insurance policies. In 1924 the government claimed that "the Chinese workers' living is not guaranteed. Our proposition is to give state relief to the unemployed. The state should also make the labour law to improve the workers' livings, the caring for the young and old, to provide education to the public, etc." The proclamation also included the setting up and facilitating the development of workers' groups as well as to implement social insurance. (Shao 1991, p. 15) Furthermore, in September 1927 the Bureau of Farming and Industry revised the 'General Laws for Factory' to "Regulations for Factory". In Article 20 it stipulated that "The owner of the factory should insure for the workers on injury and sickness. Before the insurance policy is made effective, the owner of the factory has to give the grants to the injured or sick worker as stated in the regulations." (Shao 1991, p. 16) The "Factory Law" was initiated in December 1929 by the nationalist government of China. The contents and details were similar as the former rules and regulations. However, since "the nationalist government could not be independent in politics and economy that it was impossible to carry out the centralised social insurance system. (Shao *et al.* 1991, p. 17)

⁴¹ For example, Shao *et al.* (1991, p. 25) describe that the revolutionary bases of the Chinese communists implemented the 'supply system' which was an all-embracing welfare model. This model affects the designs of the social insurance system in the later period.

the desire for economic growth and the realisation of political ideals. For example, the reforms of social insurance in the 1950s were targeted at facilitating the two five-year plans. Third, in most insurance items only the staff and workers in state-owned units were covered. Such an approach has great impacts on the social insurance policies in the period after 1979 and this will be discussed later in this chapter. Fourth, the different and incompatible social insurance systems provide for the white collar (often cadres) and blue collar workers exposes the government's lack of confidence and experience in managing a unified nation-wide social insurance system. In addition, the change from 'supply system' to 'wage system' demonstrates the difficulties in building up a communist type of social insurance, especially for the whole of society as China faced a serious shortage of resources. Most importantly, these measures reflect social insurance in China after 1949 is a social institution greatly influenced by the country's mode of economic production and political ideologies.

The Communist Party of China established the income maintenance system with social insurance, which is governed by the particular economic system and oriented towards political ideals. Such a social insurance system is distinguished from those in capitalist developed countries in various aspects like the function, coverage, management, etc. Social insurance defined in this manner is highly vulnerable to changes in political lines. This is evidenced in the Great Leap Forward movement in the late 1950s and the Great Proletarian Cultural Revolution in the 1960s and 1970s.

The Great Leap Forward movement, which started in the late 1950s was fuelled by an over-confidence in the success of communist economic system and the eagerness to transit to socialism. The party leaders maintained that, through the enthusiastic participation of the masses in economic production, the country would be rapidly developed into one of the top economic giants in the world. In practice the main strategies were rapid development of heavy industry and transmigration policies.⁴²

According to Zhu, the Great Leap Forward movement was part of the Movement

⁴² Oberai (1983) elaborates this term as the collective migration actions organised by the Indonesian government in the colonial and the present period. In China the mass movement of the people (*shangshan xiāxiāng*) specially the young in the Great Leap Forward period had the similar connotation.

of the Three Red Banners.⁴³ The objective of this movement was to industrialise China in a short period by concentrating on the development of heavy industry. In urban areas the government promoted the ‘Buying and Selling Extravagantly’ movement (*Dagou Daxiu*).⁴⁴ (Zhu 1989, p. 286-287) Some of the results of the movement were the fast growing number of staff and workers and heavy consumption of production capital in enterprises. In 1955 there were 21.62 million staff and workers. In 1957 the number rose to 31.01 million and in 1960 it was 59.69 million. (CSPH 1996, Table 1-8, p. 9) The growth rate in the number of staff and workers in a span of five years was 176.1%.⁴⁵

The sudden growth of the socialist production force had adverse effects on labour insurance. The rapidly expanded production force consequently formed a vast base of retired employees in the 1980s and 1990s. The CSPH report shows that in the period from 1955 to 1960 the number of employees in secondary industry was changed from 19.13 million to 41.12 million, peaking at 70.76 million in 1958. In the meantime, the number of employed in primary industry dropped from 185.92 million in 1955 to 170.16 million in 1960, with the lowest level recorded at 154.9 million in 1958. (CSPH 1996, Table 1-8, p. 9) These figures show the sudden growth of salaried workers and the needs for income protection from social insurance.

In responding to the previously mentioned issues two measures were initiated by the government in the early 1960s. First, to streamline the units by cutting the number of employees. Second, to allow the beneficiaries to receive the benefits from any local office other than that in his household town. (Yan 1987, p. 319-320) In June 1962 the State Council announced “Several Policy Regulations on Settling the Discharged Staff and Workers”. This document stipulated that the discharged staff and workers who fulfilled the requirements were also eligible for retirement pensions whilst the others should be treated as early retirement and allowed to receive retirement benefits. For those who had no supportive family members they were eligible for a relief at the

⁴³ ‘Three Red Banners’ means the realisation of the three socialist ideals that included The General Line for Socialist Construction, the Great Leap Forward Movement and the People’s Communes.

⁴⁴ The purpose of *Dagou Daxiu* was to simplify the trading process in order to connect the producers with the purchaser directly. However, since the production results at local levels were exaggerated in order to fawn on the higher ranks that the quality products was out of control and the labour force was enlarged quickly. (Zhu, 1989, p. 287)

⁴⁵ The percentage of the employed people in total population was only increased from 36.3% in 1955 to 39.1% in 1960. (CSPH 1996, Table 1-8, p.9)

maximum of 40% of their original wages from the Bureaux of Civil Affairs. The document also stipulated exceptional treatment for intellectuals who were old and weak, and cadres who joined the revolution before August 1948.⁴⁶ Furthermore, if the staff and workers who were employed before August 1957 went back to their hometowns with family dependants they were eligible for other benefits such as 'food and transportation supplements' and 'resettlement benefits' that was equal to one to three months of the employee's wage. (Yan 1987, p. 319) In general, this policy aimed at minimising urban surplus labour after the Great Leap Forward movement. The objective was to replace older staff and workers with a young labour force who returned from the countryside after the Great Leap Forward Movement. From this point of view social insurance plays an important role in facilitating labour as well as population policies. In a nutshell, all of these policies are designed for dealing with the economic difficulties caused by political disruption.

Another specific policy designed for such purposes was allowing the eligible for the insurance benefits in other places. In July 1960, the All-China Trade Unions recommended the "Measures for Providing Long Term Labour Insurance Benefits in Other Places". This recommendation was effected from January 1963 and stipulated that benefit recipients might apply for long term benefits such as retirement pensions, compassionate grants for occupational injury, relief for occupational handicap or death, etc. from the organisations in other places. For example, the transfer payment was handled by trade unions whilst the medical services were offered by local medical institutes to the account of the trade unions. Yan comments that this strategy "facilitated the staff and workers who wanted to move to other places and lightened the burden of work units." (1989, p. 320, my translation) This shows social insurance in China is an administrative means to adjust or control the people's geographical and occupational mobility. Furthermore, it demonstrates that the involvement of trade unions in socialist social insurance system is significant. Trade unions are effective 'mass organisations' in mobilising productivity and managing the benefits of the labour force, especially at the time when specialised social insurance organisations are still missing. The last but not least is that decentralisation is a solution for the problems of the cumbersome and inflexible all-embracing occupational nature of labour insurance.

⁴⁶ The treatment is based on the 'Provisional Measures for the Living Benefits of Staff in Leaving for Sick in State Organisations'.

In concluding the development of social insurance in this period, Zhao states that “from 1958 to 1965, social insurance was further improved in our country.” (1993, p. 65) On the other hand, Dixon argues that this is “a period of readjustment and consolidation.” (1981, p. 93) He states that labour insurance was expanded to all state-owned and jointly managed enterprises and the number of workers with cover rose from 9 million in 1960 to 20 million in 1965. (Dixon 1981, p. 94) These remarks may only be correct if viewed from its coverage on state-related units. However, social insurance in China was becoming more and more overtly politically oriented, although such happenings were very subtle. After the beginning of the Cultural Revolution from 1966, the major parts of labour insurance system were destroyed and the funding for the services ran out. In the following parts these will be discussed in more detail and one will find that social insurance was developed fitfully but directed by political ideology and within the economic system.

The Cultural Revolution lasted for some ten years from May, 1966, when the “Notice of the Sixteenth of May” (*Wuyiliu Tungzi*) was issued. In the period between the Great Leap Forward Movement and the Cultural Revolution, as described by Zhu (1989, p. 409-413), China became immersed in the “movement of criticism in the ideological field” - a period that was criticised later as the ‘wrong step to the development of leftism’.⁴⁷ The climax of the leftist movement was the promulgation of the Sixteen Items (*Shiliu Tiao*) or “Decisions on the Proletariat Class Cultural Revolution” in August 1966 with a clearly stated objective of “breaking down the sects of the power holders and the capitalist roaders.” (Zhu 1989, p. 426) With the main approaches of “struggle, criticism, and correction” (*dou, pi, gai*) economic production and social order in the country were greatly disturbed.⁴⁸

⁴⁷ The first half of the 1960s was the period of searching for identity of the Communist Party of China. Zhu records that China broke her relationship with the Russians on ‘dogmatism’ and ‘revisionism’ in the road of development of communism. Internally, the failure of the Great Leap Forward Movement in the late 1950s pushed the Communist Party of China led by Mao Zedong to the corner for the great devastation brought to the Chinese society. Mao and his followers concluded in April 1966 that in the cultural area “there was a black socialist line that is antagonistic to the thoughts of Chairman Mao.” The resolution that the Communist Party of China made was “to organise a socialist revolution in the battle line in cultural area.” Since then the label of ‘black line’ (*heixin*) was used to describe those who deviated from the Mao’s road of socialism.

In the Cultural Revolution production in work units was interrupted that caused a striking effect on social insurance. Zhu describes that from late December, 1966 radical political movements such as the “January Storm” and the “Seizing of Powers” mobilised by the Red Guards raged over the country. Most of the staff and workers in the revolution periods were asked to join the study groups to learn about the ‘lines of struggle’.⁴⁹ Zhu comments on the outcome of this “total civil war” as that:

“...government mechanisms and institutions were out of control that the whole nation’s economy was out of order.... Criticisms on the regulations and policies affected the processes and qualities of production. For example criticisms such as “profit making centred”, “productivity oriented”, “material incentive”, “contract responsibility and self-initiative”, etc. deterred production.” (1989, p. 453, my translation)

Shao comments that the period from 1966 to 1976 was the ‘internal disorder’ of the country. He outlines four changes in social insurance in this period. (Shao 1991, p. 62-66) First, social insurance was criticised as the “the cancer that grows from revisionism”. According to Shao, some of the leaders of the 'cultural revolutionary line' such as Chen Badai attacked the conservatives such as Zhou Enlai for his support to the establishment of social insurance for staff and workers. Shao (1991, p. 62) raises an example that the revolutionary fraction changed the method of determining retirement pensions in Shijiazhuang, a city near Beijing, to disregard the individual’s service period and current wage level. Second, social insurance institutions were abolished and the personnel were sent for ‘re-education’. (Shao 1991, p. 63) This measure disrupted the social insurance system. The repercussions of such moves were the generation of insufficient data and experience, which restrict the reforms in social insurance in the 1980s and 1990s. This is also the reason of the flourishing of legislation on social insurance after 1979.

The third aspect was the liquidation of social insurance fund for staff and workers. Shao records that in February 1969 the Ministry of Finance stipulated that “all state-owned enterprises could no longer be financed with social insurance funds. Instead they have to pay the retirement pensions and wages to staff and workers with chronic

⁴⁸ Please refer to Zhu 1989, p. 426-469.

⁴⁹ There were two contradictory lines in the Cultural Revolution. One is the “bourgeoisie anti-revolutionary line” (*zhichang zheze fandong luxin*) while the other was the “proletarian’s cultural revolution line” (*wuchang zheze wenfa dagamin luxin*). (Zhu 1989, p. 429-430) In short, the struggles in Cultural Revolution were between the “two classes” and “two lines”.

illness from their own accounts." (Shao 1991, p. 63, my translation) Shao comments that this practice had long term negative effects on social insurance in China, especially

"it changed social insurance to 'enterprise insurance'. It shifted the expenses of social insurance to be paid by enterprises, which dries out their resources. In addition, such hardships were various according to the sizes and age groupings of employees of the units. The enterprises that employ younger employees can save much more while those have older employees have to spend a lot. This affects the incentive of production." (1991, p. 63-64, my translation)

The comment made by Shao elaborates the destruction of the labour insurance system in the Cultural Revolution and the emerging work unit's role in the service. This particularity demonstrates the power of politics and its significant impacts on the setting up and development of social insurance in the country. Comprehensive labour insurance in the Chinese Soviet Areas and Liberated Areas was the example of the result of the political moves for winning over the masses. Under the strong party-state-enterprises-labour insurance relationships labour insurance in China is institutionalised and directed for political objectives. The provisions of social insurance services, as shown by the example of Cultural Revolution, are highly vulnerable to the political lines set by the dominant fraction in the Party. The last but not least is that even though social insurance legislation in China was started by the communist party in the 1920s, it mainly covers those working in state-owned units and its legislation in the country is politically oriented.

The fourth is 'extended retirement' of the old staff and workers in the Cultural Revolution period. According to Shao, retirement in this period was charged as "half-way revolution" and it was "dishonourable". (1991, p. 64) Under this situation, those who had reached the retirement age stayed with the unit. This consequently caused rapid ageing problems among the staff and workers in state-owned work units after the Cultural Revolution. (Shao 1991, p. 64) It is recorded in the CSPH Yearbook that in 1978 there were 3.14 million retirees. The number rose to 5.96 million in 1979, and 8.16 million in 1980. In relative terms the growth rates from 1978 to 1979 was 89.8% and from 1979 to 1980 36.9%. (CSPH 1996, Table 10-1, p. 511) These data evidence the sudden increase of retirees after the Cultural Revolution. In responding to this situation, the enterprises had to seek additional funding to pay for retirement pensions, medical and health services and other long term insurance for these people. The growth rate for retirement pensions paid by units from 1978 to 1979 was 85.1% and from 1979 to 1980

was 53.6%. (CSPH 1996, Table 10-17, p. 527) Another effect is the stagnant or negative growth in the ‘average rate of pensions for retirees’ at the turn of the two decades. Such growth rates in state-owned units from 1980 to 1981 was 2.2%, but dropped to -0.9% from 1981 to 1982. In the subsequent three years the growth rates were at about 2% to 3% per year. (CSPH 1996, p. 527) This situation underlies two issues in the existing social insurance in China: financial difficulties in the units and the living difficulties among the retirees. Both of these are the basic problems that the government has been faced with in social insurance reforms in the 1980s and 1990s, and which will be discussed in the next chapter.

From the downfall of the ‘Gang of Four’ in 1976 to the return of Deng Xiaoping in 1977, the social insurance system was changed a lot “to cater for the needs of the new period.” (Yan 1987, p. 324) By using the example of retirement pensions in state-owned work units Yan identifies five changes. (1987, p. 324-329) First, there were revisions on the stipulations on retirement and early retirement. In 1978 the State Council promulgated the “Provisional Measures on Settling the Old and Weak Cadres” and “Provisional Measures on Retirement and Early Retirement of Workers”. Yan points out that one of the differences between the 1958 and 1978 regulations on retirement is that the latter spell out the special conditions and treatments for cadres. He explains further that “the previous regulations did not reflect on the special situations of cadres, especially those who are very experienced and have a long history in the revolution. It is necessary to make some special arrangements for them in the Four Modernisations.” (1987, p. 325, my translation)

Second, the retirement conditions for some higher rank cadres were eased. For examples, party secretaries and deputy party secretaries at county level who joined the Party before 1942 were eligible for early retirement with the benefits equivalent to their original closing wage levels. The third is the raising of retirement pension levels. As stated in the two policies that were mentioned above, the retirement pension level was increased from 40-70% to 60-80% of the basic wage of the retirees. A higher rate was set for those who joined the production force before 1949. In addition, those who lost working ability at work can get up to 90% of his original closing wage, and a caring supplement at about the monthly wage. The fourth concern is to change the method of lump sum payment for the early retiree to monthly benefits. The rate was set at 40% of

the retiree's basic wage. Finally, the bottom line of retirement pension was set. For retired employees the level was set at 25 yuan per months, while for those in early retirement the minimum monthly benefits standard was 20 yuan. These benefit levels were revised in June 1983, whilst the living supplements for retirees were adjusted in November 1979 (5 more yuan per head) and May 1985 (12-17 more yuan per head) in view of the rapid inflation in the country. (Yan, 1987, p. 326)

Apart from retirement pensions the State Council also reviewed medical and sickness benefits for cadres. The Council issued the "Regulations on Living Benefits in Sick Leave for Staff" in April 1981. The main concern of this document was to raise the benefit levels. For example, full-paid sick leave was extended from one month to two months, at 70-100% of the employee's standard monthly salary, to four months at 90-100%. This document also allowed cadres to get 70-80% of their standard salaries from the seventh month and on, depending on the length of their working periods.

Social insurance changes in the post-Cultural Revolution period were more favourable to cadres than workers. For example, the two regulations in 1978 provided different treatment to these two groups of employees in state-owned work units. This decision, as explained by Yan (1987) and Shao (1991), is that cadres should be treated differently because of their important contributions to the revolution. The implications of these actions are as follows. First, social insurance is maintained as a reward system that is designed for recognising those who contributed to the socialist revolution. Second, the role of workers is undermined in national development programmes such as the 'Four Modernisations'. Third, insurance benefits are actually the compensations offered by government to the group of employees who lost out and were ill-treated in the Cultural Revolution. In brief, social insurance in China is the means to achieve the ends of socialist revolution rather than a mutual aid mechanism to provide financial assistance in meeting the people's short or long term contingent income needs.

From 1949 to 1979 is the period that social insurance system was institutionalised, developed but also mangled in China. The measures in this period were mostly the responses to the needs of the old and weak labour force in state-owned units who asked for retirement pensions, medical insurance, and death benefits for their dependants. Maternity benefit was not reviewed and unemployment benefit had not been

built up until the mid 1980s. Apparently, the generous retirement pensions and medical benefits provided for salaried cadres only favoured salaried white collars. The dark side of this approach, however, is that the social and political movements in this period makes the beginning of the occupational nature of social insurance in China. State-owned enterprises are therefore encumbered with the immense financial expenses of social insurance which needs to be reformed in order to achieve socialist transition by building up a socialist market economy since the mid 1980s.

Summary and conclusions

This chapter reviewed the establishment and changes of social insurance in China before 1980. There are two main issues rise in the discussion. The first is the main characteristics and impacts of social insurance in the period. The second is the relationships between social insurance and the social system and economic mode of production in the country. Concerning the first point, the chapter shows that first, although there were some measures close to social insurance services for the people, the approach was in fact analogous with co-operative self-relief program at community level in China before 1949. On the other hand, as an involuntary income maintenance program that was established, managed and funded by state after 1949, labour insurance was part of the collective occupational welfare system set up by the communist government for maintaining the labour force in the socialist economic production. In brief, contributory social insurance was inessential and had not been built up. Instead, residual welfare with the emphasis on self-help and occupational welfare for enhancing the socialist productivity prevailed.

Another feature of social insurance in this period is the absence of a specialised social insurance organisation. In fact, social insurance was not an indispensable income maintenance mechanism when the services provided by families and state collectives were comprehensive. The discussions at above demonstrate that the relationships between individual and family in Chinese society were very intimate. Family functions as the first and last resort for one whenever the needs rise. Collectives under socialist system in the later period replace and expand the services provided by family at one time. It also turned the social relationship to be political and economic. This relationship is formalised and maintained through work units, which are the institutions founded for

socialist economic production, political control and social management. Although work units are not social insurance agencies, they are charged with the responsibilities to satisfy the income needs of their members. Because of the strong roles of family and work units, social insurance has not been developed as a unique and important income maintenance system in the country. Furthermore, social insurance management in work units causes complications to social insurance reforms in the 1990s.

Apart from the fanatic changes in state intervention, less organised |petty capitalists and inactive labour force is the other characteristics in the development of social insurance in the period. This situation can especially be found in the feudal stage that the number of salaried labour force was very minimal. Working class and capitalist class were still relatively small after 1949 because the government discouraged or suppressed private production in trying hard to build up the socialist economic system. China's economic history shows that the rise of salaried labour force is very late. Furthermore, the emergence of these labour forces was planned by state rather than spontaneous. The examples are the modernisation programs in mid 19th century and after 1949.⁵⁰ Furthermore, the labour force in China has stronger reliance on the traditional family functions and services. Thus the working class in China is passive and introvert that it is more difficult to organise them. All of these constitute difficulties in identifying the contingent needs of the working class, as well as to solicit their views on the pattern of services and benefit levels.

The last but not least is the indefinite objectives and role of social insurance in China. Because of the particular cultural, political and economic systems, the objectives, planning and management of social insurance services in China are unique. In general, state-involved income maintenance programmes before 1949 were hardly found, let alone contributory social insurance. On the other hand, labour insurance after 1949 is not an independent income maintenance program. Rather it explicitly aims at facilitating production incentives for political purposes. The provisions of social insurance are additional welfare benefits for the protection of the 'socialist labour force' that,

⁵⁰ The first industrialisation or modernisation was happened in 1860s in China under the leadership of a Qing courtier Li Hongzhang. The Chinese named this as "Self-Strengthening Movement" (*Ziqiang Yuandong* or *Yangwu Yuandong*). The approach was mainly to ask the capitalists to set up the factories under the supervision and controls of the government (*Guandu Shangban*). These enterprises were mainly the arsenals and shipyards to make the weapons

consequently, mixed up with other occupational welfare like 'living supplements'. Because of its non-contributory nature, labour insurance also functioned as the gratuity for meeting the income needs of the work force in retirement or with long-term illness. In addition to the unspecified roles of work units, the distorted functions of social insurance makes the management chaotic, the financing unstable, and the concept of mutual help through contribution is unclear.

In exploring the second issue, two outstanding phenomena, or more precisely, hindrances to the development of social insurance in China were noted. First the state's role in social insurance changes greatly from extremely minimal before 1949 to centralise the planning, financing and management after. It is learned from the discussion that contributory social insurance is doomed to failure with too weak or too strong state intervention. Second, specialisation and socialisation of production is controlled by the state that it deters the rise of capitalists and a salaried labour force in China.

Contributory social insurance systems in capitalist developed countries, as discussed in Chapter One, involve three main parties in society: state, capitalists and a salaried labour force. In most cases contributory social insurance systems take place after industrialisation since the prevailing social relief services could not function well in meeting the rising social needs. Contributory social insurance system can hardly be founded in China because of Confucianism and, or socialism. In Confucian society only petty production can grow whilst in socialist society the public ownership of production materials and processes govern the development, roles and functions of social institutions.⁵¹ In both cases only very limited spaces exist for capitalists to perform their

such as warships and cannons for war with the foreigners.

⁵¹ This was maintained by the commanding Confucianism in old China that since first, only the less educated who found no place in the scholar class became merchants and second, merchants did not contribute to production that they were not respected in society. The Four Kinds of People' (*simian*) in old day's China put scholars at the top, peasants at the second, workers at the third and merchants at the fourth. The definitions of *simian* in the Third Part of the Six Sets of Law (*Ludian*) set by the Ministry of Revenue (*Hubu*) in Tang Dynasty was that "those who learn literature and martial arts are scholars; those who farm and plant are peasants; those who process the materials are workers; those who buy and resell are merchants." (Ciyuan, 1995, p. 346) This social classification had then been recognised in Chinese society till mid 20th Century. In the 1950s the communist government of China wanted to promote the people's communes for collectivisation. Mao Zedong outlined one of the advantages of communes in August 1958 as the centralised administrative social, political and economic organism for the people from different walk of life such as workers, peasants, merchants, students and

activities. As for the salaried labour force they are insignificant in terms of social status and number in Confucian society but manipulated in the socialist state. This is reflected by the legislation of labour insurance for getting their supports in the 1940s in the Chinese Liberated Areas and the revisions to suit the country's economic needs in the 1960s and 1970s in the country. Nevertheless, the strength of socialist state is the hearty motivation to set up income protection system for salaried labour force, in view of the changing needs in society. On the other hand, this turns to be the weakness since the mutable political lines controls the direction of the services. From the 1980s and on, changes in political lines have been settled with the reinstatement of the paramount party leader. Labour insurance has been reforming for enhancing the socialist economic system in China. In the coming chapter the dynamics of the Chinese social insurance in the period will be discussed in more detail.

servicemen. (Zhu, 1989, p. 283-284) This signifies the change of the social position of capitalists in the class system. However, capitalist was one of a 'Five Sinister Classes' (*Hei Wulei*) that was criticised in the Great Cultural Revolution in mid 1960s.

Chapter Three

Social insurance in China from 1980-1995

Introduction

Reforms in China in the 1980s can be described as the ‘blossoming of the hundred flowers’. Pragmatism commands all sectors following Deng Xiaoping’s return to power. In April 1983 Deng said, “Practice is the only measure by which we can check whether the line, guiding principle and policy is correct.” (Deng, 1993, p. 28, my translation) Under this guiding principle, socialist transition was reinterpreted and applied in various aspects. In practice, Deng urged the Chinese people to make a breakthrough between socialism and capitalism with his saying that ‘It does not matter whether a cat is white or black, so long as it catches mice.’ This was a very influential endorsement of efficacy in socialist economic development and had a huge impact on implementing reforms across the country.

In 1992, Deng bluntly encouraged the Chinese ‘to reform and open daringly’. After his visit to Shenzhen in spring 1992, he commented that “We have to try with courage and we can’t act like a bound-foot woman.” (Deng, 1993, p. 372, my translation) The manoeuvre of Deng was to push the reforms in the country more far beyond the debates on capitalism and socialism. “The sole criteria of correctness of the line is whether it favours the development of productivity in socialist society, and whether it can strengthen the multiple national power of a socialist country.” (Deng, 1993, p. 372, my translation)

Reforms in the country since 1980 aim at building a comfortably well off society (*xiaokang*) that is different from the earlier line of political struggle in China.⁵² These reforms take place in the ownership system, employment structure, and labour insurance.

⁵² In the Twelfth National Congress of the CPC in 1982, *xiaokang* was proposed as the aim of economic development before the end of this century. The standard of comfortably well-off (*xiaokang shuiping*), according to Li, is that “the broad masses of people are satisfied with the basic means of livelihood; food structure and nutritional quality are ameliorated; the quantity and quality of clothing is distinctly improved; the number of durable consumer goods increases fairly; urban and rural housing conditions are significantly upgraded; a nine year compulsory education is carried out in all urban areas and most rural areas; senior high school education or the equivalent vocational education is basically popularised in big cities; that people’s cultural life is more enriched and colourful, medical and health conditions and environmental sanitation are improved; and the general level of people’s health further improves.” (1993, p. 378)

Labour insurance services are restructured with respect to both the objectives and measures for realising the social conditions of *xiaokang*.⁵³ All of these changes are the driving forces for the development of social insurance in China after 1980 that will be reviewed in this chapter. The first part of this chapter is about reforms and development of social insurance in the country in the 1980s. The subsequent part will be a review of the changes as well as the impacts of social insurance in the 1990s. The third part will then provide a closer look into the five main social insurance features, namely: retirement pensions, sickness and medical insurance, unemployment insurance, occupational injury, sickness, and handicapped insurance, and maternity insurance in the mid 1990s. The ending of the discussion is an analysis of the specific characteristics of social insurance in China.

Reforms and development of social insurance in China in the 1980s

For China the 1980s was a period of drastic economic changes. The country's economic ownership system was diversified albeit the state-owned system still dominated. Under the banner of economic reforms there were also changes in state-owned enterprises and the employment system. For example, the non state-owned sector has been growing with the lifting of the restrictions on private enterprise. These changes have therefore unfolded the forces pushing the reforms in social insurance schemes. The primary aim of this section is to review the changes in different social insurance programmes in the 1980s.

The first social insurance programme to be discussed is retirement pensions. As found in last chapter, the retirement pension is not a standardised insurance scheme in China. There are early retirement programmes (*lixiu*)⁵⁴ for older cadres (*lao ganbu*)⁵⁵ and

⁵³ *Xiaokang* is a social condition that is contrasted with *Datong*. In the Book of Rites it describes *xiaokang* that: "Since the Great Harmony is hard to find today that the ruling of the country turns into a family business. The people now only concern about their own relatives, care for their own children, and mind their own property. The rules and institutions are set up to guide the people's behaviour and govern the social order. Thus the people are more interested in their own achievements, status and rewards that consequently makes them calculating and causes warfare between nations."

⁵⁴ *Lixiu* is the short form for '*lizhi xiuyang*'. Zhao explains that *lizhi xiuyang* was originally called 'long term offers' (*chagnqi gongyang*). (1993, p. 223) Zhu says that *lizhi xiuyang* is "a legitimate employment condition for staff and workers to leave their posts for recuperation. In the *lixiu* period the employment relationship has not been ended. There are two main forms of *lixiu*:

retirement schemes (*tuixiu*) for staff (cadres or *ganbu*)⁵⁶ and workers (*gongren*) respectively. These services as well as the benefits vary between different groups of people because of their dissimilar backgrounds.⁵⁷

For older cadres, *lixiu* programme had only been changed minimally in the early 1980s. According to Zhao (1993, p. 224) the State Council extended the insurance service in October 1980 to some grades of cadres. These include those who had participated in the two revolutions and the anti-Japanese war, whose grades were 18 or above and assigned with administrative duties, and the administrative staff in the Chinese Liberated Areas at Grade 14 before liberation (i.e. 1949).⁵⁸ In the subsequent years, there were other policies regarding the details of retirement of this group of state employees. For example, the regulations promulgated in April 1982 stipulated the benefits and age for retirement. (Wang 1995, p. 407) In brief, *lixiu* scheme covered all those who had participated in the socialist revolution and was made clearer than before.

Cadres in *lixiu* schemes can enjoy the benefits both in kind and cash. In cash terms they are eligible for receiving benefits for early retirement (*lixiu fei*), various kinds of living supplements (*shenghuo baotie*), special care supplements (*huli fei*) and welfare benefits (*fuli fei*). For the benefits in kind, they may continue to live in the housing units allocated by their work units and use the medical services such as outpatient clinics and

temporary *lixiu* (e.g. workers at the posts leave for convalesce) and *lixiu* for old cadres". (1991, p. 510, my translation) Strictly speaking, *lixiu* for old cadres can be treated as retirement because by age definition this cadre should have retired, although in principle he still maintains the employment relationship with the work unit.

⁵⁵ Zhao finds that an early-retired cadre should fulfil the two conditions for early retirement: the time for one who joined the revolutionary work and the benefits got before the founding of the communist China. The second is one's age. The age requirements are different according to one's rank, post and sex. (1993, p. 224-225)

⁵⁶ Cadre or *ganbu* is referred to staff in state-owned units. Luo (1993, p. 201) states that "broadly speaking, there are six main groups of state cadres. These include cadres in state organisations, cadres at all levels of the Communist Party of China as well as in other political parties. Others include the servicemen at the rank of platoon leader or above in the People's Liberation Army and the management staff at different levels of the People's Political Consultative Conference, trade unions, Communist Youth League, Women's Federation and other social organisations. There are also cadres with professional skill and professional management staff in business and enterprise units." (my translation)

⁵⁷ Under the principle of 'maintaining the political status and better treatments in living' old cadres can enjoy the more generous income maintenance benefits than the workers and also maintain their working relationships with the units. This is stated in Item Three of "The Several Regulations on the Leave for Convalesce for Older Cadres" promulgated by the State Council on 10 April 1982. Zhao (1993, p. 223-227)

hospitals. In some regions the medical services even include convalescence facilities specially set up for these cadres.

Early retirement pension benefits for cadres in *lixiu* had been revised for maintaining the living standards in the 1980s. Cadres in early retirement had priority access some benefits in kind over blue-collar cadres. For example, Zhao states that “cadres under *lixiu* should have priority obtaining the service in their work unit’s own convalescence facilities.” (1993, p. 229, my translation) A similar principle was also applied in the allocation of housing units. On the other hand, the retirement benefits in cash of these early-retired people were generally maintained to the current wage levels. For example, in wage reform in 1985, the then Bureau of Labour and Personnel (*Laodong Renshi Bu*) stated that *lixiu fei* should be set at “one point higher than the existing wage level”. (Zhao 1993, p. 227, my translation) In October 1989, the bottom lines for *lixiu fei* were set. These bottom lines were all kept at the same level as or even higher than the current wage levels. The same principle was also applied to other early retirement benefits in cash such as *shenghuo baotie* and *fuli fei*. (Zhao 1993, p. 227-229)

Retirement pensions (*tuixiu fei*) are provided to workers and cadres under two independent schemes. For cadres the document ‘Provisional Measures About the Placement of Old and Feeble Cadres’ was applied whilst for workers there was the ‘Provisional Regulations on Retirement and Leaves of Workers’. The State Council promulgated these two policy documents on 24 May 1978. (Fu *et al.*, 1994, p. 690-695) Zhao states that “...basically the treatment for cadres and workers were similar under these two regulations. But in 1982 ‘retirement pensions for cadres in early retirement’ was expanded to the cadres who joined the revolutionary work before the founding of the country.” (1993, p. 235) Retirement pension programs were then diversified between cadres (or staff) and workers. However, the condition common to them is that they should have been employed in either the “organs of political parties and government departments, mass organisations, collective owned enterprises and business units” (Zhao 1993, p. 237) In other words the employees in non state-owned sector are beyond the scope of the programmes.

⁵⁸ See “The Provisional Regulations for Early Retirement of Old Cadres”.

In sum, retirement pensions for cadres are multifarious and generous. Irrespective of the reforms in social insurance system, the *lixiu* system was only modified to be more favourable to older cadres. Furthermore, the 1982 policy marked different treatments between cadres and workers.⁵⁹ Retirement pension reforms in the 1980s in China did not include the rising number of employees in the non state-owned sector. Rather it was designed for streamlining state-owned units by trimming out the less productive labour force in the transition.

Reforms in retirement pension for cadres are tremendously coloured by institutional and cadre reforms in the modernisation. The ‘Provisional Measures About the Settlement of Old and Feeble Cadres’ states that “to treat the settlement work for old and weak cadres gravely has significant meanings in … founding socialist revolution and socialism.” Similar elaboration on the implication of the policy is also found in ‘Provisional Regulations about Retirement and Leave of Workers’ that “this facilitates the maintenance of an intelligent and capable work force and realises the Four Modernisation of our country.” These two policy documents are the cornerstones for retirement pensions reforms in the 1990s in China. (Zhu 1991, 502)

Unemployment insurance is the second social insurance programme to be discussed. For a long time after 1949 unemployment was seen neither as an economic nor social challenge.⁶⁰ Centralised job allocation policy was the tool of the communist government to realise the ideal of ‘from each according to his ability’. The approach guaranteed all productive forces in the country access to jobs but at the same time it developed equivocal relationships between the state, work units, and individual staff and workers. Because of the pervasiveness of the illusion that full employment is tenacious under socialist planning unemployment insurance was not on the list of social insurance services.

⁵⁹ For example, in Item One of the document named “The Several Regulations on the Leave for Convalesce for Older Cadres” promulgated by the State Council on 10 April 1982 states that those cadres who are qualified under the mentioned policy should change from ‘retirement’ to ‘leave for convalescence’. (Wang et al. 1995, p. 407)

⁶⁰ In China the term ‘waiting-for-job’ has been used since 1949. According to Zhu the meaning of waiting-for-job is ‘a social phenomena that denotes part of the productive population which cannot be employed’. Furthermore, he emphasised that waiting-for-job in socialist country is not the same as unemployment in capitalist country because waiting-for-job is only a ‘temporary situation’ while unemployment is an ‘inevitable result’. (1991, p. 190)

The matter of contemplating unemployment insurance was raised in the statement issued by the State Council in August 1980 titled “To Accomplish the Work on Employment for the Labour Force in Cities and Town”. This policy paper describes the heavy demands on waged employment in that period as the result of fast urbanisation, rapid natural growth of population and the limited growth in material resources. (Fu *et al.*, 1995, p. 743) However, the recommendations in the statement were rather conservative. It suggested the measure of centrally allocating the possible 12 million workers who constituted the surplus labour forces in state-owned work units. The only innovative views were the promotion of individual economy, the setting up of labour services companies and changing the working conditions to absorb the surplus labour. (Fu *et al.*, 1994, p. 744-745) In the later period the roles of collective enterprise and individual economy were discussed again in another document in a similar tone.

As mentioned in the previous section economic reforms lead to changes in the employment system. These changes also give and stimulate the new needs among the people. Rural surplus labour could no longer be absorbed by township enterprises and individual economy that the government had to face with the fast growing unemployed population. The waiting-for-job question was openly addressed by the then Bureau of Labour and Personnel in the policy paper “Measures For the Registration and Management of Waiting-for-job People in Urban Areas and Towns” in March 1984. Under this regulation the waiting-for-job youth are defined as those aged 16-25 and not attending junior or senior secondary schools. It also includes the idled, aged 25-50 for men and 20-45 for women.

Throughout the last few years of the 1980s, there were only three policy documents on income maintenance concerned with unemployment.⁶¹ Although collective units and individual economies were also involved in dealing with those waiting-for-job, the government only referred to their functional roles in absorbing

⁶¹ According to Wang *et al.* the three policy papers are first, the “Provisional Regulations on Waiting-for-job Insurance for Staff and Workers in State-owned Enterprises” in July 1986 by the State Council. Second, the “Management Methods for the Funding for Waiting-for-job Staff and Workers in State-owned Enterprises” by the Bureau of Labour in April 1989. Third, the “Note on the discussion on the Operation of Waiting-for-job Insurance in Some of the Provinces” issued by the Bureau of Labour in August 1989. (1995, p. 1017-1217)

surplus labour rather than thorough plans for the changes in employment tenure. An example is the 1986 initiative that the coverage was limited only to staff and workers, including those sacked or whose contracts were not renewed, in state-owned enterprises which were facing insolvency, reorganisation, or streamlining.⁶² This policy set the relief level for waiting-for-job at 120-150% of the local social relief (*shehui jiuji*) levels.⁶³ The covering period of waiting-for-job relief was 12 months for those who had worked continuously for one to five years, or 24 months for five or more years. For those who are unable to get jobs after the period are transferred to get social relief from the Bureaux of Civil Affairs. The two policy documents in 1989 issued by the Ministry of Labour also stipulated that those waiting-for-job are also eligible for medical supplements and death supplements as the employed.

The 1986 regulations for waiting-for-job insurance are obviously political decisions. Insolvency and the termination of permanent employment tenures in state-owned units since the mid 1980s might not be possible without the initiation of waiting-for-job insurance. Waiting-for-job insurance is clearly designed to help the government out from the predicament because surplus labour had been growing rapidly. In brief, faced with the intensifying unemployment problem in the country, the issue is reinterpreted as an 'inevitable result' of economic transformation and modernisation. This viewpoint was elaborated by Meng *et al.* that the "...labour market will become more developed with the establishment and operation of the socialist market economy. Some people should become idle when productive force are restructured and re-deployed in enterprises. This means the occurrence of unemployment." (1994, p. 138, my translation)

The regulations on unemployment insurance focused on state-owned enterprises, rather than covering the work units of different ownership and revealed two concerns. First, politically, the Chinese government has to show its concern for those who participated in 'socialist construction'. Obviously the socialist government needs to consolidate the support of the loyalists, especially in the transitional period from socialism to communism. Although it was pointed out that the market is not a feature

⁶² See Wang *et al.* 1995, p. 1017.

⁶³ The term 'waiting-for-job relief' is used by Zhao (1993, p. 257) that it reflects to a certain extent the conservative view on unemployment insurance.

exclusive to capitalist society and does not play the upper hand in socialist society, the legitimacy of the socialist government is institutionalised by the Constitution and the National People's Congress that are guided by the communist ideology.⁶⁴ Disregarding the effects, it is an instinctive orientation of the Chinese government to protect their vested interests.

Second, economically, in the transitional period the Chinese government has to revitalise private economy in order to comprehensively develop the national economy. The modification of the socialist public ownership system, however, also means the initiation of market competition. It is recognised that to be more competitive the collective economic units like state-owned enterprises must be less cumbersome and more sensitive to the market. In other words, the less the control on the market, the deeper the reforms in state-owned enterprises. The results of such changes cannot be predicted. Neither Karl Marx nor Deng Xiaoping can tell to what extent they can accommodate the planned economy to the open market. But pragmatically, to stay alive, state-owned enterprises have to be restructured and reorganised. Hence, it is clear from the functional view that social insurance serves state-owned enterprises and the employment system in the reforms. Nevertheless, the waiting-for-job relief exposes the neglect of employees in the non state-owned sector in the 1980s. It is also a very significant matter in the study of the features of the Chinese social insurance system. In the following parts the discussion will then turn to the medical and sickness insurance to see the other distinctive characteristics of social insurance in China.

Medical and health insurance in China can generally be divided into 'sickness and non occupational injury insurance' (*jibing, feiyengong fushang baoxian*) and 'medical insurance' (*yiliao baoxian*) which are put under two different categories: 'medical benefits for workers (*laobao yiliao*)' and 'medical benefits for cadres or staff (*gongfei yiliao*)'. In the 1980s there was only one significant change in 'sickness and non-occupational injury insurance' whilst all of the sickness benefits were kept unchanged as they were originally set before the modernisation programme. In July 1986 the "Provisional Regulations on the Practice of Contract Systems in State-owned Enterprises" was issued. It states that paid sickness leave for contract system employees

⁶⁴ See, for example, Deng Xiaoping made these points in his speech after the visit to southern

is different from that of the permanent employees. (Zhao 1993, p. 264) According to the ‘Labour Insurance Regulations of the People’s Republic of China’ issued in 1953, permanent staff and workers are eligible for sickness leave with pay up to 60% of their standard wages if the leave is longer than 6 months, until death or until proven handicapped. The paid sickness leave for contract system employees, however, lasts only for three to twelve months, except for those who have worked as contract system labour in work units for more than 20 years. Furthermore, contract system employees who are dismissed after sickness leave can only get the medical supplement equal to three to six months standard wage of their standard wage. (Zhao 1993, p. 264) A similar approach was also applied to rotation labourers (*nongmin lunhuan gong*).⁶⁵ Zhao states that according to the “Regulations on the Practice of the System of Labourers Working in Mining Enterprises” in June 1984 rotation labourers can get no more than three months sickness leave for non occupational injury. But if they cannot go back to work after the leave period the enterprise can terminate the employment. In such cases rotation labourers are only compensated with medical supplements equal to one to two months of their basic wages.

Another unequal treatment is that contract system workers are excluded from the eligibility to the 50% subsidised medical expenses on operation and medicine from work units for their family dependants. In addition, the medical benefits for retired contract system employees are different from retired permanent workers. Furthermore, contract system employees cannot get the benefits if they get the lump sum retirement pensions and have only worked for a short period in the work units.

Reforms in *gongfei yiliao* (medical benefits for cadres or staff) are stated in the “Provisional Measures for Living Conditions of The Staff on Sickness Leave in State Organs” issued in April 1981. The benefit levels set in this regulation for the service recipients are more generous than that in *laobao yiliao*. For example the claimant can enjoy full-paid sickness leave for the first two months, and up to 90-100% in the

China in 1992. (Deng, 1993, p. 372-373)

⁶⁵ Rotation labourers are employed under the ‘System of labourers Working in Factories and in the Field’. According to Li, the system is explained as “the employment of rural labour by some Chinese industrial enterprises. The period of employment is fixed. These rural labour job-share permanent positions for fixed periods of employment. With this system, there is no change in the registration of residence of the labourers. It is a suitable form of ... industries which provide

subsequent third to sixth months. The recipients can even get as high as 70% of the wages from the eighth month and onwards. For some 'special recipients' such as model staff who have been awarded by local government can get even higher level benefits.

Another change in medical benefits for staff or cadres is the stipulation on the salary levels in sickness leave. In November 1985 the then Ministry of Labour and Personnel announced that only the 'basic wage', 'duty wage' and 'service period wage' were included in the reformed wage system. Such measures cut the number of determinants of salary levels that consequently scale down the sickness leave benefits for cadres and staff. Most importantly, it started the move towards readjusting the disproportionately generous benefit levels for this group of employees.

Nevertheless, the most significant reform in *gongfei yiliao* is the issue of the "Measures for the Management of Medical Benefits for Cadres or staff" in August 1989. This policy document states the administrative matters for medical insurance for cadres in nine chapters. (Wang 1995, p. 964-968) It also specifies that only the enlisted tenure staff in state-financed organisations, political parties and mass organisation can enjoy the benefits. Thus non-permanent staff such as temporary, seasonal, part-time, etc. are excluded from *gongfei yiliao*. (Zhao 1993, p. 272)

The changes in medical and sickness insurance demonstrates that these are reforms responding to the changing needs in national economy. One of the examples is the stipulation on the compositions of salary. Second, there are benefit disparities between *laobao yiliao* for workers and *gongfei yiliao* for cadres or staff, as well as between employees in permanent and non-permanent employment systems. This constitutes a particular feature of the social insurance system that the benefit levels are determined by the claimant's ranking or employment tenure but not his monetary contributions and degree of needs. In general, the waged non-permanent employees are less protected. Third, *laobao* in China in the 1980s was not included in social insurance system. Rather, they were covered under an independent set of regulations for the specific group of employees. This also exposes the superficial social insurance reforms and its designated supplementary role in economic reforms in the period of 1980s.

unattractive and hazardous work, or demand the employment of physical labour." (1993, p. 237)

The last but not least change in medical and health insurance in the 1980s is the emergence of the mutual help type of medical insurance. Zhao mentions that in May 1987 a state enterprise in Beijing began a scheme called 'Centralised Fund for Serious Sickness' (*Dabing Yiliao Jijin Tongchou*). The purpose of this programme is to 'moderate the unbalanced burdens of medical expenses among staff and workers in enterprises.' (Zhao 1993, p. 289, my translation) At the beginning the work unit made deductions from the monthly bonus of every staff member and workers at the rate of 3 yuan each and the money was put in a special bank account. In 1988 at the change of the taxation system, the work unit appropriated from the unit's post tax collective welfare fund to support the programme. The enterprise requested all of its subsidiaries or branches to contribute to the fund and those which failed to do so for three months were not allowed the benefit.

The above mentioned case is interesting because, although the mutual contributory sickness insurance is only work unit-based, it started the social insurance with mutual help concept. This is also an important step since it marked the change from non-contributory to contributory. As Zhao describes that following disclosure of this case many other regions in China developed their own medical insurance systems based on this model. (1993, p. 289)

Another social insurance programme related to sickness and injury is 'occupational injury, sickness and handicapped benefit' (OISH). Non occupational injury and sickness matters will not be discussed here since the employees should seek help from sickness benefits. OISH benefits can be differentiated into supplementary benefits (*buzho fei*) to the partly handicapped employees, and compassionate benefits (*fuxui fei*) to the totally handicapped. In general, the workers and staff members (or cadres) enjoy benefits differently from OISH programmes. Injured workers are classified into 'totally handicapped' and 'partly handicapped' whilst there are six gradings for cadres. In most cases OISH for workers is more comprehensive than staff. (Zhao 1993, p. 291) This is the only insurance programme in China that the blue collars can enjoy more protections.

However, the weakness of the OISH programme in the 1980s is its inadequate

benefits to support the increasing needs of workers in the 1980s. The OISH services and benefits in the 1980s were based on the Regulations on Labour Insurance of the 1950s. The classification of the degree of handicap was not revised and standardised until March, 1992, after the requests on 'building up a comprehensive social security system' was officially made in the Eighth Five Year Plan. (Zhao 1993, p. 299)

In June 1978, the State Council stipulated that those who lost total working abilities or were totally handicapped were eligible for retirement benefits. This group of people was allowed to get retirement pensions at higher (80-90% of his standard wages) rates than those from the retirement programme of the labour insurance. In addition, special supplements at the median wage level of a worker's 'Five-grade Wage System' that was started in 1985 were granted to those who could no longer care for themselves. The 'Five-grade Wage System' also boosted the minimum benefit level of the OISH programmes up from 40 yuan in August 1983 to 60 yuan in 1989 in view of the rising living standard in the economic reforms.

Another OISH programme is supplementary benefits for the partly handicapped. The Labour Insurance governed that this benefit covers one's income lost at the maximum of 30% of his original wage for occupational injury or sickness reasons. This benefit was revised with upward modifications for the worst cases. However, the function of this OISH benefit is unimportant since most work units in the early 1990s do not cut the wage incomes of the partly handicapped even if their productivity is lower than before. (Zhao 1993, p. 296)

Supplementary benefits of the OISH programmes for cadres or staff was administered under the regulations stipulated by the Ministry of Civil Affairs in 1989. This group of employees enjoyed the 'in-service handicapped benefits' (*zhaizhi chanfeijin*) which is dispensed annually in six different grades for those who are handicapped because of war or other official duties. However, those who were handicapped in war serving the country can get higher level benefits.

In sum, OISH programmes in the 1980s were distinguished by a trend for building up a comprehensive benefit system. Nevertheless, in view of the various modes of ownership and production rise in the period, the obsolete OISH insurance could not

cope with the growing needs in the late 1980s and the 1990s. The standard and definition of occupational injury were therefore revised in 1992 to ameliorate the defects. The weakest part of OISH programme, however, is the double standard set for white collar staff (e.g. cadres and police) and blue collar workers (e.g. workers in enterprises). Even among state-owned enterprises, the procedures for the assessment of the seriousness of the case and the determination of benefits levels were not unified. For forty years from 1949 these measures were developed according to the experiences of large-scale enterprises in northeastern China (e.g. Heilongjiang) and had not been revised. (Zhao 1993, p. 299)

The specific feature of this approach was the uniform nature that assumed all working units have strong and efficient management as the large ones. In reality this approach does not fit the changed social conditions and economic production modes since the reforms. With the lifting of the controls on geographical mobility in the country more and more members of the labour force migrate from one city to another or from rural areas to cities to make their living. These migrant workers are mostly employed in relatively unfavourable conditions. This explains why enterprises funded by investors, local or from abroad, can compete in the global market - by making use of the cheaper factors of production. It is found that foreign capital-related enterprises in the Pearl River Delta Region in Guangdong always recruit the most productive labourers and discard the older and weaker ones. Thus it seems naive to expect the OISH programmes to cover the non-permanent migratory workers rise in the socialist market economy. In the long run, the rural or underdeveloped areas will become more deprived because they have to shoulder the burden of caring for the returned seriously injured workers. These underdeveloped areas will be filled with the unproductive labour that requires heavy inputs for social services.⁶⁶ In sum, the OISH programmes reflect the serious unequal treatment between migrant and local workers, as well as between blue and white-collar employees.

⁶⁶ Zhao (1993, p. 304) states that for the rotation workers who cannot be recovered from the sickness or injury in 6 months they will be sent back to their own villages. In this case the enterprises have to pay the compassionate benefits to the related village. In addition, it is also stated in the "Regulations for Rotation Workers in Mining Enterprises" that the returned rotation workers in totally handicapped or with disease should be allocated with lower price food from the local food supply units.

Similar to the stagnant application of OISH services, maternity insurance did not change radically in the 1980s. In addition, the changes are driven by the overall needs of modernisation but not of the particular employees. In July, 1988 the State Council issued the “Regulations on Labour Protection for Women Staff and Workers” which was later elaborated on by the Ministry of Labour in the document titled “Notice About the Several Questions on Maternity Insurance for Women Staff and Workers”. These two policy documents strengthened the maternity insurance under the labour insurance that had been practised since the 1950s. Zhao mentions four specific features about the new initiatives but the most prominent one is the barring from benefits women who give birth but are not married, or have not reached the approved marriage age, or have not observed the national birth control policies.⁶⁷

Maternity insurance benefits outlined in the 1988 policy paper were generous. All maternity related expenses such as regular check up, labour, operation, hospital charges and medicine are all supported by the employee's work unit. As mentioned, maternity insurance was divided into maternity supplements (*shengyu buzhufei*) and paid maternity leave (*chanjia*). However, maternity supplements were abolished in September 1988. For paid maternity leave, the 1988 Regulations also supersedes that declared in the 1950s that 90 days of paid maternity leave is allowed.⁶⁸ Postnatal leave was extended aiming for better protections to the new born and then achieve the ‘extended reproduction of the productive force’.” (Zhao 1993, p. 308)

Although the changes in maternity insurance are not extensive, yet the values and rationale of this insurance programme are functional. The exclusion of those not married or who give birth of a child without the permission from the units is an example of the special features of social insurance in China. This political function (i.e. the reproduction of socialist production force) goes beyond the practices of social insurance. Furthermore, this measure alienated the beneficiary's relationship with social insurance because her accessibility is determined by whether she observes the non-social insurance related

⁶⁷ According to the Marriage Law of the People's Republic of China, the minimum age for marriage for the man is 22 and for the woman is 20. It is stipulated that the registration offices for marriage are not allowed to process marriage registration if the either side has not reached the marriage age. (Cui 1990, p.351)

⁶⁸ It was stated in the 1988 Regulations that pregnant women employees are eligible to 15 days antenatal leave and 75 days of postnatal leave. (Wang 1995, p. 1049)

regulations. In brief, as Liu (1995, p. 181) comments that the 1988 regulations on maternity insurance have not solved the problem of “enterprise insurance”. This ‘carrot and stick’ approach creates many side effects in society including unnecessary or forced abortion, physical risks to pregnant women employees, and poverty to those families not covered by the benefit.

This section reviewed in general the changes in the five main social insurance services in China in the 1980s. The obvious change is the reinterpretation of unemployment that ultimately leads to the setting up of unemployment insurance benefits. In contrast, the other four social insurance items, namely, retirement pensions, OISH, medical and sickness insurance, and maternity insurance only muddled through in radical social and economic changes, without regard for the new needs. A common feature, however, emerges from all of these social insurance programmes that, as in the past 30 years since 1949, the contributory nature is still missing and the objective of income maintenance is not of primary importance. In view of the larger revolutionary changes in the country’s economic system, the following part examines social insurance in China in the early half of the 1990s.

Reforms in social insurance in the early 1990s and the implications

Changes in economic ownership and employment systems in the 1980s touched off the reforms in labour insurance. The previous section has just shown that most parts of social insurance in China were not revised in the first decade of modernisation after 1979. Nevertheless, social insurance was remodelled in the 1990s with an important move towards multi-party contribution. Before proceeding to explore what these changes are, the following paragraphs will first present the rationales for labour insurance reforms.

First, in order to construct a socialist market economy, streamlining the state’s structure by changing its relationships with work units and employees in terms of labour insurance is necessary. It is stated in Article 72 of Labour Law 1995 that “social insurance funds are established towards social contributions. Employers and the labour force should join and contribute to social insurance.” In addition, Article 75 of the Labour Law states that “the state encourages employers to build up supplementary

insurance (*buchong baoxian*) whenever conditions allow. The state advocates social insurance with a saving nature for individuals to join.”

Second, social insurance reforms facilitate enterprise reforms in modernisation. In more explicit terms, social insurance is a state mechanism that serves the regime in effecting social and economic policies. For example, maternity benefits are both ‘carrot and stick’ for women employees under the ‘Single Child Policy’. It is stated in Article 15 of the ‘Regulations On Labour Protection For Women Staff and Workers’ that “women staff and workers who violate the related state policy on child bearing are not covered”. In Beijing, it is stipulated that these women staff and workers have to pay the expenses for medical and hospital services themselves, as well as being deprived of the wages and all benefits from their work units.⁶⁹ On the other hand, those women staff and workers who are married or give birth of the first child at an older age can get their maternity leave of one more month as the extra reward.

Third, social insurance reforms restructure the redistribution system in China and then reserves much more state finance for economic development. It is noted that in order to realise the ‘Four Modernisations’ within the plan the country has to maintain the average annual economic growth rate at 7.2%. (Su 1983, p. 33) In order to achieve this predetermined aim, the state’s expenses must be controlled tightly. Thus social investment growth rates including the state’s share in social insurance should be readjusted. Consequently, the national economic growth will be faster. (Table 3-1)

Table 3-1 below shows that in economic terms China has developed very fast in the past 15 years. For example, the central government revenue increased by 19.7% per year in the period. In this period, the gross output value of industry in this agricultural country soared at an average annual rate 14.9%. This significant expansion in the values of industrial products came from vigorous investment in state-owned (15.5%) and collectively owned units (31.6%). However, the growth in social services like education and health is another story. The inputs in education, especially in basic education such as primary and secondary schools were recorded with negative growth. In addition, the growth rates of medical and health care in terms of the number of hospital beds and

⁶⁹ Please see “The Methods of Penalising those violating the Regulations on Birth Control in Beijing City”.

paramedical staff were lower than that of the government revenue and investments in state related enterprises. According to the CSPH, the number of medical technical personnel in every 1000 population increased only from 3.22 in 1985 to 3.5 in 1994. (1995, Table 19-18, p. 670)

Table 3-1 | Changes in average real growth rates in national economy, 1979-1994

| Item | Growth rate (%) |
|---|-----------------|
| Population | 1.4 |
| Gross national Product | 9.8 |
| Gross Domestic Product | 9.8 |
| Central government revenue | 19.7 |
| Local government revenue | 5.7 |
| Investment in state-owned units | 15.5 |
| Investment in urban collective owned units | 31.6 |
| Gross output value of farming, forestry, animal husbandry and fishery | 6.2 |
| Gross output value of industry | 14.9 |
| Students enrolled in higher education institutions | 7.7 |
| Students enrolled in regular secondary schools | -1.7 |
| Students enrolled in primary schools | -0.8 |
| Number of hospital beds | 2.7 |
| Number of professional medical persons (except doctors) | 3.4 |

Source: CSPH 1995, Table 2-2, p.20-25.

The previous discussion shows certain aspects where the Chinese government controlled and distributed her resources after 1979. Thus it is also indubitably clear that the inexorable trend to restructure social insurance, disregards the changes in political, economic and social demands in the 1990s. In 1994, the total funding for labour insurance and welfare in the total wages for the whole country was 29.4%. Furthermore, in this approximate sum of RMB 2,000 billion, 83.2% were paid through state-owned units. (CSPH 1995, Table 19-40, p. 685) For the government the reforms in labour insurance is particular desperate on medical care in state-owned units. It is found that 63.8% of the funds for collective insurance were consumed by medical care. (CSPH 1995, Table 19-421. p. 686) Moreover, in view of the ageing population and streamlining policy in enterprise reforms in China, more and more staff and workers are forced to resign or take early retirement from their posts. It is found that in the period of 1978 to 1994 the growth rate of the number of retirees in the country was 52%. Among the 22.5 million resigned and retired staff and workers (*Lixiu Tuixiu Renyuan* or RRSW)

and veteran cadres who stepped down and retired (*Tuizhi Renyuan* or VCSR) from state-owned units in 1994, 98.8% were financially supported by their original units, with the rest assisted by the Civil Affairs Bureau.⁷⁰ (CSPH 1995, Table 19-43, p. 688)

All in all, social insurance reforms are pushed forward by the needs for modernisation, especially for the realisation of socialist market economy. Social insurance services are deliberately designed to facilitate the changes in state-owned enterprises, the rising unemployment problems, and the centralised population policies, etc. These national economic and political forces guided and formed social insurance policies in China with particular characteristics, the unique objectives, and the unusual administrative mechanism. The founding of social insurance in China is revolutionary as the communist government was taking over and changing the country. Nevertheless the development of social insurance is evolutionary at a very conservative pace. In general, the national political and economic forces initiate the establishment, development and reforms of social insurance in China that makes it no different from the other income maintenance programmes. This explains why social insurance in China looks more like occupational welfare but does not have a contributory mechanism for risk sharing. The focus of the following discussion will shift to the restructuring of labour insurance institutions.

The Ministry of Labour and trade unions in the current Chinese government structure are the two main organisations playing significant roles in labour insurance in enterprises. In the 1982 institutional reforms in China, the State Council incorporated the Ministry of Labour (*Laodong Bu*) with the Ministry of Personnel (*Renshi Bu*) and two other central government organisations to form the Ministry of Labour and Personnel (*Laodong Renshi Bu*). (Su *et al.* 1994, p. 605) Two of the main subdivisions of the former Ministry of Labour, namely, the Insurance and Welfare Department (*Baoxian*

⁷⁰ The SSRW and VCSR are different. First, staff and workers (*zhigong*) are the main force in enterprises who are responsible for the production or direct services. In contrast, cadres (*ganbu*) are those who participate in the management process. They can especially be found in government offices or political and social organisations. Second, retirement means to quit from the post because of physical or age problems. Cadres and staff and workers are provided with retirement pensions according to the state's Labour Law. On the other hand, there are two main forms of resignation from job in China. The first is the maintaining of the employment relationship although resigned. For example, staff and workers may resign for retraining or convalescence and return to work in due courses. Another format is the termination of the employment relationship under the Labour Law. For detail definitions please refer to Zhu (1991).

Fuli Si) and the Social Insurance Services Bureau (*Shehui Baoxian Shiye Ju*), were specifically assigned to manage social insurance for staff and workers. On the other hand, the former Ministry of Personnel was changed into the Wage, Insurance and Welfare Department (*Gongzi Baoxian Fuli Si*) to look after the fringe benefits and labour insurance in the civil service system.⁷¹

Because of the specially assigned duties and relationships with the party and government, the trade unions in China is a quasi-governmental body rather than an autonomous labour organisation representing the immediate interests of the member workers. Zhu and Zhang (1995, p. 24) elaborate that, trade unions, especially the All China Trade Unions (*Zhonghua Quanguo Zhonggonghui*), plan social insurance with the Ministry of Labour at the central level. Chiang (1990, p. 81) comments that trade unions in this socialist country have "...assumed the dual role of mobilising workers for production and consolidating the Party's leadership." Before the Cultural Revolution this 'dual roles' was found both in policy implementation and policy making and explanation. In the period between the end of the Great Proletarian Cultural Revolution and enterprise reforms in 1982, the management and control of the labour insurance services for staff and workers were shared between the Ministry of Labour (*Ladong Bu*) and the personnel offices of the government departments and business units. The Labour Personnel Bureau (*Laodong Renshi Bu*) which was set up in 1982 was assigned to centralise the work on social insurance for cadres from policy making to the management of the insurance benefits.⁷² (Shao 1991, p. 237-238)

⁷¹ In the institutional reforms, the Chinese government tries to build up a civil service system from the cadre system in the past. Cadre or 'ganbu' is a term generally means the staff in state related units. Luo states that "state cadres' means all state personnel except workers and staff with odd-jobs. In general, there are six main groups of state cadres who hold public office: (1) cadres in state organisations; (2) cadres who are responsible for the organisation work in the all levels of the Communist Party of China as well as in other political parties; (3) the servicemen at the rank of platoon leader or above in the People's Liberation Army; (4) the management staff at different levels of the People's Political Consultative Conference, trade unions, Communist Youth League, Women's Federation and other social organisations; (5) cadres with professional skills; (6) professional management staff in business and enterprises units." (1993, p. 201, my translation) In the fading-in civil service system, there are 15 grades from the premier (grade 1) to a general clerical worker (grade 10-15). The recruitment and management of civil servants in China are also changed from the central allocation for cadres in the past, to open recruitment, examination and appraisal. For details Please refer to the Policies and Regulations Department of the Ministry of Personnel (1993).

⁷² According to Su et al. (1994, p. 605) the Ministry of Labour Personnel combined the Ministry of Labour, Ministry of Personnel, Committee for State and the Bureau for Scientific Cadres of the State Council. The newly formed Ministry has 9 main duties and many of them are the

In 1988, the Labour Personnel Bureau was dissolved. The responsibility of delivery of social insurance services in state organisations and business units was returned to the personnel offices of the related units whilst the Ministry of Labour got back the co-ordination work of social insurance in the country. Zhao comments on these changes that:

“Although there are reforms and restructuring in social insurance in these years, there has been some confusion of the system because the Ministry of Labour, Ministry of Personnel, Ministry of Civil Affairs, Ministry of Health, trade unions, and the Economic Systems Reforms Committees all strive for controlling the administration work, disregarding the fact that none of these units provide comprehensive service.” (1993, p. 402-403, my translation)

Reforms in social insurance in China show that not a single task that can be accomplished by one single move. Rather, it is complicated by the struggle for power and the interests among governmental organisations. The intractable administration of social insurance in China needed legislation to require those intransigent state organisations to relinquish their vested interests. For this reason in 1991 the State Council promulgated “Decisions on the Reforms in Old Age Pensions for Staff and Workers in Enterprises”. In this policy document the Ministry of Labour was assigned the task of overseeing retirement pensions in urban non state-owned enterprises. The personnel offices in state-owned units are responsible for the management of retirement pensions in their own units. On the other hand, the Bureau of Civil Affairs puts its efforts in rural old age pensions and social relief in cities and towns. The conflicts had not been resolved although an independent organisation named Social Insurance Services Bureau (*Shehui Baoxian Shiye Ju*) was proposed in 1988 and finally set up in 1993.⁷³ This Bureau, as explained by Zhu and Zhang, is a ‘business unit’ charged with the main responsibility of managing social insurance for staff and workers (including contract system workers) in enterprises.

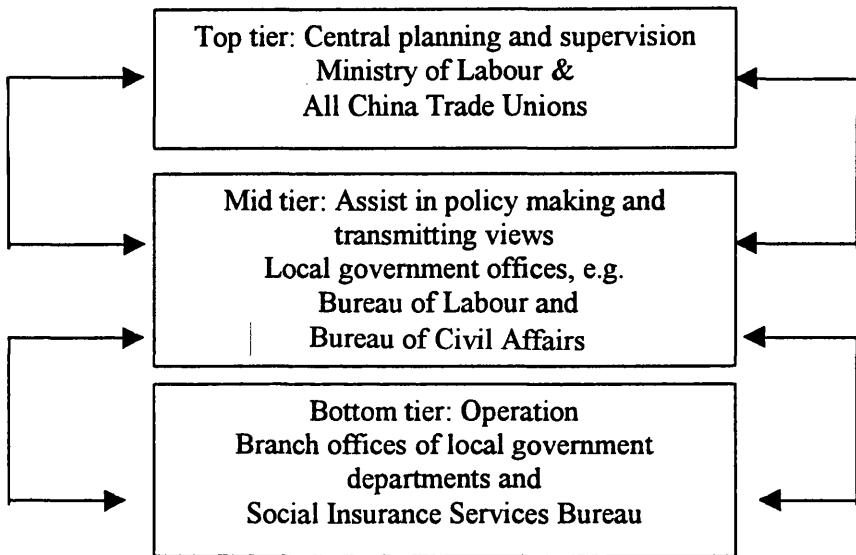
According to Zhu and Zhang (1995, p. 26-27) social insurance management in

management of human resources in the government.

⁷³ The dissensions between Bureau of Labour and Social Insurance Services Business Bureau goes on in the 1990s, irrespective of a policy document issued by State Council which stated that “All local governments should establish committees on the Funding for Retirement Pension which are composed of the heads from the Departments of Finance, Planning, Trade Union, Labour, etc. The management office of the Committee is set in the Labour Bureau.” (Zhao 1993,

China in early 1990s has three levels. The top level is a 'central management organisation' which heads the whole system and makes decisions. This level is also responsible for comprehensive planning, guiding and supervising the implementation of services. The mid level is composed of local governmental units and departments, which is responsible for implementing social insurance policies, drawing up local social insurance policies and supplementary regulations. The bottom level is mainly for operational purposes including collecting the contributions, dispensing the benefits, recordings and filings, etc. (Chart 3-1)

Chart 3-1 The three-tier social insurance management in China in the 1990s



The effectiveness of the three-tier system is challenged by the rising demands in the mid 1990s because of the rapidly growing unemployed in society. It is found from the above chart that the government only centralised the operational level of social insurance in enterprises through the Social Insurance Services Bureau. There are still big gaps between policy planning and implementation, between different social insurance services enjoyed by staff and workers, between state-owned and non-state-owned units, between employees of different employment conditions, and even between urban and rural areas. But the most important implication is that economic-political factors, e.g. the involvement of trade unions, determine the policies, objectives and management of the services. In March 1998 the Ministry of Labour was changed to Ministry of Labour and

Social Security in the reshuffle of the State Council. (Mingpao Daily, 19 March 1998) This innovative move reflects the state's concern for the needs for income protection in economic system transformation in the country. Yet one has to wait and see the results because social and economic changes in the country depend very much on the party's guidelines. The following parts will present the reforms in the five main social insurance services in China before turning to highlight the characteristics of social insurance in this period.⁷⁴

A review of social insurance in China in the early 1990s

I) Reforms in retirement pensions in China

Social insurance reforms in China started with retirement pensions in 1984. According to Zhao, the primary objective of the reform is to build up a centralised system to collect, manage and allocate retirement funds. (1993, p. 218) In China, this approach is termed as (*shehui tongchou*) or 'social co-ordination', which implies the withdrawal of the state from its role of strong intervention. The meaning of 'social' is weak state or minimal government controls but strong family or community commitments. In social insurance the government formed specialised organisations to provide the services. For example the government in Guangdong Province set up social insurance companies. Later, these local social insurance organisations were merged into a two-tier management system at the provincial level.

Reforms in retirement pensions include reviews on the regulations on retirement pensions. Last chapter shows that retirement pension schemes were separately provided for cadres and workers in the past. (Zhao 1993, p. 220) There was a standard stipulation method to determine the benefit levels for cadres in state organs, party offices, and mass organisations.⁷⁵ The general principle of this standardised scheme is to disburse the

⁷⁴ Survivors' benefits and funeral supplements will not be included because there has been no major revision since the promulgation of the "Regulations for Labour Insurance of the People's Republic of China" in 1951. In view of the rising living standards after the modernisation, work units usually issue benefits with some special considerations apart from referring to the stipulations in the Regulations. First, there is a lump sum compassionate grant for the family dependants. Second, the funeral supplements are higher than the level set in the 1951 Regulations. Third, family dependants of the concerned employee might get regular or irregular relief grants at or below the local social relief level. In addition, the relief grant should be higher if the family dependants are widowed elderly or orphans.

⁷⁵ The term mass organisation refers to the social organisation under the control of the

benefits directly from financial allocation and management. In this case one's working years and salary level and modes, i.e. basic salary (*jiban gongzi*), salary for the post (*zhiwu gongzi*), and supplements according to working years (*gongling jintie*) are significant in determining one's benefit level in a work unit. On the other hand, a 'multi-layer' (*duocengci*) retirement pensions system was set up to collect the contributions from the state, the unit, and individual employees.

Reforms in retirement pensions in the 1990s have two parts: the 'State Stipulated Basic Retirement Fund' (*Guojia Jiben Yanglao Jijin*) and the 'Enterprise Supplementary Retirement Fund' (*Qiye Buchong Yanglao Jijin*). The former is set at the lower level than the standard retirement pensions for cadres in state organs but the total benefit of this multi-layer system is higher than that provided only by state organs and mass organisations. In brief, the state's contributions are cut whilst the inputs from units and individual employees are raised.

The specific characteristics of these two retirement pension components are two. First, the nature of occupational welfare is still strong in state organs and organisations. The state has to play the employer's role in allocating resources for and managing social insurance. Second, different treatments between state-owned units still exist. State-owned enterprises and the staff and workers have to contribute to retirement pension, with a minimal part supply from government. This approach also reflects the state resources for income protections are apportioned mainly for salaried employees rather than waged workers.

In view of the growth in the numbers of contractual workers in China, there are also accompanying devices for social insurance. The regulations on contractual workers since 1986 aim at building up a retirement pension system for these employees.⁷⁶ A tripartite system is developed to involve the state, work unit, and the individual contractual worker.⁷⁷ Basically the funding for these retirement pension programmes are

Communist Party. The examples are trade unions, the Communist Youth League, the All China Federation of Women, etc.

⁷⁶ For example, the "Regulation on the Practice of Labour Contract System in State-owned Enterprises" in July 1987.

⁷⁷ See, for example, the "Decisions on the Reforms on Retirement Pensions in State-owned Enterprises" promulgated by the State Council in June 1991.

self-supported with no state assistance save in the event of financial crisis in the funding. Work units are encouraged to contribute for their employees with money appropriated from their pre-taxed profits. By so doing the taxable profit is smaller. Last but not least the benefit levels in effect are similar to those for permanent employees. (Zhao 1993, p. 222)

In principle the benefits for contractual employees are much the same as permanent employees because there are stipulations in the regulations. However, since the rapid growing of this type of employees as well as the non state-owned economic units, there are discrepancies in coverage between the non-permanent and permanent employees in both sectors in practice. This phenomenon will be verified later by a quantitative research in this study. Before going to study this specific characteristic of the Chinese social insurance, the following parts will present reforms in the country's sickness and medical insurance.

II) Sickness and medical insurance reforms in China

Sickness and medical insurance in China is an almost free service. (Tang 1994, p. 1128) Similar to the retirement pensions, sickness and medical insurance is also divided into labour medical insurance for staff and workers in enterprises (*laobao yiliao*), and medical benefits for cadres or staff in state organs (*gongfei yiliao*). (Tang *et al.* 1994, p. 1128) Yan *et al.* (1987, p. 338) state that *laobao yiliao* is regulated by Labour Insurance whilst *gongfei yiliao* is administered independently. In medical insurance reforms, Zhao (1993, p. 224) comments that there is only one single objective, i.e. to contract out in diversifying the funding sources of the services. The methods of contracting out medical services are various. First, fixed amounts of money are given to individual employee for a certain period of time. The employee is allowed to keep the residue or claim for reimbursement on any overspending. The second format allows employees to claim part of the overspent allowance. The third is to 'link between the service providers and individual employees' by sub-contracting the service to hospitals so that the demand side of the service is controlled by the supply side. This is a reward-control arrangement. Medical personnel are allowed to share the unused part of money in the contract so that they check the misuse of the service as well as the induced consumption. The final one is to contract out to individual employees that one can save up all the money but, on the

other hand, one cannot ask for supplements under any circumstances.

Speaking in general, as Zhao comments, medical and sickness insurance reforms in state-owned enterprises are more thorough than in state organs. Moreover, he observes that the smaller the size of the enterprise the more radical the reforms in sickness and medical insurance, and the weaker the relationship of the unit with the state the deeper the reforms. Zhao explains that large scale, well established and profit making state-owned enterprises are reluctant to make the reforms because they do not want to see the incentive and productivity of their workers affected. (1993, p. 224) Another problem rises from this reform is the low level of 'socialisation'.⁷⁸ (Tang *et al.* 1994, p. 1128-1129) He proposes that the government, as the sole provider of the service, is faced with difficulties in solving the enduring problems like misuse of the services and the wasting of public money. It is for this reason that, in most big cities of the country, as the case is in Guangdong Province, sickness and medical insurance reforms are put at the bottom of the list. (Dong 1995 & 1996, my interviewing records)

Reforms in sickness and medical insurance highlight two problems in social insurance in China. First, work units, especially the state-owned ones, are the main obstacles in the reforms of social insurance. As already mentioned, work units are basic social units in China, which perform social, economic and even political functions in society. Production in work units not only supply the state, but most importantly also the daily needs of the staff and workers. The occupational welfare function of social insurance in work units is significant and for some employees welfare benefits are part of their regular incomes. Thus to a certain extent, this is the vested interest of work units and the affiliated members.

Apart from the self-centred and self-interested attitude among work units, the medical service market in China is in fact a producer-controlled system. The medical and health system is independent of the social insurance organisations and individual users. In contrast, medical institutes and the profession are all under a state-owned system. In addition, work units or trade unions collectively represent all individual

⁷⁸ The meaning of socialisation bears a similar connotation to privatisation in Western countries. The Chinese government prefers to describe the process of transferring the state's responsibility to individuals and work units as 'socialisation', that is, everyone in the society has the

consumers so that individual consumer powers or influences are very insignificant. It can hardly be seen that without changing the consumer-provider relationship the sickness and medical insurance can be improved.

Reforms in sickness and medical insurance in China focus on cutting the expenses by curtailing the demands on the services. It seems that the government is still allowing the occupational welfare nature of insurance to exist in the early 1990s. The government has not touched on changing the provider-consumer relationship which involves a radical transformation in the linear connection between party, state, unit, and individual. It is foreseeable that the 'marketisation' of medical services in the rising socialist market economy will greatly affect the people who have unstable employment (e.g. migrant workers in non permanent employment) or limited income (e.g. the elderly on retirement pensions). The consequence will be the deteriorating health conditions that nobody in the country would like to see but has to face. In contrast to the established medical and insurance, the following part will demonstrate the development in unemployment insurance, a rather new social insurance programme in China.

III) Unemployment insurance in China

Unemployment insurance in China is a brand new income maintenance measure. According to Su (1994, p. 138), the term 'waiting-for-job (*daiye*)' was usually used in China. Nevertheless, some others would argue that in the present socialist stage the natures are different between waiting-for-job and unemployment.⁷⁹ The term waiting-for-job applies to two main types of people. First, school leavers who reach the production age but lack the skills to get a job. Second, those who have lost their jobs and have not yet been allocated a new one. In March 1984, the "Methods of Registering and Managing the Waiting-for-job in Cities and Towns" differentiates between the 'waiting-for-job youth' (*daiye qingnian*) and 'waiting-for-job staff and workers' (*daiye zhiqong*). (Su 1994, p. 138)

Tang *et al.* proposes a moderate view to clarify these two terms. They maintain that "at present our country is building a socialist market economy and it is necessary to

responsibility to provide the service or share the expenses.

set up a mechanism to facilitate labour mobility and the utilisation of the productive resources. Unemployment arises unavoidably and it is meaningless to differentiate between waiting-for-job and unemployment. Waiting-for-job is unemployment. Waiting-for-job insurance (*daiye baoxian*) is unemployment insurance (*shiyie baoxian*).” (1994, p. 1139, my translation) In the 1995 China Statistical Yearbook, the term ‘unemployment’ is used officially. The Yearbook also elaborated that “unemployment refers to those non-agricultural population within working age (16-50 for male and 16-45 for female) who are able and willing to work but unemployed and registered in local employment service agencies.” (CSPH 1995, p. 132) In brief, the perception on surplus labour has been changed after the re-emergence of private economy and contractual employment system in the past 15 years. Based on the proposition made by Tang *et al.* and the definition made in the CSPH, unemployment is more apt to describe urban surplus labour in today’s China.

As a rather new social insurance service, unemployment insurance in China is established in a more direct way with much less impact from the historical development as retirement pensions and sickness and medical insurance. As mentioned earlier in this chapter, the first regulation on unemployment insurance in China was published in July 1986 titled “The Provisional Regulations on Waiting-for-job Staff and Workers in State-owned Enterprises”. Based on the 1986 regulations a permanent set of policies was put into force from April 1993. The objective of this regulation is to facilitate enterprise and employment reforms. For example, in Article One of Chapter One of the 1986 Provisional Regulation it stated that “This is for the needs of reforms in the labour system, promoting the reasonable mobility of the labour force, protecting the basic living needs of the waiting-for-job staff and workers in state-owned enterprise....” (My translation) Similar wording also appeared in the 1993 Regulation that “...for consummating the labour system in state-owned enterprises, protecting the basic living of the waiting-for-job staff and workers, maintaining social stability....” (My translation)

According to the 1993 Regulations on Waiting-for-job Insurance, staff and workers in state-owned units who are being dismissed or lose their jobs because of insolvency, re-structuring, and stoppage of production are eligible for benefits. This

⁷⁹ For example, Zhu, 1991, p. 160.

regulation also stipulates three funding sources for this insurance: contributions from enterprises, interest from the insurance funds, and the state's financial supplements.

In responding to the existing unemployment benefits Tang *et al.* (1994, p. 1141) make four comments. First, the coverage is too narrow and the funding is not enough. Tang *et al.* explained that the contribution level for enterprises is set at 1% of their total expenses on the standard wage (*biaozhun gongzhi*).⁸⁰ However, since the standard wage only constitutes about 50% of the total income of the staff and workers that the proportion in their total income is rather low.⁸¹ (Tang *et al.*, 1994, p. 1141) It is for this reason that the funding is only enough for employees in state-owned sector. In other words, this benefit cannot provide income maintenance for those who work in the non state-owned sector.⁸²

Second, the management and administration of the funding for unemployment insurance are ineffective. Because social insurance legislation has not yet been completed that the management of the insurance is only part of the labour administrative process within the work unit. Tang *et al.* comment that misuse, appropriation and transference of the funds are common. But the worst is the unwillingness of the Ministry of Labour to transfer the management of unemployment benefits to the centralised social insurance organisation.⁸³ (1994, p. 1142) In brief, inappropriate management is the general problem of unemployment benefits. The crux of this problem is the vested

⁸⁰ In Article Five, Chapter Two of the 1993 Regulations it states that "enterprises have to contribute 0.6% of the total wage expenses of the unit. Enterprises can adjust the level of contribution with the local government's approval if they have not enough or more unemployment insurance fund. Nevertheless the highest contribution rate should not be higher than 1% of the total standard wage of the staff and workers of the unit." (my translation)

⁸¹ According to Zhu *et al.* (1991, p.424) 'standard wage' is the alternative name of 'basic wage' (*jiben gongzhi*). Standard wage is fixed of a certain period of time and used as the basic facto in determining the benefit levels of retirement pensions and other insurance related services for staff and workers. Zhu *et al.* Suggest that the optimum standard wage should not be higher than 70% of the total wage of staff and workers.

⁸² Please see Table 2-3 in Chapter Two.

⁸³ The officers of the Guangzhou Shi Bureau of Labour also mentioned this point in my interview in April and June 1995. They disagreed with the handover of the management of unemployment benefits to the Social Insurance Services Bureau because first, from the historical perspective, the Bureau of Labour is the only government organ that manages waiting-for-job staff and workers. Second, in policy implementation, the Bureau of Labour has strong connections with trade unions that look after the benefits of the labour force. The conflicts between the Bureau of Labour and social Insurance Services Bureau were also confirmed by the officer of the Social Insurance Section of the Guangdong Province Economic System Reforms Committee in my interviewing.

interests, the misunderstanding, and the limited knowledge of the state organs and government officials in ensuring the effectiveness of a comprehensive social insurance system.

The third problem is the lack of experienced officials to plan the service and manage the fund. Tang *et al.* comments that “if the fund cannot grow then its protection effects will not be seen.” (1994, p. 1142, my translation) Tang *et al.* are doubtful about the capability of the officials. They argue that this funding should be put in some investments that are “reliable, short term, and can be accessed immediately” such as bank deposits or short-term government bonds. Under the conditions of a lack of comprehensive legislation and supervisory systems in the country, high calibre officials are needed to manage the investments. The point raised by Tang *et al.* is understandable since first, the officials in the Ministry of Labour are not specialised in financial management. Second, administrative intervention may not be the effective and rational measure to manage the unemployment insurance fund.

The final problem is the emerging negative feeling of “insuring for no risk” (*youbao wuxian*) and “facing the risk with no insurance” (*youxian wubao*). Tang *et al.* (1994, p. 1142) explain that the unemployment rate (6%) is higher in small towns where most of the work units are non state-owned. That is, on the one hand, the employees who are not employed by state-owned units are usually excluded from this provision. On the other hand, staff and workers in state-owned units can enjoy the benefits without contributing. The specific nature of the sole responsibility of state-owned enterprise in unemployment benefits causes “the problem of an unbalanced relationship between risks and insurance”. (Tang *et al.* 1994, p. 1142, my translation) Furthermore, one can also see that social insurance in China is unequally provided to employees in economic units of different ownership. In sum, the provision of unemployment benefit in China raises the issues in social policy such as discrimination, equality, and citizenship right.

IV) Occupational injury, sickness, and handicapped insurance (OISH) in China

Occupational injury, sickness, and handicap insurance (OISH) has a long history in the Chinese labour insurance system. According to Zeng, the existing OISH insurance system is based on the 1951 “Regulations on Labour Insurance in the People’s Republic

of China". (1995, p. 175) There are four specific natures to this insurance. First, it applies only to those who are employed in state-owned enterprises. Second, it is financed by enterprise only. Third, the benefit levels have not been revised since 1950s. Fourth, there is no specific organisation to determine the degree of severity and the benefit levels. (Zeng 1995, p. 175-176) Following are the discussions based on these comments.

In Articles Twelve and Thirteen in Chapter Three of the "Regulations on Labour Insurance in the People's Republic of China" in February 1951, the OISH benefits are basically designed. These regulations were later revised in 1953. In 1992 the detail definition of OISH was elaborated.⁸⁴ The risk coverage of this social insurance is on two main areas: injuries and death caused in work or by work related diseases. The basic criteria for getting the benefits are three.⁸⁵ (Zeng 1991, p. 102) First, the injury or death occurred during the execution of duties assigned by the enterprise. Second, the injury or death occurred during the execution of the duties in an emergency without the assignment from the enterprise. Third, the injury or death occurred in improving or inventing the technique while on the job. In the further explanation made by the Ministry of Labour and the trade unions, one can claim this benefit from one's own work unit if the injury or death occurred while participating in a social or political movement, rescue in disaster, training in the people's militia, etc.

In the past 40 and odd years, OISH insurance has been changed incrementally and fragmentarily. Wang *et al.* (1995) listed in detail the state's regulations and policies on the insurance in the period. It shows that these documents are generally concerned about defining the causes and issues, determining the severity levels, and the way to compensate the victims. However, as commented by Zeng and mentioned at the beginning of this section, the weakness of OISH insurance exists in its narrow coverage. This is particularly serious in the reform era that "there are higher work accident rates in (non state-owned) enterprises because of their inferior management and working conditions. Nearly half of the total number of work accidents happened in township

⁸⁴ Please refer to the "Notice on determining the level of the injury and diseases at work for staff and workers (On Trial)" issued by the Ministry of Labour, Ministry of Health, and the All China Federation of Trade Unions in March, 1992.

⁸⁵ According to Tang *et al.* (1994, 1133-1134), the content of the OISH insurance includes: medical benefit, living supplements during medical treatment, handicapped benefit, treatments, convalescence, and death benefits (different from the death benefit of other causes in

enterprises.” (Zeng 1995, p. 175, my translation)

Zeng’s comments reflect that the existing OISH insurance is rather outdated that cannot meet the changed mode of economic production. This reflects social policy in China indicating a lack of dynamism. The weakness of OISH insurance exposes the ignorance of policy makers in China who are insensitive to changes in society, comparable with the short term behaviour of private investors and the transformation from labour intensive production method to the application of sophisticated machines and technology. The higher accident rates in non state-owned units also imply the incapability of the government in enforcing the health and safety regulations in the workplace. Privately owned work units have been growing at a very fast speed in the country but most of the laws including those for social insurance cannot be effectively enforced because manpower is lacking. (Dong 1996, my interview) This explains why only the staff and workers in state-owned sector are protected, although it is stipulated that OISH insurance measures apply to work units of all natures.

Another phenomenon raised in the previous paragraph is the ‘work unit-based’ principle. On the surface it seems that this approach does not require the government or individual employees to contribute. In fact, the government is the employer who should have to take the responsibility to compensate for the loss of the injured. Because of the dominance of state-owned units in the country’s economy, the consequence will be limited funding from the government, low degree of socialisation and difficult to share the risks. (Tang *et al.* 1994, p. 1135, my translation) The case of OISH insurance demonstrates that the nature of social insurance in China is occupational since the state’s employer role is very significant.

In sum, four issues arise from the obsolete OISH insurance. First, OISH insurance is clearly an occupational welfare for employees in state-owned units. ‘Socialisation of social insurance’ with the example of OISH seems very difficult to be realised because most of the employers in the private sector are reluctant to contribute. In addition, staff and workers in non state-owned sector do not want to contribute indirectly through their work units to a social insurance item that seems alienated from

employment).

them. Furthermore, because of the inability of the state, OISH can hardly be implemented in non state-owned units. As just mentioned, OISH has evolved from state-owned units since the early 1940s. However, in the 1990s, most of the private economic units that arise from the transformed ownership system are removed from the state's direct control. The state can only use legislative control but not administrative means to regulate these units. Thus for effective management of the service, sufficient supply of professional officers and comprehensive legislation procedures are needed. Third, the stipulation of benefit levels is also a concern. As mentioned in above, OISH benefit levels in the 1990s is based on the standard wage of staff and workers in state-owned units. This scheduled benefit level cannot satisfy the needs of the claimants because first, the standard wage is higher for employees in non state-owned units since they have no other living supplements or fringe benefits. Second, inflation has become a problem for all members of society since modernisation. (Tang 1994, p. 1134-1135)

The last but not least is the lack of a centralised body to determine the severity of injury and needs of the claimants with standardised appraisal methods. It has been mentioned before that the provision of OISH insurance is work unit based. The management of the insurance benefit very much relies upon the knowledge, and experience of the officials in the work unit and the way they value income protection. It is rather difficult, for example, for the managers in work units to assess or determine which is the most (Grade One) or least (Grade Ten) serious even when instructed by the 1992 Regulations.⁸⁶ Although it is proposed in the 1992 regulations that medical specialists on work accidents can provide professional advice, it is up to the work unit to make the ultimate decision on whom, what, and how should be provided. In brief, as Tang *et al.* suggest, there should be a set of comprehensive state regulations on OISH insurance which have mandatory power to guide and supervise work units. (1994, p. 1135-1136)

⁸⁶ The 1992 Regulations state that "There are 10 grades in the loss of working ability of staff and workers. Grades 1 to 4 refer to the total loss of working ability. Grades 5 and 6 imply the loss of major part of working ability. Grades 7 to 10 means partly loss the working ability." Example for grades 1 to 4 is the loss of three or all limbs of the victim. Example for grades 5 and 6 are the total loss of spoken ability. Finally, the weak and limp in one of the limbs is the example for grades 7 to 10. The determination on which level should be applied is based on the results of

V) Maternity insurance in China

Maternity insurance, as OISH insurance, has been provided since 1950s in the country. It is stated in Article 16 of the 1951 'Labour Insurance in the People's Republic of China' that women staff and workers are eligible for enjoying 56 days full pay leave for maternity. Apart from this, the staff and workers who have new born babies are also eligible for the benefits in kinds at the value equivalent to "the local market price of a piece of red cloth of one third of a meter in length." (Item D, Article 16, my translation)

Generally speaking, maternity insurance in China in the 1990s involves very strong value judgement in both social and political senses. First, maternity insurance benefit is used as the means to penalise unmarried mothers. In the reply letter from the Ministry of Labour to the Bureau of Labour (*Ladong Ju*) in Gansu in 1965, it was stated that "unmarried pregnant women staff and workers cannot enjoy maternity benefits as listed in Labour Insurance. Neither can they get pay from work unit during the leave period." ('Reply on Whether Unmarried Women Staff and Workers Can Enjoy Labour Insurance', 10 September 1965, my translation)

Another example of state intervention in maternity benefits is the use of this service to control population growth. In 1965, the State Council issued a notice that only those who aborted or sterilised for physical reasons can get sickness benefit.⁸⁷ This stipulation, however, was changed afterwards to a great move towards birth control in China. Birth control in China was started in 1964 with a document issued by the Ministry of Health and Ministry of Finance. It stated that all expenses on abortion of staff and workers should be supported under the 'Supplementary Medical and Health' items, and the expenses of the cadres for the same purpose are met by the 'Public Medical Expenses' or their work units.⁸⁸ The 1982 document co-issued by the Central Committee and the State Council explicitly stated that "For those who do not observe the state's population policy should have some economic restrictions...." (Instructions on a

medical treatments.

⁸⁷ Please refer to Document No. 78 on "Notice on the Benefits and Leave for Staff and Workers who have Abortion or Sterilisation Because of Sickness" issued by the State Council on 12 October 1957.

⁸⁸ Please see the Document (64) No. 140 on "Stipulations on the expenses on birth control" issued by the Ministry of Health and Ministry of Finance that was endorsed by the State Council

Step Forward to Work for Better Birth Control, 9, February 1982, my translation)

In the early 1990s, the Ministry of Labour promulgated a revised set of regulations on maternity benefits. As stated by the Ministry of Labour, these new measures are designed for "...facilitating the Labour Law and the realisation of the protection on the legal rights of women staff and workers in enterprises." (Document No. 1994-504 on 14 December 1994 of the Ministry of Labour, my translation) The new set of policies, titled "The Measures on Maternity Benefits for Staff and Workers in Enterprises (For Trial)" were put into practice from the first day of January, 1995, and coincides with the implementation date of the Labour Law 1995.

The 1995 'maternity benefits measures' have sixteen articles. It clearly states that the resources for maternity benefits come from society (*Shehui Tongchou* or socialisation), i.e. only work units contribute to 'maternity insurance fund' which is collected, paid and managed by social insurance organisation under the Ministry of Labour. (Articles 3, 4 and 8) Eligible employees are covered by the fund for the expenses of check-ups, labour, operation and hospitalisation and medicines. It also covers the expenses on health related problems but does not include non-medical materials or services. (Article 6) Furthermore, the fund also covers the wages of the concerned employees during the leave. (Article 5)

In sum, the 1995 maternity insurance policy aims at realising the 'socialisation of social insurance' by designing a single-party contribution system. Socialisation of social insurance in China is apparently the means to facilitate the state to reduce the state-enterprise-individual relationships. This approach attempts to transform the work unit based social insurance to a collective system that pools resources from all work units. However, since 'socialisation' is a horizontal redistribution of resources between work units it raises inequality between state-owned and non state-owned units as well as between old and young work units. For the newer work units that employ more unmarried employees have to subsidise the old state-owned units through the pool.

Apart from its strong occupational nature, maternity insurance in China has a

significant role to facilitate socio-economic policy in China in the 1990s, e.g. the Single Child Policy. Zhao (1993) states that one of the characteristics of maternity insurance is that “it only applies to women staff and workers who reach the legal age for marriage and act in accordance with the birth control policies of the country. Those who have not met the criteria are not eligible for the insurance benefits.” (1993, p. 308, my translation) Tang *et al.* (1994) echo with Zhao that protection for women employees in China includes other regulations under the theme of ‘protecting women labours at work’.⁸⁹ The discriminatory nature of social insurance policy is not only found in maternity insurance but also in other work related welfare services. Under such conditions one can find that neither citizenship nor past contribution determines one’s eligibility to access income protection in this socialist developing country. Such an approach has intentionally put the political element in the management of income protection policies. It violates the principle of social insurance that the insurance should effectively protect the people who joined the scheme and are in need of the service. In brief, the case of maternity insurance brings out the political features of social insurance in China.

Summary and conclusions: The particularities of social insurance in China

This chapter has discussed social insurance in the 1980s and early 1990s in China. It generally outlines the impacts of economic reforms on the development of social insurance. As stated at the beginning of this chapter, social insurance services in this period are transformed from the work unit based occupational welfare to a multi party contributory system in the name of socialisation. In a precise way, this approach tries to change the state’s weighty role as the employer of a thousand million employees in the country. Being propelled by political and economic drives, socialisation of social insurance will ultimately shift the state’s employer liability in social insurance provision, e.g. OISH and maternity benefits, to individual work units in the restructured economic ownership system. Accordingly, three main features of social insurance in China are found from its particular political and economic environment. These features include: a ‘dual service system’, unclear objective and indeterminate roles, and the social control

⁸⁹ For example, the “Maternity medical insurance benefits for women staff and workers” issued in 1988 by the Ministry of Labour. This official notice spelled out the work units full responsibility on the expenses related to maternity of women staff and workers.

functions.⁹⁰

The previous sections also demonstrate that the dual service system, as a specific characteristic of social insurance services in China, which emerges from the persistent political orientation, as well as the changes in social and economic systems since modernisation. This dual service system which differentiates employees of different backgrounds shows that social insurance coverage is narrow. In general, in the early 1990s social insurance services in China were still assigned with occupational welfare functions within work units. In addition, the controlling purpose of social insurance can clearly be found in the social, economic and political arenas like demographic changes, productivity, internal migration, party and political identification, and even nationalism. Thus the ultimate service objectives are set for facilitating socialist transition or 'transition to market socialism' but not a risk pooling insurance system for income protection. The impacts of these practices might be found from the objectives, pattern, provision, and effectiveness of social insurance services in the country. In sum the social insurance system and services in China are unique in the sense that its driving forces stem from socialist political objectives and in safeguarding the economic system. The features of social insurance in China will be examined in detail in the following chapters with a field study of social insurance in a provincial city in southern China in 1995 but before that next chapter we will review the socio-economic development of the sampled city - Guangzhou Shi.

⁹⁰ The 'dual service system' refers to the groups of 'eligible' and 'not eligible' employees under the same social insurance system in China. Detail explanations can be found in Chapter 9.

Chapter Four

Social insurance in Guangzhou Shi, Guangdong Province

Introduction

The last two chapters discussed the founding, development and reforms of social insurance in China to 1995. It also identified the main driving forces and features of social insurance in this socialist developing country. In order to understand the features of Chinese social insurance with a selected case, this chapter explores the social insurance services provided at local and regional level. This task is accomplished by studying the socio-economic setting and social insurance services in Guangzhou Shi in Guangdong Province where the quantitative study was carried out.

This chapter has four parts. Part One will discuss the social and economic development in Guangdong Province. Part Two focuses on the changes in social and economic aspects in Guangzhou Shi after 1949. Part Three will go into more detail of different social insurance programmes: retirement pensions, medical and sickness insurance, unemployment insurance, the OISH programmes, and the maternity insurance in the locality. The final part is the summary of the chapter that highlights the features of social insurance in China with the case of Guangzhou Shi.

Social and economic development of Guangdong Province in the national context

Guangdong Province has a prominent place in contemporary China. Historically it was one of the Treaty Ports in the 19th Century. After the Treaty of Nanking (*Nanjing*) in 1842 that concluded the Opium War between China and Great Britain, Guangzhou (the capital city of Guangdong Province, and called Canton by the Portuguese) and some other coastal provinces and cities such as Xiamen (or Amoy) and Shanghai were opened to foreigners. According to the Treaty, the foreigners, especially the British, gained concessions from the Qing Emperor of China in free trading and setting up consulates. In addition, Guangdong was the place of origin of many revolutionary movements in the country. Some outstanding examples are the Revolution of 1911 (*Xinhai Geming*) and the Northern Expedition (*Beifa Zhanzheng*) from 1926 to 1927. (Zhang, 1992)

Economically, since Guangdong was opened as a port to trade with foreigners, it has developed into a trading centre of the country and built up secondary and tertiary industries. As the country's 'Southern Gate' (*Nan Damen*), Guangdong has been playing an important role in economic construction since the 'Four Modernisations' in the late 1970s. Shenzhen, was the first special economic zone initiated by the Communist Party of China, situates at the southern end of Guangdong Province.⁹¹ In the spring of 1992, Deng Xiaoping, the architect of the "Four Modernisations", came to visit Guangdong Province and Shenzhen. In concluding the visit, Deng remarked that socialist market economy is possible in the country and the reforms should go ahead.

Guangdong Province locates at the southern part of the country. (Appendix, Map 1) It has a long coastal line stretching from Zhanjiang City to Chaozhou City. On her 178 thousand square kilometres of land about 66.89 million people were living at the end of 1994. (CSPH, 1995) The total population of Guangdong was 5.58% of the country. In this sense Guangdong was the fifth largest province on the national list. Guangdong has a rather high migrant population. According to the 1995 China Statistical Yearbook, 5.88% (3.93 million) of the total population in Guangdong were migrants.⁹² The average rate of migrants in all other places in the country was 2.85%. Among the various reasons of migration, 58.66% claimed that they came to the province for 'being engaged in services and business'; another 2.86% claimed that their job placement had been arranged by work units whilst 7.9% changed their jobs. (CSPH, 1995, Table 3-12) In brief, nearly 70% of the migrants came to Guangdong for economic purposes.

In terms of household registration, 27.47% of the population in Guangdong Province were registered as non-agricultural at the end of 1993.⁹³ According to the

⁹¹ Shenzhen Special Economic Zone is not under the jurisdiction of the provincial government of Guangdong. According to the Constitution of the People's Republic of China, all special zones, including Hong Kong and Macau, which were taken back by the Chinese government as Special Administrative Regions in 1997 and 1999 respectively, are directly governed by the central government.

⁹² 'Migrants' here denotes the people in internal migration. It refers to the people who live in the regions without permanent household status. For example, the rural migrants who go to stay in urban areas and the people who move from one province to another.

⁹³ Household registration is a control system in various aspects in China. Everyone has to register with the local Public Security Bureau and there a household record is made. In the days when the country lacked supplies of many consumer goods, the household record allowed one to be apportioned with the daily necessities such as rice and edible oil. This record also enables one's access to other services provided by the government such as education and medical care.

classification of cities, Guangdong has four 'extra big' cities that have a population over 5 million and another 12 big cities each with a population more than 2 million. Guangdong Province also has another two cities with populations over 1 million and two special economic zones, namely, Zhuhai and Shenzhen, with a population of less than 1 million each. (GNS, 1994, p. 142)

Table 4-1 Social and economic indicators of Guangdong Province and China in 1993

| | China | Guangdong |
|--|----------|-----------|
| 1. Administrative categorisation | | |
| Number of cities at prefecture level | 206 | 21 |
| Cultivable marine area (in hectares) | 2,600.11 | 835.67 |
| 2 Social indices | | |
| Total population (10 thousands) | 119,850 | 6,689 |
| Birth rate (0/00) | 17.70 | 18.20 |
| Death rate (0/00) | 6.49 | 5.78 |
| Natural population growth rate (0/00) | 11.21 | 12.42 |
| Population age 65 and over (%) | 6.23 | 7.28 |
| Members per households age 65 and over (%)* | 19.58 | 27.28 |
| 3. Economic indices | | |
| Employment in primary industry (%) | 54.3 | 41 |
| Employment in secondary industry (%) | 22.7 | 28.1 |
| Employment in tertiary industry (%) | 23.0 | 30.9 |
| Urban unemployment rate (%) | 2.80 | 2.4 |
| Total investment in fixed asset by ownership (%) | | |
| State-owned units | 56.95 | 41.38 |
| Collective owned units | 16.16 | 19.47 |
| Individuals economic units in urban areas | 12.04 | 9.21 |
| Foreign capital related units (including overseas Chinese, from Hong Kong, Macao and Taiwan) | 10.45 | 26.11 |
| Others (including share holding and joint owned economic units) | 4.40 | 3.83 |

Sources: *1994 Statistical Yearbook of China, Table 3-15, others are extracted from various tables in 1995 Statistical Yearbook of China.

Table 4-1 shows the social and economic indicators of Guangdong Province and China. In local administration in China, the provincial government of Guangdong rules over 21 cities at prefecture level out of 206 of the whole country.⁹⁴ In terms of the

Some people, for example, those whose children were born out of the 'single child policy', are not allowed to get the status and welfare as his parent. The most significant function of the system, in brief, is to discourage the people to migrate from villages to cities.

⁹⁴ This categorisation excludes Beijing, Tianjin and Shanghai since they are the metropolitan areas (*zhixiashi*) under the direct jurisdiction of the State Council.

number of cities at prefecture levels, Guangdong is the biggest in the country since its population sizes as well as economic position are ahead of other provinces in the country. Thus in economic terms Guangdong is much more important nationally than other heavily populated provinces such as Sichuan.⁹⁵ The growth in the number of prefecture cities in Guangdong marks the significant economic achievements of the province after modernisation. In 1992, Shunde and Nanhai were the two cities of Guangdong taxed more than 1 billion yuan by the central government and were placed as the top two. (GNS 1994, p. 136)

Guangdong is a very resource rich region. Its natural resources include the coastal areas for ocean liners to anchor as well as for marine cultivation. Table 4-1 shows that 32.1% of the cultivable marine area of China is in Guangdong Province. Under this favourable condition, fishery is very well developed. But the most notable usage of the marine resources is its deep harbours and well connected land transportation for international trading. This is one of the reasons why secondary and tertiary industries are much more developed than her primary industry.

The social conditions

The population of Guangdong was 66.9 million in the year-end of 1994. The natural population growth rate for Guangdong in that year was marginally higher than the national figure. In explaining the rather high population growth rate in Guangdong, Cai *et al.* argue that it is because “a big group of people who were born in the 1960s are now at the marriage and fertility age. Irrespective of these conditions families are allowed to give birth to only one child, the birth rate is still high because the population base is vast.” (1990, p. 6, my translation) In other words, the growth of population in Guangdong in the past decade is because of the rapid rise in the number of families. According to Cai *et al.* (1990), the growth rate in total population was 17.1% in the period from 1982 to 1990 whilst for family units was 24.7%.

The reasons for rapid growing population are various. Hu finds that many rulers in Chinese history supported the idea of developing the national economy with a bigger

⁹⁵ At the end of 1994, the population of Sichuan was 112.14 million. (CSPH, 1995, Table 3-3)

population. Basically, the Confucian values and the patriarchal clan system (*zongfa zhidu*) in China have significant influences on reproducing next generations.⁹⁶ (Hu 1989, p. 47) This cultural factor is in fact the main force of population growth in Guangdong. In addition, families in Guangdong were more inclined to live with older generations. Household heads with children living with their parents or in-laws in Guangdong were higher than in other big cities such as Beijing and Shanghai. Extended families in Guangdong (26.09%) are more popular than in Shanghai (19.95%) and Beijing (17.5%) as well as the whole country (18.59%). On the other hand, nuclear families are fewer in Guangdong (58.15%) than the whole country (71.64%), Beijing (70.27%) and Shanghai (64.17%). (CSPH 1995)⁹⁷

Large family ideology among the people in Guangdong, however, does not mean the elderly are fully supported by their families.⁹⁸ The live-alone elderly in China in 1993 were 10.36% of the population while for Guangdong the figure was 11.28%. Households with two elderly persons were 23.1% for the country and 21.4% for Guangdong. Finally, households with three or more elderly are also weighted higher than for the whole country (0.25%) than in Guangdong (0.1%). In brief, there are more elderly living alone and fewer families live with more than one elderly in Guangdong. (CSPH 1994, Table 3-15, p. 75)

In concluding these observations, it seems that the elderly are selectively or functionally living with their families in Guangdong. The selective functions of elderly within the family are determined by their abilities in reproduction and production, i.e. their roles in the family as a helper to look after the children, to do the housework, and even to participate in the family business. It is found that the live-alone elderly in Guangdong are usually rather old. The implication is that either the parents of the husband or the wife lives with the family to take up some of the family's duties. Thus it implies that, in view of the growing ageing population under the improved health and living conditions, income protection schemes are needed for maintaining one's living

⁹⁶ Patriarchal clan system is a social norm that governs one's status in inheriting family property. The position of the male in the extended family is the general principle of the system. Confucian teaching maintains that it is necessary to reproduce male successors for preserving the family's social status in terms of wealth and reputation in the feudal society.

⁹⁷ Extended families are those families with 'three generations' and 'four generations' while nuclear families are the 'married couples' and 'two generations' families.

after retirement in Guangdong.

The economic environment

From the economic perspective, Guangdong is a very resource rich region. As a coastal province Guangdong supplies the people living around the Pearl River Delta Region including Macau and Hong Kong with the daily necessities. Apart from that, this rich delta region is one of China's best paddy fields that produces up to three yields a year. Planting and husbandry are also the chief primary economic activities in this province. Guangdong thus plays the double roles in national economy: the hinterland for the people at the estuary of the Pearl River and the port for the inland areas.

It is shown in Table 4-1 that the employment rate in primary industry in Guangdong Province was lower than that of the national by 13% in 1994. In that year 54.3% of the labour force in China engaged in primary economic sector whilst for Guangdong it was only 41%. The lower commitment in primary industry implies higher rates of the labour force in the other two economic sectors in Guangdong and this is going to be explained in the following paragraph.

Modern economic development in Guangdong started from last century after the Opium War. Right after the Treaty of Nanking was signed between Britain and China in 1842, the British established their businesses for trading with the Chinese.⁹⁸ Many large-scale British companies which were set up in that period such as Jardine Matheson and Swire are still running today in Hong Kong. However, because of Guangdong's strategic military position, the central government was long reluctant to develop it into an industrial city. (Huang, 1991, p. 238)

In 1994, the percentage of the labour force found in secondary industry in Guangdong (28.1%) was higher than the national rate (22.7%). A similar situation is also found in tertiary industry. (Table 4-1) The relative balance development among the three

⁹⁸ 'Elderly' here means those who are at the age 65 or above.

⁹⁹ According to Zhang, "Right after the Opium War, ... (the British) started to set up banks and dockyards in Hong Kong and Guangzhou in 1845. In 1878, the British merchants invested to start a sugar refinery in Shantou." (1992, p. 16-17, my translation)

economic production levels in Guangdong in the 1990s is attributed to the historical legacy and regional particularities, especially after 1979. (Zhang, 1992, p. 19)

When discussing the economic development in Guangdong from 1949 to 1979, Zhang marks out four distinct periods. (1992, p. 18-20) These four periods of economic development align with the national features that are characterised by the changes in political lines. A particular feature of the development of the Guangdong economy is her out-dated technology. The reasons for such situation are various. First, as mentioned before, the central government was for a long time reluctant to invest in this coastal city for military reasons. Second, most of the machines for production in Guangdong have not been replaced since the foreign investors brought them in before 1949. Huang comments on the productivity of the enterprises in Guangdong that:

“At the end of 1978, ... the equipment and technology were backward, most of them were the products of the '50s and '60s and lots of small enterprises still producing manually. According to statistics, there were 1.44 million staff and workers in 1980. Among them only 2.2% or 31,5000 were skilled staff.” (1992, p. 238-239, my translation)

The limitation of economic development in Guangdong also comes from the long established central-local relationship, especially in the period of socialist transition. In the early 1950s, the communist government initiated a series of nationalisation programmes under which all means of production as privately owned capital were expropriated by the government. For example, in the movement of ‘The Confiscation of Bourgeois Capital’ in 1952 the government seized all capital property originally in the hands of capitalists.

Nationalisation was also enforced in Guangdong. According to Huang, state departments exercised direct control of the enterprises of various types of business in the province from 1956. (1992, p. 238) The consequence of the confiscation policy is the fragmented management of the enterprises. The Chinese describe this as the ‘vertical-horizontal relationship (*tiao tiao kuai kuai*)’. Under this inter-contradictory condition, most state-owned enterprises are tightly controlled, and severely hindered and over-supervised by the bureaucratic central and local governments. In most cases these nationalised or state-owned enterprises have no clear missions in production, nor autonomy in decision making in the matters such as wage levels, recruiting staff and

labour insurance. The tangled political, administrative and economic functions of these work units make up the bulk of the country's social insurance and create a dilemma for its reform.

According to Yi (1991, p. 13), to establish a social security system in China is one of the principal objectives in the Eighth Five-Year Plan. He mentions that economic system reforms in the 1990s should be effective, manageable, and objective. In pursuing the aims of reforms, social security system has an important role in 'providing a favourable economic environment'. Such roles can be fulfilled through providing income maintenance to the unemployed by involving the entrepreneurs and requiring employers to contribute. With this arrangement the state can withdraw from its direct role and sole agency responsibility in labour insurance system. It is thus learned from this perception that the reforms in social security, especially the social insurance programmes have functionally two objectives: achieving economic growth and satisfying the rising social needs of some groups such as the surplus labour which comes from state-owned units undergoing employment and enterprise reforms. In the following sections, the discussion will turn to outlining the socio-economic development and social insurance reforms in Guangzhou Shi, the provincial capital city of Guangdong that is selected as the case in this study.

Social and economic development in Guangzhou Shi after 1949

Guangzhou Shi is the provincial capital city (*de ji shi*) of Guangdong.¹⁰⁰ The jurisdiction of the city government is over eight regions or 'qu' that are marked as urban areas, namely: Dongshan, Leiwen, Yueshao, Haizhu, Tianhe, Fengquan, Baiyuan, and Huangpu. There are also four county level cities (*xian ji shi*) put under the city government: Panyu, Haodu, Zhencheng, and Zhonghua. All these four county level cities are the suburban or rural areas adjacent to Guangzhou City. In city administration, there

¹⁰⁰ 'De ji shi' has three different meanings. First it is the city that enjoys same authority in economic management as the provincial government. These cities are also called 'designated cities' (*danli shi*) since they are relatively independent from the provincial government in social and economic planning. The second type is the bigger cities where the provincial government is seated. It has discretion in formulating local policies and regulations but is not allowed to make the social and economic development plans for itself. The third type are the *deji shi* which have no designated powers in planning but play the leading role in facilitating the development of the surrounding counties. (Luo 1993, p. 117)

are 101 street offices rule over 1,465 urban residents' committees in Guangzhou Shi in 1994. On the other hand there are 75 towns altogether in its suburban area.¹⁰¹ (GSJ, 1995, Table 1-1)

Table 4-2 Main social and economic indices of Guangzhou Shi, 1952-1994

| | Units | 1952 | 1978 | 1994 |
|--|-----------|--------|--------|----------|
| Population | 10,000 | 271.92 | 482.90 | 637.02 |
| Agricultural | 10,000 | 137.02 | 250.76 | 249.78 |
| Non-agricultural | 10,000 | 134.90 | 232.14 | 387.24 |
| Number of permanent household units | 10,000 | 67.87 | 114.59 | 183.17 |
| Gross production value (billion yuan) | | | | |
| Primary industry | | 1.08 | 5.03 | 60.62 |
| Secondary industry | | 1.69 | 25.24 | 456.75 |
| Tertiary industry | | 2.62 | 12.82 | 458.81 |
| Average annual wage | Yuan/head | | 714.00 | 8,623.00 |
| Labour | | | | |
| Social labour force | 10,000 | 111.87 | 266.9 | 383.17 |
| Staff and workers | 10,000 | 25.83 | 147.36 | 209.36 |
| Education | | | | |
| Senior Secondary | 10,000 | 1.00 | 2.17 | 8.90 |
| Junior Secondary | 10,000 | 4.47 | 40.59 | 43.84 |
| Primary | 10,000 | 23.45 | 56.92 | 67.45 |

Source: Extracted from GST 1995, Table 1-4, p. 13-14 and Table 2-4, p. 44.

In the year-end of 1994, the population of Guangzhou Shi was 6.37 million. (Table 4-2) From 1952 to 1994 the average annual growth rate of population in Guangzhou Shi was 2.05%. People registered as agricultural households grew 83% from 1952 to 1978 but went down a very little, 0.4%, from 1979 to 1994. In contrast, the non-agricultural population rose steadily from 1952 to 1978 (72.1%) and from 1979 to 1994 (66.8%).¹⁰² In terms of permanent households, the growth rate is 169.9% in the past forty years. Furthermore, the household size was around 3.5 persons in 1994 as compared to 4 in 1952 and 4.2 in 1978 in average. The population and household

¹⁰¹ In local administration in China there are two lower tiers in a locality. In urban areas, the street offices (*jiedu banshiqu*) are bigger conglomerations of the residents' committee (*jumin weiyuanhui*). In rural areas there are towns (*zhen*) grouping the residents committees (*chuanmin weiyuanhui*).

¹⁰² The growth in non-agricultural population is because of the acquisition of agricultural land from the peasants in the newly developed areas such as Tianhe Area and the upgrade of Huaxian into city. In this process the agricultural population is turned into non-agricultural status. (GST 1995, p. 41)

situations in Guangzhou Shi from 1952 to 1994 indicate two social changes. First, the gradually decreasing agricultural population and the continually growing non-agricultural population imply the change towards urbanisation. The upgrading of the surrounding townships to city level and the acquisition of agricultural land are the indicators of urbanisation. Second, the family sizes are becoming smaller in the period. This agrees with Cai's article (1990) regarding the general finding on families in Guangdong Province.

In the past forty and odd years, secondary economic production developed very fast in Guangzhou Shi, especially after 1978. From 1979 to 1994 the annual growth rate in secondary industry (in terms of gross production value) was 15.21%, whilst for primary industry was 6.45% and 15.02% for tertiary industry. This pattern of economic changes highlights industrialisation and the development of services industry in the city. It can be foreseen that in the coming decades tertiary industry will be more developed in Guangzhou Shi while manufacturing industries are transformed into more capital intensive and the primary production is shrinking.¹⁰³ Rural industrialisation will continue with constant growth in production values created by township enterprises. This will speed up urbanisation in Guangzhou Shi.

In terms of the people's education levels, education in Guangzhou Shi in the period from 1952 to 1994 placed primary emphasis on the junior secondary level. The average annual growth rate of the students enrolled at junior secondary level in this period was 5.59% compared with 2.55% for primary level and 5.34% for senior secondary level. Nevertheless the scenario now is a bit different since the growth rate in enrolment at senior secondary level (9.22%) was higher than primary level (1.07%) and junior secondary level (0.48%).

The continuous development in secondary industries and higher enrolment rates at junior secondary level in the past four decades have made possible a large group of employees with lower middle level skills in the region. People who completed secondary level education in the late 1970s reached their early or mid thirties in the mid 1990s. This implies that there is a big log of mid-age employees who may more or less

¹⁰³ My interview of Mr. Dong Binguang of the Social Insurance Section of the Guangdong Province Economic Systems Reforms Committee in Guangzhou Shi in May 1995.

encounter the difficulties in the transition of economic production in the reforms. This is especially true for those who were allocated to work in state-owned enterprises in that period but who are now facing the changes and challenges in enterprise reforms. Thus the reforms in social insurance for the unemployed will be an important issue in the 1990s and the next decade.

Social insurance in Guangdong Province and Guangzhou Shi

It has been said that the heavy social insurance expenses are encumbrances for economic transformation in China. And it has been proposed that to solve this problem social insurance should be 'socialised'; i.e. the costs are shared between work units, employees and state. Reforms in social insurance in the 1980s and early 1990s in China, according to Long (1995), cover various aspects. The process, approaches and objectives of these changes reflect the features of the Chinese social insurance. This section is going to present the details of the changes in social insurance in Guangdong Province with the case of Guangzhou Shi. (Appendix, Map 2) The policies and services discussed below are implemented and provided in Guangzhou Shi because of its important socio-economic position in the province.

For Guangzhou Shi, the general guidelines on social insurance reform in the 1990s are set out in the "Regulations for Social Labour Insurance for Staff and Workers in Enterprises in Guangzhou Shi" promulgated in June 1993. (Lu 1994, p. 2) Early in 1983 reforms in social insurance in Guangzhou Shi started with retirement pensions. Later the reforms were extended to medical insurance and the newly initiated unemployment benefits. The 1993 Regulations on the overall social insurance specified the following changes. In retirement pensions, a 'tripartite system' was founded that put together the 'basic retirement pensions', 'additional retirement pensions', and the 'personal factors' which consists of one's contribution, average social wages and the indices for growth in wages. The Regulations also allow work units to provide 'supplementary retirement pensions' to their employees as the extra part of the mandatory retirement pensions. In summary, the retirement pension was revised more extensively than the other social insurance programmes such as OISH programmes and maternity benefits in Guangzhou Shi in the early 1990s.

Table 4-3 Reforms in social insurance in Guangdong Province from the 1980s to the mid 1990s

| Year | Contents of reforms |
|------|--|
| 1983 | Start to implement 'social retirement pensions' for the newly employed contract system staff and workers. Work units contribute 15% of the total wage and individuals pay 2% of the total wage as their contributions. |
| 1984 | Start to realise the socialisation of retirement pensions for permanent staff and workers in state-owned and collective work units. Society (i.e. a designated social insurance organisation) collects contributions from work units and individuals and pays the benefits to the eligible from retirement. |
| 1985 | Develop social insurance management organisations (i.e. social insurance bureaux) at provincial, city and county levels. |
| 1986 | Set up waiting-for-job insurance system for staff and workers who lost jobs in state-owned work units. |
| 1989 | To establish a retirement pension scheme that is similar to that for the contract system employees for temporary workers. |
| 1990 | Start the 'individual contributory retirement pensions system' for permanent workers. |
| 1992 | Practise the work-related injury, sickness and handicapped scheme. Test some changes in maternity and medical insurance. The provincial government promulgated the "Regulations on Work Related Injury Insurance for Staff and Workers in Enterprise in Guangdong Province" on 17 January. Social Insurance Bureau started services on 24 July and the Guangdong Province Committee for Social Insurance on 31 July. |
| 1993 | On 1 June the provincial government promulgated the "Provisional Regulations on Retirement Pensions for Staff and Workers in Guangdong Province" which was effective from 1 August. |
| 1994 | The provincial government issued an internal notice to regulate the charges on medical services in Guangdong. |

Long describes the reforms in social insurance in the 1980s in Guangzhou Shi, Guangdong Province as well as the whole country as a traditional model. The main feature of the model is that "it is a simple mutual help format at the beginning stage of the development of social insurance." (1995, p. 199-200, my translation) He further comments that the model has some weaknesses. First, work units are still the main providers for social insurance expenses. Individuals are only required to pay nominal contributions and in fact this cannot reflect the real situations, e.g. their affordability and willingness. Second, since work units have limited ability to contribute the individual beneficiary cannot support his living to a reasonable level with the insurance benefits, especially in Guangzhou Shi where the inflation rates are rising rapidly and some of the work units are very weak competing with others in the market. Third, the strategy of 'accumulating from a balanced budget' may not be realised since the ageing population

in the city has been rising sharply. The burden of supporting the elderly financially will be the heaviest in the coming 30 years. Finally, the people's concepts and value of social insurance may be distorted by the 'socialisation'. This is especially significant among young employees and newly established enterprises since it is not persuasive to ask them to contribute to the social insurance system that seems remote from them. More importantly, most of the insurance benefits are determined by one's standard wages and other factors rather than one's contributions. This discourages the people's incentive to contribute. It thus makes social insurance system look like the other type of collective benefits that everybody is eligible. (Long 1995, p. 200-201) In order to achieve the aims of social insurance reforms in this provincial city, there are a series of changes in different insurance programs since the early 1990s and these are going to be examined below.

Retirement pensions

In the pamphlet published and delivered by the Guangdong Province Social Insurance Service Bureau in May 1995, retirement pensions programme for all local administration regions in the province combines the principle of 'social funding' (*shehui tongchou*) and 'personal account' (*geren zhuanhu*) together. This method turns retirement pensions to a mixture with supplementary and mandatory components.¹⁰⁴ (GSBX 1995b) In practice this approach involves the state, work units and individuals. The most significant feature of this system is, however, the strong linkage of one's eligibility and level of benefits to one's contributions and average wage level.¹⁰⁵

¹⁰⁴ 'The work unit's supplementary retirement pensions (*qiye buchong yanglao baoxian*)' is voluntary in nature. Work units are encouraged to contribute more to the funds apart from the stipulated contribution rates in order to strengthen the benefits for the retirees. In this case retirees of the profitable work units which is also generous in the insurance programmes may get higher benefits from the parts contributed by the employer. (Dong, April 1995, my interview records) Zhu et al. (1995, p. 128-129) argue that the work unit's supplementary retirement pensions has the effect of 'stopping the misuse of capital or mismanage the 'welfare' in enterprises'. Some measures can achieve the objective. For example, it should be approved by the staff and workers' committee of the work unit and regulated by the state. In addition, Zhu et al. suggest limiting the amount of supplements contributed by work units at the rate of 10-20% of the basic retirement pensions funds. An example cited by Zhu et al. is the Beijing Jeep, a Sino-American joint venture, which earmarked all employees with 6 yuan per months in their 'individual special account'. However, Zhu et al. also admits that "to provide supplementary retirement pensions is determined by the work unit's economic situation and it is not possible for others to follow." (1995, p. 129, my translation)

¹⁰⁵ Please refer to the "Provisional Regulations on Retirement Pensions for Staff and Workers in

The retirement pension plan in Guangzhou Shi, as stated in the pamphlet, requires all local employees to join. For the employees who come from outside mainland China the board of directors of the work units has discretion on whether those employees are covered. The term 'local employees' in this regulation includes permanent employees, contract system employees, temporary workers, peasants working in factories, local employees in foreign capital related ventures, exported Chinese labour working in foreign countries, self-employed people and participants in individual economy.

Based on the 1993 regulations, the pamphlet outlines the contribution levels of retirement pensions. Work units have to pay the standard rate that is proportional to the average total monthly wages of the precedent year. In 1994, the province-owned work units in Guangdong paid 17% of the average total monthly wages. The rates, however, have to be worked out and recommended by social insurance services bureaux and approved by the provincial government. Another source of retirement pensions is collected from staff and workers. It is stated in the pamphlet that employees have to contribute 2% of their average monthly wages of the precedent year. This is a 'pay as you earn' system. Work units have the responsibility to deduct this contribution directly from the payrolls, record the amount of contributions as well as the interest generated from the employee's 'personal account' for retirement pensions. At the time when the employee retires, he can get the pension as a lump sum or in monthly payments, depending on the length of the contribution period.

The Regulations stipulate retirement age for men is 60 and for women workers is 50 while for women cadres it is 55. Apart from the age requirement, the eligibility for retirement pensions also includes one's contribution period. The Regulations states that only those who have contributed for 10 years can get the benefit in monthly payments.¹⁰⁶ Thus, those who are not qualified will be given a lump sum benefit called 'elderly supplements' (*laoren jintie*) in addition to the premium and interest of his personal

Guangdong Province" which was issued in June 1993.

¹⁰⁶ The contribution period can be accumulated. The GSBX (1995b) states that the "contribution period is an annual basis. The staff and workers can accumulate their contribution years although they may have worked in several different work units before retirement. But it does not include the period in which he did not contribute." (my translation)

account.¹⁰⁷ The Regulations also recognise the “continuous working period” (*lianxu gongling*) as the contribution period before the implementation of these regulations.¹⁰⁸

The differentiation between the ‘general’ and ‘continuous’ natures of working period favours most of the permanent employees in state-owned units. This is one of the particular features of the Chinese social insurance. Permanent employees are usually recruited and allocated by the state and have worked for longer periods. In contrast, non-state-owned sectors and non-permanent employees who have only emerged for about a decade with work units using such labour are out of the state network. Therefore, employees in non-state-owned sector are given an understanding that they are contributing to the retirement pension schemes only for those in the state-owned units. In addition, for most of the non-permanent employees, especially temporary workers and peasants workers who work in factories they are discriminated against being excluded from the eligibility for monthly paid retirement pensions.

Temporary workers, especially migrants, seldom work for a unit for a continuous long period. Non-permanent workers are employed because they are younger and cheaper. In most of the enterprises in the developed areas like Guangzhou Shi in China, temporary workers are usually young migrants who have been employed only a few years. Under the conditions of ample supply of young migrants and short-term employment, it may take a longer time for these workers to accumulate their contribution period of 10 years. It seems very likely that they can only get the lump sum benefits and their own part from the “personal account”, if these employees and their work units contributed to retirement pensions. The problem for these employees is that they have no alternative. In fact, ‘elderly supplements’ resembles a provident fund but it is not the retirement pensions for long term purposes. Thus their means of living beyond retirement is not guaranteed, especially when there is high inflation or if they are not

¹⁰⁷ Elderly supplement is a lump sum retirement benefit. The calculation is two months ‘indexed monthly average paying wages’ for every one year of working service. The ‘indexed monthly average paying wages’ equals the average index times the average monthly wages in the city at one’s retirement.

¹⁰⁸ “Working period” is generally defined as the length of service in a work unit and from which wage incomes are generated. According to Su *et al.* (1994, p. 460) working period can be differentiated into “general working period” (*yiban gongling*) and “continuous working period” (*lianxu gongling*). The difference between the two is that the latter only counts the length of services in one work unit. Thus “continuous working period” is also called ‘working period in the present work unit’. After 1978, the term “general working period” is not used anymore.

good at managing money. In addition, these employees cannot enjoy the share contributed by the work units (i.e. the basic retirement pensions, the additional retirement pensions and the unit's supplementary retirement pensions) and then their amount of benefit is much less.¹⁰⁹

Another factor that affects the enjoyment of retirement pensions for non-permanent workers is the work units, especially the non-state-owned that do not join or contribute to the insurance. This phenomenon is not uncommon in Guangdong Province since the increase of non-state-owned enterprises was very rapid in the past decade. There are two main reasons for this situation. First, these work units are usually smaller in scale and the owners operate with a much shorter time frame.¹¹⁰ In the 1980s and early 1990s, most of the capitalists who were from Hong Kong invested in Guangdong Province because of its proximity to Hong Kong and the relative lower production costs. Furthermore, since the investment formats are various under some circumstances the owners of the units do not recognise the need for social insurance of the employees. The typical example is the "Three Processing and One Compensation" (*sanlai yibu*).¹¹¹ Unlike the large scale joint ventures (*sanji qiye*), *sanlai yibu* enterprises usually make use of the local cheap production factors, especially the labour force, to process the unsophisticated and lower level products for sale in the global market.¹¹² The

¹⁰⁹ Additional retirement pensions only apply to those who have worked for more than 10 years. The calculation method is that 1% of one's 'indexed average monthly paying wages' is put into the additional retirement pensions, and 1.2% for those who have worked for more than 15 years. For example one can get 36% of the 'indexed average monthly paying wages' if one has worked for 30 years. (GSBX 1995b)

¹¹⁰ According to the GTN (1995, Table 10-10, p. 345) a total of 6,861 enterprises with 138 billion US dollars were invested in from outside China in Guangzhou Shi at the end of the year 1994. 84.4% of these enterprises brought in the capital of 115 billion US dollars from Hong Kong. On average, every one of these units had an input of about 2 million US dollars. Relatively, every Japanese associated enterprise received capital of 4.4 million US dollars on average. For the enterprises with investment from Australian capitals it was 3.1 million US dollars.

¹¹¹ *Sanlai yibu* "is an abbreviated term for processing supplied materials, assembling supplied parts, processing in accordance with supplied samples, and compensatory trade. (In this cooperative business) the overseas businessmen supply all or part of the source materials, supplementary materials or semi-finished products and packaging materials, and occasionally some necessary equipment; while the domestic enterprises process them according to the qualities, specifications and designs stipulated in the agreement, transport the finished products to the suppliers and charge them processing fees." (Li 1993, p. 281)

¹¹² The GTN shows that the import value of *sanlai yibu* in the year-end of 1994 was 3.4 billion US dollars while for *sanji qiye* it was 17.5 billion US dollars. (1995, Table 10-3, p. 339) For the types of business, *sanji qiye* are usually capital intensive (e.g. the investments in building of infrastructures) and involve high technology (e.g. electronic products) (GTN 1995, Table 10-11, p. 346-350).

manufacturing of toys, garments, artificial decorations, furniture making, food processing and the like are labour intensive modes of production among the examples of *sanlai yibu* industries. Since the provision and management of labour are the responsibilities of the local party to the venture agreement (usually the designated organisation or department of the local government) that foreign investors are not concerned about the management of social insurance or employees.

Second, because local government is incapable of implementing social insurance regulations effectively, that leaves a gap for capitalists to evade any moral responsibility. Li (1994, p. 5) mentions that “reforms in social insurance is usually restricted by socio-economic development and the people’s knowledge in social insurance.” He further states that one of the weaknesses of social insurance reforms in Guangzhou Shi is “the inertia in legislation and the weak implementing forces.” Consequently, “there is a problem of a lack of legitimised forces to control, supervise and impose restrictions.” In responding to the problem Li maintains that it is necessary to accomplish the regulations in order to standardise the situation and guide the enterprises. (1994, p. 9) Du (1994) comments in another paper that “there are more and more enterprises which fall into arrears with the central funding of retirement pensions and this problem is very serious in Guangzhou Shi. It is found that the arrears of central funding were 50 million yuan in 1994.” (Du 1994, p. 4, my translation) Du lists three main reasons of the problems. First, with regard to Shenzhen Special Economic Zone, there are more old state-owned units and greater numbers of permanent and retired staff and workers. Second, there is a lack of strong and powerful management organisation to centralise and coordinate social insurance. The Bureau of Labour in Guangzhou Shi is limited by its own legitimised power to supervise the whole mechanism. Third, the general practice and concepts in some trades and enterprises are conservative. The owners of these units are usually very calculating and mean in contributing to the central funding. They are also short-sighted and their knowledge of the nature and objectives of social insurance is limited and outdated. (Du 1994, p. 4)

In responding to the previously mentioned problems, the Guangdong Social Insurance Services Bureau instituted some measures to prevent arrears of contributions to the central retirement pension fund. These measures are implemented in all cities in the province. GSBX (1995b) First, an extra 0.5% of the total arrears may be imposed as

a penalty. Second, the local court can order the concerned work units to pay 1% of the arrears if it ignores the previous penalty. Finally, the Bureau of Industrial and Commercial Administration may revoke the business licence if the unit has not contributed for more than three months. It seems that the policies are effective, at least reflected by the official figures. According to the SSB (1996, table 8-14, p. 494), in the year-end of 1994, 65,462 work units of differing composition of ownership in Guangdong Province took part in retirement pensions. The total number of employees who joined the programme was 4.33 million. In this group of people 89% were staff and workers who were employed permanently or on contract, with the other 11% being temporary workers. The participation rate of non-permanent employees in Guangdong Province is higher than the 1.8% for the whole country. (SSB 1996, Table 8-14, p. 494) The real situation will be examined in the coming chapters with a field study in Guangzhou Shi.

Occupational injury, sickness and handicapped benefits

The provisions of OISH benefits in Guangdong Province are based on the “Regulations on Occupational Injury Insurance for Staff and Workers in Enterprises in Guangdong Province” promulgated in 1992. OISH programme as defined in the pamphlet issued by the Guangdong Province Social Insurance Services Bureau is “a mandatory social insurance of which the funding is managed by a social insurance department that gives financial compensation for securing the living of the injured or the survivors.” (GSBX 1995a, my translation) The Regulation also states that all types of work units, including those owned by the military forces and foreign capital-related ones should join the schemes, regardless of whether they had industrial accidents or not before. The Regulations also specify that employees of all natures, irrespective of their household registrations, are covered.

There are twelve conditions in four groups under which the concerned employee can apply for OISH benefits, according to the Regulations. The first group includes five conditions under which accidents or sickness are regarded as being caused in the designated working hours and environment. The second group has two items which determine whether the occurrence is handled as a matter of travel related to work. The third group has four categories which relate to the judgements made by the referred

organisation on severity. The fourth group listed is odd for it clearly states that it covers “those who participated in emergency relief or rescuing in dangerous or disastrous situations safeguarding the interests of the society and the people.” (my translation) This item does not relate to one’s working environment but the goodness of the whole society that reflects the collective spirit and objective of social insurance in China. An imaginary case is that one can register a claim to the work units for OISH benefits because of an injury sustained in putting out the fire in the work unit next door. Social insurance in China is thus a means to promote collectivism apart from confining the benefits to the specified group of contributors. In brief, this measure spells out the special characteristic of social insurance in the country with its strong communist morality.

In the 1992 regulations for OISH a ‘Work Injury Insurance Fund’ (*Gongshang Baoxian Jijian*) was established with the contributions made only by the work units. The management principle of OISH is similar to that of retirement pensions, i.e. ‘to keep some surplus after paying the benefits’. Work units have to pay two yuan for every single employee monthly to social insurance services bureaux. If there is any need arising from work related injury the work unit has to report to the social insurance services bureau and the work unit’s superior level of management. The bureau will pay the benefits only upon receiving the report within 15 days after the occurrence of the accident. Work units have to prepare all the necessary documents such as the receipts on medical expenses or death certificates when applying for the concerned employees to get the benefits. It is stated in the pamphlet that the social insurance services bureau will pay the stipulated benefits after the assessment is made within one month’s time after receipt of the documents. (GSBX 1995a)

The application procedures for OISH benefits are peculiar and rather different from other social insurance benefits in that the work units play an important role. The work unit can determine in the first instance whether the claim is valid or not. In other words, a buffer is set up before the case reaches the social insurance services bureau. This arrangement grants work units an immense power in quashing real claims, or even in manipulating its role by recommending false claims. To quote the example that has just been described above it is found that the employee who was hurt in fighting the fire may or may not be certified by his own work unit as occupational injury. In general this demonstrates that the work unit, as a collective, exerts a huge influence in the people’s

daily life. In Chapter Eight this relationship is proved by the perception on the roles of work unit in income maintenance provisions among employees.

The 1992 Regulations also tries to classify the need of the claimants by different levels of injury or sickness.¹¹³ In the first group benefit payments are arranged within the medical treatment period. The work unit must pay 30% of all the medical expenses including registration fee, treatment fees, medicine, laboratory charges, operation and hospitalisation charges, and transportation expenses if the case is assessed as serious or causing handicap or death. The social insurance services bureau, on the other hand, pays the remaining 70%. The recipient employee is required to stay in an approved hospital if such treatment is needed. For non-serious cases the relevant work unit and OISH Fund will share at various rates the expenses up to a certain amount. (GSBX 1995a)

The second group covers benefits for those who are classified as handicapped after the treatment. There are four categories in this grouping. (Table 4-4) Category 'A' is for those identified as having "totally lost economic productivity." The second category is for those who have "lost the great part of economic productivity". Claimants in the third group are those who "partly lost economic productivity". The last grouping is for those who have "some gashes left from the injury". The classification and the benefits are revised after the annual medical check up of the recipient.

Table 4-4 The categorisation and grading of OISH benefits in Guangdong Province

| Category | A | | | | B | | C | | D | |
|---------------------------|----|----|----|----|----|----|---|---|---|----|
| Grade | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Level of benefit (month)* | 15 | 14 | 13 | 12 | 11 | 10 | 9 | 8 | 7 | 6 |

Source: GSBX 1995a.

* The benefit level is set at the local average monthly wage of staff and workers in the previous year.

The third group of benefits is granted to the survivors who live off the incomes of the employee who is dead because of occupational injury. There are three different kinds

¹¹³ The "Appraisal Standard For the Loss of Productivity in Work Injury or Sickness in Guangdong Province" was announced on 31 December 1981 by the Office of Public Health, Bureau of Labour, and Bureau of Personnel of Guangdong Province.

of benefits in this group. First, a lump sum “funeral expenses” equals to the maximum of the employee’s four months average wages in province-owned enterprises. Second, a “compassionate grant” is allocated in a lump sum equal to the maximum of twenty-four months of the staff and workers’ average wages in province-owned enterprises. Finally, “living supplements” equal to 30% of the average monthly wages of the staff and workers in province-owned enterprises for those have one dependant and 50% for those have two or more dependants.

Zhang *et al.* (1994) reviewed the OISH programmes in the province for two years from 1992. They identify some strengths and problems with the service. They also remark that the current OISH programmes in Guangdong Province has wider coverage, more standardised assessment and effective management, and the risks are shared among work units that enterprises are more free to compete in the market economy. On the other side, they also find some of the problems of the OISH programmes such as the evasion of responsibilities by the work units. This problem is particularly serious among work units that tend to employ more temporary employees and are less profitable. In other words the coverage is affected. Zhang *et al.* points out that it is one of the results of the implementation of the ‘contract responsibility system’ that promotes narrow and ‘short term behaviours’ among contractors. These work units are more likely to employ temporary workers to work in very unsafe working environments where the work accident rates are relatively high.

The problems of OISH programmes bring out another feature of the Chinese social insurance that non-state-owned work units and the newly rising capitalists hinder the development of a contributory social insurance system in the country. Unlike the spontaneous development of capitalism in Europe and America, private economic entities in China emerge passively from the transiting socialist economy. Irrespective of their vital economic functions in socialist transition, they do not play significant and active roles in the development of social insurance in China. These economic units are expected to support or supplement the malfunctioning state-owned work units in the socialist market economy. These capitalists affect the reforms in social insurance in China because of their narrower interests or negligent behaviour under the ineffectual management of social insurance regulations. It is found that 5.86% of the 34.34 million workers working in the non-state-owned sector might not have access to the services.

(Zhang *et al.* 1994) The number of employees in “individual economic units and private economy” in the province increased from 0.11 million in 1980 to 1.43 million in 1993. The number of employees in foreign capital-related units grew from zero in 1980 to 1.14 million in 1993.

Among the employees in non-state-owned sector who have only basic cover, Zhang *et al.* also shows that temporary employees are the most deprived in OISH programmes. Employers can manipulate these workers because of their temporary household status in Guangzhou Shi. Most of the migratory workers have to work under unfavourable working conditions since they are ignorant of local labour laws and their rights to social insurance. They seldom ask about or apply for insurance benefits because they believe that it might affect their job security where the job market is very competitive for migrants. The problem raised by Zhang *et al.* exposes the weakness of social insurance in China, that the implementation of other policies (e.g. household registration) is more important than social insurance services. Unusually these measures are set up for the ultimate political objectives that undermine the effectiveness of social insurance. Hence the main objective of social insurance in China is to enhance the national political development. This is also one of the specific features of the Chinese social insurance.

The responses of work units towards OISH programmes reflect the effectiveness of the regulations and service. The regulations cannot stop or change the short-term behaviours of employers who, as commented by Karl Marx, are preoccupied with the “extraction of surplus value”. This phenomenon is not rare in an emerging market economy although it is known that the effects will be very destructive to the whole social insurance system in China. (Zhang 1994) The ineffectiveness of the service is evidenced by those employees who are not protected in most of the social insurance services, including OISH which is directed to cover all employees. In brief, social insurance in this country has rather limited protection for employees in a transforming socialist economy. The coverage of the services is not determined by whether one is an active productive force but by the nature of the employment and the type of ownership of the work unit.

In Guangzhou Shi, reforms in OISH programmes started in 1993. (Chen 1994, p.

4) Du (1994) states that OISH programmes in Guangzhou Shi protected 0.65 million staff and workers. According to the GST (1995, Table 12-1, p. 384) the total labour force in Guangzhou Shi in 1993 was 3.83 million and so on this basis only 17% of the employees were covered by OISH programmes. Reforms in OISH programmes aim at socialisation. Nevertheless, this insurance programme is still managed by the Bureau of Labour in Guangzhou Shi while the expenditures on benefits are shared between the insurance organisation and the concerned work unit.¹¹⁴ In general, work units have to contribute to OISH programmes at the rate of 1-2% of their payrolls. In aggregate terms, it is a rather heavy burden for work units since they have to pay for other insurance programmes as well. It is estimated that work units spend about 41% more of the total wage expenses on the six social insurance programmes including funding housing. (Li 1994, p. 8)¹¹⁵

The heavy burden of social insurance on work units is one of the causes motivating them to avoid contributing. Furthermore, the nominal share of employees may cause difficulties in 'socialising' the social insurance towards a contributory mutual help system.¹¹⁶ If work units are still required to pay the major part of the expenses of social insurance then it makes no difference from the collectivism and the occupational nature labour insurance as in the past. This situation explains why work units are rather reluctant to contribute and migratory employees are the weaklings in the modified system. In sum, under the banner of 'socialisation', employers make the major contribution in the social insurance system in the 1990s in China. The newly rising capitalists in the socialist market economy shoulder the burdens that were taken up by

¹¹⁴ In Chen's paper, she mentions that the management system for social security in Guangzhou is multi-headed. This is consistent with the province and the whole country. The centralised fund for retirement pensions is managed by the "Labour Social Insurance Company" under the aegis of the Guangzhou Shi Bureau Of Labour, except for the retirement pensions for employees in the government's administrative departments is put under the Bureau Of Personnel of Guangzhou Shi. The "Labour Services Company" of the Guangzhou Shi Bureau Of Labour performs the centralised management for unemployment insurance. Medical benefits for cadres are under the control of the Guangzhou Shi Bureau Of Health. The Guangzhou Shi Bureau Of Labour controls the OISH programmes directly. In addition the Bureau of Civil Affairs is responsible for some of the social insurance items such as retirement pensions. (Chen 1994, p. 2)

¹¹⁵ The six social insurance benefits and the percentages are: retirement pensions is 24.5%, unemployment fund is 1%, work injury fund is 1%, medical and sickness fund is 12%, maternity fund is 0.5% and provident fund for housing is 2%. (Li 1994, p. 8)

¹¹⁶ Li (1994, p. 8) estimates that the contribution to social insurance by employees is about 5% of their personal wages.

state in the past. This particular feature reflects the Marxist socialist ideology and values on income protection for the working class that will be discussed in more detail in the concluding chapter.

Unemployment benefits

In Guangzhou Shi, the first policy paper on unemployment insurance was issued in November 1994. (GSR 1994) The second document paper was made public a month later by the Bureau of Labour of Guangzhou Shi. (GSLJ 1994) These two documents were based on the 'Regulations on Unemployment Insurance for Staff and Workers in State-owned Enterprise' promulgated by the State Council.

These two documents specifically point out the eligible groups of employees and the government departments that are assigned for the management of unemployment insurance benefits. The policy document issued by the People's Government of Guangzhou Shi states that the regulations apply to contract system workers, temporary workers and the appointed cadres in government production and service units.¹¹⁷

An important issue in the November 1994 Document is the definition of 'the unemployed' laid down in Article Five. In general, 'the unemployed' denotes those staff and workers who are sacked because of streamlining, closing down, insolvency, restructuring, etc. of the work unit. It also includes the dismissed staff and workers with poor working performance and whose contracts are terminated. However, it is also stated in Article Six of the Document that certain types of employees are not covered: first, those resigning to take up studies in schools, second, those who have non-permanent household status in Guangzhou Shi, third, temporary employees who were not registered with local employment offices through their employers. Finally, those who have migrated to other countries without the state's permission.

The definition on 'unemployed' seems very controversial. Some employees, for

¹¹⁷ Appointed cadres are different from the cadres who are allocated to a government department through the centralised allocation policy. The appointed cadres are employed in the 'state civil servant system' which emphasises open examinations for recruitment and promotion. For details please refer to the "Provisional Regulations on State Civil Servants" that was put into practise from 1 October 1993.

example migratory workers, are not provided with unemployment benefits and medical and sickness supplements when they are unemployed if their employment status has not been registered. Thus two issues rise from such phenomenon. First, household status is important to one in getting social insurance benefits. Second, the maintenance of the relationship with a work unit provides the only access to social insurance or other relief. These issues demonstrate two features of the Chinese social insurance. First, social insurance policies in the country distinguish one's eligibility for the services by his status such as household registration and employment conditions. The second is the consequence of the former issue, that income protection policies in China redistribute the resources and benefits horizontally from the least protected to the vested interest. All employees have to contribute through work units in the pay as you earn system but only some groups of them are covered for status reason. Such an approach apparently cannot cover the temporarily employed or migrants.

In responding to these weaknesses, the Economic System Reform Commission of Guangdong Province proposed that:

“Regarding the situations in Guangdong Province and the fast growing numbers of foreign capital-related enterprises, township enterprises, and private enterprises in the province, there are more and more employees with non-permanent urban household status. ... Based on the principle of protecting their rights and duties, these employees should be covered.” (GTGW 1995, p. 6, my translation)

Unemployment insurance benefit is supported by several financial sources. These include a centralised funding supported by employees and units, the bank interests generated from the fund, and the supplements provided by local government. In the management process, the amount of contributions and the list of contributors are reported and submitted by employers. In this case, employers can manipulate the system by keeping the number of the insured as low as possible to minimise their contribution. Although it is stated in the Regulations that employers have the ‘legal responsibilities’ to report precisely to labour bureaux, fraud, deception and like behaviours are frequently exposed.¹¹⁸ Referring to the situation in Guangzhou Shi, Li points out that “since there are many enterprises (especially private enterprises) which do not employ temporary

¹¹⁸ In Chapter Five of the Regulations, the penalty for late contribution or under-contribution is to pay two to three times the original amount. For those units or enterprises which behave dishonestly will be asked to pay an extra 15-30% of the set amount and a fine from 100 yuan to

staff and workers using formal procedures it is very difficult to cover these workers with social insurance." (1994, p. 10, my translation)

Unemployment insurance is set up for purposes other than maintaining the living standards of the targeted beneficiary. The Regulations emphasises that "unemployment insurance should persist with protecting the basic livings and promoting re-employment of the unemployed. It is closely related with job referral, re-training for employment and production for self-relief (*shengchan ziju*)...."¹¹⁹ (GSR 1994, Article 4) Therefore unemployment insurance is a part of the self-help programmes. For example, the Bureau of Labour of Guangzhou Shi provides loans to women workers who are laid off from state-owned enterprises to start up individual household business (*geti hu* or *geti jingji*). It also allocates the sites for these unemployed to set up the business through the Bureau of Industrial and Commercial Administration.¹²⁰

According to the Regulations, unemployment insurance benefit is determined by the length of the contribution and working periods. For those who lose their jobs because of insolvency of the work unit, etc. they may get unemployment as well as medical benefits in various terms.¹²¹ For the participants within the individual economy and private enterprises the condition is a full year's contribution before claiming benefits. On the other hand, those who are unemployed because of the termination of contract or dismissal for misconduct at work, the minimum requirement for being eligible is two working years. The longest benefit period, however, is set at not exceeding six months for every two to five years of service and up to 13 months benefits for those had been working for more than five years. Finally, it is stated in the Regulations that the working period should only be counted for one application and the concerned employee cannot

500 yuans imposed on the responsible individual.

¹¹⁹ *Shenchang Ziju* as explained by Fu et al. Is a means for unemployment relief. "The related government department organise the unemployed people to produce with the assistance allocated by the state in order to solve the problem of lack of the source for livings." (1994, p. 525, my translation) According to Fu et al. There are four different approaches in *shenchang ziju*: loans for expanding the production units for absorbing the unemployed; the setting up of production cooperatives among the unemployed' to organise the unemployed in buying and selling; to give out some seed capital to facilitate the unemployed to start individual business.

¹²⁰ My interview of the Head of the Unemployment Management Section of the Bureau of Labour of Guangzhou Shi on 29 August 1995.

¹²¹ The concerned can get the benefits for three months in every one year of service, and one extra month's benefits in every additional six months working period, up to the longest period for 24 months.

claim more than once.

As mentioned in the last paragraph unemployment insurance consists of unemployment benefit and medical benefits. Unemployment benefits are provided monthly at the levels set at the average monthly total wages in previous year. Table 4-5 below shows the levels of unemployment benefits in relation with the different length of working service period. It shows that the longer the working period the higher the insurance benefit levels. But the benefit level is fixed at 35% of the monthly average total wages in the previous year from the thirteenth month and on, irrespective of the number of the working years.

Medical supplements for the unemployed are set at 10 yuan per month for those who have worked for less than 10 years, and one more yuan in proportion to every extra working year for those who worked for eleven or more years. A higher rate at twenty yuan per month is given to those who are sick or injured, and a lump sum supplement up to 50-70% of the total medical charges to those who stay in hospitals for medical treatment in unemployment.

Table 4-5 Unemployment benefit levels by different length of working periods in Guangzhou Shi

| Duration of benefit (months) | Working period (years) | Level of benefits (% of the monthly average total wages in previous year) |
|------------------------------|------------------------|---|
| 1-12 | 1-6 | 35 |
| | 7-10 | 40 |
| | 11 or over | 45 |
| 13-24 | ---- | 35 |

Source: Extracted from GSR 1994, p. 9.

The previous discussion shows that unemployment benefit is not favourable to two types of staff and workers. First, older employees who worked for a rather long time in state-owned enterprises but were sacked because of enterprise reforms since the mid 1980s. These are usually women workers in their middle age and have low likelihood of being re-employed. The needs of these people are relatively greater but the insurance benefits cannot help them out especially in the high inflation era. Second, migrant employees are only eligible for the lowest rate of unemployment benefits throughout the whole period of twenty-four months because their working records are short and

discontinuous. These two results of unemployment benefits highlight first, the funding difficulties of social insurance in China. Second the ineffectiveness of the services in satisfying contingent income needs of the people. Third, the unrealistic policy regulations that do not take into account the employment conditions of different types of employees. In sum, unrealistic policy design is another feature of the social insurance in China.

Medical and sickness benefits

Unlike the new unemployment insurance in China, medical and sickness insurance is incrementally developed from the past system. The reasons of reforming this service are two: to unify the incompatible medical services and insurance systems for workers (*laobao yiliao*) and staff (*gongfei yiliao*), and to coordinate the different organisations that provide medical services and medical social insurance.¹²²

Medical and sickness insurance has long been described as cumbersome. The coverage of this social insurance item is wide that “the employee and his family are covered once he has started the employment.” (Lu 1994, p. 2) Lu estimates that there were 0.23 million employees and their 0.57 million family dependants are covered by *gongfei yiliao* in Guangzhou Shi. On the other hand, 2.4 million workers (including the retired and their family dependants) are eligible for *laobao yiliao*. The problem is very clear. “The welfare approach of medical insurance services lacks effective supervisory and controlling mechanism that causes wastage in medical and health resources.” (Lu 1994, p. 2, my translation)

Reforms in medical services in Guangzhou Shi were started from the

¹²² Medical services for workers or cadres usually involve the work unit that financially supports the expenses, the medical services unit which provide the services, and the related employee or his family dependants. The relationships between these three parts have become more complicated after the introduction of the contract responsibility system since the early 1980s. The medical services have been turned into a commodity that is sold for meeting the production target. Clients are guided to use many unnecessary services or drugs in treatment. This causes the unbearable expenses that are borne solely by work units. The excessive demands affect most of the state-owned enterprises, which are less profitable but have to look after the large group of employees who are retired or still at their posts. (My interview of the Head of the Social Insurance Section of the Guangdong Province Economic Systems Reform Commission on 29 August 1994)

management structure of *gongfei yiliao*. A decentralised two-layer structure is established to overlook the financial management at city and area levels for facilitating direct responses within the government administrative and business units on medical expenses. On the other hand, reforms in *laobao yiliao* emphasise much more controlling the expenses. The measures such as “contracting out out-patient services” and “classifying the expenses on hospitalisation”, etc. aim at shifting the expenses to the eligible. (Lu 1994, p. 2) The main strategy employed in medical insurance reforms can be summarised as ‘controlling the rising expenses’.¹²³ (GSYT 1994, p. 3)

The reform plans for *gongfei yiliao* in Guangdong Province and Guangzhou Shi is effective from July 1994. They suggest that there is “a mutual responsibility among hospitals, units and financial departments in managing the resources for *gongfei yiliao*.” (GSYT 1994, p. 4, my translation) In order to achieve the purposes of improving the management measures and establishing an effective control mechanism there are two main groups of recommendations. First it focuses on the central management of the financial inputs within a designated organisation. The second is to draw up the criteria for employees to get the benefits.

The 1994 reforms in *gongfei yiliao* have four main approaches to regulate financial resources. The first is to set up a centralised agency called ‘Management Office for Medical Benefits for Cadres and Staff’ (*Gongfei Yiliao Bangongshi*). This agency supports 80% of the medical expenses on hospitalisation for the staff and workers work in local government offices and departments (*shengzhi jiguan*) and the local government-owned units that registered with the Office (*banzheng danwei*). This source of financial support is checked once every three months and the Office clears the budget at the year-end. The Regulations stipulate that the hospitals can make use of the surplus to improve its medical facilities whilst the units are allowed to transfer its shares to other destinations. On the other hand if deficits rise then the state financial department, the hospital and the units share the amount at the ratio of 5:4:1. In brief, this is a multiparty budget control system in which the Office monitors the budgets. On the other hand, hospitals carefully control the provisions of medical services and work units check the applications for reimbursement. However, the negative effects are the very selective and

¹²³ The growth in the medical expenses per head (*gongfei yiliao*) from 1992 to 1993 was 39.9%

limited medical services provided to the beneficiary.

The second approach is to practise the 'contracting out system' (*baogang zhi*) specially set up for meeting the medical expenses of the retired employees living locally or in other provinces. In the 'contracting out system' the local Bureau of Finance allocates a fixed amount of money to work units for medical services purposes. Thus there is no topping up when deficits appear, nor is the unit required to return the outstanding balance. The third method is to supplement 20% of the medical expenses consumed by the employees in *shengzhi jiguan* and *banzheng danwei*. In this case work units have the autonomy to make use and manage this financial resource. The last approach is to support up to 10% of the unmet part of the amount allocated by the Office that cannot be equally shared among the members of the *banzheng danwei*. This implies that the *banzheng danwei* and its members have to be responsible for at least 10% of the medical expenses. This discourages excessive or inappropriate use of medical services by promoting self-control responsibilities within work unit.

The second group of the recommendations concerns medical benefits for individual employees. There are two main items. First, it sets up the self-support rates and supplement methods that employees at their posts are required to pay up to 20% for outpatient services and 10% for hospitalisation. For retirees the self-supported rate is 10% for outpatient services and 5% for hospitalisation. On the other hand, medical supplements are paid according to one's age and rank, i.e. the higher the rank the higher the supplement. For example a cadre at provincial level can get 10 yuan while another cadre at sub-section level is eligible for 3 yuan.¹²⁴ For the age criteria, the older the staff the higher the benefits. A staff at the age of thirty or below can only get 3 yuan and the one at sixty-one or above is 10 yuan.

The second item is to set the ceiling for self-supported medical expenses. Employees at their posts are allowed to claim from work units if the total self-supported

in Guangzhou Shi, while for the whole province was 50.61%. (GSYT 1994)

¹²⁴ According to the "Provisional Regulations on State Civil Servants" there are 15 ranks (*ji*) in the civil servant system. The highest rank is the state premier. The provincial level (*sheng ji*) is equivalent to the ministries and commissioners levels (*bu wei ji*) which are at the third to fifth rank. Below that there are department level (*si ji*), section level (*chu ji*), sub-section level (*ke ji*), and general level (*banshi yuan*).

medical expenses are more than 500 yuan. For retirees the level is set at 400 yuan. Work units can reimburse the expenses from the fixed resources for medical expenses that are allocated from the Management Office for Medical Benefits for Cadres and Staff. In the cases of infectious diseases such as cholera, work injury or sickness and sterilisation for family planning the employee can claim full benefits from medical insurance. Family dependants of the employees can also get reimbursement of 80% of the expenses on out-patient services and 90% for hospitalisation if they have contributed 10 yuan per month per head. All of the claims for reimbursement should be found on the approved list and prescribed by the contracting hospitals. Accordingly it discourages misuse, especially the unnecessary items for personal non-medical use purposes.

It is stated that the overall objective of the reforms in *gongfei yiliao* is to “build up a multi-layer medical protection system with medical insurance as the main body.” (GSYT 1994, p. 4) To achieve this objective the main task is to make the medical expenses “reasonably shared among state, work units and individuals.” In view of this it is necessary to establish a centralised body to manage the complicated medical services system.¹²⁵ Lu in his paper (1994) brings out two main issues in medical insurance reforms in Guangzhou Shi. First, there are many difficulties for work units in sustaining the ‘welfare model’ of the medical insurance system. Second, medical expenses have been growing rapidly because of the lack of an effective controlling and supervisory mechanism.

The new medical insurance system seems very encouraging. The GTGW (1995, p. 8) reports that “after the implementation of the policy the misuse of the services has been decreasing and the sense of personal responsibility in the services is promoted. Wastage and induced demands by medical practitioners are under control.... The growth rate (of the expenses) is the lowest in the years.” The Report states that the growth rate in medical expenses went down to 2.13% in city-owned units and 13.8% among province-owned units in the second half of 1994 in Guangzhou Shi.

The focal point of the new *laobao yiliao* and *gongfei yiliao* is to reduce the work

¹²⁵ It is commented in the GSYT (1995) that the reforms in medical service “has many difficulties and problems in operation since it touches upon various aspects extensively.” (p. 12, my translation)

units' role as financial supporter. However, the misplaced role of work units is not the only problem of medical insurance. "Some enterprises just mixed the earmarked budget for medical expenses with monthly wages. They didn't bother whether the employee had the need, nor considered the factors such as age and the length of service." (Yang *et al.* 1994, p. 220, my translation) Yang *et al.* also state that some enterprises would like to simplify the administrative process and choose to contract out medical expenses to individual employees. Furthermore, reforms in *laobao yiliao* differ from *gongfei yiliao* in that the benefits are different between the two systems. The main problem in medical benefits is the lack of a management mechanism to regulate the three concerned parts, i.e. hospitals, work units and employees. "The employee goes to see a doctor who prescribes in the hospital while the work unit pays the bill. Every part has its own financial account that is not related." (Yang 1994, 221-222, my translation) In concluding the problems, Yang *et al.* state that

"...*laobao yiliao* in enterprises is a multi-dimensional reform which, need coordination in society.... The reforms cannot be moved further if they are only carried out by labour services offices and social insurance department but are ineffective coordinating with health services and managing the medical and sickness insurance and the pharmaceutical business." (1994, p. 222, my translation)

The previous paragraphs show that financing arrangement is the main concern in medical insurance reforms in Guangzhou Shi. Before the reforms there were different types of units including economic production units and social service organisations provided medical insurance. Since these units were not centrally coordinated the services were manipulated by service users and providers. Medical insurance in China is also an example that shows the strong influence of socialism over the country and the prevalence of occupational welfare.¹²⁶ These two issues are closely related and make up the features of the Chinese social insurance. It is particularly found from this section that social insurance in China is coloured by socialist politics and it consequently models the occupational welfare insurance system.

Reforms in social insurance in Guangzhou Shi in the early 1990s exposes another feature that the country's social insurance system lacks an effective centralised

¹²⁶ Yang *et al.* comment that the state's responsibility in providing medical benefits for staff and workers is "a welfare of public ownership that has been recognised as the realisation of a strength of socialism." (1994, p. 220, my translation)

organisation to manage the services. The founding of social insurance services bureaux might be the starting point but there are many counter forces based in the established state ministries with their own vested interest. Without removing these bureaucratic influences and the political shackles the reforms in social insurance are only gestures at reform. In sum, with the case of medical insurance reforms in Guangzhou Shi, the founding, development and reforms of social insurance in China are politically directed and these constitute its specific features.

Maternity benefits

Maternity benefit is another social insurance funded and managed by social insurance services bureaux. The main aim of this insurance is to “provide assistance in kind for women workers when they lose their incomes during maternity leave, and to share the economic burdens with the enterprises which employ mostly women workers.” (GSBX 1995c, my translation) It is found that where the more women workers are being hired the more unfavourable the situation the work units encounter in enterprise reforms. Because of the close work unit-employees relationships in China, maternity leave and benefits for women workers is recognised as the welfare provided solely by work units but not a social insurance service. This work unit-employees relationship, however, is complicated by the state-work unit (or state-enterprise) relationship as well. Thus the state-unit-employees relationships constitute a special feature of the Chinese social insurance and the particular social perception on and expectation from social insurance. It also causes unfair actions toward women workers in economic and enterprise reforms since the early 1980s. (GSBX 1995c)

Coverage of maternity benefits is rather wide. For example the Guangdong Province Social Insurance Services Bureau provide this benefit to retired women staff and workers who are on the “Staff and Workers Records” as well. Those eligible can enjoy one of the four different groups of benefits that are determined by the way of delivering the baby and expenses on postnatal care. The first group of benefits is paid in a lump sum for childbirth only. The highest benefit level is 2000 yuan for caesarean birth or multi-birth, 1800 yuan for forceps delivery or similar operation, and 1600 for natural delivery. The second group is the medical expenses on hospitalisation that is paid

according to the levels set on medical insurance for cadres.¹²⁷ The third group includes living supplements, wages and bonuses, etc. of the concerned employee in maternity leave that are given under the “Regulations on Birth Control in Guangdong Province” and the “Measures on Labour Protections for Women Staff and Workers in Guangdong Province”. The final group is the supplements for nutrition foods that are set from 50 yuan to 100 yuan for natural birth, miscarriage and multi-birth, respectively.

Contribution to maternity benefit fund is set at one yuan per month per head, which is debited directly from the retirement pension fund that is contributed to by work units. In other words individual employees are not required to pay. Apart from contributing to the maternity fund, work units also take an active part in administering the applications. The work unit has to apply for the concerned woman worker by filling the “Application Form for Maternity Benefits”, and to check the following documents: the ‘Childbirth Permit’ issued by the Guangzhou Shi Birth Control Committee or the hometown government of the worker, her identity card, and the birth certificate of the new born baby. The application for maternity benefit should reach the social insurance services bureau within three months after the birth of the baby and only married women workers can get the benefits.

The case of maternity benefit in Guangzhou Shi plays four main roles that have very latent but strong effects other than income maintenance. First, it is for the purpose of reproducing the socialist labour force. Women workers in China have a ‘dual role’ honour: productive and reproductive socialist labour force. The communist government recognises the important role played by women in expanding and nurturing the labour force for the development of socialism. The approbation used by the government on women’s participation in production is the ‘half of the sky’, which means the equal importance of men and women in socialist production. However, because of the biological differences only women can give birth to ‘the successors of socialism’. In this sense reproduction work is more significant than production for women. It is for this objective that maternity benefit in the country supplements the expenses on childbirth and some items are not included in maternity benefit seen in some capitalist developed Chinese societies like Hong Kong.

¹²⁷ Please refer to “The Implementation Details for the Management on Medical Expenses for

Maternity benefit in China shown by the case of Guangzhou Shi is a mixture of occupation welfare and statutory social insurance. On the one hand work units actively manage and process the application for maternity benefits. On the other hand the objective of the services transcend the occupational welfare for enhancing the development of socialism. This feature is also found in other social insurance items in China so that social insurance is occupational welfare in nature and the objective is far from satisfying the income needs of the people. In the final chapter of this study this main feature of the Chinese social insurance will be discussed in more detail.

Second, reforms in maternity benefit are for releasing the economic burden of enterprises and promoting market economy. Such objectives are clearly stated in the Regulations. These enterprises, which employ a large number of women employees, are mostly state-owned manufacturing units. According to the SSB (1996, Table 1-20, p. 26) 38.68 million or 68.5% of women staff and workers worked in state-owned units and 14.2 million (25.2%) worked in urban collective-owned units in the year-end of 1994 in the whole country. In contrast there were only 6.34% or 3.58 million found in the units of "other ownership". Furthermore, most women staff and workers were employed in a handful of business sectors. In Guangdong Province, 45.8% joined 'manufacturing industries', 15.7% were employed in 'wholesale, retail trade and food services', and 8.8% were employed in 'education, culture, art, radio, film and television' sector in the year-end of 1994. (SSB 1996, Table 1-19, p. 24-25) In Guangzhou Shi 61% (0.52 million) of women workers were employed in state-owned units whilst for work units of other ownership was 15.6% (0.14 million) in the year-end of 1994. (GST 1995, Table 12-22, p. 410) Among these 0.66 million women staff and workers, 42.6% were engaged in manufacturing and another 17.6% were employed in wholesaling and retailing services. (GST 1995, Table 12-22, p. 410) In sum, the meaning of 'releasing the economic burden of enterprises' applies to most state-owned manufacturing units.

Third, maternity benefit has a main purpose to regulate women workers in the implementation of birth control policy. In other words, maternity benefit does not purposely act as the mechanism for income maintenance for the family in need. Rather,

it is a facilitator for other state policies such as population control. Maternity benefit is therefore a reward system for the women workers who observe the birth control policies such as 'single child policy' and take the relevant actions such as sterilisation. Women workers are eligible for the benefit neither because of their physical needs after delivery, nor the living needs but because of losing productivity temporarily. It is because of their fulfilment in playing the role of reproduction and satisfying the requirements in population control.

The last but not least is the strong traditional social ethic imposed as the values of judgement. Apart from the objectives of population control, women's social behaviours are regulated by this insurance benefit. Unmarried mothers and those who deliver babies in extra-marital relationships are socially unacceptable and their children are usually deprived of social services.¹²⁸ This reflects the paternalistic value of the state by using social insurance to guide the people to adapt to Chinese socialism. In other words, social insurance is a tool of the state to educate the people to align with the communist government and the prevailing social values.

In sum, maternity benefits in Guangzhou Shi reveals the features of the Chinese social insurance that it is an occupational welfare designed for achieving political objectives. Maternity benefit in China is not a need-based social insurance. Functionally, it is a set of income supplements earmarked for assisting women workers to reproduce socialist labour force. Practically, this benefit maintains Confucian and socialist ideologies and values of the communist government in China. Thus it significantly reflects social insurance with Chinese socialist characteristics.

Summary and conclusion: Features of social insurance in Guangzhou Shi in mid 1990s

In a conference on social security reforms in Guangzhou Shi in 1994, Li Chunrong, Deputy Head of the Guangzhou Shi Labour Bureau, remarked that the main features of social insurance reforms in Guangzhou Shi are three. First, it emphasises the

¹²⁸ For example, in Shenzhen Special Economic Zone, if there is any private school which offers schooling services to the children who have no right to live in Shenzhen or were born out of the city government's permission, the school will be fined for 500 yuan per head. (Mingpao Daily

responsibilities of state, work units and individual employees, especially the sense of social insurance within work units and among employees. Second, the reforms are moving from establishing a mutual assistance system to building up an operational mechanism of the whole social insurance system. Third, the coverage of the social insurance system in Guangzhou Shi is expanding from staff and workers in state-owned units to the labour force of all natures.

The first two issues raised by Li mainly are about how social insurance in Guangzhou Shi can be more efficiently reformed whilst the last one reflects the weakness of the existing social insurance services. Socialisation of social insurance points out the weakness of its occupational welfare nature. The process, however, needs a strong and centralised professional organisation to replace the multi-functional work units. To achieve these objectives the government has to use some administrative means to transfer the existing management of the social insurance scheme to social insurance services bureaux. To solve the problems of uneven coverage in social insurance, however, involves the lifting of the restrictions in other national policies, e.g. household registration and single child policy. However, such activities will unavoidably change the controlling mechanisms of the regime and social stability. Thus it can hardly be envisaged that the coverage of social insurance will be changed drastically in a short time although it is acknowledged that the situation is poor.¹²⁹

With the case of Guangzhou Shi, Li (1994) reports that there are two main groups which fall outside social insurance protection: participants in individual economy and migratory temporary workers. He estimates that about 45% of the labour force in the city are rural labourers who are employed in the private sector. This point is not groundless. The GST (1995) states that in the year-end of 1994, 0.267 million were participants in individual or private economy. This constituted 7% of the total labour force in the period in the city. The average increasing rate for this specific group of employees was 66.5% per year in 1980-1994. In comparison, the average annual growth

News, 10/2/1997)

¹²⁹ Li states that "The coverage rate of labour insurance in the whole city is 55% on all the social labour force. But it has to be pointed out that not all of them are provided with comprehensive social insurance services. In fact lots of work units have not joined the socialised retirement pensions, and there are more who do not provide unemployment and occupational injury insurance programmes. In addition, the benefit levels in some of the work units are very various

rate for staff and workers was 2.24% in the same period. On the other hand, the number of employees in this group dropped about 15,000 between the years 1993 and 1994.

The other neglected group of employees in the reforms of social insurance mentioned by Li is the migratory temporary worker. As mentioned previously most of the migrants come to Guangzhou Shi for economic purposes. Because of the household registration policy, these migrants are seldom offered permanent employment. At the end of 1994, 5.6% or 10.58 million staff and workers were employed on temporary terms in the country. Among them 85.8% worked in manufacturing industries, including manufacturing (36.9%), construction (24.6%), and wholesale, retail trade and food services (9.5%). In sum, this group of employees are less educated and usually engaged in secondary economic production such as manufacturing and construction, and are less significant in financial and service industries, e.g. banking and insurance (0.7%), or professional jobs such as 'geological prospecting and water conservancy' (0.5%). (SSB 1996, Table 1-25, p. 31)

The data shows that in the year-end of 1994 there were 5.36 million staff and workers engaged in the above-mentioned economic production in Guangdong Province. Hence it can be assessed that about 3.8 millions of the labour force in Guangdong were deprived of social insurance protections. In relative terms 42.1% of the urban employees were hardly covered by social insurance in the province.

In addition to the above two issues, Li also found other two features of social insurance in Guangzhou Shi: occupational nature and unequal treatment between work units of different ownership systems. He argues that irrespective of the effort put in socialising social insurance, state and work units are still the main contributors of social insurance services. (Li 1994, p. 5) Second, insurance benefit levels are higher in state-owned units as in the past. Li states that employees in state-owned units can get benefits two times higher than those in non-state-owned sector. Furthermore, Li finds that the burden of social insurance expenses on the retired and resigned staff and workers of collective enterprises is heavier than that of other types of work units. Li did not explain the scenario but it may be attributed to their relatively remote relationship with the state,

and do not meet the regulated standard." (1994, p. 4, my translation)

long established years, and the limited financial resources allocated by the government.

Finally, Li raises three points to elaborate the occupational nature of social insurance in China that is constituted by the state-unit-individual relationships. First, there are various state departments, including work units that provide social insurance services. This leads to overlapping management and difficulties in coordinating the services. Second, because of the overemphasis on the relationships between state and work units in socialist economy, some of the social insurance programmes malfunction. For example, unemployment benefits and OISH benefits hardly cover the employees in township enterprises and private enterprises. In addition, medical and sickness benefit is still very unpopular in the non-state-owned sector. Thirdly, work units cannot effectively manage social insurance services, although the relationship between employees and work units is strong. In some cases work units mix the running of business with the administration of social insurance and distort the roles and objective of social insurance. (Li 1994, p. 5-8)

In sum, the case of Guangzhou Shi brings about two main features of social insurance in China. First, it is a dual system that employees of different natures are being treated dissimilarly. Employees in state-owned work units and permanently employed are better and more widely covered than the others. Second, social insurance services in China are politically and economically oriented. The rationale behind the provision of the services is not mainly for income protection but for facilitating socialist transition and economic transformation. Before going to conceptualise the specific features of social insurance in the particular social system and economic production mode in China, the following four chapters will demonstrate the situations in work units in Guangzhou Shi with a quantitative study with structured questionnaires.

Chapter Five

Funding and provisions of social insurance in work units in China: The case of Guangzhou Shi

Introduction

The previous three chapters explored the features of social insurance in China and Guangzhou Shi with qualitative research techniques of reviewing the policy documents and interviewing the experts. It was also highlighted at the ending of the last chapter that, with the example of Guangzhou Shi, the maintaining of traditional Chinese values and socialist economic system constitute features of the social insurance in China. Because of these two important forces the Chinese government has a rather dissimilar view on the objectives, policy planning, and provision pattern of social insurance. Nevertheless, the features of the Chinese social insurance have not been examined in depth, especially an analysis with the data collected from field study.

In order to explore into the aforementioned issue, quantitative research techniques with questionnaires administered by trained interviewers was carried out in Guangzhou Shi, China in 1995. This capital of Guangdong Province is situated at the southern end of the province, close to Hong Kong and has a record of the fastest economic growth and rapid reforms in the country. The results of the field research are presented and discussed in this and the following three chapters in two main parts. The first part consists of this and the following chapter focus on the management pattern of social insurance in work units. Chapters Seven and Eight is the second part that will concentrate on the experiences and views of employees. The materials collected from the quantitative and qualitative study will be summed up in the final chapter for understanding the features of the Chinese social insurance.

This chapter has five parts that focus on the administration of social insurance in work units in Guangzhou Shi. These include: the nature of ownership, the nature of business, the provisions of different types of social insurance, the administration and financing of social insurance, and the provisions of supplementary income protections. Before that the following section is going to present the field study method in detail.

The field study with quantitative method

The field study with structured questionnaires is the method used to examine the ‘true or false’ (or how true and how false) of the real world. This method of study applies ‘systematic observation of the world as it appears to the senses.’ (Lessnoff 1979, p.12) The field study in the format of structured interviews for this project was carried out in Guangzhou Shi, Guangdong Province in China from January to March 1995 and is an empirical work for testing the findings obtained from literature review and unstructured interviews. It also provides a material basis which gives insights into the features of the Chinese social insurance and reasoning the relationships between social insurance and the social circumstances in China.

This evaluation on the practices of and experiences on social insurance in a relative developed city in China dealt with both of the ‘supply’ and ‘demand’ sides.¹³⁰ Merriam (1975) suggests focusing on evaluating the social insurance beneficiaries and non-beneficiaries in this method. In this study, however, the approach was modified to investigating the employees of different tenures and in state and non-state owned sectors in order to find out the operation and effects of social insurance. The quantitative research involves first the employees as the ‘client groups’. A certain number of employees in the sampled state and non-state owned units reported their living conditions, experiences in getting the benefits, and views and expectations on social insurance in structured questionnaires administered by trained interviewers. The purpose of this examination is to find out how far the social insurance services cover the employees of different backgrounds, and their responses and expectations towards these income maintenance measures.

In order to achieve the pre-set objectives of this study, the questionnaire for employees comprises the following areas. The first is the demographic background of different groups of employees like gender, age, household status, employment nature (i.e. permanent, contract, etc.). The second area is the set of criteria for employees to be eligible for social insurance benefits. The third area is the adequacy of social insurance

¹³⁰ Merriam (1975) suggests focusing on evaluating the social insurance beneficiaries and non-beneficiaries in this method. In this study, however, the approach was modified to investigating the employees of different tenures and in state and non-state owned sectors in order to find out

benefits in maintaining the living. The fourth concerns how they deal with the general living arrangements, health problems, consumption and other types of incomes, etc. The fifth is their knowledge and usage of other social security programmes. The sixth is the use of insured and non-insured services, e.g. medical services. The final aspect is their experiences and opinions on the services, e.g. time gap between application, benefit payment, and services provided. The questionnaires drawn for the above-mentioned examination were administered within a fixed number of the sampled work units.¹³¹ These included state enterprises (*guoying qiye*), public service departments (*guojia jiguan*), private economies (*siyou*), individual household economies (*geti*) and enterprises with foreign capitals (*sanji*).

Apart from researching into the 'users' of social insurance in Guangzhou Shi, the study also examines the providers of social insurance. Research on work units was designated to provide evidence in answering the first and second research questions stated in Chapter One. Firstly it featured social insurance in Guangzhou Shi by probing the relationships between the ownership backgrounds, funding resources and the provisions of social insurance services. Second it explored the conditions for eligibility and categorisation of beneficiaries. Thirdly it examined the formats of provisions in social insurance.

Concerning the sampling survey in developing countries as China, Bulmer (1993, p. 91) states that "...in many third world countries, sampling according to standard principles poses formidable problems.... There are usually no sampling frames, no central registry of all citizens, no census tracts with home addresses, and no comprehensive directories of who's where. If any of these do exist, they are likely to be unreliable except possibly in some rural areas." In brief Bulmer emphasises the difficulties that sampling frames are not accessible if they exist, statistical research is nigh impossible, in developing countries and such adversity may lead to great error in surveys conducted in developing countries.

In order to avoid the weakness of 'misleading information' in conducting the survey, non-probability sampling is used for this study because of the "...indefinite

the operation and effects of social insurance.

¹³¹ The sampling method will be shown in later parts in this chapter.

populations, unavailable sampling frames, small budgets, lack of time, inexperienced personnel, pressure for results and the like." (Roy *et al.* in Bulmer 1993, p. 97-98) Yet, this survey applied the multistage method to eschew serious errors in the process.

In referring to non-probability sampling Nachmias (1981, p. 298-300) list three different methods. For this study, however, quota-sampling method was used. The reasons of picking quota-sampling method were two. First, the objective of this quantitative study is to explore the features of social insurance in China with the information collected by field study. In practice a particular group of people (i.e. the beneficiaries) in one main aspect of social security (i.e. social insurance) were examined.¹³² Second, two contrasting categories of people were identified (i.e. the state and non-state sectors) in this exploratory study.¹³³ The following discussions will present the sampling method of this study.

The multistage quota sampling for this study started from the provider side, i.e. work units of both ownership natures. The first step was to identify the 'primary sampling units' (PSU) that largely reflect the population. (Nachmias 1981, p. 299) Table 4-1 in Chapter 4 shows that Guangdong Province was chosen because, unlike the other prosperous provinces and metropolitan cities (e.g. Beijing, Shanghai) or some of the poor remote mountainous areas (e.g. Guizhou and Gansu) where extreme cases were found, it imaged China's socio-economic circumstances. Table 4-1 demonstrates that in comparison with the whole country Guangdong Province was ahead slightly in the secondary and tertiary production sectors. The urbanising economic structure was one of the reasons for choosing Guangdong Province as the PSU. The socio-economic structure of Guangdong Province was explained by Vogel (1989) and in the previous chapter. The other noteworthy issue rises from Table 4-1 is the higher percentages of non-state owned sector. This highlights the significant changes in the employment system and consequently reforms in social insurance services. In sum, Guangdong Province is the place selected for demonstrating the provisions of social insurance in China because it epitomises the socio-economic conditions of the country and is often taken as a national

¹³² C.f. Martin Bulmer (1993:98) and Catherine Marsh (1981:275-276).

¹³³ In order to contrast the differences, the equal numbers of questionnaires were distributed to the participants in both of the economic ownership system and thus grasped the balance view on the provision of social insurance. For detail description of the method please refer to the subsequent parts.

model by central planners and commentators.¹³⁴

The second step was to find out the sizes of the social labour forces in Guangdong Province. According to the Guangdong Yearbook 1994 the total labour force (urban and rural) in Guangdong Province in 1993 was 34.34 millions. This included 5.64 million staff and workers (*zhigong*) in state-owned units, 2 million *zhigong* in collective units, 23.26 million rural labours, 1.43 million owners and employees in individual economy and private economy, 1.13 million *zhigong* in other units, and 0.88 millions in other economic units. As mentioned earlier, this study only concerned social insurance in urban areas and so the rural labour force was not counted. Table 5-1 below shows the features of labour forces in urban Guangdong Province. The table also reveals virtual parity between the number of employees in state-owned units and other units.

Table 5-1 Distribution of employees in urban Guangdong Province in 1993

| Economic ownership type | Number (10,000) | % |
|--|-----------------|--------|
| State owned | 563.63 | 50.87 |
| Collective | 199.99 | 18.05 |
| Other natures of ownership | 87.58 | 7.90 |
| Private economy and Individual household economy | 143.24 | 12.93 |
| Other work units | 113.54 | 10.25 |
| Total | 1,107.98 | 100.00 |

Source: Guangdong Yearbook 1994, p. 633.

It is learned from Table 5-1 that in 1993 the urban labour force in Guangdong Province was more than 11 million. Accordingly, the PSU was refined so the sampled area was Guangzhou Shi, the capital city of the province.¹³⁵ The GTJ 1994 (p. 371, Table 12-7) states that in 1993 Guangzhou Shi recorded a total 1.97 million labour force. The cohort included 1.24 millions employed in state owned units, 0.47 million in collective units and another 0.39 million in work units of other ownership such as private economy, individual household economy and foreign capitals related units. Table 5-2 below shows that as an old city Guangzhou Shi was weighted with a greater proportion of its labour force in state owned work units than the others.

¹³⁴ For example, the Financial Times of 13 January 2000 describes Guangdong Province as the powerhouse of China's economic development.

Table 5-2 Urban labour force in different economic ownership sectors in Guangzhou Shi in 1993

| Types of units | Number (10,000 people) | % |
|-----------------|------------------------|-------|
| State-owned | 124.40 | 63.13 |
| Collective | 39.03 | 19.81 |
| All other types | 33.62 | 17.06 |
| Total | 197.05 | 100 |

The above table shows that the labour force in state-owned units was biggest. For achieving the purpose of examining the features of social insurance, this study contrasted social insurance services for the labour force in state owned and non-state owned sectors. Hence the questionnaires were distributed in like manner among the employees and work units. A quota of 500 questionnaires were set for employees and 25 for the managers or owners of the work units after consulting the local government offices, e.g. Economic Systems Reforms Committee, Social Insurance Services Bureau and Civil Affairs Bureau, and the academic institute, i.e. the Sociology Department of Zhongshan University in Guangzhou Shi.

The subsequent steps of sampling were to make out the significant chunks and then pick out the segments. The chunks for this study were, first, state owned sector and, second, the grouping of the collective, individual household economy, private economy and other units as 'non state-owned sector'. On the other hand, the segments were the different types of business in that particular ownership system. It was mentioned above that there were 16 different businesses listed in the statistical yearbook and in view of the limitations of this study it was necessary to narrow down the focus. The method was to determine the average number of employees in the listed businesses. Finally, certain businesses were identified because they employed a distinguishable number of people.

In addition, for the purpose of finding out the features of social insurance by contrasting the different variables, only those businesses found in both of the ownership sectors and employing the largest group of the labour force were selected as the chunks. Based on the GTJ 1994 three main businesses were identified under the aforementioned criteria: manufacturing, catering, wholesaling and retailing, and social services.¹³⁵ Table

¹³⁵ For the boundary of Guangzhou Shi please refer to Chapter 4 of this study.

¹³⁶ The definition of social service industry refers to the labour and services for facilitating people's daily living such as hotels, barber shops, public baths, photo shops, clothes cleaning

5-3 below shows the selected chunks for this survey.

Table 5-3 Number of employees in selected businesses by different ownership system in Guangzhou Shi in 1993 (figures in 10,000 people)

| | State owned | Collective | Other units | Private & Individual |
|-------------------------------------|-------------|------------|-------------|----------------------|
| Manufacturing | 33.785 | 18.844 | 13.707 | 2.014 |
| Catering, wholesaling and retailing | 16.067 | 9.640 | 1.737 | 8.755 |
| Social services | 7.333 | 2.924 | 3.194 | 1.891 |

Source: GTJ, 1994, Table 12-6, p. 370.

Table 5-4 Selection of work units by chunks and segments

| | State owned | | | Non state-owned | | |
|-----------------------------------|------------------------------|-------|------------|------------------------------|-------|------------|
| | Number of employees (10,000) | % | Work Units | Number of employees (10,000) | % | Work Units |
| Manufacturing | 33.785 | 59.08 | 7 | 34.565 | 55.12 | 7 |
| Catering, Wholesaling & Retailing | 16.067 | 28.10 | 3 | 20.132 | 12.17 | 2 |
| Social Services | 7.333 | 12.82 | 2 | 8.009 | 32.11 | 4 |
| Total | 57.185 | 100 | 12 | 62.706 | 100 | 13 |

The final stage of sampling was to find out the individual units from the segments to be interviewed. Nachmias (1981, p. 310) suggests that if there are more units in the segment then the study should include a specified fraction of the units. It was obvious that the selected segments had more than one unit from which the fractions were made. Table 5-4 above shows how the 25 work units were allotted from the chunks and segments. The distribution of questionnaires to these 25 units between the segments was based on their percentages within the particular chunks. Because of the different numbers of employees in the two chunks, this study interviewed 12 state-owned units and 13 non state-owned units. Based on this sampling method the researcher solicited a list of work units supplied by the interviewers who carried out the pilot test on the questionnaires. The researcher then selected and invited 25 work units to be interviewed by the interviewers. (See Appendix)

and dyeing, renting, and repairing, etc.

The interviewers, who were recruited from the Sociology Department of Zhongshan University in Guangzhou Shi, had strong linkages with state organisations and enterprises because they always conduct academic studies in the locality. With this 'relationship' (*guanxi*) the officials and managers in work units were more willing to participate and felt comfortable providing assistance. In addition, with the assistance from some of these students in carrying out the pilot test in December 1994, the wording in the questionnaires was rephrased to be more colloquial to facilitate the structured interviews. In a nutshell, this sampling employed an especially favourable and unique method which was an ideal match for the special social conditions in China.

Table 5-5 Social insurance research in work units in Guangzhou Shi

| Ownership | Business category | Quota | Completed | % by ownership | % by business |
|------------------------|-------------------|-------|-----------|----------------|---------------|
| State | Enterprises | 7 | 8 | 48 | 32 |
| | Business | 3 | 2 | | 8 |
| | Services | 2 | 2 | | 8 |
| Collective | Industries | 5 | 4 | 32 | 16 |
| | Business | 2 | 2 | | 8 |
| | Services | 2 | 2 | | 8 |
| Private/ Individual | Business | 2 | 2 | 12 | 8 |
| | Industries | 1 | 1 | | 4 |
| Others | Industries | 2 | 2 | 8 | 8 |
| Total | | 26 | 25 | 100 | 100 |

The field study was conducted from January to April in 1995 and was accomplished by 12 third-year undergraduate students from the Department of Sociology of Zhongshan University in Guangzhou Shi. These students were recruited and trained to assist in administrating the questionnaires and data input. On average each interviewer completed about 45 questionnaires in four months.¹³⁷ The completed questionnaires were counter-checked before the data were codified and analysed by the SPSS statistical program. In general, the field study met the set targets, i.e. 25 work units of various ownership systems and types of business, and 524 employees of different demographic and employment status. (Tables 5-5 & 5-6) Except for the smaller scale work units, which employ fewer people in private (*siyou*) and individual (*geti*) economy,

¹³⁷ The interviewers visited the work units and interviewed the persons-in-charge on social/labour insurance first. After that they went to the workshops or offices of the work unit to interview the employees. Other than the specific situations in individual economic units, about 25 employees were interviewed with questionnaires in most work units.

this survey achieved the assigned quota in every single state-owned (*guoying*), collective (*ziti*), and foreign capital related (*waiji*) work unit. After presenting the sampling method the following section analyses the results.

Table 5-6 Social insurance research on employees in Guangzhou Shi

| Ownership | Business category | Quota | Completed | % by ownership | % by business |
|------------------------|-------------------|-------|-----------|----------------|---------------|
| State | Enterprises | 160 | 155 | 45.2 | 29.6 |
| | Business | 40 | 38 | | 7.2 |
| | Services | 40 | 44 | | 8.4 |
| Collective | Industries | 100 | 98 | 34.7 | 18.7 |
| | Business | 40 | 44 | | 8.4 |
| | Services | 40 | 40 | | 7.6 |
| Private/ Individual | Business | 40 | 46 | 12.8 | 8.8 |
| | Industries | 20 | 21 | | 4.0 |
| Others | Industries | 40 | 38 | 7.3 | 7.3 |
| Total | | 520 | 524 | 100.0 | 100.0 |

The nature of ownership and types of business

There are four main business types of work units examined in this study: services, business, industries, and state organisations. Among them 60% were industrial units, 40% were services, business and state organs. In sum, most of the work units being interviewed participated in secondary economic production activities whilst the others were tertiary or services units. This situation resembles the different production economic sectors in major cities like Guangzhou Shi in China.

The results show that the distribution of the sampled work units in different businesses and ownership natures is in accord with the pre-set quota. In this study 66.7% industrial units were state-owned and 33.3% were non state-owned. On the other hand the number of non state-owned service units outnumbered their counterpart. One additional point requiring mention is that, according to this study no local individual was the owner of a *sanji* unit. On the other hand, no capitalist from Hong Kong or Macau claimed he owned or had shares of a joint stock work unit. This verifies the argument made previously that local entrepreneurs are usually involved in units of a smaller scale, and the investors from outside China favour the joint venture format of business.

Among the 25 work units interviewed in this study, 48% (12) were state-owned enterprises, business units, and party and government organisations. Within the 13 non state-owned work units 61.5% or 8 were collective enterprises and business units, 23.1% or 5 were units privately owned by local people and the Chinese from Hong Kong or Macau. Finally, the study also interviewed 2 units of other ownership types in non state-owned sector.

**Table 5-7 Established years of work units by different nature of ownership (%)
n=25**

| Years | State-owned | Collective | Private |
|------------------|-------------|------------|---------|
| Below 10 | 8.3 | 28.6 | 100.0 |
| Below 15 | 8.3 | 28.6 | 0.0 |
| Below 30 | 25.0 | 28.6 | 0.0 |
| Below 40 | 25.0 | 0.0 | 0.0 |
| 41 years or more | 33.3 | 14.3 | 0.0 |
| Total | 100.0 | 100.0 | 100.0 |

The data reveal that the weaker the relationship of the unit with the state, the shorter the establishment period. ($p<.005$) It was found that one-third of the state-owned units were established more than 40 years, in contrast with only 7.7% in non state-owned sector or 14.3% for the collective units. On the other hand, all of the privately owned work units in this study were established in the past 10 years, whilst only 8.3% of the state-owned sector and 28.6% of the collective units fell into this category. (Table 5-7) This proves non state-owned work units were younger in comparison with most state-owned units that were founded in the 1950s and 1960s.

The other issue about the work unit's business type and the establishment years is that most business and service units (70%) started in the past 15 years, with 50% of them younger than 6 years. In contrast, most industrial units had been set up for longer periods, with 26.7% older than 40 years. This phenomenon reflects that there were stronger needs in long-term social insurance such as retirement pensions in industrial sector, especially for the blue collars in state-owned units. Most importantly, this issue reveals two specific characteristics of social insurance in Guangzhou Shi. First, demands on social insurance from the employees in state-owned work units are higher because of ageing problems, 'customised' wide coverage and generous benefits to protect the social

labour force under socialism. Second, in order to satisfy the growing demands on income maintenance in the reforms, the contributory mechanism set up for accomplishing the goal of socialisation of social insurance will result in a horizontal redistribution system between the employees in different economic ownership sectors. However, the most significant characteristic of this is the strong political and economic will that direct the whole income maintenance system.

Social insurance in work units

It was found in the previous chapters that there were six main social insurance programmes in China: retirement pensions, unemployment benefits, OISH benefits, maternity benefits, medical and sickness benefits and survivor's benefits and funeral supplements. The following presentation will focus on the management of these social insurance programmes in Guangzhou Shi, as well as their relations with the specific nature of work unit and employment conditions.

Table 5-8 Provisions of social insurance programmes to employees of different employment natures by work units. (%) N=25

| | Permanent | Contract system | Temporary | Others | All |
|---------------------|-----------|-----------------|-----------|--------|-----|
| Unemployment | 48 | 40 | 4 | 4 | 23 |
| Retirement pensions | 76 | 68 | 20 | 12 | 44 |
| Death | 80 | 68 | 56 | 16 | 55 |
| Maternity | 84 | 76 | 32 | 16 | 52 |
| Sickness/medical | 88 | 76 | 64 | 20 | 52 |
| OISH | 88 | 76 | 84 | 20 | 67 |
| All | 77.3 | 67.3 | 43.3 | 14.7 | |

Table 5-8 above features what and how social insurance services were provided in work units to employees of different employment natures. Among the six social insurance programmes 'OISH benefits' was the most active service among all work units. The table shows that as many as 67% of the work units provided OISH benefits to their staff and workers. In contrast, 'unemployment benefits' was the least active. The result shows that less than one quarter (23%) of the work units interviewed provided unemployment benefits.

In relation to OISH, the provisions of other social insurance services were also less significant. For example, 44% of the work units offered 'retirement pensions' and 55% set up 'survivor's benefits'. Such phenomenon has two implications. First, it echoes the argument made before that social insurance in China is occupational welfare related. The high provision rate of OISH and low percentage for unemployment reflects a long-standing situation. OISH is the income maintenance service directly or indirectly related to needs created at work whilst unemployment is perceived as the malfunction of the social or economic mechanisms. Furthermore, the relatively high supply rate of OISH can also be interpreted as the outcome of the state's remarkable employer role. The employer-employee relationship is enhanced through the state-unit-employees fabric, which, to a large extent, work units execute the national social insurance policies with the funds obtained from the concerned ministry at the central level.

Second, in social insurance provisions work units were inclined to favour permanent employees. In general, 77.3% of the work units accommodated permanent staff and workers with all of the six social insurance benefits while on the other extreme only 14.7% of the work units offered the same to the employees who were categorised as 'the others'. From a more refined view the discrepancies between permanent and non-permanent employees are shown by the declining percentages between the two main groups of employees in every single social insurance programme.

Clearly the greatest discrepancy exists in the area of retirement pensions. In examining 76% of the work units providing this insurance to permanent employees, only 20% of them offered it to temporary employees. This phenomenon also arose in respect of the OISH, 4% more of the work units offered OISH cover to permanent employees. What is more, despite mandatory social insurance regulations, fewer work units were offering social insurance cover to contract system workers than to permanent workers.

Table 5-9 outlines that employment nature (i.e. being a permanent or contract system employee) rather than the classification of ownership system of the work unit affects one's eligibility to social insurance. The table shows in detail that a very high percentage of state-owned work units provided permanent workers with social insurance. Except for unemployment benefits, 100% of the state-owned work units provided all

other types of social insurance benefits to permanent employees. On the other hand, contract system workers in state-owned units were also widely covered with social insurance when they lost income for the reasons of sickness, maternity, the decease of a family member, and injury or death at work. Relatively, fewer work units provided social insurance to non-permanent employees such as temporary workers. The table shows that while 58.3% of the work units in the state-owned sector provided unemployment benefits to permanent workers, the temporarily employed and workers of other employment natures were totally denied benefits in these work units. In addition, these groups of employees in state-owned units were virtually denied income protection in old age. The result shows that only 16.6% of the state-owned work units provided retirement pensions to this category of workers in contrast with 100% for permanent workers.

Table 5-9 Provisions of different social insurance programmes in work units of different ownership system. (%) N=25

| Employment nature | Permanent | | Contract system | | Temporary | | Others | | All | |
|---------------------|-----------|-----------|-----------------|-----------|-----------|-----------|--------|-----------|-------|-----------|
| Sectors | State | Non-state | State | Non-state | State | Non-state | State | Non-state | State | Non-state |
| Sickness | 100 | 77 | 100 | 53.9 | 83.3 | 46.2 | 25 | 15.4 | 77.1 | 52.1 |
| Maternity | 100 | 69.2 | 100 | 53.8 | 33.3 | 30.8 | 25 | 7.7 | 64.6 | 43.8 |
| Retirement pensions | 100 | 53.8 | 91.6 | 46.2 | 16.6 | 23.1 | 16.7 | 7.7 | 56.3 | 37.5 |
| Unemployment | 58.3 | 38.5 | 50 | 30.8 | 0 | 7.7 | 0 | 7.7 | 27.1 | 22.9 |
| Survivors' | 100 | 61.5 | 100 | 38.5 | 58.3 | 53.8 | 25 | 7.7 | 70.8 | 43.8 |
| OISH | 100 | 76.9 | 100 | 53.8 | 91.6 | 76.9 | 33.3 | 7.7 | 81.3 | 58.3 |

When comparing the relationships between the work unit's ownership nature and the provisions of social insurance, Table 5-9 shows that, in general, fewer non state-owned units provided social insurance to all types of employees than the state-owned. For example only 58.3% of the non state-owned units provided OISH benefits to all types of workers whilst 81.3% of the units in state-owned sector did. However, the correlation between ownership systems and the provisions of social insurance are different from programme to programme. The strong correlation (i.e. $p<0.05$) between these two variables can be found in sickness benefits for contract system workers, maternity benefit for contract system workers, retirement pensions for permanent workers and contract system workers, OISH for contract system workers, and death

benefits for permanent workers and contract system workers. The only insurance benefit that has no significant correlation is unemployment benefit.

Another specific observation made from the above discussion is that non state-owned units provide less social insurance to contract system workers. This situation, however, is not significant for the employees in permanent, temporary, and other employment terms. The result reveals that survivors' benefit was the most typical example which is reflected by a very high correlation ($p=0.00098$), i.e. fewer contract systems workers may receive survivors' benefits. The provision of survivors' benefits to the families of permanent workers was also related to the ownership system of the work units. A similar situation was found in retirement pensions.

The findings in previous paragraphs raise an important issue: work unit's ownership nature does not affect the eligibility of permanent workers to social insurance. It is found that both state-owned and non state-owned work units widely covered this type of employee with social insurance. On the other hand, economic ownership of work unit is an insignificant factor in providing social insurance for those who were employed on a non-permanent basis. The data show that the opportunities for temporary workers to get income protection through social insurance were limited in both the state-owned and the non state-owned work units.

Last but not least, generally less non state-owned work units provided social insurance. For example, the median percentage of work units in non state-owned sector providing retirement pensions is 30.8% whilst for state-owned work units this is 58.3%. This difference is the greatest (27.5%) among all of the social insurance services offered in both economic ownership sectors. Conversely, the difference in the provision of unemployment benefit is little (5.9%).

The implications of this comparison are that: first, social insurance provisions are varied between work units of different economic ownership systems. The results show that fewer non state-owned work units than state-owned units provide social insurance to their employees. In addition to the consequence of more employees being neglected in non state-owned work unit, it also raises the issues of ineffective social insurance legislation and implementation. Second, there were very low percentages of work units

in both sectors covering their staff and workers with unemployment insurance. This implies 'out of work' was still interpreted differently and not commonly recognised as a problem in a socialist country. Such ideology is particularly related to the political belief which creates the pattern and guides the development of social insurance in China. Third, in contrast with unemployment benefits, more work units consider OISH benefits as a more important social insurance item. The high provision rate of work units in both sectors with OISH benefits reflects the production-oriented characteristics of social insurance programmes in this socialist country. After having presented the different social insurance programmes in work units, the next section will present the administration and financing of the benefits.

The funding pattern of social insurance

It was stated in Chapter One that one of the research questions in this study is to explore the features of social insurance programmes in China from its managing and financing methods. The focus of this section is designated for such objective by comparing the funding patterns of social insurance in state-owned and non state-owned work units. This issue is important since it tells us to what extent and in what areas the social insurance services are financially supported in the different economic ownership sectors in Guangzhou Shi. Furthermore, such empirical study also enhances the knowledge of the peculiarities of social insurance in the country.

There were various financing channels for social insurance in work units in Guangzhou Shi. These channels can generally be grouped into first, direct funding from the state, and second, funding through contributions from the work unit or individual employee, or both. The first group refers to direct state allocation (*zhongyang fenpei*) in which the state's money goes to the specific financial accounts managed by the work unit for social insurance programmes (*zhuankuan zhuanxiang*). The second funding source includes self-funding by the work unit (*danwei zichou*) and contributions to insurance companies from the work unit and its employees (*danwei yu zhigong gongkuan*). Usually work units appropriate from their own budget to finance social insurance services or contribute to insurance companies rather than fundraise from the public. On the other hand, employees' contributions in the dual-party system do not affect their benefit from other specifically designed social insurance socialisation

programmes.

In brief, the above two are not the exclusive funding methods but were widely used in the sample work units. It is therefore apparent that work units might have more than one financial source to support the social insurance programmes. In Table 5-10 below the single- and multiple-sources for social insurance programmes used by work units in Guangzhou Shi are listed. The table features show that, in contrast with survivors' benefits and sickness and medical benefits, more work units sought funding from various sources for retirement pensions and OISH. However, because of the special characteristic of the planned economy, state-allocated funds go only to state-owned work units. In other words, economic ownership of work unit conditions the pattern of funding for social insurance and that work unit cannot determine a preferred way.

**Table 5-10 Funding channels for social insurance services in work units (%)
N=25**

| | Sickness | OISH | Retirement | Maternity | Unemployment | Death |
|------------------|----------|------|------------|-----------|--------------|-------|
| Single-source | 92 | 80 | 71.4 | 87.5 | 85.7 | 95.5 |
| Multiple-sources | 8 | 20 | 28.6 | 12.5 | 14.3 | 4.5 |

The results demonstrate that the most usual way to finance social insurance programmes was through self-financing, i.e. the work unit exercised its discretion in budgeting for social insurance expenses. This was quite common for the work units that have only limited funding sources, e.g. the state-owned units that are heavily backed by the state. It is learned from the study that 66.7% of the work units used their own resources to finance social insurance services whilst another 23.7% of the work units supported the social insurance by contributing to insurance agencies together with their employees. Relatively, 6.4% and 3.2% of the interviewed work units sought funding from the state or other unexplained methods. However, the later three funding ways played an unimportant role in financing social insurance programmes. In short, 'self-generated funds' was the primary source of funding for social insurance benefits, whilst 'multiple party contribution to an insurance company' was the secondary way, and the 'allocation from the state' was the third listed solution. However, for state-owned work units the first and third approaches might have no difference since their operation funds

are determined by state.

In the reform era, both of the first and third funding sources may not be effective for work units in both sectors. The non state-owned units, for example, are unwilling to appropriate for social insurance funding from their profits. In contrast, faced with the competitive and open market economy and the minimised state's role in social insurance provisions, the financial resources allocated to state-owned work units from the centre will be very strictly controlled. Consequently all work units will change to contributing to insurance agencies with their staff and workers in the socialisation of social insurance services. Nevertheless, the funding pattern of social insurance is rather peculiar and will therefore be elaborated on below.

Table 5-11 below shows that state-owned work units got more resources for social insurance than their counterparts. For example, among state-owned units up to 25% had access to state funding of maternity benefits, 16.7% were allocated with state funds for other insurance programs like sickness and medical, retirement pensions, death, and OISH, respectively. This contrasts starkly with the non state-owned work units, none of them received any resources from the state.

Table 5-11 Sources of funding for social insurance programmes in work units of different ownership sectors (%) n=25

| Methods of funding | State allocation | | Financed by work unit only | | Multiple party contribution | | Contribution by employee only | | Others | |
|---------------------|------------------|-----------|----------------------------|-----------|-----------------------------|-----------|-------------------------------|-----------|--------|-----------|
| Ownership Sectors | State | Non-state | State | Non-state | State | Non-state | State | Non-state | State | Non-state |
| Sickness | 16.7 | 0 | 91.7 | 84.6 | 16.7 | 7.7 | 8.3 | 0 | 0 | 7.7 |
| Maternity | 25 | 0 | 91.7 | 76.9 | 16.7 | 7.7 | 0 | 0 | 0 | 0 |
| Retirement pensions | 16.7 | 0 | 66.7 | 38.5 | 58.3 | 46.2 | 0 | 0 | 0 | 0 |
| Unemployment | 8.3 | 0 | 41.7 | 30.8 | 33.3 | 7.7 | 0 | 7.7 | 0 | 0 |
| Death | 16.7 | 0 | 91.7 | 69.2 | 16.7 | 7.7 | 0 | 0 | 0 | 0 |
| OISH | 16.7 | 0 | 91.7 | 61.5 | 33.3 | 46.2 | 0 | 0 | 0 | 0 |

Table 5-11 features the relationship between work unit ownership background and funding sources for social insurance. Generally, state-owned work units had greater accesses to resources and were willing to appropriate their resources to finance social insurance. This inclination was proved by a relatively high percentage of the state-owned

units that provide unemployment benefits more than the non state-owned units. It was found that 41.7% of the state-owned units indicated self-funding for unemployment benefits in contrast with 30.8% in the non state-owned sector. In fact, the willingness of the state-owned units is generated from the close state-enterprise relationships. These work units used state funding but not the unit's resources in supporting social insurance programmes. In this sense, for state-owned units state allocations and self-financing mean the same thing. It is thus clear at this point that the reformed socialist economic system creates two main types of production units and an unequal financing structure. Some of these work units have advantages in using public money to finance social insurance whilst the others have to seek for support on their own. The accessibility to public money for social insurance in state-owned units makes the services akin to occupational welfare. It also creates an unequal income maintenance system for work units and employees.

Self-funded social insurance has the advantage of efficiency. Benefit payments within the control of the units needed shorter time because of the direct management and accessible records. However, the dark side of this approach might be that the service is unstable because the employer or manager of the unit controls both production and the provisions and management of social insurance services. In the 1990s in Guangzhou Shi there were some cases where state-owned units could not give retirement pensions to the retired because of deficits in the units. This phenomenon relates to the uniqueness of centralised economic planning and an underdeveloped economy. In the concluding chapter this particular issue will be elaborated on.

Within the non state-owned sector, it is found that more work units (46.2%) contributed to insurance companies for retirement pensions and OISH. On the other hand, a relatively low percentage of these units would prefer to pay from their own accounts the retirement pensions (38.5%) and unemployment benefits (30.5%). In general, contributing to insurance companies for funding social insurance was not so popular among non state-owned units, although the reality is that these cannot get any allocation from the state.

The preference to self-funding for certain social insurance programmes also reflects the opportunistic and passive attitude of non state-owned units. Their

opportunistic view was demonstrated by the higher percentages of these units in self-financing the sporadic needs on social insurance such as sickness, maternity, death and occupational benefits. On the other hand, the higher percentage of the non state-owned work units in contributing to insurance companies for the long-term insurance benefits such as retirement benefits can be explained as the effects of mandatory insurance policies and their limited sources to support these insurance programmes.

In concluding the discussion on the funding pattern of social insurance in Guangzhou Shi, China, it is found that because the state-enterprises relationship was still tangled, the state's funding for social insurance was lopsided to these units. Discriminative funding practices are one of the particularities of social insurance in China. This discrimination, however, varies as the state-enterprise relationship changes. Individual household units, for example, get nothing from state in comparison with large-scale enterprises owned by a ministry, or even the collective units owned by local government.

The results show that even though self-financing was still the most popular way to support the insurance services, both the state- and the non state-owned units had just started to approach insurance companies to provide social insurance services. The more resourceful state-owned units, under this situation, get an additional channel to finance the social insurance services. In a nutshell, the financing pattern of social insurance in China with the case of Guangzhou Shi is unique in its multifarious types. Nevertheless, the provisions of funding are different and uneven between state-owned and non state-owned work units. The inequality in funding may consequently cause ineffective services, put the related employees into unfavourable living conditions, and arouses social dissatisfaction.

The management and provisions of social insurance benefit

One of the features of social insurance reforms in China after mid 1980s is the diversification of the monotonous work unit-supported benefit paying methods. Although some work units still continue to shoulder the responsibilities of social insurance management designated in the past, other work units had started to link up with insurance companies or state departments for joining the contributory social

insurance system. These insurance companies are usually state-owned (e.g. the People's Insurance Company of China) and the administrative departments (e.g. Social Insurance Services Bureau and the Bureau of Labour) are directly controlled by the central government.

In comparing the attitude of the holistic management approach on social insurance, with the stance that contributing to insurance companies is voluntary, this is rather innovative for this socialist developing country. However, this is the objective of socialisation emphasised by the Chinese government. But since the insurance market in China is still under very strict control the commercial insurance market is insignificant.¹³⁸ In addition, the services of these state-owned units are limited and insensitive to the new social needs so that they cannot respond to the income maintenance problems in the 1990s.

Table 5-12 Provisions of social insurance in work units of different economic ownership (%)

| Formats | State-owned (n=12) | Non state-owned (n=13) |
|---|-----------------------|---------------------------|
| i. Sickness and medical benefits | | |
| Free medical consultation and medicine. | 16.7 | 15.4 |
| To reimburse a certain part of the expenses from the work unit. | 83.3 | 69.2 |
| Fixed amount of benefits for a certain period (month/year), the concerned employee pays all the rest. | 16.7 | 0.0 |
| Fixed amount of benefits for a certain period (month/year), the concerned employee pays part of the rest. | 25.0 | 23.1 |
| The unit contributes to insurance companies that are responsible for the expenses. | 16.7 | 7.7 |
| Others. | 0.0 | 15.4 |
| ii. Retirement pensions | | |
| The unit and employees contribute to insurance companies from which retired employees will get their retirement pensions. | 66.7 | 61.5 |
| Only the unit contributes to insurance companies from which the retired employees can get their retirement pensions. | 8.3 | 15.4 |
| The unit gives the retired employees regularly (e.g. monthly) the retirement pensions. | 83.3 | 23.1 |

¹³⁸ The foreign-funded insurance companies have started the business on an "experimental basis" since 1992. "At present, only Shanghai and Guangzhou are involved in the trial." (Beijing Review, Vol. 39, No. 2, 8-14 January 1996) The Beijing Review also states that "some 77 foreign-funded insurance companies had established 119 representative offices in China by October 1995."

| | | |
|---|------|------|
| The unit gives a lump sum retirement pensions to the retired employees. | 0.0 | 0.0 |
| The unit regularly (e.g. monthly) pays the current employees the retirement pensions only. | 8.3 | 0.0 |
| Others. | 0.0 | 0.0 |
| iii. OISH | | |
| The unit and employees contribute to insurance companies from which the qualified employees can get their OISH benefits. | 33.3 | 38.5 |
| Only the unit contributes to insurance companies from which the qualified employees can get their OISH benefits. | 33.3 | 7.7 |
| The unit gives a lump sum of OISH benefits to the qualified employees. | 25.0 | 15.4 |
| The unit pays the qualified employees the OISH benefits on multiple occasions (e.g. monthly). | 25.0 | 38.5 |
| The unit regularly (e.g. monthly) pays the current employees the OISH benefits that the employees cannot get the benefits when they have such needs. | 25.0 | 0.0 |
| Others. | 8.3 | 7.7 |
| iv. Maternity | | |
| Full-paid (wages only) maternity leave. | 25.0 | 0.0 |
| Child allowances.* | 91.7 | 76.9 |
| Special allowance related to maternity issues. | 16.7 | 7.7 |
| The unit regularly (e.g. monthly) pays the current women employees the maternity benefits that they cannot get the when they have such needs. | 0.0 | 0.0 |
| Others | 0.0 | 0.0 |
| v. Unemployment benefits | | |
| The unit and employees contribute to insurance companies from which qualified employees will get their unemployment benefits. | 41.7 | 15.4 |
| Only the unit contributes to insurance companies from which qualified employees will get their unemployment benefits. | 16.7 | 7.7 |
| The unit gives the unemployed employees regular (e.g. monthly) unemployment payments. | 16.7 | 0.0 |
| The unit gives lump sum unemployment benefits to the unemployed employees. | 8.3 | 15.4 |
| The unit regularly (e.g. monthly) pays the employees unemployment benefits that they cannot get when they have such needs. | 8.3 | 7.7 |
| Others. | 0.0 | 7.7 |
| vi. Death benefits/funeral supplements | | |
| The unit and employees contribute to insurance companies from which the family dependants of the qualified employees will get death benefits/funeral supplements. | 16.7 | 7.7 |
| Only the unit contributes to insurance companies from which the family dependants of qualified employees will get the death benefits/funeral supplements. | 8.3 | 7.7 |
| The unit gives the family dependants of qualified employees | 25.0 | 7.7 |

| | | |
|--|------|------|
| regularly (e.g. monthly) the death benefits/funeral supplements. | | |
| The unit gives lump sum death benefits/funeral supplements to the family dependants of the qualified employees. | 75.0 | 61.5 |
| The unit regularly (e.g. monthly) pays the employees the death benefits that their family dependants cannot get when they have such needs. | 0.0 | 0.0 |
| Others. | 50.0 | 23.1 |

*Child allowance is also called 'Health Care Allowance for Single Child' which is given to the single child of married women employees as though being rewarded as "those who respond to the State's call on birth control." (Su 1994, p. 387). According to Su, the couples can get 5 yuan per month when they produce the 'Single Child Certificate'.

Table 5-12 above listed the different provision formats of the six social insurance programmes in Guangzhou Shi. It shows that for some specific provision formats there is a consistent pattern. For example 83.3% of the state-owned and 69.2% of the non state-owned units provided sickness and medical benefits by reimbursing a certain part of the expenses from work units. Furthermore, whilst 66.7% of the state-owned units provided for retirement pensions by contributing to insurance companies, there were 61.5% units in the non state-owned units which also did so.

The social insurance provision formats as outlined in the case of Guangzhou Shi offer an insight that the involvement of third parties such as insurance companies was rather low. Except for retirement pensions, all of the other five social insurance programmes were mainly managed and financed by work units, no matter whether the benefits were paid in advance or only when the immediate needs were manifest. Such phenomenon can be found in work units of both of the ownership sectors and thus a specific feature is found: for work units in both of the ownership sectors, social insurance plans in China are mainly managed within work units and supported by their own resources.

Another characteristic of social insurance provisions in China learned from this study is that state-owned work units have more diversified provision formats than non state-owned units. Table 5-12 shows that state-owned units provided a wider spectrum of services. The implication of this particular finding is that employees in work units of both economic ownership systems were offered the services with different opportunities to get income protection through social insurance. Employees in state-owned work units

were offered relatively more benefit formats. This relates to the equality issue in the provisions of social issuance.

All in all, three significant features can be found from the study on the provision formats of social insurance in Guangzhou Shi. First, social insurance provision formats are affected by the work unit's ownership background. This issue is particular to social insurance in China since work units play significant roles in all aspects of the people's living. Furthermore, the provision pattern of social insurance is related to other issues like coverage and effectiveness of the services, the subsequent parts of this chapter will probe these matters to see uniqueness of social insurance in the Guangzhou Shi.

Second, the social insurance provision pattern is affected very much by funding sources. Since insurance companies are not active in social insurance services and the insurance business is state-controlled which deals with mainly government-related organisations only a limited number of work units contribute to insurance organisations for just a few social insurance programmes. In other words, irrespective of the setting up of the government controlled social insurance services bureaux, social insurance services are still not 'socialised' in China.

Finally, the social insurance provision formats in state-owned work units are more diversified because of the specific state-enterprise relationships. In contrast, work units and their employees in non state-owned sector are put in an adverse situation because their resources for social insurance are less flexible. In brief, insignificant and insufficient services of the insurance companies and selective state funding for work units of different ownership background are the factors and the characteristics of social insurance in China.

Table 5-12 shows the different funding methods in social insurance in China. The paragraphs below demonstrate how the different social insurance services were provided in work units. The findings show that, for sickness and medical insurance about 15% of the work units in both sectors provided free medical consultation and medicine to their employees, whilst around 70-84% chose to reimburse the staff and workers a certain part of the expenses from their own budgets. Work units in the non state-owned sector, 'fix the amount of the expenses for employees within a definite period' which was not as

popular as in the state-owned sector. 16.7% of the state-owned work units used this method and another 25% were more generous in paying part of the employee's share. Furthermore, more state-owned units (16.7%) contributed to insurance agencies than those units in non-state sector (7.7%). However, some of the non state-owned units (15.4%) found other alternatives to provide the service.

The findings also show that the most popular way of offering medical and sickness insurance was for the unit to reimburse part of the employee's medical expenses. 76% of all work units used this approach to pay for their employees' medical expenses. However, most of these work units (60%) offered the service with only one single method whilst 32% employed two and another 8% had up to three ways. In sum, regardless of the kind of ownership of the work unit, paying sickness and medical benefits directly by the work units is the most commonly used method of delivery.

Referring to retirement pensions, 64% of the work units provided the benefits in connection with insurance companies while 52% chose the way of giving out the benefits regularly to the retirees directly from their budgets. Contributing to social insurance on work unit's own was not typical (12%). Only 4% of the work units chose to vary the benefits according to the employee's age. From the study it is also learned that 48% of the interviewed work units offered this social insurance service in one single way, 28% employed two different approaches and 8% effected it with more than 3 different methods. Interestingly, 16% of the work units had not provided retirement benefits and these were all non state-owned units. Last but not least, none of the work units offered the retirement pensions in a lump sum payment.

In sum, more units would prefer to involve insurance companies to provide long term insurance services such as retirement pensions. However, there were still a higher percentage of the units, especially those in the state-owned sector, which paid retirement pensions directly by themselves. This particular format of providing retirement pensions is highly correlated with ownership system. ($p<.005$) This phenomenon indicates that, in relation to non state-owned units, state-owned work units are more flexible and diverse in the provision of some kinds of social insurance.

When comparing the provision methods for OISH in work units, 68% applied

only one method whilst another 24% used two. Only 4% of the work units employed three different formats to provide the benefits and another 4% did not have any experience in offering this type of insurance service. The provision patterns of OISH benefits seem dissimilar to the two insurance programmes previously discussed - for OISH there were no dominant provision types. 36% of all the work units contributed jointly with the employees for the OISH and another 32% paid the benefits in multiple formats from their budgets. Some other work units (20%) provided the benefits in a lump sum whilst another 20% contributed to insurance companies on their own. OISH benefit payment in advance to employees at their posts was not common. Only 12% of the work units did so and these were all state-owned work units. This reflects the fact that social insurance benefits are treated the same as job-related occupational welfare in state-owned units.

For non state-owned work units, more units (38.5%) chose to pay the qualified employees regularly by themselves and another 38.5% associated with insurance companies. There was no work unit of this economic ownership sector which paid the OISH to employees in advance as the state-owned units did. This provision format is very dependent on the ownership system of the unit ($p<.005$). The implication is that the funding for social insurance in non state-owned units comes from either their own budgets or contributions from employee as stipulated in the regulations. These work units scrutinise the need of applicants in a more careful manner. This also indicates that social policy in China needs clearer guidelines for units to follow in the process of socialisation.

In referring to the provisions of maternity benefits the study yields with the results that 84% of the units offered mandatory child benefits to the applicants who called on the state's birth control policy. On the other hand only 12% of the work units offered paid maternity leave and these were all state-owned. There were also 12% of the work units providing maternity related allowances to qualified employees whilst none of the units paid the insurance benefits in advance as part of the employees' incomes. Generally speaking, 80% of the work units employed only one way of providing the benefit, 8% provided it in two different ways and 4% in three ways. Also exposed is 8% of the work units had never offered these insurance benefits. And they were all non state-owned.

The study reveals an important issue that more state-owned units observed the state's policies than non-state-owned units. ($p<.005$) This is proved by the higher percentages (25%) of state-owned units allowing their women employees to take paid maternity leave. In the study no non state-owned work unit made such an offer. This state of affairs suggests two implications. First, state-owned units were more resourceful so that they could support this format of provision. Second, non state-owned units were less concerned with the physical and financial situations of the employees and showed less respect for social insurance regulations. The first implication is already clear from previous discussions but the latter requires more examination.

The penultimate social insurance programme is unemployment benefit. The work units used six different approaches in providing benefits. Among them most of the interviewed work units (28%) chose to contribute together with their employees to insurance companies. On the other hand, 12% of the work units contributed on their own and another 12% offered lump sum benefits to the unemployed. Furthermore, 8% of the units opted for regular payments by work units and another 8% paid in advance to the employees' incomes to minimise the administrative work.

On the whole, 12 (48%) work units that had never paid unemployment benefits to their employees. Among them the ratio between state-owned and non state-owned work units was half-and-half. Apart from this, 40% of the work units provided the benefit by one single arrangement, 8% gave the benefits via two different channels and 4% offered benefit in a multiple manner. The lesson learned from this insurance programme is that state-owned units have more varieties in providing unemployment benefits. In comparison with non state-owned work units, state-owned work units inclined to provide the service through insurance companies.

The final social insurance programme on the agenda is survivors' benefits and funeral supplements. The study shows that lump sum payment to the survivors was the predominate mode (68%). The second favoured format (35%) varied from unit to unit, special arrangements between the survivors and the work units were not unusual. In addition, one can hardly find a work unit which paid this benefit in advance to their employees. It should be noted that circumstances under which an advance payment for

this benefit would seem weird in any country. Likewise, there were fewer work units (12%) contributing to insurance companies on their own or together with their employees (8%). Finally some work units (16%) expressed the wish to be able to give lump sum benefits to the survivors. Among these work units 75% were state-owned.

The provision format of survivor benefits and funeral supplements was found to be rather diversified. Fewer work units (44%) offered this benefit in one major format. Conversely, 44% of the work units accommodated the needs with more than two designs. It is also interesting to find that 12% of the work units had never provided this benefit and all of these were non state-owned. This reflects the fact that younger employees are more concentrated in non state-owned units.

In conclusion, some features can be drawn from the case of Guangzhou Shi. First, for the majority of non state-owned work units the methods of providing social insurance are limited. Although choices may vary from item to item, in general state-owned work units have more methods than their counterparts. This may correlate with other factors such as the financial resources, the values and good will of the employers and employees, etc. It is learned that the availability of the services is a significant factor affecting the satisfaction of social insurance. Therefore the correlation between the sources of funding and the formats of provision should be evaluated.

Another significant feature revealed from the previous discussion is that the role of 'the third party' such as insurance company had not been recognised. Insurance companies are involved only in the long-term nature of insurance programmes. For example with retirement pensions vital numbers of work units contributed with their employees to insurance companies for retirement pensions. Furthermore, the active involvement of insurance companies in some of the insurance programmes also reflected the legislation effects on the provisions of social insurance. The government of Guangzhou Shi had started to enforce the mandatory retirement pensions schemes, OISH programmes and unemployment insurance. It seems that more work units insured against these risks for the employees under the Labour Law (*Laodong Fa*) 1994 that went into effect from early 1995.¹³⁹

¹³⁹ The Labour Law of the People's Republic of China was promulgated in July 1994 and has been effective from 1 January 1995. In Article 73, Chapter 9 on Social Insurance and Welfare it

Finally, the study results show that social practices and traditions act upon the provisions of social insurance. For example, fewer work units provided unemployment benefits by contributing to the insurance agency. This displays the lower acceptance of this need of the concerned individual and the society in a socialist system. On the other hand, a large number of work units chose to offer survivors' benefits and funeral supplements in a lump sum only as the needs arose. There are not too many work units arranging this through insurance companies or pay in advance to the employees at their posts. An implication is therefore developed from here that, apart from the funding issue, social traditions and values play an active role in the development of social insurance in the country.

The adjustment of benefit levels and the provisions of other assistance

In this study the work units were asked whether they had ever adjusted the insurance benefit levels. The data shows 20 out of 25 units; i.e. 80% did so. Among these work units 8 were non state-owned and 12 were state-owned. The remaining 5, which had never adjusted the benefit, were all non state-owned. The correlation between ownership system and the adjustment of benefit levels is high ($p<.005$). In other words, state-owned units were more apt to adjust the benefits than non state-owned units.

The reasons to adjust the benefits were various and the work unit might revise them for more than one reason. Table 5-13 below shows that among the four mentioned reasons, the units, especially the state-owned, usually observe the regulations stipulated in state or regional social insurance policies. It implies that the socialist economic and political system creates a specific environment in which not only are the work units differentiated by their ownership backgrounds but also makes them respond dissimilarly to the regulations and policies on social insurance. 52.6% of the state-owned units always observed the policies and regulations to adjust their social insurance benefit as compared with 40% in the non state-owned sector.

states that "workers are eligible to enjoy social insurance under any of the following conditions: retirement, sickness or injury, occupational related sickness, disease or handicapped, unemployment, maternity." (Tang, 1994, p. 7)

Table 5-13 Reasons of increasing social insurance benefits in work units of different ownership sectors (%)

| Ownership natures | Reasons for increasing benefits | | | |
|------------------------|---------------------------------|--------------------------|-------------------------------|---------------------------|
| | Inflation | More resources available | National or regional policies | Feed back from recipients |
| State-owned (n=12) | 21.1 | 21.1 | 52.6 | 5.2 |
| Non state-owned (n=13) | 20 | 30 | 40 | 10 |

The reasons to adjust social insurance benefit levels included consideration of inflation, the availability of more resources in the work unit, and feed back from benefit recipients. It is shown in Table 5-13 that, for both sectors, few work units responded to the views of the benefit recipients but more work units would like to adjust the benefits when they have more resources. On the other hand, fewer units in the non state-owned sector considered inflation as a reason to adjust the benefits. To a certain extent, this reflects the strong socialist belief in the effective economic management under the centralised government. However, from another perspective, this ideology demonstrates the low sensitivity of the employers in this socialist developing society to the radical changes in the national economy and the impacts on the people's living.

In brief, the adjustment of social insurance benefits is highly correlated with the ownership nature of the unit. The results show that more state-owned units would like to adjust social insurance benefits than the non state-owned. State-owned work units seems to be much more compliant to the policies when contrasted with non state-owned units. This phenomenon underscores the strong state-enterprise relationship created within the socialist centralised economic system and which is active in the provision of social insurance.

On the other hand, benefit recipients' responses were relatively less concerned. This situation is especially significant among non state-owned units. Except where stipulated in policy documents, in most cases the benefit levels were not adjusted even though the needs for income maintenance were acute because of inflation. Conversely, the availability of resources in work units was determinant, i.e. the provision of social insurance depends very much on how much resources the work units can and wish to appropriate. This issue is particularly related to the socialist developing economy of

China. As exhibited by the case of China, social resources are unequally distributed after the economic ownership system is diversified. It is apparent that non state-owned work units have diminished access to social and economic resources because they have a weaker relationship with the state and party.

In general, social insurance in this country was provided at the minimal benefit levels set in the regulations. Higher level benefits arise only as a blessing from the work unit, rather than addressing the real needs stemming from the changing economic system or expressed by the service recipients. This fact brings out the need to understand the provisions and formats of the additional assistance offered by work units.

This study also explored the availability of an additional safety net to safeguard the people from sudden loss of incomes. It shows that state-owned units were more prepared, considerate and generous than non state-owned units in providing supplementary benefits to employees who claimed social insurance benefits were insufficient for their living. All the 12 state-owned work units in this study replied that they provided supplementary benefits when such needs arose. On the non state-owned side, 9 out of 13 work units made such provisions and another 4 did not provide. In short, the provision of supplementary benefit to meet the additional financial needs of employees is related to the ownership nature of the unit. In other words, more state-owned units provide extra financial assistance to the labour force when their social insurance benefits are not enough. ($p<.005$) The provisions of supplementary benefits, nevertheless, were mostly conditional and reviewed case by case, with only a very limited number of the units making the offer unconditionally.

Furthermore, it is also necessary to report that the ratio of work units providing emergency assistance to those who had not joined any social insurance schemes was higher in the non state-owned sector. 9 out of 13 (69.2%) of the non state-owned units compared with 7 in 12 (58.3%) in the state-owned sector offered such kind of emergency assistance. The higher rate among non state-owned work units offering such assistance shows that the concept of social insurance is not well developed in the country. It especially demonstrates that in China the newly emerging capitalists only prefer ad hoc emergency relief to contributory long-term social insurance schemes for income protection.

The formats of assistance offered to employees with emergency needs included lump sum cash supplements, loans with or without interest, advance salaries, referral services and others. These devices can also be grouped into cash supplements, loans (including advance salaries), and referral services. In general, cash supplements are the most generous which need not be repaid. However, it is found that the 8 out of 14 units offering this type of assistance were state-owned units whilst most of the non-state owned units offered the benefits but with conditions attached. Non state-owned units usually allowed these employees in need advances on their salaries instead of giving loans. On the other hand, none of the non state-owned units referred these employees to other service agencies such as trade unions, Civil Affairs Bureaux and street committees whilst 2 among the 12 state-owned units did so.

In summarising the discussions it has to be pointed out that state-owned units were more willing to offer assistance to those in need, no matter whether the individual was covered by social insurance or not. Nevertheless, this assistance was short term in nature. In addition, for non state-owned units the assistance was mainly conditional, such as advance salaries or loans. The role of work units in this sense was as a creditor rather than a service provider for those in need. Furthermore, non state-owned units were less supportive of contributory social insurance services and weak in networking with outside organisations that can offer help to the employees.

In responding to another question on the conditions to give non-contributory assistance to employees with contingent financial needs, there were relatively more (69.2%) non state-owned units setting hurdles than the state-owned units (41.7%). In all 14 units the criteria of getting non-contributory living supplements included: work performance, assessment made by the work units, the stipulated conditions set in the policies, political performance, employment conditions, rank or post, recommendations made by other companies such as trade unions.

Interestingly, the data show that state-owned units prefer the recommendations from other organisations to political performance when setting up the criteria. The involvement of external organisations can be found only in the state-owned sector. This outstanding approach reflects the strong correlation between the ownership nature of the

unit and the conditions to get the help. ($p < .005$) For non state-owned units, there is quite a contrast in that work performance was put as the paramount important factor. 6 out of 9 non state-owned units considered that this was the condition for the employees to get non-contributory living supplements. For state-owned units on this particular issue the ratio was only 1 in 5. In short, the stipulation of non-contributory living supplements in non state-owned units was determined by one's productivity. The more productive the labour the higher the chances of getting the living supplements without making extra contributions. This implies first, non-contributory living supplements in non state-owned units are analogous with occupational benefit. Second, as developed from the former point, older and weaker labour forces are usually discriminated against regarding income protections if they have never joined and contributed to social insurance schemes.

Thus the scenario is that, for state-owned units, both contributory social insurance programs and emergency relief for employees are hardly distinguishable in that both benefits come from the state when the need is there. The assessment on the needs and provisions of income maintenance services in state-owned units, however, are also linked with other state-related organisations although they are not specifically responsible for social insurance services. On the other hand, non state-owned work units would only provide statutory social insurance services because they are not allocated with the resources from the state. These work units, on the other hand, have weaker ties with state organisations and place great weight on the employee's productivity when making the assessment. These contrasts between work units of different ownership background highlight the special characteristics of social insurance in Guangzhou Shi.

Summary and Conclusions

It was discussed in Chapter One that one of the ways to find out the features of social insurance services in China is to examine how the services are managed and the benefits provided. In order to achieve such a purpose, a field study with questionnaires administered by trained interviewers was carried out in Guangzhou Shi, Guangdong Province. The study covered various aspects related to social insurance services but the discussions of this chapter focuses on the financing and benefit provision patterns of social insurance, as well as the supplementary benefits offered in the work units.

The beginning of this chapter highlighted the nature of ownership of work units as a specific and main issue in the study of the features of social insurance in China. The dual ownership system, as discovered in this chapter, causes problems to the funding and provisions of social insurance services. In addition, it also affects the availability of supplementary benefits for employees. Such phenomena are clearly proved throughout the chapter by the high correlation rates between the independent variable, i.e. the work unit's ownership background, and dependent variables such as funding sources, benefit provision methods and the formats of supplementary benefits.

The message of the discussions of this chapter is that the nature of economic ownership is an important issue in exploring the features of social insurance services in China. Economic ownership of the work unit is the basic criteria that determines how and to what extent the production force can benefit from social insurance. The economic ownership issue relates particularly with the socialist ideology and political system that governs the establishment and management of social insurance. Before the inception of the 'Four Modernisations' in the late 1970s the ownership issue was not so prominent because public ownership was the main economic mode of production, the country's economy was nationalised and centralised. The emerging of the needs for social insurance, however, is a product of diversifying the economic system.

The growth of the non state-owned sector since the early 1980s creates some forces pushing for reforms in social insurance. On the one hand these forces challenge the obsolete labour insurance which was merely occupational welfare designed for alleviating the living problems of the employees within work units. On the other hand the reforms in social insurance policies were insensitive to the needs of the rapidly rising number of non state-owned work units and their employees. Social insurance services in China are reformed for sustaining the socialist economic system and then realising the political ideals. It is a new bottle with the old wine. The data collected from the field research shows the state-owned sector has advantages over its counterpart in funding resources and supporting network. In comparing the work units in state-owned sector with non-state owned work units it is also demonstrated that supports from the state are weaker for providing social insurance services. Furthermore, non state-owned work units do not observe the stipulations of social insurance policies in the country. Consequently, non state-owned work units provide only minimal insurance benefits to eligible

employees or try to avoid fulfilling their responsibilities by whatever means possible.

The study on social insurance in Guangzhou Shi reveals its limited coverage and unstable state support. Its peculiarity, in addition, highlights the strong political will and economic growth strategies. These are the significant features of the social insurance services in Guangzhou Shi. Socialist ideology dominates the provision pattern whilst the economic growth development approach creates two consequences. First, the national economy is transformed and second, the state faces great limitations on regulating and supporting a 'socialised' social insurance system. The uniqueness of social insurance in China, as depicted in this chapter, is the overtly politically directed development and provision of benefits approaches. The case study on Guangzhou Shi shows that the features of social insurance in China are different from what pass as the conventional pattern found in capitalist developed countries

The study of the features of social insurance in China is an underdeveloped area of social policy. However, such study should have a wider perspective far beyond the analyses on the financial resources and provision patterns. The following chapters will explore this particular topic by examining the extent and reasons for discrepancies in the coverage of social insurance services in Guangzhou Shi.

Chapter Six

Coverage of social insurance in China: The case of Guangzhou Shi

Introduction

In the Third Plenary Session of the Fourteenth National Congress of the Communist Party of China (CPC) in November 1993, the CPC said that the roles of social security reforms were for “deepening the reforms”. The aims of the reforms, as stated in the congress, were to stabilise the society and develop a socialist market economy. In practice, the state’s role as sole provider and manager of social security becomes the regulator to overseeing the running and provisions of the services. In other words, whilst the state-enterprise relationships is being dissolved, the occupational welfare-nature social insurance will be ‘socialised’ by shifting the responsibility to be shared by employees and employers.

It has been found in previous chapters that, as other social institutions in the country, the social insurance system in China is conditioned by the socialist political and economic systems. It was shown that, because of the social environment, social insurance is not primarily aimed at satisfying the people’s contingent income needs. The features of social insurance in China with the case of Guangzhou Shi is made clear further by the re-emergence of private ownership and a non-permanent labour force in its modernisation process. The last chapter showed that the social insurance programmes in China have many unique features.

As a continuation of last chapter, this chapter reports and analyses the specific findings arising from the structured interviews in Guangzhou Shi in responding to the research question set in Chapter One on the coverage issues of social insurance services. In order to elicit the features of social insurance in China this chapter focuses on the criteria set by work units on one’s eligibility to social insurance like individual needs, personal commitment, personal status, etc. In addition, it is also necessary to make reference to the characteristics of the outstanding groups of employees in the existing social insurance system. In concluding the chapter it is found that as a social institution social insurance in China is directed by a particular pattern of values and accordingly its coverage is partial.

Employment, wages and living supplements in work units

Before discussing the conditions of being covered by social insurance in China, a glance at the working conditions of employees in work units of different natures is necessary. The first of the three parts in this section will elaborate the different employment types in work units. The second part is about the formats of paying wages. Finally, it will demonstrate how living supplements are offered in work units.

Table 6-1 Ratio of employees of all employment natures in work units (Number of state-owned units=12, number of non state-owned units=13)

| Employment Natures | Ownership Sectors | 1-40% | 41-80% | 81% or over | Not offered |
|--------------------|-------------------|-------|--------|-------------|-------------|
| Permanent | State | 4 | 4 | 3 | 1 |
| | Non state | 3 | 3 | 4 | 3 |
| Contract System | State | 7 | 1 | 1 | 3 |
| | Non state | 3 | 1 | 3 | 6 |
| Temporary | State | 8 | 3 | 1 | 0 |
| | Non state | 6 | 2 | 2 | 3 |
| Others | State | 2 | 0 | 0 | 10 |
| | Non state | 2 | 0 | 0 | 11 |

There are three main employment types in China in the early 1990s: permanent, contract system, and temporary.¹⁴⁰ The results show that the sampled work units tended to employ people with longer terms. There were 41-80% of the employees in 7 or 28% of the 25 work units working on permanent terms, another 7 work units offered 81% or more of their employees the same terms. On the other hand, 14 out of the total 25 work units offered 1-40% of their jobs on temporary employment conditions, whilst there was only a small proportion of the units (12% in total) filling the posts with a large ratio (i.e. 81% or over) of temporary employees. For contract system employees, it is found that more work units (40%) offered lower percentages (i.e. 1-40%) of the posts to this type of employees and another 9 (36%) did not make such offers at all. In addition, there were only 6 or 24% of all of the work units employed contract system workers to fill their 41-80% posts. (See Table 6-1)

¹⁴⁰ In this study, workers who are contracted to work on projects in work units or those with less secure employment terms are categorised as 'the others'. The example is *nongmin lunhuan*

Generally speaking, employment patterns in work units of both sectors were similar. The distributions of permanent, contract system, and temporary workers and workers of other employment types were alike in state-owned and non state-owned work units. This implies ownership systems have weak correlation with employment natures. In referring to this point the follow-up question is: How different are the employees treated within the units? In the previous chapter (Table 5-8 & Table 5-9) it was shown that the less permanent the employment conditions the more limited the chances to get social insurance. It is necessary here to see whether and to what extent the different types of employees were treated differently in their work units.

The second point for discussion is the format of wages, i.e. regular or irregular. It was found in this study that non state-owned work units were likely to pay the wages irregularly (i.e. non-monthly paid) in contrast with state-owned units (50%) which did so less. ($p<.005$) As high as 84.6% of the interviewed non state-owned work units paid wages by piece rate, hourly, daily and weekly. In general, more work units (68%) paid temporary workers irregularly.

This study also reveals that among the four different types of employees, contract system workers were the highest paid. About one quarter of the work units paid contract system workers at the lowest monthly wage level (500 yuan or less) in contrast with 21% which paid them at the highest (1,000 yuan or more). Relative to each other, only 4.5% of the units paid temporary workers at the highest wage level but more (31.85%) paid them the lowest. As few as 9.1% of the work units paid permanent workers at the lowest wage level. On the other hand, 72.7% paid permanent workers the middle level wage and 18.2% gave the highest wage. (See Table 6-2)

Table 6-2 Monthly wage levels by employees of different employment natures. (%)

| | Lower income group (<500 yuan) | Mid income group (500-1,000 yuan) | Higher income group (1,000 yuan or above) | % |
|-----------------|---------------------------------|------------------------------------|---|-----|
| Contract system | 26.3 | 52.6 | 21.1 | 100 |
| Permanent | 9.1 | 72.7 | 18.2 | 100 |
| Temporary | 31.8 | 63.6 | 4.5 | 100 |

The final issue is about the provisions of living supplements (*shenghuo jintie* or *shenghuo xin fuli*) in work units. In China living supplements are also part of the income of staff and workers. Living supplements are cash incomes given by work units to employees for the expenses of accommodation, canteen, nursery, non-staple foods, etc. (Zhu 1991, p. 450) In the study it was found that most work units (89.5%) provided the lowest level of living supplements to temporary workers whilst only 5.3% of the work units provided at the highest level. For contract system workers, more work units provided them lower living supplements but a few more work units provided the highest level of supplements to permanent workers. (See Table 6-3)

Table 6-3 Different types of employees in units by the provision of living supplements per month at different levels. (%)

| Employment conditions | Low benefit group (50 yuan or below) | Mid benefit group (51-100 yuan) | High benefit group (101 yuan or above) | % |
|-----------------------|--------------------------------------|----------------------------------|--|-----|
| Contract system | 43.5 | 26.1 | 30.4 | 100 |
| Permanent | 31.6 | 31.6 | 36.8 | 100 |
| Temporary | 89.5 | 5.3 | 5.3 | 100 |

In concluding this part it is found that in general, work units of both ownership sectors employed similar approaches in managing the pay rolls. The results show that employment patterns were alike in these work units. Among the 25 units 76.7% offered over 40% of their employees permanent terms, 62.3% and 63.6% of the units offered 'contract system' and 'temporary' terms to the employees, respectively.

The case of Guangzhou Shi demonstrates that the employment nature or status relates with the sources and levels of incomes (wages and living supplements). The more secure the employment the higher the income (or the broader the income base). Temporary workers were mostly treated less well in the provision of living supplements than contract workers and permanent workers. In contrast, the wage levels of contract system workers were the highest among the three, although they could not get other supplements. But overall, the incomes of permanent employees were highest because they have various supplements.

From the previous discussion it can be inferred that since temporary workers were usually non-permanent residents in Guangzhou Shi that household status determine one's income levels. Migrants are therefore the deprived group of people who are the least covered by income maintenance services and have limited access to raise their incomes in formal employment. Migratory workers are usually found in economic transformation (industrialisation) and social development (urbanisation). However, because of the specific national population policy and economic ownership systems in China, migrants in the country face more difficult situations and live in more deprived conditions. In brief, political transition and economic transformation despoil migratory workers of social insurance protection. The deprivation of migratory workers in social insurance services is one of the features of social insurance in China that needs further investigation later.

Criteria for being covered by social insurance

In order to understand the criteria for being covered by social insurance, the work units were asked whether income levels were set as the threshold. It was found that only 2 out of the 12 work units in the state-owned sector set income ceilings or baselines for employees to join social insurance programmes. This phenomenon is similar to that in non state-owned work units, except for OISH where more non state-owned units set an income ceiling as the limit.

Within a specific ownership group, however, there are some interesting findings. Among all of the social insurance programmes, more (12) non state-owned units offered maternity benefits without income limitations. This approach responds to the argument made in the last chapter that maternity insurance as a mandatory insurance programme attracted the most attention of the units, irrespective of their ownership natures. An examination of the data showed 9 of these work units offered other social insurance programmes without setting income limitations. On the other hand, 10 of the 12 state-owned units did not set limits and this pattern was quite consistent for all social assistance programmes.

In concluding this part, it is found that income thresholds were not frequently set for joining social insurance programmes in work units of both ownership natures. To a

certain extent this shows the universality and availability of the services. One may also conclude that the coverage of social insurance in China was wide enough. Nevertheless, income is not a significant condition for one to join social insurance schemes. In China one's eligibility to social services like education and social relief is determined by one's household background and employment status. Although the ownership background of work unit and employee's income factors are not important, one may still be rejected or only partly provided with the social services because of household and other status considerations. The effects of household and employment status on social insurance coverage in China had not been thoroughly examined in the past. Furthermore, these two issues that shape the Chinese social insurance have been changing following the onset of the modernisation programme of the country. The study on household and employment natures, therefore, highlights the features of social insurance in China.

Provisions of social insurance to different types of employees

In this section, the focal point is turned to the various social insurance programmes provided by work units which engaged workers under different conditions. There are four tables (Tables 6-4 to 6-7) in total and each of them specifically describes the situations of the respective grouping. Table 6-4 shows the provisions of social insurance to permanent employees in state-owned and non state-owned work units. There are two main points. First, more state-owned units offered retirement pensions to permanent employees. In the 12 state-owned units, 11 provided full retirement pensions whilst 1 did so partially. In contrast, 6 of the 13 non state-owned units did not make any offer although the other 7 provided all services. Second, similar patterns occurred with survivors' benefits and funeral supplements. All state-owned units rendered this insurance service comprehensively whilst only 8 of 13 non state-owned work units did the same. For the other social insurance programmes the differences between the units of the two ownership sectors were insignificant. Overall, most of the work units in both of the ownership sectors provided the six social insurance services to permanent employees in full scale, except for retirement pensions and survivors' benefits while more of the non state-owned units did not offer the service. In brief, compared with other types of employees, permanent employees were treated generously.

Table 6-4 Provisions of social insurance to permanent employees in work units of different ownership systems. (Total number of units=25)

| Social insurance | Not provided | | Partly provided | | Fully provided | |
|------------------|--------------|-----------|-----------------|-----------|----------------|-----------|
| | State | Non state | State | Non state | State | Non state |
| Medical | 0 | 3 | 3 | 4 | 9 | 6 |
| Retirement | 0 | 6 | 1 | 0 | 11 | 7 |
| OISH | 0 | 3 | 1 | 1 | 11 | 9 |
| Maternity | 0 | 4 | 1 | 0 | 11 | 9 |
| Unemployment | 5 | 8 | 1 | 0 | 6 | 5 |
| Death | 0 | 5 | 0 | 0 | 12 | 8 |

* Shaded items are social insurance services with high correlation (i.e. $p < .005$) between the provision of services and the work unit's ownership type.

In comparing the generosity of the units to permanent employees, treatments to contract system employees are generally different in the two different ownership sectors. (Table 6-5) The only exceptional case is unemployment benefits practice in work units of both sectors. With this exception, the ownership background of work units affected the provisions of all five other social insurance programmes.

For example, medical and sickness benefits are provided dissimilarly among the units. In state-owned units 9 of 12 (75%) provided full terms whilst 6 in the 13 (46.2%) non state-owned units did the same. In contrast, 6 non state-owned units did not offer this insurance service but no state-owned unit was found to behave in the same manner. For retirement pensions there were also more non state-owned units not making any offer whilst only 1 state-owned work unit did so. Conversely, more state-owned units offered this insurance in full to contract system employees but few non state-owned units acted the same way. A similar pattern is found in OISH benefits, maternity benefits, and survivors' benefits. In brief, except for unemployment benefits, fewer non state-owned units provided social insurance service to contract system workers. This also implies the relationships between the provision of social insurance to contract system employees and ownership system of work unit is strong.

Table 6-5 Provisions of social insurance to contract system employees in work units of different ownership systems. (Total number of units=25)

| Social insurance | Not provided | | Partly provided | | Fully provided | |
|------------------|--------------|-----------|-----------------|-----------|----------------|-----------|
| | State | Non state | State | Non state | State | Non state |
| Medical | 0 | 6 | 3 | 1 | 9 | 6 |
| Retirement | 1 | 7 | 1 | 0 | 10 | 6 |
| OISH | 0 | 6 | 1 | 1 | 11 | 6 |
| Maternity | 0 | 6 | 1 | 0 | 11 | 7 |
| Unemployment | 6 | 9 | 0 | 1 | 6 | 3 |
| Death | 0 | 8 | 0 | 0 | 12 | 5 |

* Shaded items are social insurance services with high correlation (i.e. $p < .005$) between the provision of the services and the work unit's ownership type.

Returning again to temporary employees, however, the scenario is rather different. Work units of different ownership natures provide social insurance to temporary employees in similar fashion. In other words, there is no strong evidence that proves a direct correlation to the ownership systems and the provision of social insurance to temporary employees.

An important point learned from Table 6-6 is that fewer work units offered social insurance to employees with temporary working status. An extraordinary case is OISH benefits that 10 of 12 state-owned work units and 10 of 13 of non state-owned units offered this benefit to this group of employees. Table 6-6 shows further that most work units in both ownership sectors did not offer retirement pensions, unemployment benefits and maternity benefits to temporary workers. In addition, a moderate number of work units protected temporary workers with limited medical and sickness insurance protections.

Table 6-6 Provisions of social insurance to temporary employees in work units of different ownership systems. (Total number of units=25)

| Social insurance | Not provided | | Partly provided | | Fully provided | |
|------------------|--------------|-----------|-----------------|-----------|----------------|-----------|
| | State | Non state | State | Non state | State | Non state |
| Medical | 2 | 7 | 7 | 4 | 3 | 2 |
| Retirement | 10 | 10 | 1 | 3 | 1 | 0 |
| OISH | 1 | 3 | 1 | 0 | 10 | 10 |
| Maternity | 8 | 9 | 1 | 2 | 3 | 2 |
| Unemployment | 12 | 12 | 0 | 0 | 0 | 1 |
| Death | 5 | 6 | 3 | 1 | 4 | 6 |

When comparing the three types of employees, 'employees of other working conditions' are the most miserable. Table 6-7 reveals that this group of employees was the most neglected. In general, 20 out of the all 25 work units interviewed did not give any social insurance service to this group of employees. 24 out of 25 work units rejected providing unemployment benefits. The prejudice is also found in mandatory social insurance programmes in Guangzhou Shi. The study finds that only 4 state-owned units and 1 non state-owned unit provided OISH to this group of employees.

Table 6-7 Provisions of social insurance to employees of other employment conditions in work units of different ownership system. (Total number of units=25)

| Social insurance | Not provided | | Partly provided | | Fully provided | |
|------------------|--------------|-----------|-----------------|-----------|----------------|-----------|
| | State | Non state | State | Non state | State | Non state |
| Medical | 9 | 11 | 2 | 1 | 1 | 1 |
| Retirement | 10 | 12 | 0 | 0 | 2 | 1 |
| OISH | 8 | 12 | 0 | 0 | 4 | 1 |
| Maternity | 9 | 12 | 0 | 0 | 3 | 1 |
| Unemployment | 12 | 12 | 0 | 0 | 0 | 1 |
| Death | 9 | 12 | 0 | 0 | 3 | 1 |

In sum, Table 6-8 below summarised the provisions of social insurance in work units in Guangzhou Shi. It shows that the less secured the employment status the more the likelihood of not being covered by social insurance. Regardless of the ownership category, most work units provided social insurance to permanent employees. In contrast, a very low percentage of the work units protected temporary or employees of other working conditions. Nevertheless, more work units provide social insurance to temporary employees than to employees of other working conditions.

Table 6-8 Different types of employees with fully provided social insurance benefits. (%) N=25

| | Permanent | Contract | Temporary | Others |
|--------------|-----------|----------|-----------|--------|
| Medical | 60 | 60 | 20 | 8 |
| Retirement | 72 | 64 | 4 | 12 |
| OISH | 80 | 80 | 80 | 20 |
| Maternity | 80 | 80 | 72 | 16 |
| Unemployment | 44 | 36 | 4 | 4 |
| Death | 80 | 68 | 40 | 16 |

When looking into the attentiveness of work units on social insurance services for all employees, it is found that more work units offered OISH and maternity benefits than other social insurance items. This reflects some of the shortfalls of the social insurance policies and regulations. First, work units would like to offer OISH and maternity benefits because contributions to these two services are lower relative to other social insurance items. In addition, the paying of these two benefits is subject to many bureaucratic rules (especially for OISH) and criteria that discourage the applicants. Thus the generosity of work units may only demonstrate opportunism or the seizing of every chance to gain advantage. The lower percentages of the work units in offering retirement pensions to temporary employees reflect this situation.

The insight gained from the previous discussions is that employment condition and ownership nature of work units affect one's eligibility as well as one's social insurance benefits. There are four significant issues found. First, as high as 100% of state-owned units, partly or fully, offer medical and sickness benefits, maternity benefits, retirement pensions, and survivors' benefits to permanent and contract system employees. Second, for contract system workers some social insurance programmes are provided differently between work units of different ownership. Third, the less secure the job the lower the possibility of getting social insurance. This point is evidenced by the lower percentages of temporary employees and 'employees of other working conditions' being covered by social insurance. Finally, more units are providing OISH and maternity benefits than retirement pensions. Work units are interested only in offering social insurance services that require less commitment from the units. In sum, state-owned work units provided more social insurance services than non state-owned ones; and the coverage of social insurance services does not extend far beyond permanent employees.

The overall implication of the above discussion is that employment and social insurance are the institutions attached to and owned within the work unit - the multi-purpose centralised social institution looks after people's living, manages the country's economic production, and facilitates political advancement. For a long time after 1949 employment was centralised and politicised as the duties for building up a socialist state. Before 1980 the number of non state-owned units was insignificant compared with the

overwhelming number of state-owned units in which the members of the labour force were protected by the state through labour insurance in work units with strong occupational nature. The re-emergence of non state-owned units in the mid 1980s, however, cannot change the long established labour insurance and the affiliated occupational welfare institutions because of the extensive interested parties.

Provisions of social insurance to employees with different household status

It was discussed in the previous chapters and in last section that different employment natures emerge after the economic reforms in the 1980s in China. Employment natures or status in all work units are diversified into permanent, contract system, temporary and the others. On the other hand, the conditions for one to get a job may include the household background, apart from training, age, gender, experience, the available vacancies, and even the national job placement policy.

For a long time, the household system has strictly controlled one's access to state services including education, medical services, and even social relief in China. A migrant may not be eligible to social relief if he is not granted the 'permanent household' status in the locality. Likewise a child who was born without the state's permission is denied access to medical care and schooling services because he is an 'illegal young resident' (*hei haizi*) who has not registered with the local bureau of public security. In the reform era, however, some local governments tried to lift the restrictions in order to facilitate the growth of productivity in view of the fast industrialisation. For example in Shanghai there is a 'blue passbook' system that allows migrants to stay, work and enjoy similar social protections as permanent residents. (Mingpao Daily News, 20/10/1996)

The participation of the people with non-permanent household status in economic production has become a need and trend. In Guangdong Province a relative high percentage of migrants come from all over the country for economic purposes.¹⁴¹ The flooding of migrants into big cities like Guangzhou Shi supplies the labour forces needed for economic growth. Nevertheless household registration policy is a hindrance

¹⁴¹ See Chapter Four of this study.

to being covered by social insurance for these people with non-permanent household status. It is found that most of the migrants were employed as temporary employees in Guangzhou Shi. These migrant workers were deprived of protection from income risks.

Table 6-9 below shows that, 7.1% of the work units offered permanent jobs to those who had temporary household status, 75% of the work units allocated temporary jobs to this specific group of the labour force. In contrast, nearly 50% of the work units provided permanent jobs to those with permanent household status and 37.8% allocated those with permanent household status contract system employment. In brief, employment status strongly relates to one's household background. Thus, there is significant evidence which proves that household background rather than income levels and ownership systems of the work unit affect one's eligibility to social insurance.

Table 6-9 Distribution of employees with different household background employed with various employment statuses. (%) N=25

| Employment status | Permanent households | Temporary households |
|-------------------|----------------------|----------------------|
| Permanent | 48.9 | 7.1 |
| Contract system | 37.8 | 17.9 |
| Temporary | 8.9 | 75.0 |
| Other types | 4.4 | 0.0 |

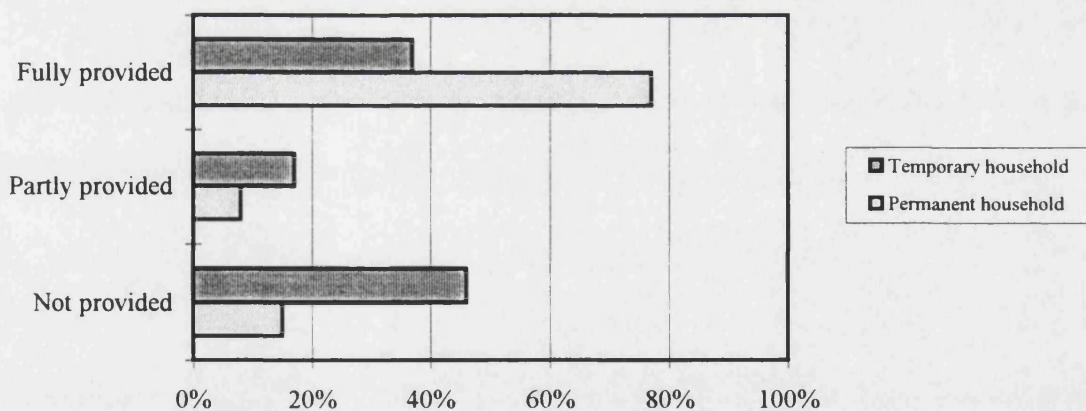
An additional point should be mentioned here is that work units might recruit from informal channels such as the illegal labour market to satisfy their labour demands. In this case, illegal labourers would surrender to work units and were totally discriminated against in being excluded from any protection in the event of sudden loss of income. Thus most migratory workers had to work under unfavourable terms offered by work units in the extreme competitive labour supply market. It is difficult to estimate to what extent such problem existed. In fact this is one of the important topics about the social effects of economic reforms that should be explored. However, a glance at the relationship between the employee recruitment approaches and the provisions of social insurance in the next section will facilitate conceptualising the situation.

To go back to the discussion on the relationships between household background and the provisions of social insurance, Chart 6-1 below generally outlines the picture. The chart shows the frequencies of the provision of different social insurance services in

the 25 work units. The data show that in these units there were 168 alternatives for temporary household employees (i.e. “partly provided” and “fully provided”) whilst for employees with permanent household status there were 258.¹⁴²

Chart 6-1 shows that 76.8% of the work units provided the group of employees with permanent household status full social insurance services. The other 8.5% of the units offered partly and 14.7% refrained from providing any social insurance services to these employees. In contrast, 45.8% of the work units did not offer any social insurance services to the employees with temporary household background, whilst 16.7% of these 25 work units only partly provided the social insurance services and another 37.5% made full provisions. In brief, most employees with permanent household status were covered with full social insurance services in work units. The percentage of the temporary household employees who were not covered with social insurance was three times higher than that of the employees with permanent household background. On the other hand, the percentages of the migratory employees with fully covered social insurance services were two times less than that of the permanent household employees.

Chart 6-1 Provisions of social insurance by household status



The above chart reveals a significant feature of social insurance that is dissimilar to other countries. In most countries social insurance services favour salaried employees for two reasons. First, this group of labour force is more stable and has higher capacities

¹⁴² The frequencies for employees with temporary household status were lower than their counterparts because, according to the study, fewer work units employed people with temporary household status. Therefore the summations of the choices of providing social insurance for employees with permanent and temporary status is different.

to contribute to insurance programmes. Second, it is easier to manage social insurance for these employees because of the availability of records. Sometimes insurance organisations need only to collect the contributions by deducting from the payrolls.

The discrepancy in the coverage between employees with different household status in China has a similar direction. The management of records on the employees with permanent household is much easier than that of the migratory employees. Permanent residents have very strong relationships in the community and register with the local public security office. At grass root level, one has to submit personal as well as family members' details to the public security office and street committee. These administrative measures have the advantage of controlling the mobility of the labour force but causes discrimination against the employees with temporary household status. This approach also discourages mutual help and social solidarity that social insurance may bring forth. More importantly, it creates income protection problems for migratory workers when they are old, sick, unemployed, or handicapped. Kinds of dissimilar treatment to employees with different household status are listed in detail in Table 6-10 below.

Table 6-10 Provisions of social insurance to employees with different household status in work units (Perm.: permanent household, Temp.: temporary household, n = number of work units)

| Social insurance | Provision Formats | Permanent workers | | Contract system workers | | Temporary workers | |
|------------------|-------------------|-------------------|--------------|-------------------------|--------------|-------------------|--------------|
| | | Perm. n=22 | Temp. n=2 | Perm. n=17 | Temp. n=5 | Perm. n=4 | Temp n=21 |
| Medical | None | 0 | 0 | 0 | 0 | 0 | 6 |
| | Partly | 7 | 1 | 2 | 3 | 3 | 10 |
| | Full | 15 | 1 | 15 | 2 | 1 | 5 |
| Maternity | None | 1 | 0 | 0 | 0 | 3 | 14 |
| | Partly | 1 | 0 | 0 | 1 | 0 | 2 |
| | Full | 20 | 2 | 17 | 4 | 1 | 5 |
| Retirement | None | 3 | 1 | 1 | 2 | 3 | 17 |
| | Partly | 1 | 0 | 0 | 1 | 1 | 3 |
| | Full | 18 | 1 | 16 | 2 | 0 | 1 |
| Unemployment | None | 10 | 1 | 8 | 5 | 4 | 20 |
| | Partly | 1 | 0 | 0 | 0 | 0 | 0 |
| | Full | 11 | 1 | 9 | 0 | 0 | 1 |
| OISH | None | 0 | 0 | 0 | 0 | 0 | 1 |

| | | | | | | | |
|-----------------|--------|----|---|----|---|---|----|
| | Partly | 2 | 1 | 1 | 2 | 1 | 1 |
| | Full | 20 | 1 | 16 | 3 | 3 | 19 |
| Death & funeral | None | 2 | 1 | 2 | 1 | 1 | 8 |
| | Partly | 0 | 0 | 0 | 0 | 2 | 3 |
| | Full | 20 | 1 | 15 | 4 | 1 | 10 |

The above table shows the number of work units that provided social insurance services in different manners to employees with different household background. The provision pattern for permanent employees is that more work units offered social insurance to employees with local household status. This can be found in medical and sickness insurance, maternity benefits, retirement pensions, OISH, and death and funeral supplements.

For contract system workers, the situation is not quite the same. Disparities in provisions of social insurance between employees with different household status are significant. Especially, it is found that employees with permanent household status are better served. For example, 15 out of 17 work units fully provided medical and sickness benefits to permanent residents in Guangzhou Shi but only 2 in 5 make the same offer to migratory workers. Furthermore, whilst 5 out of 15 work units did not offer unemployment benefits to non-permanent residents, 8 out of 17 work units did the same way and the other 9 work units fully provided this benefit to employees with permanent household status. Similar patterns are also found in death and funeral supplements, OISH, retirement pensions and maternity benefits.

The situations of temporary employees of the two household registration systems are similar to permanent workers. There is no obvious contrariety in the provision of social insurance. The denial to provide social insurance services in work units was found in many items. For example, 81% of the work units did not offer retirement pensions to the workers of temporary household status whilst 75% of the work units practised the same to those with permanent household status. Similarly 67% of the work units did not offer maternity benefits to migratory workers whilst 75% of the work units provided for permanent residents. Although it is found that the ratio of the work units which did not offer unemployment benefits to workers with permanent and temporary household status workers was 1 to 9.5, this difference is in fact very minimal. In brief, the coverage of

social insurance between employees of different household status varies.

In sum, the coverage of social insurance in terms of household status is specific to China. In political and economic terms household registration system is an effective mechanism that controls internal migration and prevents political instability. Details of the residents are recorded in local public security office and moves from one place to another should be reported or, on some occasion, approved in advance. Apart from this, the household registration system also plays a significant role in an underdeveloped economy. The needs of people are quantified and then satisfied by a ration system with coupons. Furthermore, the household system works beyond the controlling tool on materials supply but the means for achieving the socialist ends of “To each according to his work.”

Three points arise from the discussion on the relationships between the household registration system and social insurance in China. First, social insurance is regarded as scarce resources that only certain groups of people can enjoy. Similar to other social services like education in China, social insurance is an institutional service reward to those dedicated to the country. Migratory workers, especially those who have left their hometowns without permission, are not being protected by social insurance because they move around the country without respecting the national population policy. In other words social insurance in China is an institution to penalise those who do not observe the rules and regulations. A detailed discussion on the eligibility to get maternity benefits in the coming chapters supports this point.

Second, coverage of social insurance is conditioned largely by political and economic factors but is not based directly on the needs of the service recipient. The relationship between political ideals and the economy is openly regarded in China as being very dynamic. On the one hand the socialist economic system governs the national politics whilst on the other the country’s economy is underdeveloped so that it is difficult to realise the socialist objectives. Thus the national economic conditions and political orientation are the two main factors affecting the development and policy of social insurance.

Finally, the household registration system categorises service recipients of social

insurance in China. It is sometimes held that since the Communist Party of China eliminated capitalist classes that an egalitarian society has been built in the country. However, there are still residual forms of social classes existing in socialist society like within the urban household. Urban household status allows one to access social insurance and other institutional services. Hence the household registration system affects the coverage of social insurance because it differentiates the people with need by their social groupings.

The above three points are not exhaustive but highlight the significant effects of the household registration system on social insurance coverage. On the surface the household registration system is an administrative approach to control the people's mobility, as well as the supply of materials. The deep-rooted effect of household registration system on social insurance, however, is the sustaining of inequality in society in which the waged labour force of different household status are not offered the income protection in the same way. In addition, it also provides employers a way of not providing income protection to employees with needs.

Disparity in social insurance coverage caused by one's household status is an outcome of the administrative measures. It is also one of the features of social insurance in China. In view of the fast growing number of migratory workers flowing from other regions into Guangzhou City, these measures may militate against the aims of income protection for all the urban labour force. The household registration system is thus a very significant element in social insurance service in China. The following section reviews how the recruitment methods affect one's eligibility to social insurance in order to see better the features of social insurance in China.

The provisions of social insurance to employees recruited through different channels

In China, a centralised job placement policy supplanted individual job hunting after 1949. Through centralised job placement services the Chinese communist government controls the supply and demand of labour. This administrative approach to labour management aims at realising total control of the national economy in the name of eliminating capitalist exploitation of the working class.

In some circumstances centralised job placement alleviates unemployment. Nevertheless, it disregards individual needs and interests, violates the law of supply and demand, and demands a large-scale effort in administration. The ineffectiveness of the centralised supply of labour led to restructuring the labour market in modernisation. Under this apprehension since the mid 1980s the labour recruitment process has been diversified. In the 1990s there are at least six different ways of labour recruitment in Guangzhou Shi. These six ways are: arrangement by labour bureaux (*laodong bu*), arrangement by labour service companies (*laowu gongshi*), arrangement by the Bureau of Personnel (*renshi ju*), recruitment by the work unit with approval from the Bureau of Personnel, recruitment by the work unit with approval from the Labour Bureau, work unit recruitment with full autonomy and, other approaches. In fact these six different methods can even be grouped into four according to their main features: direct state arrangement, state approval, work unit's full discretion, and other approaches.

Chart 6-2 Different ways of recruiting employees by employment natures

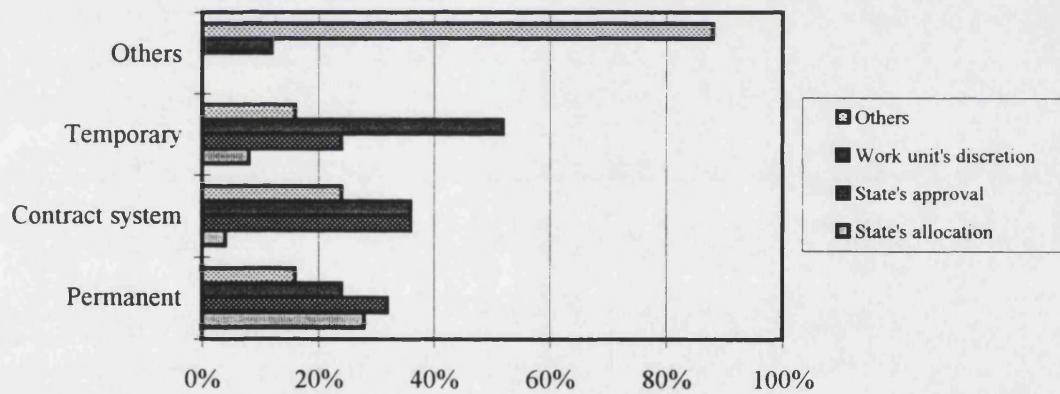


Chart 6-2 above shows the four main groups of methods used in recruiting and employing workers with the different engagement conditions. It is generally found that the more alienated from the state's control in the recruitment process the less secure is the employment tenure. For example, among the work units that recruited and employed temporary employees, 52% made their own arrangements without seeking approval from any government department. In relation to the higher percentage of the work units enrolling temporary employees at their own discretion, 36% of the units had the same experience in hiring contract system workers and 24% in picking permanent employees.

On the other hand, in recruiting employees of other types, most work units (88%) applied other ways and another 12% claimed it was the work unit's discretion to do so. In brief, work units were rather free to engage the 'employees of other types'.

State intervention by requiring approval prior to offering jobs was not unusual, especially for permanent posts. 32% of the work units obtained state approval prior to effecting their own decisions. In contrast, 24% of the work units needed to do so when the job was of a temporary nature. For permanent employees, 60% of the work units referred to the related government departments. Among them, 7 engaged these employees directly allocated by the state and 9 got the state's approval. 6 work units out of the 25 work units recruited permanent workers independently without direct state involvement. In sum, work units have more autonomy in recruiting and employing people with less permanent employment conditions. On the other hand, where the state is involved, the offers are always more permanent in nature. This finding echoes the proposition made in the previous paragraph that some employees were excluded from social insurance protection because they were not formally employed and registered with labour administration departments. In order to substantiate this argument the following part will present the relationship between the provisions of social insurance and the ways of recruiting the employees.

The first issue to be discussed is the relation between the provision of social insurance and the recruitment of permanent employees. Table 6-11 shows that except for unemployment insurance, all of the findings reflected high correlation between the two issues. In other words, the stronger the state's interventions in the recruitment process the more likely the work units offer social insurance. Take the medical and sickness insurance as the first example. 15 (i.e. 60%) of the units that provided medical and sickness insurance benefit had permanent employees engaged under state action such as direct allocation and state approval. This contrasts with those 24% of units recruiting permanent employees under their own discretion, and only 1 (i.e. 4%) of the units provided to the employed who were recruited by other arrangements.

Table 6-11 Provisions of social insurance to permanent employees recruited in different ways. (Number of units=25)

| Insurance programme | Provision | Direct allocation | State's approval | Work unit's discretion | Others |
|---------------------|-----------|-------------------|------------------|------------------------|--------|
| Medical | No | 0 | 0 | 0 | 3 |
| | Partly | 4 | 2 | 1 | 0 |
| | Yes | 3 | 6 | 5 | 1 |
| Retirement | No | 0 | 1 | 2 | 3 |
| | Partly | 1 | 0 | 0 | 0 |
| | Yes | 6 | 7 | 4 | 1 |
| Maternity | No | 0 | 0 | 1 | 3 |
| | Partly | 1 | 0 | 0 | 0 |
| | Yes | 6 | 8 | 5 | 1 |
| OISH | No | 0 | 0 | 0 | 3 |
| | Partly | 1 | 1 | 0 | 0 |
| | Yes | 6 | 7 | 6 | 1 |
| Unemployment | No | 4 | 3 | 3 | 3 |
| | Partly | 1 | 0 | 0 | 0 |
| | Yes | 2 | 5 | 3 | 1 |
| Survivors' | No | 0 | 1 | 1 | 3 |
| | Partly | 0 | 0 | 0 | 0 |
| | Yes | 7 | 7 | 5 | 1 |

Note: The shaded parts means high correlation (i.e. $p < .005$) between the provision of social insurance and the format of recruitment.

The other example is OISH benefit. It is found that 8 work units among the 25 provided the benefit to their employees recruited with state involvement. In contrast, 6 other work units made this offer to permanent employees recruited on their own, and only 1 work unit provided permanent employees with this service who were employed in other ways. Similar patterns are found in retirement pensions, maternity benefits and death benefits.

The exceptional case is unemployment benefits. The provisions of unemployment benefits had no significant difference between the ways that the units used in engaging people. For example, 2 work units did not provide this insurance benefit although they employed permanent employees through the state allocation policy, in contrast with 3 work units that were free from state administration in employee recruitment. However, more (5) units provided the benefit although they were required to seek approval from related government departments.

Similar features can also be found among contract system employees. (Table 6-12) There is a high correlation between social insurance programmes and the different way of employee recruitment. For example, 6 of the work units did not provide retirement pensions to contract system workers who were employed in other ways, in contrast to only 1 work unit that was subject to state involvement in its recruitment process. Similarly, the 6 work units that did not offer OISH were units employing contract system workers recruited by other ways whilst none of these units was subject to state involvement in the labour recruitment process.

Table 6-12 Provisions of social insurance to contract system employees recruited in different ways. (Number of units=25)

| Insurance programme | Provision | Direct allocation | State's approval | Work unit's discretion | Others |
|---------------------|-----------|-------------------|------------------|------------------------|--------|
| Medical | No | 0 | 0 | 0 | 6 |
| | Partly | 1 | 1 | 2 | 0 |
| | Yes | 0 | 8 | 7 | 0 |
| Retirement | No | 0 | 1 | 1 | 6 |
| | Partly | 1 | 0 | 0 | 0 |
| | Yes | 0 | 8 | 8 | 0 |
| Maternity | No | 0 | 0 | 0 | 6 |
| | Partly | 1 | 0 | 0 | 0 |
| | Yes | 0 | 9 | 9 | 0 |
| OISH | No | 0 | 0 | 0 | 6 |
| | Partly | 1 | 0 | 1 | 0 |
| | Yes | 0 | 9 | 8 | 0 |
| Unemployment | No | 1 | 5 | 4 | 5 |
| | Partly | 0 | 0 | 0 | 1 |
| | Yes | 0 | 4 | 5 | 0 |
| Survivors' | No | 0 | 0 | 2 | 6 |
| | Partly | 0 | 0 | 0 | 0 |
| | Yes | 1 | 9 | 7 | 0 |

Note: The shaded parts means high correlation between the provision of social insurance and the formats of recruitment.

Table 6-13 below describes the relationship between the provision of social insurance and the approaches of recruiting temporary employees. The only outstanding feature is the high correlation in OISH. For all other social insurance benefits the relationship between recruitment process and provision of social insurance is not clear. The experience from the provision of OISH and its linkage with recruitment process is that OISH is a very common social insurance that was well known by work units

regardless of the recruitment methods they used. This situation clearly reflects that occupational injury is a common concern among the managers of the work units. It also indicates that the ideology of social insurance in China has strong occupational nature.

Table 6-13 Provisions of social insurance to temporary employees recruited in different ways. (Number of units)

| Insurance programme | Provision | Direct allocation | State's approval | Work unit's discretion | Others |
|---------------------|-----------|-------------------|------------------|------------------------|--------|
| Medical | No | 0 | 2 | 4 | 3 |
| | Partly | 2 | 2 | 6 | 1 |
| | Yes | 0 | 2 | 3 | 0 |
| Retirement | No | 1 | 6 | 9 | 4 |
| | Partly | 1 | 0 | 3 | 0 |
| | Yes | 0 | 0 | 1 | 0 |
| Maternity | No | 0 | 5 | 8 | 4 |
| | Partly | 1 | 0 | 2 | 0 |
| | Yes | 1 | 1 | 3 | 0 |
| OISH | No | 0 | 0 | 1 | 3 |
| | Partly | 0 | 0 | 1 | 0 |
| | Yes | 2 | 6 | 11 | 1 |
| Unemployment | No | 2 | 6 | 12 | 4 |
| | Partly | 0 | 0 | 0 | 0 |
| | Yes | 2 | 0 | 1 | 0 |
| Survivors' | No | 0 | 3 | 5 | 3 |
| | Partly | 1 | 1 | 2 | 0 |
| | Yes | 1 | 2 | 6 | 1 |

Note: The shaded parts means the high correlation between the provision of social insurance and the format of recruitment.

The last issue in this section is about the provisions of social insurance to employees of other types who are recruited by different methods (Table 6-14). As previously pointed out, this group of employees is the most neglected. The table shows that there is no strong relation between eligibility to social insurance and the terms under which they are engaged. In general, most of the work units do not make any offer to this group of employees. For long-term social insurance programmes such as retirement pensions, 22 out of all 25 sampled work units did not provide the service. For short-term insurance benefits such as survivors' benefits, 21 out of the 25 work units do not make such offers. In short, this group of employees is the least protected, regardless of employment format.

Table 6-14. Provisions of social insurance to employees of other types recruited in different ways. (Number of units=25)

| Insurance programme | Provision | Direct allocation | State's approval | Work unit's discretion | Others |
|---------------------|-----------|-------------------|------------------|------------------------|--------|
| Medical | No | 1 | 6 | 8 | 5 |
| | Partly | 0 | 2 | 0 | 1 |
| | Yes | 0 | 1 | 1 | 0 |
| Retirement | No | 1 | 8 | 8 | 5 |
| | Partly | 0 | 0 | 0 | 0 |
| | Yes | 0 | 1 | 1 | 1 |
| Maternity | No | 1 | 7 | 8 | 5 |
| | Partly | 0 | 0 | 0 | 0 |
| | Yes | 0 | 2 | 1 | 1 |
| OISH | No | 1 | 6 | 8 | 5 |
| | Partly | 0 | 0 | 0 | 0 |
| | Yes | 0 | 0 | 0 | 1 |
| Unemployment | No | 1 | 9 | 9 | 5 |
| | Partly | 0 | 0 | 0 | 0 |
| | Yes | 0 | 0 | 0 | 1 |
| Survivors' | No | 1 | 7 | 8 | 5 |
| | Partly | 0 | 0 | 0 | 0 |
| | Yes | 0 | 2 | 1 | 1 |

The above tables and charts clearly show that the term of employee engagement significantly determine eligibility to social insurance in China. The various recruitment ways, especially central job placement policy, are part of socialist social administration. Job placement policy is politically guided. The evidence is the volatile objectives between 'red' and 'expert' sides of the policies. In turbulent periods such as the Great Proletarian Cultural Revolution 'being loyal to communism' (*hong* or red) is the basic consideration to be used in filling a designated position. On the other hand, in the modernisation period the policy pays greater attention to qualified candidates (*zhuan* or expert) who can accomplish the job for socialist construction. The labour market is thus politicised, as well as the work units, the affiliated welfare services and social insurance.

It is obvious that the central job placement services and occupational nature of social insurance are the main parts of labour force management bound by the close state-enterprise relationships in China. These management approaches are supported and facilitated by the household registration system that consequently discriminate against non-permanent residents and employees in non-state work units in terms of being

covered by social insurance. The categorisation of the labour force covered by social insurance in such a way clearly shows the particular features of social insurance in China.

In concluding this part, one significant feature of social insurance programmes in China is that employment and household status rather than income level or ranking determines the coverage of social insurance in China. Status criteria in social insurance provisions in China are political and economic. For example, the household registration policy is basically designed for economic resource allocation that affects one's chances of accessing social insurance services. On the other hand, employment in a state-owned unit enhances one's opportunities to obtain social insurance because the politicised state-unit-individual relationship is determinant. The way of providing social insurance in China is thus unique to its economic and political environment. In the light of the new findings on social insurance coverage in China, the following sections will study the determining factors in the provisions of social insurance in Guangzhou Shi.

An examination on the four groups of factors in social insurance provisions

An important point learned from the discussion on the coverage issue is that social insurance in Guangzhou Shi resembles occupational welfare. It is found that employment status or natures rather than needs determine one's eligibility to the service. (Chart 6-3) This particular feature highlights the uniqueness of social insurance in China.

In the study the work units enumerated 10 important factors in providing social insurance benefits.¹⁴³ These ten factors are, namely: family burden of the claimant, the severity of the problem such as in the OISH, the length of the social insurance contribution period, the total premium, the current wage level, household status, employment nature, the length of service period in the work unit, the claimant's rank or post, and Chinese citizenship. In order to facilitate the discussion and get a clearer concept, the ten factors are re-grouped into three main categories according to their

¹⁴³ The work units expressed on a scale of five their views on how important of a particular factor for offering the social insurance service. The five degrees ranged from 'the least important' to 'very important'. For easy understanding, those answers in the questionnaires titled as 'the least' are transformed into 'can be disregarded', whilst the answers in the list from 'less or modest' to 'more or very important' are changed to 'important'.

similar natures. (Chart 6-3) The first group are the 'need' factors that include family size of the claimant and severity of the problem. The reason of grouping these two together is because it concerns the immediate needs of the claimant and his dependants. The second group focuses on the actions of the claimant, by his efforts (i.e. amount and time-length of contribution) made towards the insurance programmes. The third one comprises six factors ranging from the claimant's current wage level to citizenship. Finally, a group of 'other factors' reflects the special expectations of the work units.

Chart 6-3 The pattern of the factor groups in determining the provision of social insurance in work units

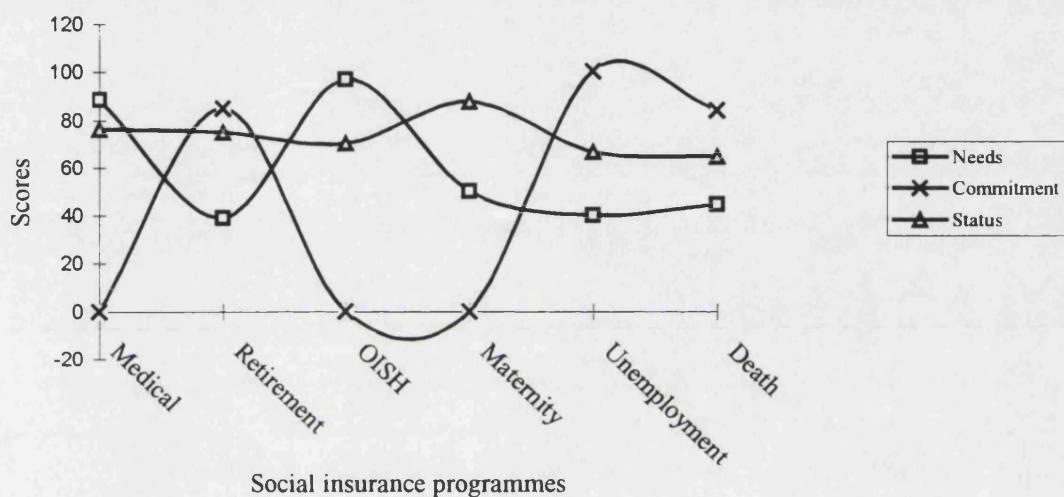


Chart 6-3 above shows the patterns of the determining factor group demonstrated by the mean scorings of their percentages. The chart presents three main groups of factors and their relations with social insurance programmes. Relatively, the attention on 'status factors' on all social insurance programmes is the most consistent whilst the 'needs factors' is the 'less or modest' and the 'commitment factor' is the least. This implies the significance of the status factors in getting social insurance benefits. In contrast, the judging of the needs and commitment vary between different insurance programmes.

In the 'needs factors' group, all of the work units agree that the family burden of the claimant is important in getting the six social insurance services, especially those seeking maternity benefits. Nevertheless, work units also express rather divergent views

when weighing the ‘magnitude of the problem’. None of the work units consider this factor should be taken into account, except for medical and sickness benefits and the OISH benefits that called 88.9% and 100% of the work units’ attention.

The ‘magnitude of the problem’ in the ‘needs factor group’ is less significant for retirement pensions, maternity benefits, unemployment benefits, and survivors’ benefits. The reasons for this situation may be various. Maternity benefits, for example, are determined by the state and affected by the implementation of the birth control policies. The conditions for getting maternity benefits are set and based on the consideration other than the claimant’s need for income maintenance in the special period. Another example is retirement pensions where the criteria are standardised and the needs institutionalised. A similar ideology is also found in the provision of unemployment benefits. In sum, the magnitude of the problem or the assessment on the needs is affected more by other national policies, e.g. national single child policy, than the expressed or real needs of the claimant. This particular issue is echoed by the views expressed by the employees in the field study that will be reported in the coming two chapters.

The second point is an elaboration on the argument made in the previous paragraph. It is found that because of economic restructuring in China that social upheavals like early retirement and unemployment emerge. The large group of people who retreat from production is a heavy burden for work units to deal with. For accomplishing the economic and political tasks, social insurance in China plays the role of social institution to facilitate the implementation of other national policies such as birth control, employment reforms, and enterprise reforms. Thus social insurance services in China become the core of socialist transition. The roles of social insurance in China are the facilitator as well as stabiliser for political and economic transformation.

The study shows that work units moderately rate commitment factors as the criteria of providing social insurance. Commitment to social insurance is especially important to getting three social insurance programmes: unemployment benefits, death benefits and retirement pensions. Take unemployment benefits as the example. All of the work units request employees to contribute for a longer period. For retirement pensions, 90% of the work units claimed that the length of the contribution period was important whilst 80% of the work units emphasise the total money contributed. In brief, work units

recognised the significant and positive effects of participation through contribution by the employee for long-term social insurance programmes.

The third issue revealed in Chart 6-3 emphasises status factors are very consistent. There are two patterns of status factors demonstrated in the chart. First, some work units fluctuate more when considering the factors like 'household status', 'rank and post', and 'citizenship'. For example, more work units weight the household factor heavier for maternity benefits than retirement pensions. In general, household status is determinant for one to get maternity benefit whilst only 50% of the work units agree it is important in providing retirement pensions. On the other hand, 100% of the work units said claimant's rank and post are significant in getting medical and sickness benefits when contrasting 62.5% of the units recognising this is as influential in getting retirement pensions. Finally, Chinese citizenship is also considered as an important factor. 75% of the work units agree this is an important factor in obtaining maternity benefits but only 33.3% see it important for getting unemployment benefits.

Another specific pattern of the status factors is the rather conforming trend in weighing one's wage level, employment nature, and years of service in the unit. As high as 100% of the work units said that 'wage level' is important in determining unemployment benefits, maternity benefits, retirement pensions and survivor's benefits. However, 78.6% and 83.3% of the work units recognised this as significant in working out OISH and medical and sickness benefits. For 'employment nature' factor, 92.3% of the work units agree that this is important in getting retirement pensions, 90.9% said this affects the provision of medical and sickness benefits whilst 83.3% said it is weighty in getting maternity benefits. Finally 'service years' in work units also affects one's eligibility to social insurance. This factor particularly affects work unit's decision in giving out retirement pensions, maternity benefits and unemployment benefits. 'Servicing years' also plays an important role when work unit examines the applications for OISH, survivor's benefits and medical and sickness benefits, albeit these items are obviously more usually happening and on an occasional basis.

Apart from the above-mentioned three main factor groups, work units also count on other special factors although these relate to particular social insurance programmes only. For example, 95.7% of the work units regard the 'cause of happenings' as a factor

in giving out OISH. This concern is very straightforward and instrumental since this is laid down in policy documents. Similar procedures applied to survivors' benefits that 90.9% of the work units weigh the cause of death important in getting the benefit, irrespective of whether the incident was job related. The other case is that 100% of the work units justified the giving of maternity benefits by the number of children the claimant had. Finally, 50% of the work units take into account the frequency of being unemployed in offering unemployment benefits.

In sum, the importance of the factor groups fluctuates from one social insurance program to another. For example, commitment factors are very insignificant for OISH benefits and medical and sickness benefits but important for unemployment benefits, survivors' benefits, and retirement pensions. On the other hand, needs factors are relatively highly praised for OISH and maternity benefits but not for the others. These phenomena reflect most work units understand the needs for social insurance created by physical inferiority should be observed but not for those arising from social dysfunction, e.g. unemployment. This implies the Chinese government has a particular ideology on social insurance and constitutes its specific features.

In conclusion, the study finds that the provision of social insurance in China is influenced by certain ideologies. First, an individual's status plays a significant role in establishing eligibility. The status is not only determined by income level but also by connection with the unit in terms of the length of the servicing period, employment terms and nature, etc. Among these considerations employment nature is crucial because, as discussed above, it depends very much on one's household status and thus affects eligibility to social insurance. Status factors spell out the strong identification of socialist values in managing social service in China. This status is centred on one's household being described as 'peasants in rural areas' or 'workers in urban areas'. A permanent urban resident has more chances to get permanent jobs, being promoted to higher rank, enjoying stable and regular incomes, and then enjoys a secure living from social insurance if the income is disrupted. It is found in this chapter that household status is highly related to one's eligibility to social insurance benefits. Socialist values and administration is therefore significant and has particular impacts on social insurance programmes in China.

In relation to status factors, work units value 'need factors' and 'commitment factors' in diversified ways. Work units cannot come to the point of regarding both of them as important. The divergent views mark the starting of the restructuring of social insurance system from the roads of universality in the past and selectivity for the future. It also shows the socialist government has been wondering about how to reinterpret the meanings of need and the extent of commitment. Need for social insurance was unimaginable before the modernisation drive since the country provided an all-embracing social protection system supported and guided by egalitarian socialist ideology.

The alternating high-low places of need and commitment factor groups turns speak to the inconsistent views on the right and duties of the people in need. It also reflects the efforts and expectations of the government in putting social insurance on the right track by using professional services such as the medical profession and insurance companies. The confusing views really affect the implementation of some of the social insurance programmes. Retirement pensions, for example, have encountered many problems in determining contribution levels, methods of setting and the levels of benefits. It was found that the better off coastal regions set higher contribution and benefit rates that created many difficulties in establishing a nationwide retirement pension system. (Mingpao Daily News, 15 November 1996)

In a nutshell, a strong socialist value is the main characteristic of social insurance in China that affects work units of both ownership types in providing the services. There is hardly any difference in the relationships between work units of specific ownership nature and particular factor groups in this study. As the momentum of and guidelines for social insurance in the country, socialist values rule over the definition of the needs for social insurance, as well as the founding, development and reforms of the whole social insurance system. Apart from the evaluation on the service providers, the coming two chapters will examine the features of social insurance in China from the perspective of the service recipients.

Summary and conclusions

Throughout the discussions in this chapter certain features of social insurance in China are found. The main point of the chapter, however, is that social insurance in China has a strong socialist accent that consequently affects the coverage. It is found that migrants are put in the most unfavourable positions in social insurance services because of their non-permanent household and employment status. Such a phenomenon is created by other social and economic policies. This situation reveals social insurance in China as a sub system affiliated to and works for other social institutions. The strong evidence is the very limited coverage of employees with non-permanent household status and those women employees who violate the national birth control regulations. These particularities of social insurance in China are highly related to socialist values and the national economic development strategies.

This chapter considered the relationships between employment, wages and living supplements provided by work units. The data show that the less permanent the job the lower the wages and supplements. It is also found that permanent employment is still prevalent in work units although non-permanent employment condition is emerging quickly in the reforms. The chapter also showed that lower wage levels and the fewer chances to access social insurance of the temporary employees are correlated with household status. Although it is shown that work units of both ownership sectors deployed similar practises in employing the workers of all natures, household status is determinant to one's eligibility to social insurance. Basically, the household registration is an administrative approach to control people's internal migration and the supply of daily necessities in an underdeveloped economy. However, the system degenerates into a hindrance for some people to earn their livings and obtain eligibility to income protection by social insurance in the 1990s.

The study results show that income thresholds were not set as the criteria for getting social insurance benefits. But the study further exposes that other conditions such as household status and employment nature are determinant. These two factors consequently block the access to social insurance for certain groups of employees, albeit it is stated in the policy documents that employees of all kinds should be covered by social insurance. Furthermore, household status and employment natures are the two

closely related influential factors for eligibility to social insurance. The classification of people within a social insurance system creates social alienation that has evidently been found in other social institutions in China.

It is also argued in this study that social insurance in China is designed for facilitating the transition of economic structures and the transformation of political stages rather than satisfying the people's contingent income needs. The case of Guangzhou Shi demonstrates that social insurance in China is charged with the role of facilitating socialist economic system transformation, stabilising society and establishing a favourable environment for realising political ideals. For the Chinese communist government these issues are strongly intertwined since the success of the transition to market socialism is based on a politics-commanded economic system. Such an economic system, however, can only be realised by reforming some of the social institutions like the recruiting system, state-owned work units, and social insurance services. In short, the government envisages social insurance as the means for the ends of economic system transformation in the country. Politically the Chinese government has never capitulated from intervening in the social insurance system in which socialist elements are still found. These elements, in fact, make social insurance services in the country different from those in the North American and Western European countries. In brief, the Chinese experience in social insurance the strong politics and economic transformation ties. The examination of the three factor groups in this chapter on the effects on social insurance in China will be discussed in more detail in the coming two chapters.

Chapter Seven

Social insurance in China: Diversified services under one system

Introduction

More than two thousand years ago Confucius remarked in *The Book of Commentaries (Lun Yu)* that “...there are some countries that do not worry about insufficiency but inequality; are concerned about social unrest rather than impoverished living. If there is equality then poverty does not exist because the people share the resources equally. In such harmonious conditions the society is safe and the people live together amicably.” (Liu 1990, p. 112-113, my translation)

The note made by Confucius is an apt comment on the social conditions in China since 1980. The findings in last chapter revealed that resources for social insurance in China are not distributed according to the people’s needs but allocated for maintaining and managing a loyal and reliable production force. Such an approach evidences the institutional roles and features of social insurance in the country. To turn from the providers’ views, this chapter focuses on the responses of employees. The six parts of this chapter mainly examine how different groups of employees were covered in social insurance and what their experiences were.

The first part will present the background of the sampled employees with demographic variables such as gender and age groupings. It also analyses in more detail according to two independent variables, namely, household registration and employment natures to explore the varieties of the employees. The second section highlights the relationship between the provisions of and eligibility for social insurance. The following part will dig deep to determine the deprived groups in the provisions of social insurance and argues that household status is the main determinant. This feature of social insurance has hardly been disclosed and examined in detail in the study on the Chinese social insurance in China, nor in other countries.

The fourth part of the chapter presents the views of the employees. These views match the observation made previously, i.e. household status and employment nature

determine one's access to social insurance. In the fifth part, the two most popularly demanded social insurance services are selected for discussion. Finally this chapter will elaborate the needs of migratory temporary employees - the group that suffers the most with insecure living in this underdeveloped socialist economy.

An examination on the gender groups, educational level, household status, and employment nature of the employees

The structured interview with employees of this project was carried out in 25 work units in early 1995. In this section, the discussion focus is on the four independent variables: gender groups, educational levels, household status, and employment natures. The main objective is to inquire into these four aspects in order to understand the situations of the labour force in Guangzhou Shi.

The study shows that the distribution between the genders is rather even (52.3% were female and 47.7% were male) among the 524 interviewees. Concerning age distribution, there are five main age groupings. (Chart 7-1) The first is the youngest group of employees from 16 to 25. They were born in the 1970s and joined the labour force in the late 1980s. The second group are the respondents of the age 26 to 35 who were born in the 1960s and grew up in the turbulent years of the Great Proletarian Cultural Revolution. The third group of respondents was aged 36 to 45. They were born in the 1950s and had been working for 20 or more years. Fourth, the cohort of people aged 46 to 55 was born in the 1940s, witnessed the success of the Communist Party of China in taking over the country, and grew up through the First Five Year Plan, the Great Leap Forward Movement, the Great Proletarian Cultural Revolution and then the Four Modernisations. In other words, they experienced most of the changes after the communist government came to power in 1949.

Chart 7-1 below demonstrates the distribution of gender and age groupings of the interviewees. Although the distribution between male and female in this study was rather even as mentioned, the gender distribution by age is by no means the same. Female employees were mostly found in the age group of 26-45 whilst for males the peak was in the groups from age 16 to 45. There were higher percentages of male workers at the age of 26-35 (26.4%) and 56 and over (6.4%) compared with females at 23.8% and 1.1%,

respectively. On the other hand, the percentage of female workers at the age of 36-45 (38%) far exceeded that of the males (26.4%). The distribution patterns of age and gender groupings in work units offer an insight that women employees quit earlier from jobs at a younger age (e.g. around 40) than men employees. The reasons may be various and need further examination. One of the hypotheses is that most middle-aged women are asked to retreat from their posts in the economic and enterprise reforms era. The data show that 23% of women started to join the labour force at age 16 to 35, drops a little bit at the child-bearing age and intensifies at the age of 36-45 but drops sharply after 45. In brief, double-worker families (*shuangjigong jiating*) in urban China are popular and the career life of female employees is shorter than their counterpart in general.¹⁴⁴

Chart 7-1 Distribution of gender and age groups of employees

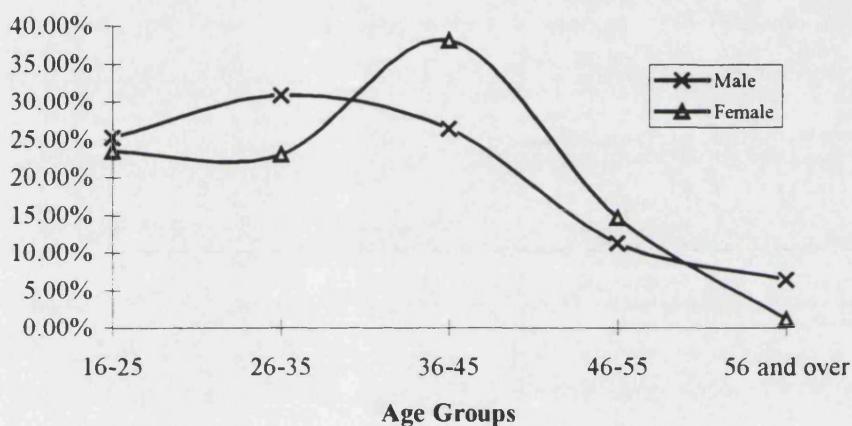


Chart 7-2 Distribution of married employees by age and gender groups

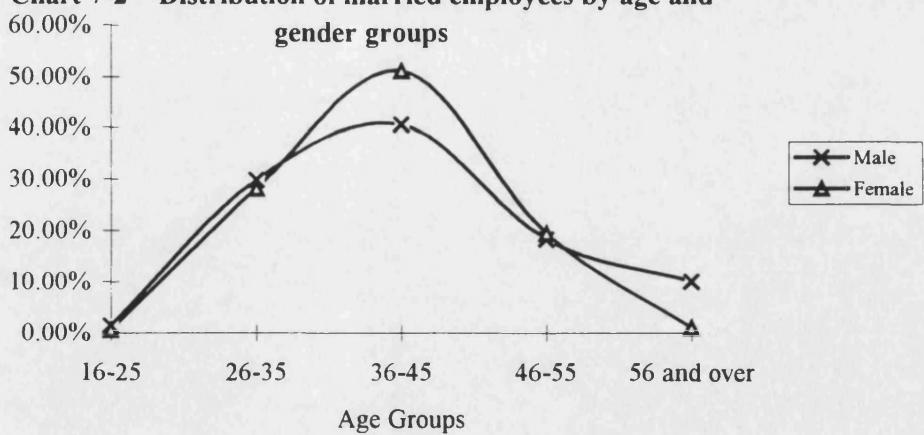


Chart 7-2 above shows the distribution patterns of different married gender and

¹⁴⁴ The meaning of double-worker families is that both parents work outside the family to earn money incomes. Usually these parents stay with the family rather than migrate to other places for work.

age groups. It shows that for both genders the biggest married age group is 26 to 55. For women and men employees the highest percentage is the age group 36-45. However, the percentage for women was 51% contrasted with 40.5% for men. This reflects that most women do not leave production after getting married and having children. The married age group of 46 and over, on the other hand, features another picture that women usually retire or quit production earlier than men. There were 10.1% of the male employees at age 56 or over found in work units whilst there only 1% females. In brief, the association between age and married employees is weak (Cramer's V= 0.21). It verifies that both men and women participate actively in the labour force after getting married, despite there being more men staying in formal employment than women after age 46. This implies social insurance is important for both men and women to maintain their living standards since double-worker families are quite popular in urban China. The loss of income for either man or woman may drastically affect the living standard of the whole family. In addition, with the rising divorce rates and increasing numbers of women being laid off in China today, special supplementary benefits should be provided to the breadwinners of broken families to meet their contingent income needs.¹⁴⁵

In relation to female employees, male employees enjoy more permanent and longer career lives. Chart 7-1 shows that employment opportunities for women go up very sharply at age 26, reach the peak at age 36, but go steeply downward after age 45. In general the curve for male is rather smooth and steady in all age groupings that indicates a longer career life for male employees.

The prevalence of double-worker families in urban China brings out two important issues. First, women are encouraged by the Chinese communist government, for political and economic reasons, to engage in work. Politically the communist government treasures women's participation in production as a sign of social equality. Economically, the bigger the production force in society the smaller the dependent groups that consume social resources. This is particularly important at the underdeveloped economic stage. Thus encouraging women to join the production force is a stone of the communist government to kill two birds at one time. The values of

¹⁴⁵ In the China Population Statistics Yearbook 1995 it is stated that the divorce rate rose from 5.9% in 1990 to 7.1% in 1994. The CSPH also points out that the mid age group (30-39) with higher educational levels (i.e. college or above) recorded faster growth rate in divorce in 1994.

women in the labour force, however, changed after modernisation, especially when the government is trying to streamline the production teams in work units. In sum, the price of realising political ideals and satisfying economic needs is the changed pattern of the labour force.

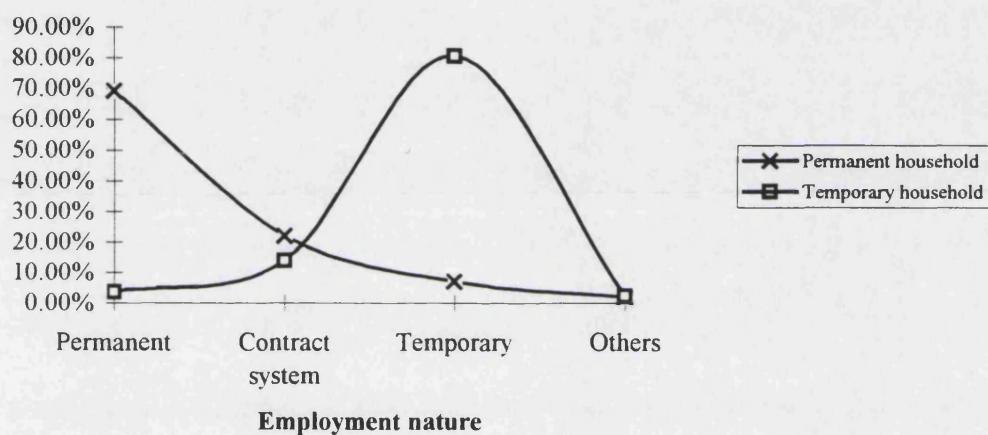
Apart from the above two variables, education level, household status, and employment natures are also concerns. The study shows that 58.5% of the 524 interviewees were permanent employees, 20.6% were contract system workers and 19.1% were temporary workers. Referring to the relations between employment natures and ownership natures of the work units, it is found that 77.2% of the interviewees were permanent employees in state-owned units in contrast with only 42.6% in the non state-owned units. For the employees in non state-owned units, 29.1% were temporary employees and another 24.9% worked as contract system employees. These contrast with 6.8% and 15.2% in state-owned units, respectively. In short, non state-owned work units tended to offer more non-permanent jobs and this finding counter-argues with the claims in last chapter made by these work units that they like to employ permanent staff and workers.

When scrutinising in detail the relationships between different gender groups and employment natures, it is found that, among the interviewees, 58.8% permanently employed were women, whilst 57% of the as temporary workers were male and for contract system workers 55.6% were men. The correlation between gender groups and less permanent employment is high ($p<.005$). For example, 70% of those employed in the "other employment" group and 57% of the temporary workers were male. Concerning household status and employment natures, the result shows that migratory workers were younger than employees with permanent household ($p<.005$). 66.7% of the migratory employees at age 16-25, in contrast with 15.8% of the employees who are permanent residents and in the same age group. On the other hand, only 6.8% of the migratory employees were older than 46 but those with permanent household status 19.6% were.

The previous paragraph demonstrates a very important finding on the correlation

between employment nature and household registration. The association between these two variables is very strong (Cramer's $V=0.70$). The study result shows that fewer employees with temporary household status were offered permanent employment. Among the 87 (16.6%) interviewees claiming they resided temporarily in Guangzhou Shi, 80.5% were employed as temporary staff and workers. This percentage contrasted greatly with only 6.9% for those who were permanent residents in Guangzhou Shi. On the other hand, 69.3% of the permanent residents got permanent employment but only 3.4% were found among those who were migrants. Thus in Chart 7-3 below one can find that permanent residents were mostly provided with permanent jobs but for temporary residents they were not treated in the same way.

Chart 7-3 Employment natures by household status



After discussing the strong relationships between household status and employment nature, the following parts will go into detail about the characteristics of the employees of different household status. The field study data show that the ratio between male and female migratory employees is close. Among the migratory workers 55.2% were men and 44.8% were women. For those employees with permanent household status the male group was smaller (46.2%) than the female's (53.8%). This situation was rather different from other newly developed areas like Shenzhen - a Special Economic Zone south of Guangzhou Shi that was filled largely by female migratory workers in light industries. However, one similar issue for the migratory workers in Guangzhou Shi and Shenzhen is that most of them were not married. For the case of Guangzhou Shi 74.7% of the migratory workers were single whilst for permanent residents the figure

was 24.9%.

For the educational levels of the employees, it is found that, migratory workers were less educated than those with permanent household status ($p<.005$). 85.1% of the migratory workers received education at junior secondary level or below but for permanent residents the percentage was 37.3%. Furthermore, 46.2% of the employees with permanent household status in this interview received senior secondary education but for migratory employees the percentage was only 10.3.

The scenario is thus clear. The previous paragraphs describe the general situation of employees of different household status that in Guangzhou Shi most migratory employees are younger, not married, less educated, and in temporary employment. These findings also raise an issue that people with different household status under different employment natures might be treated differently in the social insurance system in China. This is a very important part in exploring the features of social insurance in China because social institutions in the country like education and social insurance are set up for political and economic purposes. Accordingly, different groups of people are categorised by the politically, economically or socially determined status to access the services. This perspective on social institution in China facilitates the understanding on the features of country's social insurance.

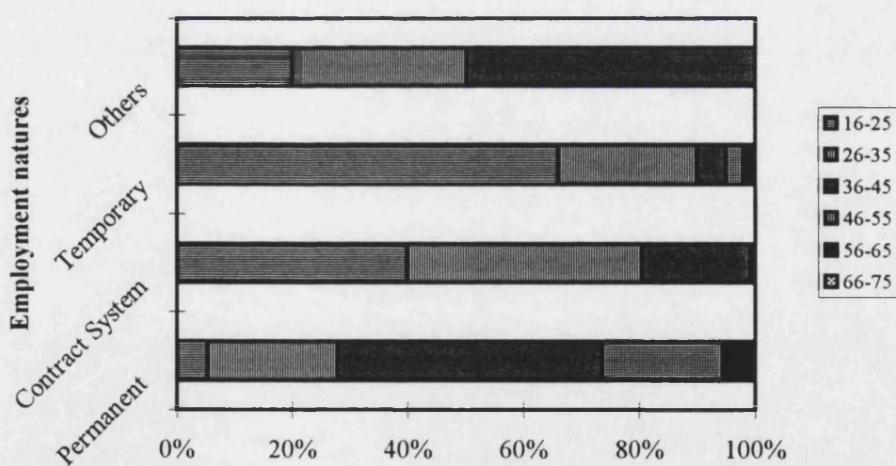
It was discussed above that employment nature is highly correlated with household status. It is also found that, on the other hand, some other factors like educational level (Cramer's $V=0.40$) and age (Cramer's $V=0.36$) are moderately related to employment natures. Concerning educational level there are two different patterns. The first is that people with lower education level (e.g. junior secondary education level or below) were usually employed as temporary workers or join the labour force labelled as 'other employment nature'. 81% of the temporary workers and 50% of the employees of other types had received education at or below primary level.

Another contrasting pattern is that for permanent and contract system workers the educational achievements were generally higher. For contract system workers 98.1% received junior secondary education or higher, whilst for permanent employees the percentage was 90.8%. This signifies that there are more higher-educated people filling

permanent and contract system posts. Another interpretation of this phenomenon is that migratory workers were usually less educated and less skilful. In fact most of them came from remote areas of the country and look forward to higher income jobs. Their ignorance of the city and rights to social insurance, and the hunger to find a job created the chances for work units to hire them with lower costs and exploit them. This makes very clear the reason why most of the work units employ migrants in temporary jobs with irregular incomes.

It was also discovered from the study that employment nature has fair relationships with the distribution of age groups (Cramer's $V=0.40$). Chart 7-4 below demonstrates that temporary employees were the youngest. 66% of the temporary employee fall into the age group 16-25 and another 24% in the age group 26-35. Temporary employees were rarely found in older age groups. For permanent employees the situation was that the majority (45%) was at age 36-45. The age group of 46-55 was the second biggest group for permanent employees. Among the four different employment nature groups, contract system workers were largely (80.5%) found in the age groups below 35. Finally the chart shows that 50% of the employees in the group of 'other types' were younger than 35 and another half of this group was at age 36-45.

Chart 7-4 Distributions of employment natures and age groups



The implication from Chart 7-4 is that social insurance services in China are immediate responses to the political and economic needs of the regime. The concentration of some age groupings in particular employment natures shows that the existing social insurance services can hardly satisfy the future needs of the employees.

For examples, temporary and contract system employees have higher needs for OISH and unemployment insurance because of their unfavourable working conditions. These two groups of employees are relatively more vulnerable in job security and more exposed to occupational accidents that they have greater needs to maintain their living. On the other hand, medical benefits and retirement pensions are the greatest concerns among the ageing permanent employees. Their needs on these two benefits will be growing in the next five to ten years in view of the fact that 26.5% of the permanent employees reached the age of 46 or over in 1995.¹⁴⁶

In concluding this section four issues have to be mentioned. First, migrants are usually employed in temporary jobs and this implies they are mostly alienated from social insurance because, as found in the last chapter, coverage of social insurance is highly related to employment natures. Second, in short terms the needs for OISH, maternity benefits and unemployment insurance are greater for the employees with less secure tenure and working in worse conditions. This issue is found among the young and less permanent employees. The third point is that in midterms, i.e. 5 to 10 years, needs for retirement pensions and medical benefits will rise sharply among permanent employees. Fourth, as an income maintenance measure, social insurance services are important to all labour force without disregarding for some small and definite groups. In sum, this section demonstrates the features of social insurance in China from exploring the characteristics of the diversified groups of employees. It evidences that social insurance services in China can only provide short to midterm income maintenance that is framed by political and economic ideals. Consequently, social insurance services in China selectively cover the working forces that are recognised as productive and favourable to political transition and economic system transformation. In order to dig deep into this issue the following sections will inquire into the experiences and opinions expressed by employees on eligibility for social insurance in Guangzhou Shi.

The provisions of and eligibility for social insurance services in units

In the questionnaires the interviewees were asked whether they knew the provisions of social insurance in their work units and, if so, what social insurance programmes were

¹⁴⁶ The percentage of the age group over 46 in this study is 16.6%. Thus it is clear that 26.5% within the permanent employees is rather high.

provided. Furthermore, these employees were also asked whether they were eligible for the social insurance services. Chart 7-5 and Chart 7-6 below demonstrates their situations. First, Chart 7-5 shows that a rather high percentages of the employees are provided with social insurance except for unemployment benefits. For example, 80% of the employees said that their work units provided medical and sickness benefits. Apart from that very close percentages of the interviewees claimed that their work units provided retirement pensions, maternity benefits, and survivors' benefits and funeral supplements. In comparison, medical and sickness benefits were the most popularly known item among employees whilst for unemployment benefits only 21% of the employees felt certain about the provisions.

Chart 7-5 Provisions of social insurance services

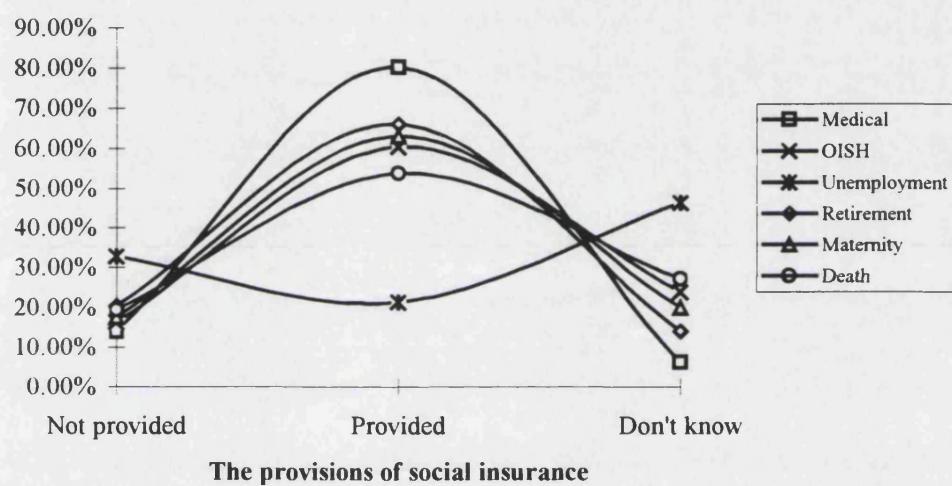
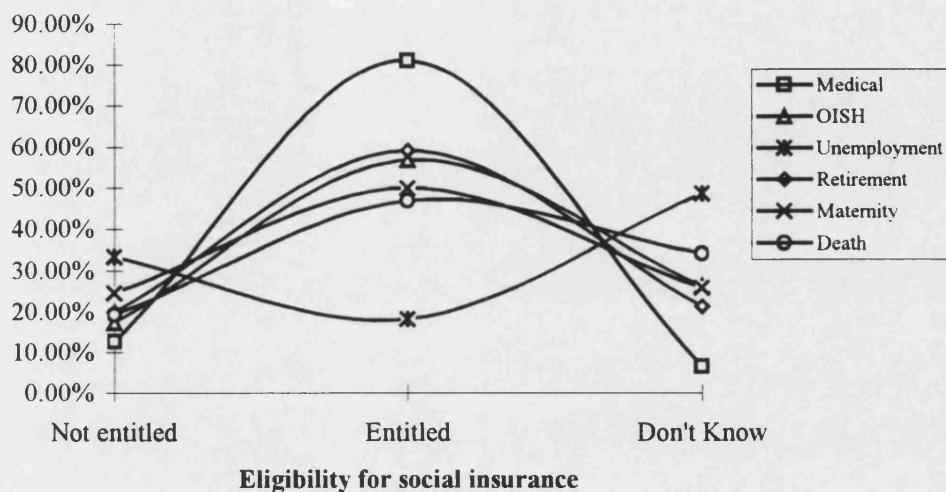


Chart 7-5 also shows the percentages of the employees who did not think about, nor know the provisions of social insurance in their units. Take unemployment benefits as an example. As high as 46.2% of the employees did not know the provisions and 32.7% said their units did not provide the benefit. The other unpopular insurance service found from the study was survivors' benefits and funeral supplements (27%) and OISH (23.8%). Some of the social insurance programmes like survivor's benefits and funeral supplements are unfamiliar to employees and this might be attributed to the rare needs as well as the inactive and bureaucratic work unit. The case of OISH demonstrates this situation in that the receiving rates were relative low although the insurance was provided to all labour force irrespective of their backgrounds. Because of the important and conflicting roles as employer and social insurance manager played by work units in China the use of social insurance services is filtered and the needs of employees on

income maintenance through social insurance are undermined. In the following parts the focus of discussion turns to the relationships between the provisions of and eligibility for social insurance.

Chart 7-6 Eligibility for social insurance services



The factors affecting the provision of social insurance may be various but in general the two important ones are the objectives of social insurance system and the availability of resources. For some countries like China some other factors like the effects of other social institutions are also significant. Eligibility for social insurance services in China, for example, is fixed by factors such as household status, employment nature, the length of working period, the income format, etc. These prerequisites to eligible for social insurance in China are also its features. Accordingly, the case of Guangzhou Shi demonstrates that the provision and eligibility issues of the social insurance system are politically, economically and socially determined. Although interested groups, namely, the state, employers, and employees always have conflicts and incompatible values and interests on social insurance in other countries, in a centralised country with a strong government as China these conflicts are seldom found.

The social insurance eligibility pattern in Guangzhou Shi as shown in Charts 7-5 and 7-6 above are very similar. The charts present the rather high associations between provisions and eligibility in social insurance services. (Cramer's V are from 0.68 to 0.71) The strong relationship between these two has two implications. First, employees in state-owned work units have relatively more accesses to social insurance since state-

owned units have more state supports in providing the services. Second, employees in the state-owned sector constitute the largest consumer group in social insurance services. According to the study on eligibility and provision pattern in Guangzhou Shi, this group of employees are eligible for most of the social insurance services. This eligibility and provision pattern reflects the feature of social insurance in China that employees in state-owned sector are relatively extensively better covered than their counterparts. Since working in state-owned units is a social status in this socialist country that requires further exploration.

Eligibility for social insurance provisions by status factors

Chapter Six shows that work units usually provide social insurance on four main factor groups: the need factors, the commitment factors, the status factor and the other factors. For status factors there are two subgroups: ascribed status such as gender and age and achieved status such as wage level, work nature, employment nature, the rank or post, working years in the work unit, household status and modes of income of the employee. In order to get social insurance one has to satisfy the status requirements before other factors are taken into account. In the following paragraphs the discussion is around these matters.

On ascribed status it is found in this study that gender and age do not impact strongly one's eligibility for the six social insurance items. The findings show that except for maternity benefits gender factor is weakly related with the other five social insurance items. This implies gender discrimination in social insurance in China is rather insignificant. It is not the point to examine in detail the underlying reasons but one noteworthy issue is that the communist government in China changed the inferior women status in the long Chinese history. From the political point of view socialist egalitarianism spread over the country since early 1910 under the 'Fourth of May Movement' and the efforts made by the Communist Party of China. Functionally the communist government envisaged women's important roles in economic production and reproduction of the labour force. Thus social insurance services in China are provided to both genders on a rather equal basis.

The history of women's participation in production in China is not long. It was in

the 1910s that the foreigners invested on a large scale in light industries such as spinning and weaving in China and women were recruited to work outside the family. The successful organisation of women to provide logistical supports in the ‘liberation movements’ in the struggles between the Communist Party of China and the Nationalist government in the 1930s and 1940s escalated women’s social and economic status in China. After 1949 the communist government opened more accesses for women to join economic production through legislation and facilitating their participation by providing institutional services at neighbourhood and work unit levels. Women were praised as ‘half of the sky’ (*ban bian tian*) signifying that they have the same share as men in society.¹⁴⁷ Thus gender equality in China had been strengthening in the four decades since the 1940s. Gender equality in the country is evidenced by the weak correlation between gender and education attainment (Cramer’s V=0.15) found in this study. In fact, when contrasting with 52.4% of the male employees who received education at senior secondary or above, the percentage for female employees was found even slightly higher for 4.5%. A similar phenomenon was also found in other employment-related issues such as job natures (i.e. production and non-production) and skill levels of jobs. The percentages of these two issues are very close that the Cramer’s V are only 0.11 and 0.19, respectively.

These conditions, however, have been changing in the 1990s in enterprise reforms. It is found that more women workers are under-employed or have to step down from their posts because of streamlining of work units. As having been stated in previous sections the retreat of women from the labour force may cause a sudden drop of family incomes because of the prevalence of double-worker families in China. This transition creates the need for more income protection, especially for the families that have the breadwinners being dismissed or requested to take early retirement from paid jobs at the same time.¹⁴⁸ In brief, social insurance in China is featured by its functional purposes

¹⁴⁷ Article 48 of the Constitution of The People’s Republic of China states: “Women in the People’s Republic of China enjoy equal rights with men in all spheres of life: political, economic, cultural, social and family life. The state protects the rights and interests of women, applies the principle of equal pay for equal work for men and women alike and trains and selects cadres from among women.” (Constitution of the People’s Republic of China 1982)

¹⁴⁸ The need on income protections has become a serious social problem. There are more and more cases in China where the early retired workers and the unemployed cannot find sufficient means of living. Reports on suicide for this reason are not uncommon in today’s China. See, for example, Ming Pao Daily News 13 & 14 February 1999 about two different cases in northeastern China. The central government was so alerted to the serious social consequence that it required

for labour management rather than income protection. This particular feature is reflected by the recruiting of women into the production force, equal treatment with social insurance benefits for both genders, and sending women home to facilitate economic system transformation.

Concerning the relationship between eligibility for social insurance and age groupings, the association significance is low in different social insurance services. For example, the Cramer's V for the association between eligibility for unemployment benefits and age groupings was 0.12. This shows the fact that age is not an important element in getting unemployment benefits. However, there are still some insights. Among those not eligible for unemployment benefits includes 40.8% of the younger group (age 16-35), 25.6% of the middle age group and 21.1% of the oldest group (age over 55). On the other hand, the study shows that the younger the groups the more the employees know about unemployment benefits. The percentage of the youngest group that did not know the benefit was 41.6% as compared with 55.5% of the middle age group, and 57.9% of the oldest group. However, the study also reveals that the percentages of the three age groups eligible for unemployment benefits are very close. For the younger group it was 17.5% and for the middle age was 18.5%, whilst for the older it was 21.1%.

A rather different picture is the association between eligibility for retirement pensions and age. The Cramer's V for this significance test is 0.27. The results show that more of the older employees were eligible for this benefit than the younger. The percentages for the three age groups were 42.7 for the younger, 75.2 for the middle age, and 94.7 for the oldest. On the other hand, it also reveals that the younger the employee the more likely he is not eligible for the benefits. 31.8% of the younger group compared with 6.7% in the middle age and 5.3% of the oldest group were not eligible for retirement benefits.

The above two cases mark the particular effects of age factor on the changing social insurance services in China. First, age is a factor that relates to the established social insurance services like retirement benefits. The weaker association of age with

local governments and work units to 'avoid discharging working couples from the same family at the same time'. (Ming Pao Daily, 4 April 1999)

unemployment benefits than retirement pensions evidences this argument. Similar situation can also be found in medical and sickness benefits and OISH. The study shows that the correlation is weaker (Cramer's V=0.16) for OISH than for medical and sickness benefits (Cramer's V=0.23). For OISH benefits it is found that 22.1% of the younger age group did not know whether they were eligible for the benefits or not. The percentage for the middle age group was 29.8 and for the oldest group was 36.8. In other words, the knowledge about OISH was weaker in older age groups. This situation is also found in other social insurance items like medical and sickness benefits where the older the age the higher the eligibility rates.

In concluding the discussion it is discovered that ascribed status is not an important factor in eligible for social insurance in China. It shows that, among the different ascribed status factors, age is relatively more significant and has various impacts. For example, the younger groups are more familiar with new social insurance services such as unemployment benefits. The older groups, on the other hand, have higher percentages who are eligible for the established social insurance items such as retirement pensions and medical and sickness benefits. Finally, the gender factor does not constitute a problem for one to be eligible for social insurance. Nevertheless, more women employees in middle age will be laid off or under-employed in economic reforms that pushes them to seek for assistance from social insurance. In a nutshell, because of the purposes of meeting the needs of political transition and economic system transformation, there are new initiatives in social insurance in China that affects different gender and age groupings. Such a happening reflects the fact that development of social insurance in China is led by the governing political party in pursuit for political ideals in the name of economic development. Thus the momentum of social insurance development in China mainly comes from the state but not the capitalists or labour force. In the following paragraphs the focal points of discussion will turn to the relationships between achieved status and eligibility for social insurance.

The first achieved status factor to be discussed is job nature, that is, whether one works as a production worker or non-production staff.¹⁴⁹ The definition of production

¹⁴⁹ Zhu *et al.* (1991) use the terms 'production labour' (*shengchan laodong*) and 'non production labour' (*fei shengchan laodong*) to explain the meaning of production and non-production work natures. Production labour, according to Zhu *et al.*, means "those labour activities which can

workers refers to those who participate directly in production or services, e.g. assembly worker and salesperson. On the other hand, non-production means the management and clerical staff, designers, accounting staff, etc. In general these two main job natures means waged or salaried work that may affect one's eligibility for social insurance. The data show that job nature does not matter in being eligible for social insurance in Guangzhou Shi, China.

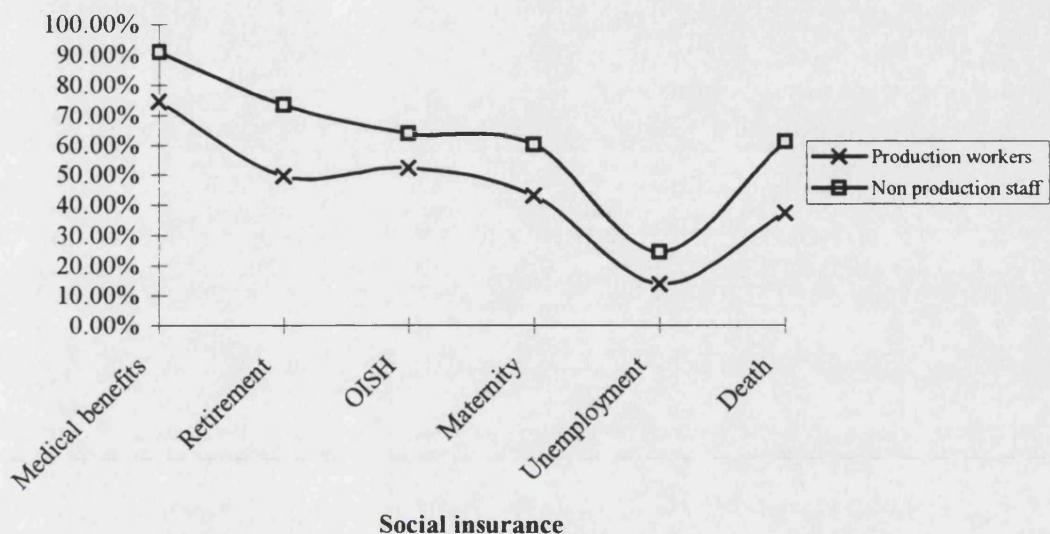
The study reveals that the association between job nature and the six social insurance items are various but in general they are rather low. Chart 7-7 below demonstrates that the patterns of eligibility for social insurance between production and non-production employees are very similar and the association between the two variables is not strong. In general the percentages of eligible for social insurance services are higher for non-production staff than production workers. For instances, the gaps in retirement pensions (23.8%) and death benefits (23.7%) are the biggest, and the smallest is on unemployment benefit (10.7%). This high-low pattern also tells the variations between the established and newly implemented social insurance items that new services are generally less known and the eligibility rates are also different according to the work natures.

The study shows that nominal disparities exist between employees of different job natures for eligibility for social insurance although the variance is insignificant. The reason for the similar social insurance benefits for employees of different employment natures can be attributed to the equalisation policies implemented by the communist government since 1949. These policies include 'centralised job allocation policy' and the

create materials and wealth, including work in direct production and throughout its process, and the service nature production. This is the basis of the existence and development of mankind." (Zhu *et al.* 1991, p. 22) Zhu *et al.* also supplement the term saying that the aims of production labour in capitalist society is only for producing the surplus values. On the other hand, 'non production labour' refers to "...the symmetry of production labour that, in general, does not include the labour that cannot creates materials and wealth.... It breaks up in the development of productivity and specialisation." (Zhu *et al.* 1991, p. 56) In brief production labour has a main concern on the 'production or reproduction materials' whilst the non-production labour consumes these production materials. Mao's writing on The Ten Major Relationships (*Shida Guanxi*) evidences the inclination to production labour of the communist government in China. In the article on 'The Relationships Between Heavy and Light Industries on the One Hand and Light Industry and Agriculture on the Other' in April 1956, Mao stated: "The emphasis in our country's construction is on heavy industry. The production of the means of production must be given priority." (Mao, Selected Works Volume V, p. 285)

policies on developing heavy industries.¹⁵⁰ The centralised job allocation policy is also matched by the standard wages system that the nature of and incomes from the job are scaled and fixed. Consequently the differences between production and non-production jobs are minimised. The relative equal treatment in social insurance between production (blue collar) and non-production (white-collar) employees is one of the features of Chinese social insurance.

Chart 7-7 Employees eligible for social insurance by work natures



Apart from the job nature issue, another achieved status is household registration. Household registration is an administrative measure that was originally designed for controlling the supply of scarce resources in the liberated areas. Household registration has some features of ascribed status. For example it can be passed from one generation to another within the family. However, household registration is basically a social system that one's household status can be changed from one to another by administrative means. For example, the transmigration policy in the Great Leap Forward Movement in the late 1950s changed the household status of tens of thousands of urban youth.¹⁵¹ Furthermore, in the 1990s, some big cities like Shenzhen and Shanghai practise 'Blue Stamp Household System' which offers long-term residency to migratory workers who

¹⁵⁰ Please refer to footnote 149, op cit.

¹⁵¹ In order to achieve the targets set for the Great Leap Forward Movement, the Chinese government encouraged people to move around the country to join industrial production in cities and agricultural production in rural areas. Most of these migrants were 'educated urban youth' who went and worked in the countryside and mountain areas in responding to the CPC's call.

come from other cities.¹⁵² Thus household status should be treated as 'achieved' rather than 'ascribed'.

Household status in China can generally be categorised into urban household (*chengzhen hukou*) and rural household (*rongcun hukou*). If one migrates or moves to live in places other than one's (native place) original towns or 'street' (*jiedu*) then one can apply at that place's public security office for a temporary household (*linshi hukou*) for a definite period. In China those who are living temporarily in a place for any reason the term 'floating population (*liudong renkou*)' is used. Floating population in developed areas in China has long been the social and economic problems. It has been discussed in previous chapters that most of the floating population in Guangzhou Shi consists of economic migrants who come to make money. Income protection for this floating population is far from enough because of the special conditions set in the policies, the interests of the capitalists, and the desire of the floating population to earn money. Earlier in this chapter it was pointed out that people with temporary household status are usually linked with less permanent jobs and are barely provided with social insurance in work units. The following part has a special aim to solicit the views of the employees on social insurance services in relation with household status.

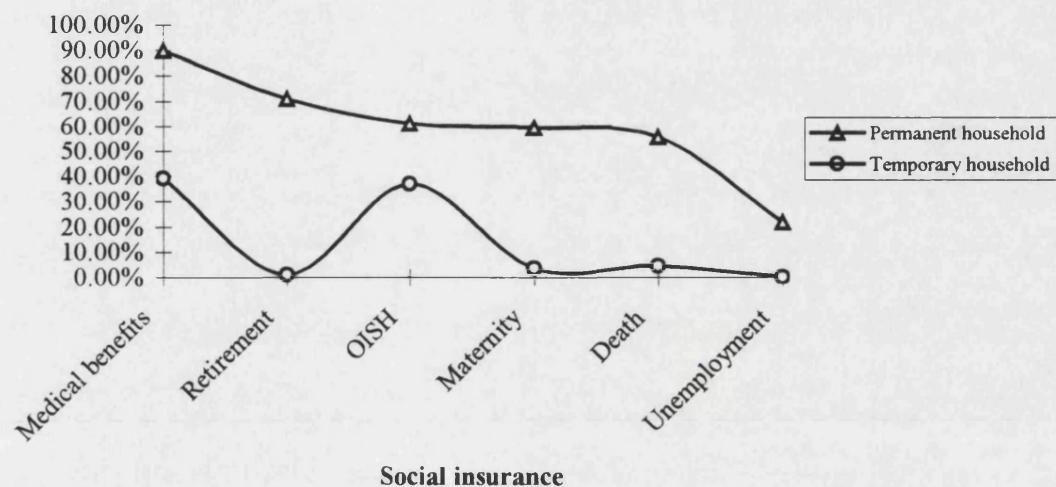
Chart 7-8 below shows the views of employees on eligibility for social insurance in relation to their household status. In comparing the weaker association between eligibility for social insurance and job natures, the chart shows the high correlation between household status and eligibility for various social insurance programmes. The Cramer's V for these two variables are around 0.30 for unemployment benefits to 0.56 for retirement pensions. For the other social insurance benefits, the Cramer's V are also modest. The examples are 0.49 for medical and sickness benefits, 0.47 for survivors' benefits, 0.43 for maternity benefits and 0.34 for OISH.

In statistical terms, the higher the value of Cramer's V the more active the effects of one variable to another. Thus it shows that household background is vital for one to be

¹⁵² Ji et al quoted from the Population Growth and Migration Study Group for Hangzhou Urban Area that in the household system reforms there should be a two-level system. The first level is for the permanent resident that includes 'red stamp', 'blue stamp' and 'green card' holders. The second level is for those with 'no card' and these are the temporary residents. (Ji et al. 1995, p. 297-298, my translation)

eligible for social insurance. Employees with permanent household status have relatively greater chances to be eligible for different social insurance programmes in China, according to this study. 89.7% of the employees with permanent household status were eligible for medical benefits, 70.9% to join and get the retirement pensions, around 60% to be eligible for OISH, maternity and survivors' benefits. For this group of employees 21.7% were eligible for unemployment benefits.

Chart 7-7 Employees eligible for social insurance by household status



In relation to those with permanent household status, migratory employees were not so lucky. For this group of employees medical and sickness benefits (39.1%) was the most commonly enjoyed social insurance service whilst OISH was the second (36.8%). On the other hand, eligibility for retirement pensions of migratory employees was 1.1%, maternity benefit was 3.4%, and survivors' benefit was 4.6%. The most striking finding is that no migratory employee thought that they were eligible for unemployment benefits. In sum, employees with temporary household status were more likely to be eligible for social insurance related to physical inability such as medical and sickness and occupational injuries. However, when compared with permanent residents migratory employees were still neglected. The study shows that in every two employees with permanent household status one migratory employee is eligible for medical and sickness benefits

An insight from this study is that the interviewees were rather certain about the eligibility for social insurance. The percentages of the employees who chose the definite

answers such as 'not eligible' and 'don't know' are very close. Thus it can be summed up that, employees of different household status hold certain perceptions on their access to social insurance. These perceptions, to a large extent, are related to their own cognition of household status and the information on related policies collected from work, peers, mass media, etc. In the coming chapter this issue will be examined in more detail.

In relation to employees with permanent household status, more migratory employees said they were not eligible for social benefits. For migratory employees 60.9% said that they were not eligible for retirement pensions, 46% not qualified to get OISH and 44.8% not eligible for medical and sickness benefits. This shows social insurance benefits in China were provided to migratory employees in a rather limited way. On the whole, there were far fewer permanent residents not eligible for social insurance than the migrants. Household registration in China is thus a significant status factor for one to be employed permanently or temporarily and eligible for social insurance. Thus household registration is of vital importance in the study of social insurance in China because it reflects the related features of social insurance like the strong administrative functions and uneven coverage between different categories of employees. In the following part the attention will turn to the relationship between employment nature and eligibility for social insurance.

For the gender variable, it has been shown in previous parts that more women than men were employed under permanent terms. This situation is unique to China - a developing country that has successfully overcome the difficulties in employment equality. An important issue, however, is the relationship between employment nature and one's skill level, i.e. does one's skills determine his employment nature? This question is meaningful because, as having been discussed before, employment natures have moderate relationship with one's eligibility for social insurance. In other words, one's eligibility for social insurance will also be affected if skill is correlated with employment nature.

The finding result shows that the association between employment nature and skill levels is rather weak (Cramer's V=0.19). Among the 224 non-skilled labours (e.g. salespersons, manual production workers, etc.) 52.7% worked as permanent workers in

contrast with 17% as contract system workers and another 27.7% as temporary workers. For the 127 skilled labours (i.e. chef, accounting clerks, printers, etc.) 70.9% were permanently employed and 17.3% were contract system workers and another 11.8% were temporary workers. Among the 80 professional or managerial employees, 73.8% worked as permanent staff, with 21.5% contract system employees and 5% temporarily employed. In brief, there is a tendency that the higher the skill levels the more the chances of being permanently employed. However, it is necessary to mention here that one's skill level is conditioned by many factors such as working experiences, training, age, education, etc. Thus in general the older the age and the higher the education level may increase one's chance to skilled labour work. The weak correlation between age, education levels and employment natures found above also explains why skill levels do not affect employment natures directly.

In concluding consideration of the relationships between employment nature and the variables discussed above, it is learned that in relative terms household status affects employment nature the most. Based on this observation an argument comes out that if employment nature does affect one's eligibility for social insurance then such effects are strongly related to household status. This finding is unique to China since household registration is one of the effective social systems of the communist government for managing the economy and the people.

The results found in previous parts show that most of the permanent employees were eligible for social insurance. On average, above 70% of these employees were eligible for social insurance services, except for unemployment benefits. This percentage contrasts greatly with that of employees of other natures. For example, around 50% of the contract system employees, 15% of the temporary employees and around 35% of the employees of the 'others' group were eligible.

The analysis shows that the association between eligibility for social insurance and employment natures varies but in general they are not notably linked. The three social insurance items which have a modest relationship with employment natures are retirement pensions (Cramer's $V=0.47$), medical benefits (Cramer's $V=0.43$), and survivors' benefits (Cramer's $V=0.41$). Eligibility of permanent employees to medical benefit (97.1%) and retirement pensions (80.1) is exceptionally high. For this group of

employees, the rate of eligibility for survivors' benefits is a bit lower but it also reached 63.4%. The percentages for contract system and temporary employees were rather low.

The other three social insurance items in which the employees of different employment natures have relative weak associations are unemployment benefits (Cramer's V=0.19), OISH (Cramer's V= 0.27) and maternity benefit (Cramer's V=0.36). For unemployment benefits the eligibility rates for permanent and contract system employees were the same (22.2%) whilst for the group of 'others' was 10%. The differences between permanent and contract system employees in OISH is 9.6% and in maternity benefits the percentage for permanent employees is 63.4% whilst for contract system employees was 57.4%.

The stronger correlation between employment natures and eligibility for the three social insurance services, i.e. medical and sickness benefits, retirement pensions and survivors' benefits goes with the pattern found earlier on the relationships between these items and household registration. This states clearly that, among all status factors, household registration is the most influential in determining one's employment nature as well as eligibility for social insurance. On the other hand, the weaker association of the other three items (unemployment, OISH, and maternity) and eligibility for social insurance reflects the less divergent treatments among all types of employees.

In concluding this section, an important point that should be pointed out is that household registration is significant to one's eligibility for social insurance in China and this is also its significant feature. The case of social insurance in Guangzhou Shi demonstrates that to be eligible for social insurance one's gender and age are unimportant. The data also exhibit that neither job natures such as production or non-production nor education level or skill levels are influential to one's eligibility for social insurance. Rather, it is one's household status, i.e. being a permanent resident or a migrant, that affects one's employment natures and then one's access to social insurance. It can be envisaged that, by having understood household registration as the means used by the government to control the movement of population, one's eligibility for social insurance is predetermined and discriminatory. The primary aims of the administrative approach of controlling the mechanics of population growth is to create a favourable economic production environment in urban areas, and for the better use of the limited

resources in the modernisation process that will ultimately facilitate economic growth. Household system, therefore, makes up the special characteristics of social insurance in China under the socialist modernisation development approach.

Eligibility for and needs of social insurance as viewed by employees

This section is going to demonstrate the feelings and understandings on eligibility issue among employees. There are two main concerns: first, the reasons stated by the employees for being not eligible for social insurance (Table 7-1) and second, their experiences in getting social insurance benefits (Table 7-2). This section ends with the analysis of the relations between eligibility for social insurance and the reasons and experiences as perceived by employees. On the whole, this part presents the effects of social insurance as a social institution on people in China with the case of Guangzhou Shi. These findings are also important to the exploratory study on the features of social insurance in China.

Table 7-1 below lists the five main reasons perceived by employees for being not eligible for social insurance benefits. It shows that among the 165 employees who responded to the question, more employees (41.8%) thought employment status or nature was the reason for not being eligible. Interestingly, household status was second place. 28.5% of these interviewees answered that temporary household was the reason for being rejected from social insurance provisions. For the other three reasons the significance was not so strong although 1.2 out of ten of the employees thought that the length of working periods was also determinant.

Table 7-1 Reasons for being not eligible for social insurance as viewed by employees

| Reasons | Number | % |
|---|---------------|--------------|
| Household status (e.g. temporary household) | 47 | 28.5 |
| Employment status (e.g. temporary employee) | 69 | 41.8 |
| Irregular incomes (e.g. on piece basis) | 13 | 7.9 |
| Lower ranks | 16 | 9.7 |
| Short working period | 20 | 12.1 |
| Total | 165 | 100.0 |

The views of employees on eligibility for social insurance coincide with the findings in earlier sections of this chapter, i.e. household status and employment status are the two main criteria for one to be eligible for social insurance. Such findings make clear that status factors control over one's eligibility for social insurance in China.

Table 7-2 Use of social insurance services among employees (%)

| Social insurance | Yes | Never |
|--|------|-------|
| Medical and sickness benefits | 79.8 | 20.2 |
| Maternity benefits | 34.2 | 65.8 |
| OISH | 16.2 | 83.8 |
| Unemployment benefits | 1.9 | 98.1 |
| Retirement pensions | 6.8 | 93.2 |
| Survivors' benefits & funeral expenses | 3.2 | 96.8 |

Table 7-2 above shows the percentages of the employees who used the social insurance services. It is found that medical and sickness benefit is the most frequently used item among the employees (79.8%). The percentage for maternity benefits (34.2%) is lower whilst the percentage is even lower still for OISH. The low utilisation rates of employees in social insurance other than medical and sickness benefits may be understood as the infrequent needs or fewer chances of happening rather than a sign of lack of success. However, the figures also reflect that some of insurance items are particularly important and more popularly known or used by employees and thus the usage rates are higher.

From testing the association between eligibility and usage of social insurance service it is found that the Cramer's V for medical benefits (0.86) is the highest whilst for maternity benefits (0.60) is the second and the others were from 0.12 to 0.31, respectively (Table 7-3). These indicate medical and sickness insurance is the biggest concern among employees. On the other hand, this study also shows the needs for particular social insurance items by cross tabulating the eligibility (i.e. who is covered) and usage of services. The needs for a specific social insurance are high if the two variables are strongly related. This facilitates the understanding of how often people have to resort to the insurance benefits when such need arises. Most importantly, the study on the needs of employees enhances the understanding of the uniqueness of social insurance in China.

Table 7-3 Eligibility for and usage of social insurance services viewed from employees (%) (number=524)

| Social insurance | Eligibility | % 12.5 81.0 6.5 | Usage | | Cramer's V= 0.86 |
|-------------------------------|--------------|--------------------------|------------------------------|----------------------------|------------------|
| | | | Never 92.4 3.5 88.2 | Yes 7.6 96.5 11.8 | |
| Medical & sickness | Not eligible | 12.5 | 92.4 | 7.6 | 0.86 |
| | Eligible | 81.0 | 3.5 | 96.5 | |
| | Don't know | 6.5 | 88.2 | 11.8 | |
| Maternity benefits | Not eligible | 24.5 | 94.6 | 5.4 | 0.60 |
| | Eligible | 49.8 | 37.0 | 63.0 | |
| | Don't know | 25.7 | 94.1 | 5.9 | |
| OISH | Not eligible | 17.1 | 96.7 | 3.3 | 0.31 |
| | Eligible | 56.7 | 73.8 | 26.2 | |
| | Don't know | 26.2 | 97.1 | 2.9 | |
| Retirement pensions | Not eligible | 19.8 | 99.0 | 1.0 | 0.18 |
| | Eligible | 59.1 | 89.4 | 10.6 | |
| | Don't know | 21.1 | 98.2 | 1.8 | |
| Survivors' benefits | Not eligible | 19.2 | 100.0 | 0.0 | 0.15 |
| | Eligible | 46.8 | 93.9 | 6.1 | |
| | Don't know | 34.0 | 98.9 | 1.1 | |
| Unemployment benefits | Not eligible | 33.5 | 98.9 | 1.1 | 0.12 |
| | Eligible | 18.1 | 94.7 | 5.3 | |
| | Don't know | 48.5 | 98.8 | 1.2 | |

Table 7-3 above shows the relationships between the eligibility for and usage of social insurance. The table clearly shows that, according to the Cramer's V, the relationships between eligibility for and usage of social insurance exist to various extents. The two most outstanding items are medical and sickness benefits (Cramer's V=0.86) and maternity benefits (Cramer's V=0.60). The scorings of these two social insurance benefits, as mentioned, speak to two important matters. First, from the employees' perspective medical and sickness insurance and maternity benefits are the most frequently needed items. Second, the usage of insurance services depends very much on the eligibility status, i.e. only if one is eligible for the benefit can then one access and experience from it.

Among the 524 sampled employees 81% said they were eligible for medical and sickness benefits and only 12.5% were not eligible. The high eligibility rate of the employees for medical and sickness benefits contrasts greatly with that for unemployment insurance. For unemployment insurance, the uncertainty rate, i.e. those

who didn't know whether they were eligible or not (48.5%), and the rate for those who were not eligible (33.5%) far exceeded the percentage of those who were eligible (18.1).

In returning to the discussions on the relationship between eligibility and usage of social insurance, Table 7-3 shows that 96.5% of those who were eligible for medical and sickness benefits used this benefit. In contrast, 92.4% of those who were not eligible for this insurance had never used this benefit. This shows the strong relationship between one's eligibility for and usage of the social insurance. Accordingly, the more the people who use particular insurance item they are eligible for, the more frequent the need of these people on such service. Thus the 94.7% of those eligible for unemployment benefits but had not used the service reflects the low immediate needs for the insurance.

Generally one's knowledge of a service or commodity affects usage of it. In a society with free information exchanges everyone is supposed to own equally and have adequate accesses to knowledge of what one can get. However, such accesses are also conditioned by the ability of the concerned, i.e. to what extent one can get the information and one's purchasing power. This is a very basic issue in the study of social services. Therefore, an assumption is that a high utilisation rate of a service also implies that the users are widely informed and they can afford the charges.

The above simple and straightforward marketing rules, nevertheless, is difficult to be applied in understanding the relationship between knowledge, usage of and eligibility for social insurance in China. This difficulty comes from the country's enclosed and strongly linked political, economic and social systems. Social insurance in China exceeds the functions of a social institution that it is also a political and economic institution. The dissimilar eligibility rates between migratory workers and workers with permanent household status, and between permanent and non-permanent employees spell out the effects of the multifunctional social insurance services in China. Eligibility for social insurance in China is to a large extent status-determined whilst knowledge about the services is controlled by central or local government or its agents. Accordingly usage of a particular social insurance item depends on the attitude and openness of the state. The relatively high eligibility and usage rates but low 'don't know' percentages of medical and sickness and maternity benefits show that social insurance services in China

are basically concerned with the needs for income protection caused by short term physical disabilities.

In the following part, the discussion centres on who were not eligible for social insurance service from analysing the demographic variables such as gender groups, age groups, household registration, work natures and employment natures to study. Table 7-4 below compares the employees of different backgrounds who were not eligible for the two most popularly needed social insurance benefits.

Table 7-4 Employees who were not eligible for medical and sickness insurance and maternity benefits

| Variables | Category | Number | Medical & sickness (%) | Maternity (%) |
|-------------------------------|-----------------|--------|------------------------|---------------|
| Gender | Male | 250 | 18.4 | 32.4 |
| | Female | 274 | 15.3 | 16.8 |
| Job nature | Production | 307 | 20.2 | 29.0 |
| | Non production | 217 | 12.0 | 17.5 |
| Household Registration | Local | 437 | 11.0 | 17.8 |
| | Migrant | 87 | 46.0 | 56.3 |
| Employment Nature | Permanent | 306 | 7.2 | 14.4 |
| | Contract system | 108 | 11.1 | 16.7 |
| | Temporary | 100 | 51.0 | 60.0 |
| | Others | 10 | 30.0 | 50.0 |
| Age | 16-35 | 267 | 24.7 | 33.7 |
| | 36-55 | 238 | 8.4 | 13.9 |
| | Over 55 | 19 | 10.5 | 3.1 |

The first finding is that, except for maternity benefits, the contrasts between the unprotected rates for men and women are small. Apart from gender variable, all of the others have significant disproportion. The two notable variables are household status and employment natures. On household status there were higher percentages of temporarily employed migrants not eligible for the two insurance items. For example, 56.3% of the 87 migratory employees were not eligible for maternity benefits in contrast with 17.8% of the 437 local employees. For medical and sickness benefit, the difference is also remarkable. Only 11% of the local employees were not protected whilst for migratory workers the percentage was 46. In terms of employment natures fewer permanent employees could not get the two insurance items. But the percentages of non-permanent employees were higher. The percentage of temporary employees in the 'not eligible'

group was exceptionally high. Finally, in comparing different age groupings, it is found that the youngest group (age 16-35) was mostly neglected and the oldest most protected.

In brief, the case of medical and sickness benefits shows migratory workers aged 16 to 35 and employed temporarily in production work comprise the least covered group in social insurance services in China. Accordingly, it is obvious that this group of employees is even more neglected in other social insurance benefits. The least covered young migratory employees reflects social insurance services in China are largely provided to local older permanent employees who are mostly employed by state-owned work units. This phenomenon evidences unequal resource distribution especially in a horizontal way between migrants and local people, between state and non-state owned work units, and between non-permanent and permanent employees. These inequalities in social insurance relate to the particular environment in China.

The need for social insurance: A comparison between different groups of employees

The previous part reviewed the employees' experiences of, and views on the different social insurance benefits in Guangzhou Shi. It is found that in terms of eligibility for social insurance young migratory temporary workers were the most neglected. This section is going to compare the magnitude of disparities between migratory temporary employees, local permanent employees and the overall sampled population. The first task in this section is to present the general features of their backgrounds such as family income levels and modes of income, etc. (Table 7-5). Second, it will explore their living standards that include housing types, household equipment and household facilities (Table 7-6). Finally the discussion will touch on the family expenditure patterns of these three groups of employees (Table 7-7).

Table 7-5 below shows that migratory temporary employees have some particular features when compared with local permanent employees as well as the overall sampled population. First, more than half (53.6%) of the group of migratory temporary employees got household incomes below 900 yuan per month. This percentage far exceeds that of the local permanent employees (15.2%) and the whole sampled population (21.7%). Second, there are fewer migratory temporary employees (58.3%) procuring their incomes from work units monthly than local permanent

employees (85.5%) and the whole sampled population (81.9%). Third, 52.4% of the migratory temporary employees were breadwinners in their families (provided 80% or more of the family incomes) whilst 49.5% were local permanent employees and 48.4% were in the whole sampled population. Fourth, more migratory temporary employees have big family sizes than the other categories. 26.2% of the migratory temporary employees have 2 or more family dependants but for local permanent employees the percentage was 20.5% and the whole sampled population was 19.6%. Finally, slightly more of the migratory temporary employees group (20.2%) experienced sudden loss of family income in the previous three years, compared with 18.5% of local permanent employees and 20% of the whole sampled population.

Table 7-5 Income and household patterns of migratory temporary and local permanent employees (%)

| Variables | Categories | | |
|--|--------------------------------|--|----------------------------|
| | Migratory temporary* (n=84) | Local Permanent employees** (n=303) | All respondents (n=524) |
| Earner of the family | 52.4 | 49.5 | 48.4 |
| Monthly income mode | 58.3 | 85.5 | 81.9 |
| Experience of sudden loss of income | 20.2 | 18.5 | 20.0 |
| Family incomes less than 900 yuan per month | 53.6 | 15.2 | 21.7 |
| Family dependants | | | |
| 1 only | 7.1 | 54.1 | 40.5 |
| 2 or more | 26.2 | 20.5 | 19.6 |
| Married | 25.0 | 84.2 | 64.9 |

Note: * 'Migratory temporary employees' means those who registered as temporary households in Guangzhou Shi and were employed under temporary terms.

** 'Local permanent employees' means those who were permanent residents in Guangzhou Shi and employed as permanent employees.

Migratory temporary employees as contrasted with their counterparts tended to earn incomes irregularly (i.e. non-monthly such as piece rate or weekly basis) from work units. Furthermore, their household incomes were lower than that of the local permanent employees and the whole sampled population. These special features of migratory and temporary employees arouse attention to their higher needs for social insurance to protect them and their families from living difficulties. These weakness or features of social insurance in China as demonstrated by the neglected migratory employees are

two. First, social insurance services in China are insensitive to and ineffective in managing the rising social needs in the country. Second, these services screen out the most needy by administrative means, e.g. household and employment natures in the transition to a socialist market economy

Apart from irregular income pattern, Table 7-6 below shows the living standards of migratory temporary employees by three variables: housing types, household equipment and household facilities. In general the table discloses that the living standards of migratory temporary employees are lower than that of the overall population, particularly of the local permanent employees.

Table 7-6 Living standards of different categories of employees (%)

| Variables | Categories | | |
|-----------------------------|----------------------------|-----------------------------------|-------------------------|
| | Migratory temporary (n=84) | Local permanent employees (n=303) | All respondents (n=524) |
| Housing types | | | |
| Self-owned/built | 47.6 | 18.8 | 27.0 |
| Privately rent | 7.1 | 8.9 | 10.6 |
| Work unit's | 41.6 | 64.4 | 55.7 |
| Household equipment | | | |
| Television set | 70.2 | 98.0 | 93.3 |
| Radio set | 79.8 | 87.1 | 86.5 |
| Refrigerator | 20.2 | 90.8 | 80.0 |
| Visual system | 11.9 | 59.7 | 51.7 |
| Audio system | 26.2 | 61.7 | 53.8 |
| Telephone set | 17.9 | 71.0 | 62.0 |
| Air conditioner | 10.7 | 49.2 | 43.2 |
| Electric fan | 90.5 | 95.7 | 94.1 |
| Microwave oven | 7.1 | 15.2 | 15.6 |
| Rice cooker | 76.2 | 97.7 | 93.7 |
| Household facilities | | | |
| Running water | 85.7 | 99.3 | 96.8 |
| Electricity | 83.3 | 92.1 | 90.3 |
| Gas | 36.9 | 92.4 | 82.9 |
| Sewage | 46.4 | 73.9 | 67.3 |
| Private use toilet | 48.8 | 86.1 | 81.4 |
| Private use kitchen | 54.8 | 93.4 | 87.1 |

On the housing types it is learned from Table 7-6 that more migratory employees own houses (47.6%) than local permanent employees (18.8%). At the same time, fewer migratory employees (41.6%) live in accommodations provided by work units than local permanent employees (64.4%). It seems that by viewing from the higher house ownership rate, migratory temporary employees are better off than local permanent employees. However, this is not the case in China since most housing units in the mid 1990s were still owned by central or local government, or their work units and were not marketable. Thus for the majority of the dwelling-houses in the country owned or built by individuals, especially those by migratory employees, are of a very low standard and non-marketable (e.g. temporary accommodations built with waste materials along railroad tracks or on construction sites). In contrast, the lower living standard of migratory temporary employees is reflected by their low percentage of ownership of household equipment and household facilities (Table 7-6). In sum, this issue reveals that most work units did not provide migratory temporary employees with various kinds of housing services as are provided the local permanent employees.

The table above shows that migratory temporary employees were more deprived of household equipment and household facilities than their counterpart. The variations can be found from the very basic and necessary equipment to luxury items in urban living in China. For example, 46.4% of migratory temporary employees owned drainage system in their accommodation whilst for the whole sample population was 67.3% and for local permanent employees was 73.9%. The lack of drainage system of the migratory temporary employees also reflects the non-permanent structure of their accommodation units. The example of luxury item is audio system (i.e. personal stereo sound system including amplifier, speakers, turntables or compact disc players, tape recorders, etc.) 26.2% of migratory temporary employees claimed they owned such commodities as contrasted with 61.7% of local permanent employees and 53.8% of all the sampled population.

The findings show that local permanent employees had more household facilities and better equipment for daily living needs than migratory temporary employees. These two sets of variable show that the living quality of local permanent employees is the best irrespective of the fact that one-third of them are not house owners. In sum, Table 7-6 shows the general living situations of employees in Guangzhou Shi. The main finding is

that social institutions in China are linked and have strong effects on people's daily lives. Household system, employment system, and social insurance determine the standards and patterns of the people's living. Furthermore, an important insight is that the roles and functions of social insurance are highly dependent on the other two in this socialist developing country.

Table 7-7 Family expenditure patterns of different categories of employees (%)

| Items that consumed 1-20% of the family incomes | Migratory temporary (n=84) | Local permanent employees (n=303) | All respondents (n=524) |
|---|----------------------------|-----------------------------------|-------------------------|
| Housing | 66.7 | 70.6 | 69.9 |
| Foodstuff | 33.3 | 7.9 | 15.6 |
| Transportation | 78.6 | 77.2 | 77.4 |
| Clothing | 84.5 | 80.5 | 80.4 |
| Children's education | 53.6 | 62.8 | 57.8 |
| Medical | 86.9 | 82.1 | 82.3 |
| Fuel/electricity | 81.0 | 87.2 | 84.6 |
| Entertainment | 76.2 | 72.0 | 71.7 |
| Others | 31.0 | 28.7 | 30.7 |

The above table lists the proportion of family expenditures of the employees in this study. The table shows that migratory temporary employees spent less on transportation, clothing, foodstuff, medical, entertainment and other items but spent much more on housing, children's education and fuel and electricity than the whole sampled population as well as local permanent employees. For foodstuff items one-third of migratory temporary employees spent only 1-20% of their family income whilst for local permanent employees outgoings were 7.9%. On medical expenses, 86.9% of the migratory employees spent 1-20% of the family incomes but the percentage for local permanent employees the percentage was 82.1%. Different household expenditure patterns reflect the coverage of social insurance as well as the affordability of employee contributions to social insurance services. Thus the finding outlines that migratory temporary employee can hardly contribute to social insurance on the one hand, and suffer from paying higher service charges on the other.

Table 7-8 below presents that basic wages are the main sources of incomes for the majority (97.6%) of migratory temporary employees. Some of them might also generate additional incomes from production such as job supplements (26.2%) and

bonuses (27.4%). However, only 2.4% of migratory employees said non-production related welfare supplements were their main income source. This percentage was far lower than that of the local permanent employees (30%) and all of the sampled population (25.5%).

Table 7-8 Main incomes from work units between different categories of employees (%)

| Source of incomes | Migratory temporary employees (n=84) | Local permanent employees (n=303) | All respondents (n=524) |
|--|--------------------------------------|-----------------------------------|-------------------------|
| Job supplements | 26.2 | 41.3 | 35.9 |
| Basic wages | 97.6 | 97.0 | 95.1 |
| Welfare supplements | 2.4 | 30.0 | 25.5 |
| Bonus (monthly, annual, interests, etc.) | 27.4 | 62.0 | 54.2 |
| Others | 0.0 | 2.0 | 2.5 |

In a nutshell, the extent of risk, the severity of income loss and contributions to social insurance are not enough for one to get social insurance in China. Rather, eligibility for social insurance is conditioned by one's household and employment natures. By using different variables like housing tenure, household equipment and facilities, family sizes and the family expenditure patterns, this part depicted the living standards and needs for social insurance by migratory temporary employees. Although it is found that migratory temporary employees have greater needs for social insurance than the others, their accesses to social insurance are always blocked because of the administrative barriers like household system and the newly changed employment system. Both of these two social institutions are strongly related to socialist political and economic systems that create the particular features of social insurance in China.

Summary and conclusions:

This chapter discussed the features of social insurance in China from the recipients' views of service surveyed in Guangzhou Shi. The study finds three distinguishing features of social insurance in China and these features have great impacts on the services. First, this study discovered that coverage of social insurance in China is to a large extent determined by non-social insurance related factors such as one's household

status. Although the relationship between household status and eligibility for social insurance is indirect it is because of the strong linkage between household status and employment nature that it strongly affects one's social insurance coverage.

The particular relationships between household status and social insurance also reflect another feature of the country's social insurance that the services are functionally geared for national economic transformation and political transition. For the former function social insurance is assigned to cater for the needs of the employees arising from early retirement and unemployment in building up the market economy. In realising the political functions social insurance services are set up and reformed for facilitating the transformation to market socialism. In pursuing these ideals some groups of employees are neglected whilst others are well protected. It is found from the study in Guangzhou Shi that migratory young employees are mostly employed with non-permanent terms and are the least covered. The study shows that even though these employees are covered, most of them can only get medical and sickness benefits that provide shorter-term income protection.

The second feature of the Chinese social insurance is its administrative and management structure. The study demonstrates that work units play multiple roles in the social insurance system in China. Work Units in China are economic production units as well as social services providers. In China, conflicts between employees, employer and state on social insurance are rare because work units carry out the development and provisions of the services. The mingled roles of work units in social insurance management facilitate horizontal redistribution of economic and social resources within the social insurance system. The evidence is the large group of extensively covered permanent employees in state-owned work units. State capitalism in China is realised by the politically controlled work units on economic and social issues. Social insurance services in China are driven by the states that the people's needs on particular insurance items are created or satisfied.

Finally, this chapter proposed that social insurance, as a social institution, is highly vulnerable to political and economic institutions in China. This feature of the Chinese social insurance explicitly demonstrates the impacts of socialist politics and economy of the country on the objectives and effectiveness of social insurance services.

The example is newly developed unemployment insurance benefits for those who have to quit the jobs under enterprise reforms. The implication of redefining unemployment in the 1980s is to justify the foreseeable needs of the state-owned work units in the short term, and the need for building up a socialist market economy in the long run. Another example is the criteria of being eligible for maternity benefits. The conditions of being covered and eligible for maternity benefits include observing the national birth control policies. In brief, the social functions of social insurance in China are directed by the country's political and economic ideals.

The particularity of social insurance in China is its ultimate objective. Throughout the chapter it is found that social insurance services in China do not fall in line with the social insurance services in most capitalist developed countries. The case of social insurance in Guangzhou Shi reflects social insurance in China is built up on her own economic mode and fulfils mostly the socialist political and economic functions. This explains the phenomenon that migratory workers who have higher needs for social insurance because of their insecure jobs and unfavourable working conditions are barely protected by social insurance.

The discussion of this chapter highlights that, with the case of Guangzhou Shi, social insurance in China can hardly fulfil the role of 'protecting the members against economic and social distress.' Rather, it is a social institution in which the satisfaction of contingent income needs is based on one's conformity or nonconformity to the norms of society. The implication, therefore, is the significant control function rather than the promotion of mutual assistance among the contributors. After presenting the features of social insurance in China from the employees' experiences, the coming chapter will present their aspirations on the social insurance services.

Chapter Eight

Features of social insurance in China: The views of the employees

Introduction

The expectations and views of users on social insurance come from their cognition of the services (i.e. knowledge and experiences) that relies upon many variables. On the employees' side these variables include their accessibility to information, ability to understand the information, relationships and familiarity with the social insurance organisations, the needs of the services and the frequencies of using the services. On the other hand, the service system, openness of the services and institution, education on and promotion of the services, administrative approaches, etc. determine the provisions of the services and affect the user's perception of the whole system. The relationships between these two groups of variables are dynamic that make up the particular user's perspective and highlights the features of the country's social insurance. The purpose of this chapter is to examine what these specific views on social insurance in China are and what features of the Chinese social insurance can be found from the views of the employees.

In June 1988 Deng Xiaoping commented on the reforms in China that there were numerous hardships and difficulties but also hopes for the success. (Deng 1993, p. 268) The risks of reforming are various but the primary concern of the Chinese government was political stability.¹⁵³ In the 1980s there were ups and downs in Chinese politics. These include the rise and fall of Premier Zhao Ziyang and the loss of Hu Yaobang, General Secretary of the Communist Party of China and the one-time closest comrade-in-arms of Deng Xiaoping. These events exposed power conflicts between different lines within the Party that consequently led to stronger political controls over national development. Although it was witnessed in the demonstrations in spring and summer of 1989 that the people were dissatisfied with the political development and social conditions in the country, the Communist Party of China still insisted political stability

¹⁵³ In the conversation with U.S. President George Bush on 26 February 1989, Deng said that "China should persist in reforming and opening and these are the hopes for solving the problems in China. But reforms must have a stable political environment." (Deng 1993, p. 284, my translation)

took precedence over everything in the country.¹⁵⁴ The Tiananmen Square Incident in June 1989 was therefore labelled an “anti-revolutionary riot” and, according to denunciations by party leaders, the crowds in the Square had two main purposes: to overthrow the communist party and overturn the socialist system.¹⁵⁵

The word ‘crisis’ in Chinese connotes the meanings both of ‘risk’ and ‘hopes’. Risks in national development are sparked by modifying the established systems and institutions at certain points of time in responding to the new measures and needs in the process. Hopes, on the other hand, proliferate from fear when there are uncertainties. Social insurance system reform in China brings new hopes to the people, especially the newly rising social groups. However, it is also full of risks since the new initiatives tend to be politically and economically commanded but they do not aim primarily at easing the people’s income maintenance problems. The driving force of re-establishing a new social insurance system in China comes from the determination of “deepening the reforms in enterprise and business units, stabilising the society, and then building up a socialist market economic system without a hitch.”¹⁵⁶ These political and economic forces constitute a specific environment which moulds the people’s perception of social insurance and the uniqueness of social insurance in China. The main objective of this chapter is to examine the features of social insurance in China given prominence by the field study on employee views in Guangzhou Shi in 1995.

Social insurance in Guangzhou Shi: The experiences of the employees

Social insurance is a social institution set up for assisting the eligible to meet their contingent income needs through a multiparty contributory system. In most capitalist developed countries like France, Germany, the United States and the United Kingdom social insurance services are well developed as an important part of the income protection mechanism. As a social institution, economic maturity and political stability of society largely determine the development and operation of a social insurance system.

¹⁵⁴ op cit.

¹⁵⁵ These can be found in the speech made by Deng Xiaoping on 9 June 1989 in a meeting with the cadres of army level and above during the time martial law was in force in Beijing. (Deng 1993, pp. 302-308)

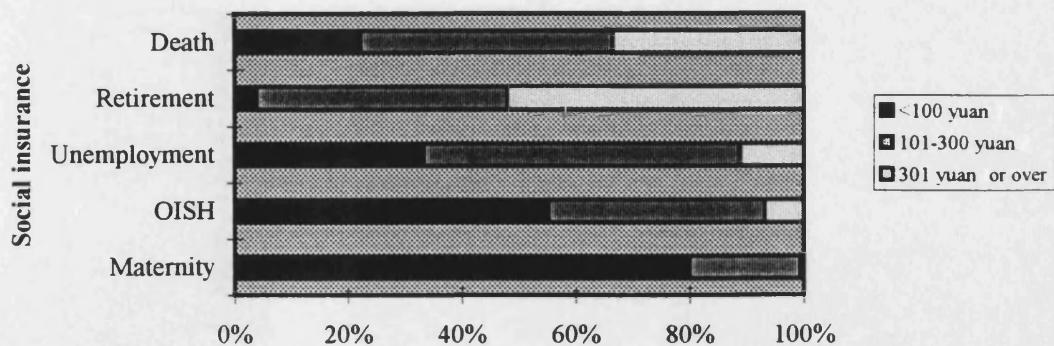
¹⁵⁶ Please refer to paragraph 26, Section 5 of “The Decisions of the Central Committee of the Communist Party of China on the Several Questions about the Building Up of Socialist Market Economic System” on 14 November 1993.

For a socialist developing country as China, however, these two important conditions are hardly discernible. Nevertheless social insurance in China was established in the period of chaotic civil wars and anti-foreignism, developed in the 1950s and 1960s in the midst of political upheavals, and reformed in the economic transformation from collectivism and centralisation to 'market socialism'.

This section attempts to provide an understanding of the general background and conditions that cultivate the views of employees towards social insurance in China. This is an innovative approach to understand the features of social insurance system in China since the path of social insurance development in the country nurtures particular perceptions and values among the people that to a large extent reflect the features of the whole system. An example is the different values on roles and functions of labour and social insurance among local permanent employees in state-owned units and that of the migrant temporary employees in non state-owned sector.

This first part of the section demonstrates the characteristics of the employees and their families who used social insurance. The result shows that among the 524 sampled employees 33.5% answered that their families received maternity benefits, 19.4% got retirement pensions, 5.5% got OISH, 1.7% received unemployment benefits, and another 1.7% got survivors' benefits and funeral supplements, respectively. In short, except for medical and sickness benefits, maternity benefits ranked as the second popular social insurance item, whilst unemployment and survivors' benefits and funeral supplements ranked the least. The explanation is that unemployment insurance is a new social insurance item in China whilst the low recipient rates of survivors' benefits and funeral supplements relate to the typical introvert character of Chinese on matters relating to death and dying. The reasons for such happenings, however, have to be examined in detail in another study. Chart 8-1 below demonstrates the benefit levels of different social insurance services received by these families.

Chart 8-1 Recipient families and the amount of social insurance benefit



The chart above shows the amount of monthly benefits received by the families from different social insurance services in the three years from 1992 to 1995. The benefits are grouped into three different levels from less than 100 yuan to 301 yuan or more per month. The bar graph shows that most of the families (80%) could only get less than 100 yuan from maternity benefits in contrast with 0.7% who received more than 300 yuan per month. For retirement pensions 52% of the families got 301 yuan or more per month, with as little as 3.9% of the group receiving less than 100 yuan a month.

In general, the amount of the benefits that a family can get depends on various variables but the most important one is the number of its members who are eligible to social insurance. It was shown in the last chapter that one's eligibility to social insurance relates to work nature and household registration status. The others are attributed to the capability of the work unit in which the benefits are offered. Take the example of retirement pension for discussion. The study found that the association between the number of family members who are eligible to retirement pensions and the amount of the benefit is moderate. (Cramer's $V=0.31$) Among the 37 sampled employees who replied that they had one pensioner in the family, 64.9% received from 101 to 300 yuan from retirement pensions and 35.1% got 301 yuan or higher. The percentage for the families with two pensioners (a total of 37) who receive the same amount of retirement pension was 32.4%, while 62.6% got 301 yuan or more. The same pattern is found among the families that have 3 or more pensioners. Accordingly, the case of retirement pensions shows that the more the family members are eligible to social insurance the more benefits the family can get.

The previous proposition, however, cannot be generally applied to all social insurance items in China. For example, maternity benefits will not be increased by additional new-born to a family. Under the strict population control policy in China, the second child is not allowed in cities like Guangzhou Shi except for some very special reasons and being approved in advance.¹⁵⁷

The variant relationships between social insurance benefits and eligibility to benefits prove further that social insurance services are conditioned by many other measures in China. It is obvious that 'need' is not determinant for one to get social insurance benefits but the national policies are. The typical example is maternity benefits. It was found in the previous chapter that work units scrutinise the applications for maternity benefits in supporting the national 'single child policy'. Such approaches show that social insurance services in China are not needs oriented. The subsequent parts will investigate this issue by examining the administrative pattern of Chinese social insurance.

The administrative matters to be discussed in this part include the adjustment of social insurance benefit levels, the waiting period for social insurance benefits, and the formats of providing social insurance. All three of these issues can reflect the effectiveness of social insurance system as well as its features. For example, to review the formats of providing social insurance benefits (e.g. lump sum or multiple payments) are important since it determines how the needs of the beneficiaries are met. (Midgley, 1984) Furthermore, an evaluation on this issue can also reflect the service values and ideologies. In a nutshell these practices constitute a specific view among employers and give prominence to most of the characteristics of the social insurance system in the country.

¹⁵⁷ In most cases married couples are only allowed to give birth to one child in the period approved by the related unit. However, if the first child is proved handicapped by a medical doctor that the couple might apply to have another. The strict population control policy also applies to the re-married couples that they cannot have any new born child if either of them had a child in a preceding marriage.

Table 8-1 Review on social insurance administrative issues in Guangzhou Shi (%)

| 1 Waiting time | | | |
|---------------------------------------|---------------------|---------------------|---------------------|
| Social insurance | Less than one month | More than one month | Don't know/ Depends |
| Maternity (N=178) | 41.6 | 25.8 | 32.6 |
| OISH (N=32) | 46.9 | 6.2 | 46.9 |
| Unemployment (N=10) | 70 | 10.0 | 20.0 |
| Retirement (N=84) | 78.6 | 19.0 | 2.4 |
| Survivors' (N=11) | 91.0 | 9.0 | 0.0 |
| 2 Benefit payment formats | | | |
| Social insurance | Multiple | Lump sum | Depends |
| Maternity (N=178) | 73.8 | 20.9 | 5.3 |
| OISH (N=32) | 46.4 | 14.3 | 39.3 |
| Unemployment (N=10) | 60.0 | 20.0 | 20.0 |
| Retirement (N=84) | 90.1 | 8.7 | 1.2 |
| Survivors' (N=11) | 10 | 80.8 | 10.0 |
| 3 Adjustment of benefit levels | | | |
| Social Insurance | Never | Yes | Don't know |
| Maternity (N=178) | 71.9 | 14.6 | 13.5 |
| OISH (N=32) | 25.0 | 46.9 | 28.1 |
| Unemployment (N=10) | 30.0 | 20.0 | 50.0 |
| Retirement (N=84) | 12.6 | 82.5 | 4.9 |
| Survivors' (N=11) | N.A. | N.A. | N.A. |

Table 8-1 above summarises how social insurance services were provided to the sampled employees and their families. First, it is evident that the issuing of social insurance benefits is rather efficient. This can be found especially from the short waiting time for survivors' benefits and funeral supplements. The majority of the beneficiaries (91.0%) got this item of benefit in less than one month from the day of filing their applications. On the other hand, the two most inefficient services were maternity benefit and OISH. Less than half of the sampled population said that they received these two items of benefits in less than one month's time. Furthermore, about half of the employees claimed that they could not be sure of the length of the waiting time for OISH although they received the benefits. This reflects the complicated assessment process and the involvement of other non-social insurance related organisations such as labour bureaux. Similarly, the 32.6% of those who could not give definite answers on the length of the waiting time for maternity benefits reflect their uncertainties on eligibility to the benefits. In sum, the waiting time for specific social insurance benefits depends on first,

whether the social insurance organisation is capable of completing the whole assessment process, e.g. OISH. On the other hand, it also depends on the relationships between that particular social insurance item and national policy on other matters, e.g. maternity benefits and single child policy. However, the main factors are the political orientation and economic drive of the government regarding social insurance services. These two factors determine the objectives, managing mechanism, roles and functions of social insurance in China.

The other aspect to be discussed is the different formats of paying the insurance benefits. There are two main payment formats, namely, multiple and lump sum. It is found that multiple payments were the generally used format but for some insurance items such as OISH and unemployment benefits there were no definite formats. For OISH, 46.4% of the responding employees and their families received the benefit in multiple type, 14.3% in lump sum and another 39.3% said it was not fixed. For unemployment benefits the rate for lump sum payment was even higher (20%) although for multiple payments it was as high as 60%. For retirement pensions and maternity benefits multiple payment was the main format, especially for the former the rate was as high as 90.1%. In contrast, lump sum payment was very significant (80%) in survivors' benefits and funeral supplements.

The findings in previous paragraph raise three issues. First, to retire doesn't mean the termination of the working relationship with the work unit. This is shown by the regular retirement pension payments through work units. Second, for the employees who have to discontinue the relationship with the work unit lump sum payment is the usual format. The examples are survivors' benefit and unemployment benefit. Third, the high rates (39.3%) for the unfixed formats in OISH reflect the flexibility of the services. Work injury in fact involves rather convoluted appraisals to determine the severity of the problem and the needs for assistance.

The previous paragraph demonstrates the exceptional social insurance administration and management approaches in China. These approaches also feature the particular relationships between the state, work units and employees in the entire social insurance system. Social insurance in China is one of the many non-production services still controlled through work units in the 1990s. It is mainly through work units that the

eligible employees collect their benefits. In the 'socialisation of social insurance' since the late 1980s, the roles of work units are still significant although some specialised organisations like the social insurance services bureaux were set up for managing the system. The long and close relationships between social insurance and work units built up in the 1930s make the people comfortable in seeking assistance from work units on income maintenance that fosters a particular view on social insurance.

Table 8-1 above also summarised the comments from the interviewed employees on social insurance benefits adjustments. The table does not contain information on survivors' benefits and funeral supplements since they are mainly lump sum in nature and set for relieving the immediate needs of the families. It is reported by most of the respondents (71.9%) that maternity benefits had not been adjusted at all in three years before 1995. Likewise, 82.5% of the families that received retirement pensions replied that the benefit levels only changed occasionally or sometimes. For OISH recipients, 46.9% agreed that the benefit levels changed occasionally or sometimes, 25% replied that it had never been revised and another 28.1% said they didn't know whether or not it had changed. The uncertain group was the biggest (50%) in unemployment benefit and 30% of these families also said the levels of this benefit had never been modified.

The findings above indicate the peculiarities of social insurance in China with the case of Guangzhou Shi. First, adjustment of social insurance benefit levels (e.g. maternity benefit) is paltry since the whole social insurance system is set up for assisting the realisation of political and economic ideals it does not override other national policies. Second, the beneficiaries may not be aware of the adjustment of the benefit levels since some insurance programmes (e.g. unemployment insurance) are rather new in the country whilst some others (e.g. OISH and unemployment) are unusual because they happen sporadically. Finally, benefit adjustments cannot catch up with the needs of the beneficiaries in an expanding and decentralising economy. On the one hand, the benefits are limited by the capabilities of work units and on the other hand the living costs are pushed up by the inflation in the developing market economy. This explains why a higher percentage of the long term insurance benefit recipients (e.g. retirement pensioners) said the benefit levels were only revised sometimes. In sum, social insurance benefit levels in China have hardly been adjusted and when it is the adjusted benefit levels cannot match the needs of the eligible in a changing economic system.

To round up this section three points are made in relation to the study on the uniqueness of social insurance in China. First, the work unit is significant in social insurance management. The work unit is important in economic production, social services and political stability that its roles and functions are still significant in a dominant public ownership economic system. Since work units still actively control social insurance services the unit-employee relationships are maintained and the efficiency of the whole social insurance system is governed. Second, work units especially control long term income maintenance programs that makes social insurance services in China occupational welfare. For example retirement pensions are managed and supported by work units that make its nature non-contributory and weak in mutual help. Last but not least the social insurance benefit is not adjusted according to the needs of the beneficiaries but for the satisfaction of other policies. This strengthens the occupational welfare nature of social insurance in the country and also highlights the limitations of social insurance in China such as backward economy and unstable resources. In a nutshell, the three issues discussed in this section clearly demonstrate the particularities of social insurance services in China - a socialist developing country.

Social insurance in China: The views of the employees in Guangzhou Shi

In the questionnaires the respondents were asked to rate to what extent the existing social insurance benefits can support a reasonable living in Guangzhou Shi. The findings show that in general the respondents were rather dissatisfied. Their ratings were grouped into five different levels from 'totally impossible' to 'absolutely possible'. An additional answer ('don't know') was included for those who had no such experience. The result is that 80.5% of the interviewees expressed clear feelings and 19.5% were uncertain.

Among the 524 interviewees it is found that most of them were rather disappointed with the existing social insurance benefit levels in maintaining a reasonable living. The following discussions are made with the cross tabulation between the question "Do you think the existing social insurance benefits can maintain one's reasonable living in Guangzhou Shi?" and the ownership background of their work units, the respondents' household registration and their employment terms of employment. From the five-grade responses made by the respondents, three of the levels (i.e. 'partly possible', 'slightly possible', and 'totally impossible') are regrouped as the 'negative

feelings'. It shows that 73.3% of them were unsatisfied, 19.5% were not so sure and only 7.2% satisfied (i.e. 'greatly possible' and 'absolutely possible').

The results got from cross tabulating the different variables show that there is no strong association between the satisfaction levels and household status (Cramer's $V=0.06$), employment natures (Cramer's $V=0.13$) and the ownership background of the employee's work units (Cramer's $V=0.22$). The weak correlation was also found between the views on the benefit levels and other variables: the role as breadwinner of the family (Cramer's $V=0.15$) and the family income groups (Cramer's $V=0.15$). Similar cases were also found when cross checking with education levels variable (Cramer's $V=0.11$), gender variable (Cramer's $V=0.16$), age variable (Cramer's $V=0.17$) and the number of family dependants variable (Cramer's $V=0.12$). These imply dissatisfaction with social insurance benefit is very common among the employees of all backgrounds in Guangzhou Shi. Nevertheless, the following discussions with charts are assigned to elaborate these situations in detail to get a more comprehensive picture.

Chart 8-2 Views of employees from work units of different ownership systems on social insurance benefits in maintaining reasonable living in Guangzhou Shi

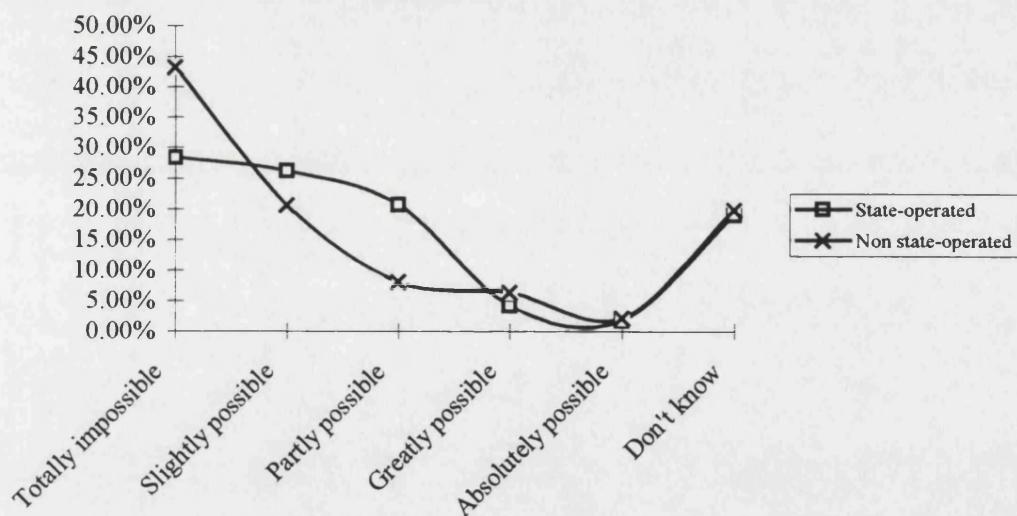


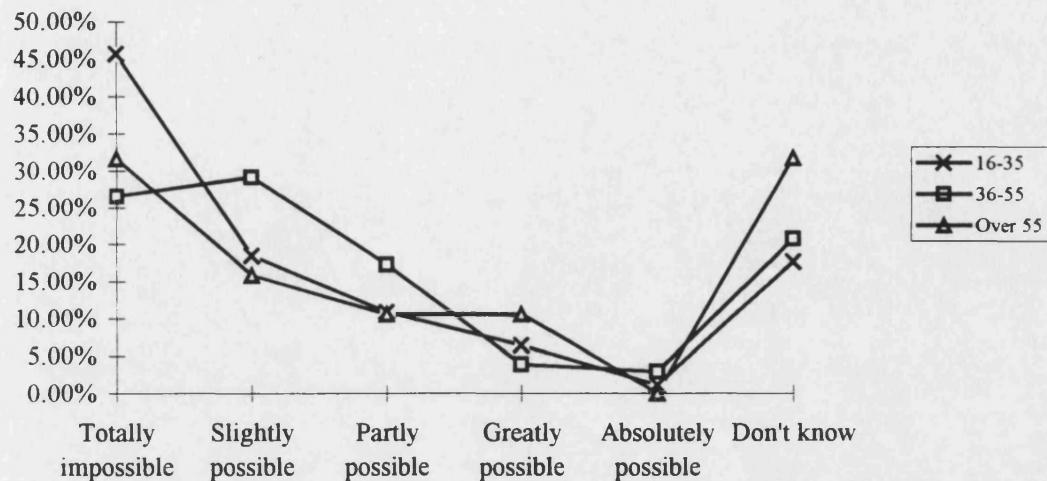
Chart 8-2 above presents the views of the employees from work units of different ownership natures on the efficacy of social insurance benefits. Although it was found in general that the majority was not satisfied with the benefit levels there are some differences between employees in state and non-state owned work units. Take the case of those who answered "totally impossible" as the example. 28.3% of the respondents

from state-owned work units chose this answer as contrasted to 43.2% in the non state-owned sector.

Another notable point is the same percentage (19%) of the employees of work units in two different ownership sectors said they did not know whether the social insurance services could help them. The findings show that these respondents had never received social insurance benefits. The recipient status variable is not associated with the age, employment natures, and household status variables. However, this phenomenon reflects in general the public doubt about the social insurance system in their country. In addition, it also illustrates these people's expectations are for job-related living supplements (*shenghuo fuli*) offered by work unit but not the contributory social insurance services. In short, social insurance is not valued or accepted by all employees in China as an important income maintenance device. In the 1990s non-contributory income maintenance benefits are still in high demand among the employees as in the past.

Concerning the relationship between age groupings and satisfaction with social insurance benefits, it is found that older employees are relatively more positive than the younger. (Chart 8-3) 45.7% of those aged 16-35 replied that social insurance benefits was 'totally impossible' to support one's reasonable living in Guangzhou Shi. On the other hand, 26.5% of those aged 36-55 and 31.6% of those over 55 gave the same answer. The older employees (i.e. over 55) tended to be more positive as evidenced by 10.5% of them agreeing that social insurance benefits are sufficient to support one's reasonable livings in Guangzhou Shi greatly.

Chart 8-3 Views of employees of different age groups on social insurance benefits in maintaining reasonable living in Guangzhou Shi



The situation described above may be attributed to the values and belief of the people on social insurance services and the reforms. The younger groups (35 or below) were born in the 1960s and 1970s. Most of these employees joined the labour force at the beginning of the modernisation in the late 1970s. Throughout the economic and enterprises reforms in the 1980s the labour insurance system was modified that ultimately affected their eligibility and benefit levels. These employees were also excluded from some of the long term insurance benefits such as the benefits for ex-servicemen and for those who joined the revolutionary movements in the 1940s. In addition, they are not the members of the production force in building up a socialist society in the political and social movements for socialist transition in the 1950s and 1960s. In sum, younger employees have less confidence in the social insurance service because it can only give them limited income protection in facing the changes in production, ownership, and employment systems in the 1990s.

It was shown in previous chapters that younger employees were more concentrated in non state-owned sector. 64.4% of the employees aged 16 to 35 worked in the non state-owned sector whilst 34.1 % are in the age group 36-55. The satisfaction pattern of the younger groups (i.e. age 16-35 and 36-55) (Chart 8-3) is similar to that of the employees working in work units of different ownership system (Chart 8-2). This implies that although the employees in non state-owned sector earn higher pay than their

counterparts in the state-owned sector, this younger generation has to face all the daily living crises by themselves and their living standards may drop rapidly if there is a sudden loss of income.¹⁵⁸ In brief, the different income modes nurtured different views on social insurance between employees in state-owned and non-state owned work units. Employees in state-owned sector, especially the older groups, are used to getting social insurance from work units where there is no specific provision for them to contribute. On the other hand, younger employees prefer higher incomes to contributing to social insurance for safeguarding any future contingent income needs. These reflect that development of social insurance in China is unique since it is driven by the changes from socialist to capitalist economy. For capitalist developed countries contributory social insurance systems are driven by the socialisation of production and the rise of waged employees within the capitalist economy and the belief and values of social insurance between employees of different age are less diversified.

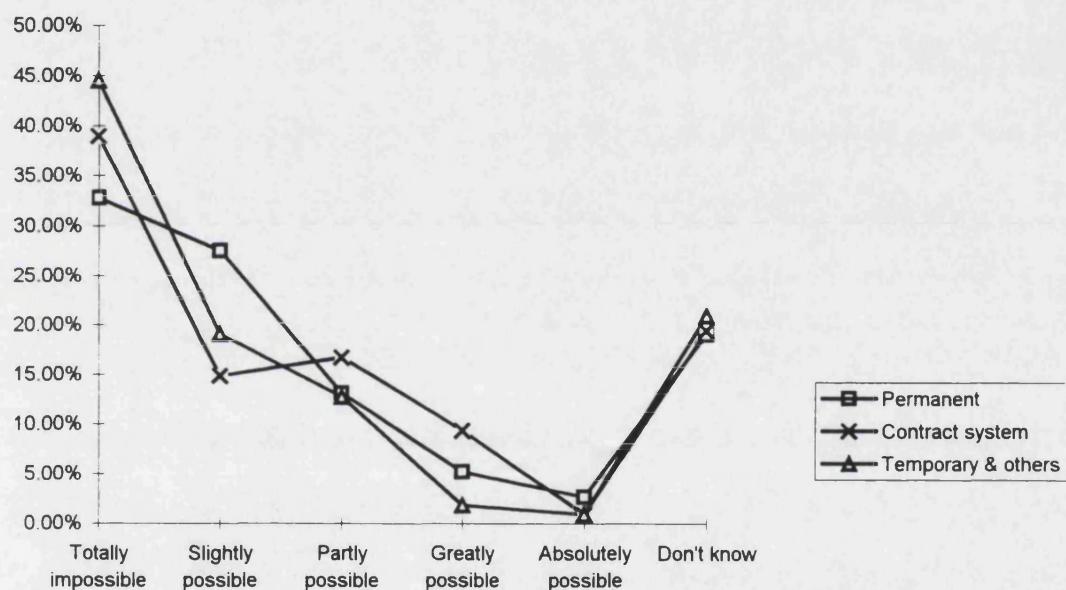
The other perspective to explain the phenomenon is the internalised political ideology among the older group. As explained in the previous paragraph, the older groups were born in the 1930s and 1940s. It is learned that these people were well schooled in socialist values and ideologies during the founding stage of the communist country and experienced many different types of socialist movements. For example, in the Great Leap Forward Movement in the early 1960s they were starved after the disastrous failure of the economic growth programmes. In the nearly thirty years they lived and grew up in communes the thrift and sharing with others (*yida ergong*) contributed to their frugal and stern characters. Consequently, these employees are less demanding of the government and accept what it is doing in the reforms. In other words, social insurance in China receives less challenge from the working class since they are educated to support and align with the policies of the government. This explains why the reforms of social insurance in China have not aroused strong counter forces from employees disregarding the fact that they could be regarded as the interested party.

Regarding the relationships between employment nature and the satisfaction with social insurance benefits, Chart 8-4 below shows that there were slightly more of the

¹⁵⁸ The GST 1995 noted that in 1994 the highest annual income for those who worked in state-owned sector in Guangzhou Shi was 9,540 yuans, in collective units was 11,255 yuans, and for the employees in work units of 'other economic types' was 11,112 yuans. (GST 1995, various

contract system employees satisfied with benefit treatments. The chart displays that about one third (32.7%) of the permanent employees commented that the insurance benefits are 'totally impossible' in supporting a reasonable living in Guangzhou Shi. For contract system employees the percentage was 38.9 and for the temporary and other types of employees it was 44.5%. On the other hand, permanent employees were slightly more confident with social insurance benefits than those in the non-permanent groups. For example, 2.6% of permanent employees believed social insurance benefits is absolutely possible to maintain one's reasonable living in Guangzhou Shi but only 0.9% among the contract system, temporary and other types employees, respectively.

Chart 8-4 Views of employees of different employment natures on social insurance benefits in maintaining reasonable living in Guangzhou Shi

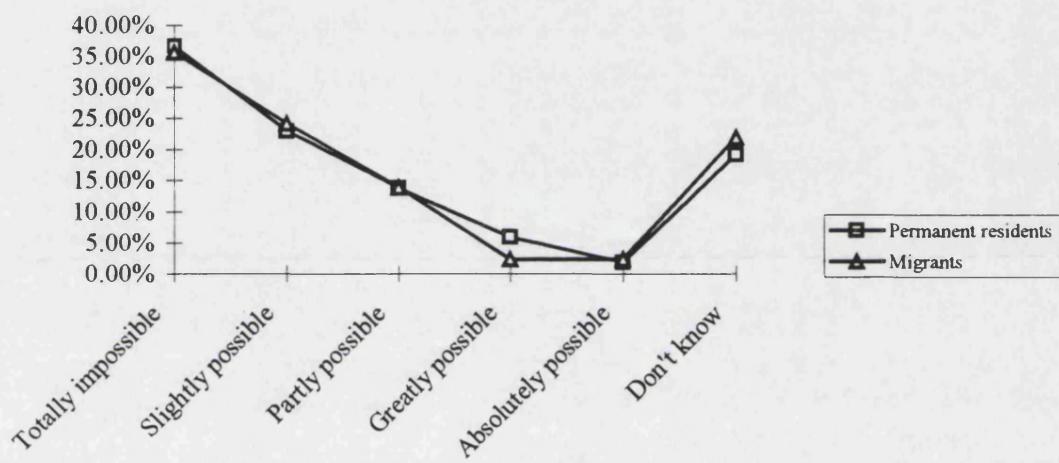


The analysis above reflects the state of affairs that permanent employees have stronger confidence in social insurance in the country. In China permanent employee (*guding gong*) is an ascribed status that is the legacy of the centralised job allocation system. Work units, especially the state-owned, have limited power over how many and what types of employees they want from the state. It was discussed in previous chapters that the 'iron rice bowl' policy provided permanent employees and their family dependants with very comprehensive benefits from birth to death. Relatively, non-permanent employees are disadvantaged in job security as well as the job-related

tables)

benefits. This situation becomes more manifest in enterprise reforms since the mid 1980s under which more and more newly recruited staff and workers are employed with 'contract system' (*hetong zhi*) or temporary conditions. Nevertheless, in relation to temporary employees, contract system staff and workers have more positive attitudes towards social insurance system and that is different from other non-permanent employees. Contract system employees exist in the grey area between permanent and temporary employees. They perceive that, unlike the temporary employee, they are covered by social insurance albeit they are not permanently employed.

Chart 8-5 Views of employees of different household status on social insurance benefits in maintaining reasonable living in Guangzhou Shi



The views on social insurance among the groups of employees of different household status are not quite different, irrespective of a handful of employees with permanent household status who were a bit more satisfied with the insurance benefits. (Chart 8-5) Overall, the positive or negative views among these respondents concur closely with the pattern of the sampled population. This occurrence can be explained by the greater needs for jobs among migrants, in relation to getting income protections from social insurance. However, it is also due to their adverse household and employment conditions that they have no dreams of income protection. In other words, because of policy discrimination these workers had a shorter range view and immediate economic returns were more important. In brief, the expectations on social insurance vary between employees of different employment conditions, and the non-permanently employed prefer to get incomes from a job. This reflects the long-established central allocation and

job placement systems in this socialist developing country constitute the hindrance to the development of a multiparty contributory social insurance system.

Chart 8-6 Views of man and woman employees on social insurance benefits in maintaining reasonable living in Guangzhou Shi

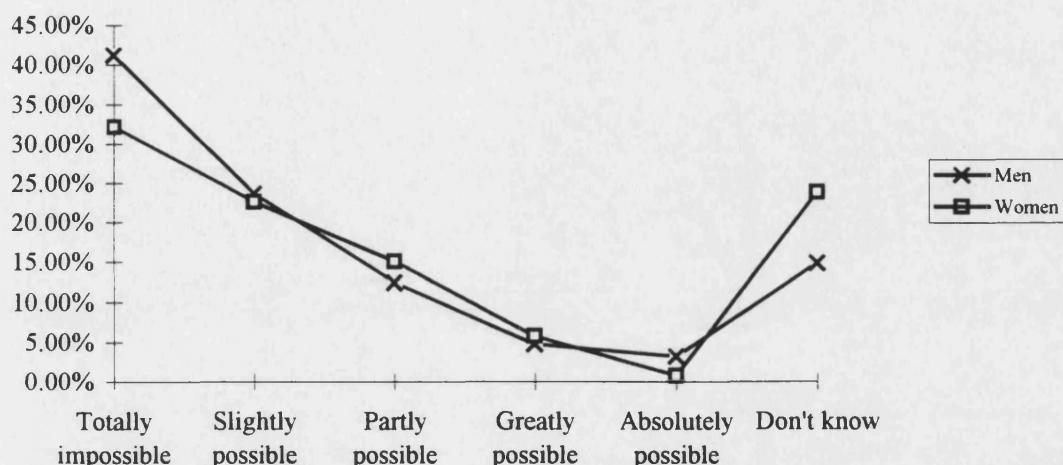


Chart 8-6 above demonstrates to what extent the two gender groups of employees are satisfied with social insurance in Guangzhou Shi. The chart shows that in relative terms women were more satisfied than men with social insurance benefits. Fewer women (32.1%) than men (41.2%) showed extreme dissatisfaction, although the percentage for women (44.1%) who were satisfied with social insurance benefits (from slightly to absolutely possible) were almost equal to that of the men's (44%). However, more women (23.7%) than men (14.8%) were uncertain about this social institution. The study shows that men are relatively negative to social insurance benefit. This reflects men in China today still actively play the role of breadwinner. In addition, men being more outgoing than women is a Chinese tradition that explains partly the situation and contrasts with Chinese women's passivity and pessimism in general when facing financial difficulties. Thus the 'half of the sky' built up by the communist government in China after 1949 has only changed the *de juries* status of women but *de facto* women in China are still introvert and passive. Social insurance services in China are planned with a traditional view that presupposes men are the breadwinners. This approach acts against gender equality brought about by the communist party and the fact that women employees compose almost half of the labour force. In a nutshell, social insurance in China is conservative and insensitive to the changed social trends and needs.

Chart 8-7 Views of employees at different education levels on social insurance benefits in maintaining reasonable living in Guangzhou Shi

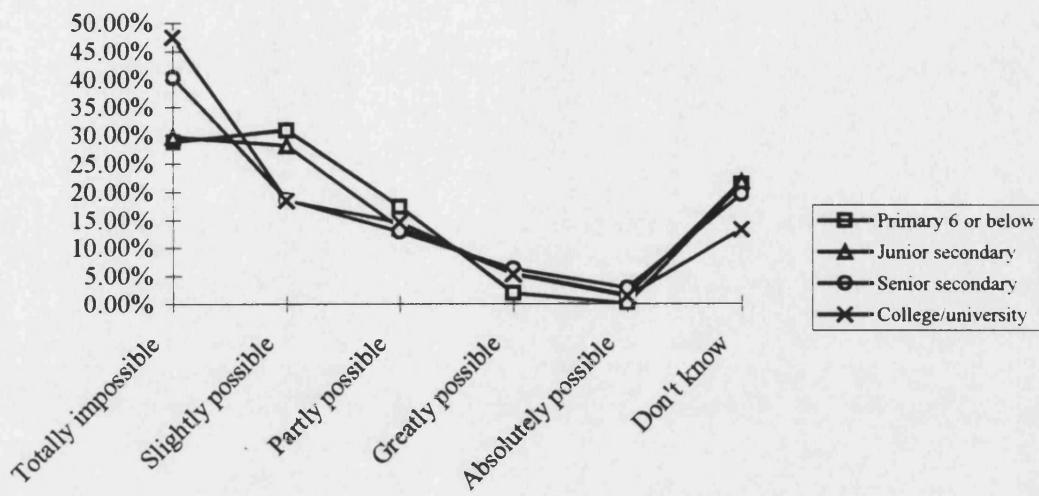


Chart 8-7 above shows the views on social insurance benefits of the employees in relation to their education patterns. The significance found is that the more educated the group the more dissatisfied with the benefit offered. The employees who attained college or university education levels (47.4%) did not think social insurance benefits could maintain a reasonable living in Guangzhou Shi. However, 28.8% of the group that received primary education and 29.7% of the employees completed junior secondary level shared the same view. On the other hand, the more educated group (i.e. college or university levels) was more certain or clear about the effectiveness of social insurance benefits in keeping one's reasonable living. The discussion in this paragraph elaborates that social insurance in China cannot satisfy the needs of professional employees.

It has been stated earlier in this section that among the 524 sampled population, 36.5% did not believe social insurance benefits function well in sustaining a fair living standard of the needy and another 36.8% expressed that social insurance can only slightly or partly maintain such living standard. Nevertheless, 26.7% of the employees did not show confidence with the income maintenance effects of the social insurance in the country. To get a more detailed evaluation, the following part is assigned to contrast the views given by the employees who received insurance benefits and those who did not.

Table 8-2 A comparison between the views on social insurance benefits in maintaining reasonable living in Guangzhou Shi between benefit recipients and non recipients (%)

| | Totally impossible | Slightly possible | Partly possible | Greatly possible | Absolutely possible | Don't know |
|---------------------|--------------------|-------------------|-----------------|------------------|---------------------|------------|
| Medical & Sickness | 35.2 | 25.2 | 13.8 | 6.0 | 1.9 | 17.9 |
| | 41.3 | 14.4 | 13.5 | 2.9 | 1.9 | 26.0 |
| Maternity | 31.1 | 27.2 | 13.3 | 6.1 | 2.8 | 19.4 |
| | 39.2 | 20.9 | 14.0 | 4.9 | 1.5 | 19.5 |
| Retirement Pensions | 25.0 | 36.1 | 16.7 | 5.6 | 0.0 | 16.7 |
| | 37.3 | 22.1 | 13.5 | 5.3 | 2.0 | 19.7 |
| OISH | 37.6 | 31.8 | 10.6 | 4.7 | 4.7 | 10.6 |
| | 36.2 | 21.4 | 14.4 | 5.5 | 1.4 | 21.2 |
| Unemployment | 30.0 | 10.0 | 10.0 | 0.0 | 0.0 | 50.0 |
| | 36.6 | 23.3 | 13.8 | 5.4 | 1.9 | 18.9 |
| Death | 29.4 | 41.2 | 5.9 | 5.9 | 0.0 | 17.6 |
| | 36.7 | 22.5 | 14.0 | 5.3 | 2.0 | 19.5 |

Note: The shaded figures are for benefit recipients.

Table 8-2 above demonstrates that, compared with non-recipients, benefit recipients are more positive. Furthermore, fewer benefit recipients said they did not know the social insurance services, except for unemployment insurance. The particular case of unemployment insurance for the benefit recipients reflects their ignorance and uncertainty on this rather new insurance item relative to other social insurance benefits. The views of these different groups of sampled employees are shown in Table 8-3 below.

Table 8-3 A comparison of the views of all sampled employees, benefit recipients and non-benefit recipients on social insurance (%)

| | Negative | Moderate | Positive | Uncertain |
|-----------------------|----------|----------|----------|-----------|
| All sampled employees | 36.5 | 36.8 | 7.2 | 19.5 |
| Beneficiaries | 33.8 | 40.4 | 8.0 | 17.8 |
| Non beneficiaries | 37.7 | 35.0 | 7.1 | 20.2 |

Table 8-3 presents the views of the employees on the efficacy of social insurance benefits. The three groupings of employees are 'all sampled population', 'benefit recipients' and 'non benefit recipients'. On the other hand, their views are categorised into 'negative' (i.e. totally impossible), 'moderate' (i.e. slightly possible and partly possible), 'positive' (i.e. greatly possible and absolutely possible), and 'uncertain' (i.e.

don't know). The rates for benefit recipients and non-benefit recipients are worked out from the average percentages of the respondents in the respective categories.

The data in Table 8-3 shows benefit recipients held relative moderate and positive attitude towards the efficacy of social insurance. However, the differences between the employees are not very significant. Table 8-3 delineates the general perceptions of employees on social insurance in China that more than one-third of the employees was not satisfied with the social insurance benefits. The pessimistic or cynical attitudes among the employees will be discussed later. In addition, another one-third or more of the employees felt that social insurance benefits could only maintain a living below the reasonable standard in big cities in China like Guangzhou Shi. Finally, around one in five of those who were uncertain about social insurance benefit levels reflects the lack of knowledge or information on social insurance including the provisions, eligibility, application procedures, amount of the insurance benefits, etc.

The study shows that people who were sceptical towards social insurance benefits had some common features. The majority of this group of employees was younger, educated at senior secondary education level or above, and employed in non state-owned work units. It was found that household registration is not a pivotal factor on this issue since migrants were usually ignorant or excluded from applying for the insurance services. This highlights a special feature of social insurance in China that its development towards the building of a contributory risk sharing mechanism will be rather difficult since a larger group of the employees are apathetic, ignorant, and doubtful of the system.

In sum, people's attitudes and the particularities of a social institution are reciprocal. Inmates, students and hospitalised patients have particular responses towards the systems and institutions with which they are in contact. One's attitude and views towards a social institution are affected by various factors, e.g. education, culture and tradition, experiences and reference made by others, etc. This study has found that individual experiences and reference made by others are more significant than other factors in social insurance in China. Such experiences of collectivism are accumulated and shared among employees. It also explains why the people's views towards social insurance tend to be negative and non-supportive. Collectivism exists in all social

institutions in the country from communes to the labour insurance system so the individuals are not used to paying contributions for protecting their incomes in contingency. Because of these social circumstances four features of social insurance in China are found. First, traditionally a self-reliant value is built up among the people that institutional care is treated as the last resort. Second, the long-period collectivism in China after 1949 cultured the habit of depending on the collectives like work units that all services should be provided by the state. Third, the driving forces of social insurance development and reforms in China come from the socialist economic structure but not the employee who needs income protection. Fourth, as the consequence of the previous point, social insurance services in China are established for non-social insurance ends. The examples are maternity benefits and unemployment benefits. Briefly speaking these four features can be summarised as 'a social insurance system with Chinese characteristics'. In the coming section the focus will turn to examine the deprived groups formed under these particular social insurance policies.

Migratory employees and women: The deprived groups in social insurance in China

It was shown in the previous chapter that eligibility to social insurance and employment natures (i.e. permanent or temporary) are strongly related to one's household status in China. Furthermore, in this study the majority of migrants found in non-permanent employment are deprived of social insurance protection. This section will examine the migrants' situations in order to understand their needs and the relation to the specialities of social insurance in China.

The result reveals that 16.6% of the employees in Guangzhou Shi were migrants. Internal migration (city-city and rural-city) has become a social issue since the start of economic reform in the mid 1980s. (Shao, 1995) Since the beginning of the modernisation people in China have had more accesses (or freedom) to move from one place to another, as well as from one work unit to the other. Among the migrants there are more males (55.2%) than females.¹⁵⁹ Within this group of employees, 51.7% claimed they were the main income sources for their families (i.e. provided more than 80% of the

¹⁵⁹ This finding coincides with the Census in 1990 in China that the percentage of male migrants (55%) was higher than the female (45%). (Zhang, 1995, p. 58)

household incomes). A moderate association is also found between age distribution and household status, migratory workers are younger. (Cramer's $V=0.38$) For these migratory employees 93.1% were aged between 16-35 whilst it was only 42.6% for local workers. On marital status 74.7% of the migratory workers were single, in contrast with 24.9% of local workers. (Cramer's $V=0.40$) When comparing the education levels between these two groups, it is found that local workers are more educated than migrants. (Cramer's $v=0.36$) 85.3% of the migratory workers reached junior secondary level or below and another 10.3% attained senior secondary level. For local employees the percentages are 33.3% and 46.2%, respectively, and another 16.5% completed college or university education. In sum, most of the migratory workers in Guangzhou Shi are young, less educated, and still single but are relied upon to support their families financially.

Because of their temporary household status, only a relatively small group of the migratory employees (40.2%) could get accommodations of any type from work unit. It is therefore not surprising to see that nearly half of these workers (49.4%) live in the houses bought or built by themselves, in contrast only 22.7% local employees are housed similarly. Accordingly it is found that the living conditions (i.e. facilities and equipment in the living premises) of migratory employees are poorer than their counterparts.¹⁶⁰

The lower job and income levels of migratory employees explain their poor living conditions in Guangzhou Shi. First, compared with local workers, most of the migratory workers are offered the jobs requiring lower level of skills. ($p<.005$) 86.2% of the migratory workers found non-skilled jobs and another 11.5% semiskilled, with 2.3% working professionally. For local employees, the percentages were 50.6, 26.8, and 22.6, respectively. In addition, when compared with local workers, migratory workers are trapped in very insecure and irregularly paid jobs. ($p<.005$) The percentages for migratory employees in wages on piecework rates (28.7%) and hourly basis (27.6%) were higher than that of the local employee (7.3% and 5.7% respectively); but lower in wages on a monthly basis (57.5% Vs 87.2%). Most strikingly, most migratory workers (80.5%) were provided with temporary work whilst another 13.8% were employed as

¹⁶⁰ Please also see the detailed discussion on the living conditions of migratory employees in Chapter 7.

contract system workers.¹⁶¹

The study also finds that migratory workers got less state protection from sudden loss of incomes. However, their resilient and unyielding characters save them from these problems. For example when they are in trouble because of a sudden drop of incomes, they will find a second job, go to borrow, or try hard to balance their expenses (42.1%). It is also found that, compared with 24.1% of the local workers, only 15.8% of the migratory workers ignore the problems and do nothing.

The account for the previous phenomena is the relatively low education attainment and non-permanent household status of migrants that leads to lower living standards. Another reason is that they have to save up and send the money to their families far away in their hometowns. In sum, since migration in China is strictly controlled for economic and political purposes the unauthorised migrants from other regions are seldom provided with permanent jobs and covered with income protection. This is one of the main factors constituting the features of social insurance in China. In the following paragraphs the centre of discussion will turn to the situations of the women household heads.

This study interviewed 274 women workers (52.1% of the total sampled population). In order to delineate the needs of this group the presentation below concentrates on the comparisons between the households headed by different genders. 'Household head' in this study is defined as a respondent who contributes 80% or more of his or her income to maintain the living of the family members. Thus a woman-headed household in this study means the women employee who give 80% of their income for expenses to their family.¹⁶² Among the 185 household heads in this study

¹⁶¹ It refers to the employment relationships contractual basis. The contract is usually for two years and the work units have the right to renew or revise the conditions when the current contract terminates.

¹⁶² For Moser, the meaning of 'woman-headed household' (or female-headed) means the household "in which the male partner is absent, either temporarily (for instance because of migration or refugee status) or permanently (because of separation or death)." (Moser, 1987, p. 14) This definition of woman-headed household may not fully describe the significant economic role of women even when the males are not away from family. In societies that provide more employment opportunities and are moving towards equal pay for men and women, women's financial contributions to families should not be neglected. This is especially significant in developing countries where women play a production role in supporting their families and even the national economy. A typical example is the millions of the Filipina women who work abroad

45.9% were women.

The result demonstrates that 89.7% of the household heads are permanent residents in Guangzhou Shi. This implies that they are living with their families in the city. Furthermore, it is discovered that within this grouping 90.6% of the women household heads are married. The married women, according to the data, had more family dependants than the male-headed households. The data show that 55.3% of the married women household heads had one family dependant and 34.1% had two, whilst for men the percentages were 71% and 18%. It indicates that women as breadwinner are especially important in bigger families and this is reflected by their economic contributions towards families. In brief, women household heads in Guangzhou Shi are mainly married, with more family dependants and they support their families financially as men do.

It was also found that the living standards in terms of household facilities among the two groups of household heads are very similar. For example, both groups have very close percentages in respect of ownership of several kinds of basic household facilities such as running water and electricity supply. This reflects the high ratios (63.5% for the women's group and 57% for the men's group) of these interviewees who live in accommodations provided by the work units with such basic living facilities.

The study shows that the association between household heads of different genders and incomes is weak. (Cramer's $V=0.18$) That means the income gaps between male and female household heads were small. However, in relation to 21% for the male-headed households, 24.1% of the female household heads fell in the income group of less than RMB 900 (or £68.8) a month.¹⁶³ On the other side, 56% of the male household heads earned monthly income above RMB 1,300, whilst for the female group it was 41.1%.

Armour & Coughlin (1985) find that one's education, skill levels, and income in

as domestic helpers serving as a source of strength to their families in the Philippines. In China, many women leave their hometowns for more developed cities (e.g. Shenzhen) to work in material processing industries such as toy making and electronic products to maintain their families.

¹⁶³ For the exchange rates please refer to the Technical Notes of this study.

socialist society are related. Accordingly, the differences in incomes between men and women are insignificant because, as revealed in this study, the gender factor has only a weak association with education level and the skill levels.¹⁶⁴ In a socialist developing country as China, high education level or skill level does not necessarily result in high incomes. For example in the Cultural Revolution period the ‘red (*hong*) rather than expert (*zhun*)’ criteria was promoted so that a ‘socialist’ worker was hailed highly but not one who was highly educated. From January 1967 to September 1969 the Red Guards took control of all economic units in the “Seizing of powers” movement while the educated were sent to rural areas and the higher level management and production posts were occupied by the less educated workers and peasants. (Zhu 1989, p. 452-454) In the period of economic reforms after 1979 one’s income is determined by the skills needed in the market as well as productivity and one’s social relationships (*guanxi*). It is not surprising to find that the less educated group (e.g. practitioners of individual economy) can earn much more than intellectuals, e.g. teachers. (Ho, 1996)

The lower incomes of women household heads may therefore be explained by their ability to generate incomes or the marketability of their productivity. It is found that women are less competitive in the job market, especially the older and less skilled. In numeric terms, 75.3% of the women household heads were aged from 36 to 55, and 50.6% were non-skilled. The lower living standard of the households headed by women is also explained by larger family sizes. 34.1% of the women headed households had two family dependants and another 10.6% had 3. For the man-headed households the figures are 18% and 11%, respectively. In a nutshell, women household heads are less skilled and older so that they and their families live on lower incomes.

Women household heads, as a result, have more frequent and more severe experiences in losing family income. The study shows that 26.3% of the women group and 36.4% of the men group said contingent income needs ‘seldom’ arise. On the other hand 31.6% of the women household heads and 22.7% of male household heads replied such problems come ‘occasionally’. However, when contrasting the 31.8% of the man group said they encountered such problem sometimes, 10.5% of the women group

¹⁶⁴ The Cramer’s V for the relationship between gender and education levels was 0.23 and for gender and skill level was 0.28. Moreover, the correlation between education and skill levels was also low (Cramer’s V=0.36).

responded likewise. The most striking finding is that, when contrasting only 4.5% of the men claimed the problem happened quite frequently, 26.3% of the women responded the same way. In brief fewer men household heads than the women experienced sudden loss of incomes. (Cramer's V=0.44)

When the financial problem arises, the reactions and solutions are different in the two groups. The majority (55%) of the women household heads would like to seek state assistance (i.e. to apply for labour insurance), and then passively leave it unsolved (25%). Another 15% said they had no definite answers. Relatively, men were more active and dynamic in dealing with the problem. For the man household heads, 36.4% would go directly to ask for state assistance, and another 36.3% would try to solve it by other means such as finding a second job, borrowing, and using the money thrifitly. On the other hand, another 22.7% from the men's group would passively just wait and see, and 4.5% said they had no clear resolution. The association between the choosing of a solution for the family's contingent income problem and the gender of household heads is moderate. (Cramer's V=0.45) The implication is that women household heads are relatively more passive and have greater needs for social insurance benefits.

In conclusion, women in today's China are still living dependently. However, this dependency is not related to men as in tradition. Women household heads in terms of their role in financing their families is very significant. In such cases the living of women household heads and their dependants is mostly provided through the women's working relationships with the work unit. The implications of this relationship are two. First, the living standard of the women household head and her dependants is determined by her eligibility to social insurance provided by the work units.¹⁶⁵ Second, state assistance is an important and even the only source of income when the woman is out of work for whatever reason (e.g. "xiagang nuzhigong" or women workers who are asked to take leave with part of their wages in enterprise reform). This relates particularly to women because more and more women employees are requested to retreat from their posts in the economic and enterprise reforms in Guangzhou Shi.¹⁶⁶ (Mingpao Daily

¹⁶⁵ For example, the take-home incomes, living supplements and daily necessities such as the welfare service in cash and in kind (e.g. housing).

¹⁶⁶ According to the 1995 Guangzhou Statistical Yearbook (Table 12-22), 40.96% of the labour force was women. Among the 0.858 million women staff and workers 61% were employed in state-owned work units.

It seems that women in China have weaker social relationships and lower income generating skills so they are more vulnerable when facing financial crisis. It is foreseeable that the closer the involvement with the market economy the closer the women-headed households live to poverty in China because of less security in housing tenure, lower income generating ability, weaker social networks and older age. This problem affects not only women workers but also their family members who are living on the incomes generated mainly by them. In sum, in the reforms in China women household heads and migratory employees are in an adverse situation because of the politically oriented economic growth strategies. The features of social insurance in the country emerging from such conditions are that the society as a whole sacrifices some socially deprived groups such as migrants and women as part of the costs of the reforms rather than enabling them to enjoy the services. Social insurance in China has discriminatory effects that repress social needs under the national development strategy. In the following section the discussion looks at the views and expectations of employees in Guangzhou Shi regarding social insurance reforms.

Views on the solutions to the income problems in Guangzhou Shi

In order to explore the uniqueness of social insurance in China, this study also touched on the people's general views on social insurance. The respondents were asked what methods they used in solving their financial problems and their awareness on the state and work units' assistance. It was discovered that in general about one-fifth of the 524 respondents experienced income crisis. Among these 108 employees, 37% said state assistance was their primary resource. However, this experience was different for men and women, young and old, local residents and migrants, and among employees in work units of different ownership systems.

The general finding on the question of "What will you do when your family is faced with income difficulties?" is that more people (40.7%) were inclined to apply for assistance from the state (i.e. labour insurance and state relief). For the others some chose self-initiative methods such as finding a second job (0.9%), to keep the budget in

balance (18.5%), and borrowing from others (2.8%).¹⁶⁷ The result also shows another 22.2% of the respondents were rather passive (i.e. just did nothing to solve the problems) whilst 13% said they were uncertain about what they could do. Furthermore, the study shows that among the 108 respondents who had such experience, 54.6% were women and 45.4% were men. It also discloses that more women (52.6%) applied for state assistance than men (26.5%) did. Nevertheless, 32.7% of the male respondents adjusted family expenditure to pass through the hard time whilst in contrast only 6.8% in the women group did this. It seems that state assistance is valued as the main resource, especially for women. On the other hand men are more optimistic that such problems can be solved by their own efforts. Although these percentages are lower than those in the previous section on men and women household heads, in general the lower rates for all respondents could be explained by the more aggressive non-household heads.¹⁶⁸ Nevertheless, among the non-household heads men were also less dependent on state assistance than women when they came across family financial difficulties. (Cramer's $V=0.57$) Accordingly, it is concluded that women have higher expectations of social insurance in China.

Another point worthy of mention is the relationship between age and the solution of income problems. The finding shows that all age groups tend to be "passive" (i.e. just left the problem aside or adjusted the family budget) when encountering income needs. For the age group 16-35 the percentage was 41.8 whilst for those aged over 55 it was 50. Thus in the survey the 37.2% for the age group of 36-55 was the smallest. On the other hand, the dependency on state financial assistance including relief and social insurance was high for the oldest group. 50% of this group sought state assistance to solve their financial difficulties in contrast with 48.8% for the middle age group. The youngest group can be described as more independent since only 32.7% used this access. Nevertheless, since 21.8% of the 16-35 age group were not certain about what they could do, this could reflect the helpless situation of this youngest group of employees when faced with such problems. Generally speaking, age is not a significant factor in determining people's solutions to contingent income needs (Cramer's $V=0.18$) although the younger groups were less clear on their options and the oldest group tends to rely on

¹⁶⁷ State assistance includes state relief and social insurance. The percentage for state relief only is 3.7 and for social insurance 37.

¹⁶⁸ 'Non household head' is defined as those who do not provide more than 80% of their incomes

state assistance.

The discussion on the association between age groupings and attitudes towards financial difficulties reveals another feature of social insurance in China that the services get more support from the older group of employees. Because of the de-emphasis in collectivism (e.g. the breaking down of the commune system and the ending of the Cultural Revolution) in the 1980s that those aged 35 or below born in the 1960s and who grew up in the 1970s and 1980s have a weaker collective sense than older generations. In contrast, for the older groups of employees, social insurance services in the 1990s in China are much more like the labour insurance before the 1970s, except for some new initiatives. Moreover, the younger group of employees experienced and is more adapted to the highly praised values of individual efforts, market, and the sense of 'its glorious to become rich (*zhifu guangrong*)' in the reforms to market system. Therefore in contrast with older generations, the young have weaker expectations from state assistance and have more self-motivation when facing problems.

The third issue is the relationship between employees in the units of different ownership systems and state assistance. It is found that employees from state-owned work units have a stronger tendency to ask for state assistance. The results show that 54.8% of these employees applied for state assistance (labour insurance and state relief) to overcome their income crises. In contrast, only nearly one-third (31.8%) of the employees in non state-owned units used these resources. In relation to the 31% with a passive attitude and 9.5% who were uncertain in the state-owned sector, employees in non state-owned units were even more passive (47%) and uncertain (18.2%) in actively solving their families' income problem. This reflects social insurance in China is perceived as an established occupational welfare provided according to one's relationships with socialist production. The previous finding proves that employees in China make equal the roles and functions of social insurance in the country to other welfare supplements provided by work units.

Another issue is that educational level is not a significant factor in determining the solution for income crisis. (Cramer's $V=0.17$) The results show that the employees who attained middle education level were more likely to get state assistance. 43.3% of to the family and have no family dependants.

those who completed junior secondary education and 42.2% of the senior secondary graduates asked for state assistance. In relation, only 35.3% in the group who finished primary six or below, and 37.5% of those in the batch of college graduates chose the same way. In comparison, the least educated were more passive in solving their families' income problems whilst the most educated group were more doubtful on what they had to do. In short, although the difference is not very significant, social insurance services in China covers more the educated who have a better understanding of the services and the modes of access.

Last but not least is the difference in views between local and migratory employees. The finding demonstrates low association between one's household status and attitude towards income crisis. (Cramer's $V=0.2$) However, local employees are likely to be less passive (39.3%) and there was a higher percentage of this group seeking state assistance (43.8%). In contrast, although migratory employees were more passive (47.4%) they were more alienated from state assistance (26.3%). In addition, more migratory employees (10.5%) found their own solutions than local employees (2.2%). As discussed before, household registration is crucial for eligibility to social insurance in China. The different rates of usage between local and migratory employees reflect that social insurance in China is discriminatorily provided to specific groups of employees through administrative measures. The provision of social insurance in China is determined by the needs of other national policies. Consequently it is not highly valued by the needy.

In sum, the responses of people towards needs for income maintenance were various. The study shows that the association between the choices of the solutions and personal backgrounds such as education level, employment nature, household status, gender and even ownership background of the work unit is not strong. Notwithstanding, we see that some groups of employees have greater needs for state assistance to satisfy their contingent income needs. For example, women were identified in the study that they are more likely to rely on the state's income protection schemes whilst migratory employees were more pessimistic because of the hindrances created by household and employment systems. People's choices in the ways of satisfying contingent financial needs relate to their cognition, access and availability of the services. The case of neglected migratory employees shows there is no direct causal-result relationship

between awareness and eligibility in social insurance in China. More importantly, the weak association between the independent variable 'solutions for income difficulties' and the personal background variables demonstrates that social insurance services in China play a significant role in supplementing employees living that it is generally acknowledged and accepted as job-related welfare or benefits offered by work units. Apart from this particular feature of social insurance in China, the following section will explore other features of social insurance in China by probing employee awareness and expectations of social insurance.

The awareness of income maintenance services and the expectations on the reforms of social insurance

There are two main issues in this section. The first is the awareness of the respondents of the income maintenance programmes provided by work units and state. The second is about the respondents' knowledge and expectations of the reforms in social insurance. The study shows that about one third (36.5%) of the 524 respondents answered positively to the question on the awareness of relief provided by work unit. On the other hand, the percentage (24.9) of those with affirmative answers to the question on the awareness of the relief provided by the state is lower. This simply shows that, in general, work units play an important role in providing income maintenance programs including social insurance in China.

As discussed in the previous chapters, the work unit (*danwei*) is not only an economic unit but also a social unit that operates horizontally and vertically in China. *Danwei* is a collective unit which represents its groups of individuals in getting state resources. It also acts on behalf of the government to implement the state's policies among its subsidiary groupings. Thus the close relationships between individuals and *danwei* constitute the occupational welfare nature of social insurance in China.

In cross tabulating the two variables of awareness of the state's and the work units' income maintenance programs a strong correlation is found. ($p < .005$) This implies the awareness of one of the institutional income maintenance services is related to the cognition of the other. Yet, more employees are familiar with the income maintenance programmes arranged by work units (36.5%) than the state (25%). It is also found that

less than a half (48.2%) of those (191 in number) who were aware of the provisions of work unit's assistance were also interested in the state's services. On the other hand, 88.3% of the 333 respondents who did not express concern about the income maintenance programmes provided by work units were also ignorant about the relief services offered by the state. The data prove the knowledge of income maintenance programmes among employees in China largely comes from the long and established relationship built between individuals and work units ($\beta = 0.4352$).¹⁶⁹ Accordingly, the awareness, knowledge, expectations, and acceptability of the public on social insurance services initiated by state are particularly related to work units rather than the specially assigned social insurance organisation, e.g. social insurance services bureau.

The foregoing paragraphs touched upon as well as highlighted the imperceptible role of state in social insurance in China, albeit the major part of the resources is provided by the state. However, one has also to note the significant roles and functions of work units in social insurance management granted by the state, and the consequence of a strong parochial view among the employees. All of these have been mentioned in previous chapters but the findings in the awareness of social insurance services among employees in this chapter make clearer the uniqueness of social insurance in China.

It is found in this study that in general the respondents lacked confidence in social insurance services. Table 8-4 below shows that about 60% of the 524 sampled employees did not think the benefits of social insurance could maintain a reasonable living in Guangzhou Shi (i.e. totally impossible and slightly possible). Another 13.7% of the respondents commented that the benefits could only partly meet their income needs. On the other hand, the groups of employees that satisfied the provisions were relatively small. Only 5.3% said the insurance benefits were "greatly possible" and another 1.9% described the benefits got from social insurance were "absolutely possible" to solve their income maintenance problem.

¹⁶⁹ The beta value is calculated from the regression test between the dependent variable "awareness of state income maintenance services" and the independent variable "awareness of the income maintenance services provided by work units". Detailed explanation of the

Table 8-4 Views on social insurance benefits in income maintenance (%) (n=524)

| | Current social insurance | Social insurance after the reforms | | |
|---------------------|-------------------------------------|------------------------------------|---------------------------------------|--------------------------------------|
| | Maintain reasonable living standard | Provide more income protections | Provide short term income protections | Provide long term income protections |
| Totally impossible | 36.5 | 12.8 | 12.2 | 18.5 |
| Slightly possible | 23.1 | 29.6 | 28.4 | 19.8 |
| Partly possible | 13.7 | 17.0 | 14.5 | 14.4 |
| Greatly possible | 5.3 | 5.2 | 5.3 | 5.7 |
| Absolutely possible | 1.9 | 3.2 | 3.1 | 3.6 |
| Don't know/ no idea | 19.5 | 32.2 | 36.5 | 38.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

Table 8-4 above demonstrates how the respondents appraise the current social insurance services and what they expect of the services after the reforms. In general 12.8% of the respondents showed pessimistic views on the reforming of social insurance services. They did not agree that the reformed social insurance system would provide more income protection. On the other hand, nearly one-third (32.2%) were uncertain about the effects of the reforms and the remaining maintained a positive outlook.

In comparing the employees' views on the long and short-term effects of the reformed social insurance system, the outcomes are rather similar to that of the examination on the effects in general. On the whole the employees were dissatisfied with the existing social insurance benefits. They were not very enthusiastic nor excited about the reforms in social insurance, although they also looked forward to a better social insurance system after the reforms.¹⁷⁰ (Tables 8-5 & 8-6)

The two tables below illustrate the perceptions of the 524 respondents on the coverage of the social insurance system in China in the 1990s. The tables show that most of the employees (82.7%) held that permanent employees were the most favoured. On the other hand income protections were weaker for those with less permanent employment. Furthermore, the respondents also pointed out that state-owned work units had a vested interest in the existing social insurance system. As high as 84% of the 524

measurement of regression values can be found in Healey (1993) Chapter 18.

¹⁷⁰ The study result show that about one-third of them indicated that they had no knowledge

respondents thought employees in these work units were covered by social insurance whilst fewer respondents agreed the non state-owned units were put under the aegis of the country's social insurance system. From the analysis it is found that these views were correlated weakly with the respondents' employment natures (Cramer's V=0.26 to 0.03) and the ownership background of their work units ($p=0.78$ to 0.03). In other words, the case study on Guangzhou Shi reveals the existence of discrepancies in the country's social insurance system. The discrepancies of social insurance in China, as generally perceived, are generated first by the ownership background of the work units and second, by one's employment nature.

Table 8-5 Coverage of social insurance on employees in work units of different ownership natures perceived by respondents (n=524)

| Ownership natures | % |
|-------------------------|------|
| State-owned | 84.0 |
| Collective | 54.2 |
| Foreign capital related | 17.3 |
| Private economy | 4.8 |
| Individual economy | 5.7 |
| Others | 8.2 |

Table 8-6 Coverage of social insurance on employees of different employment natures perceived by respondents (n=524)

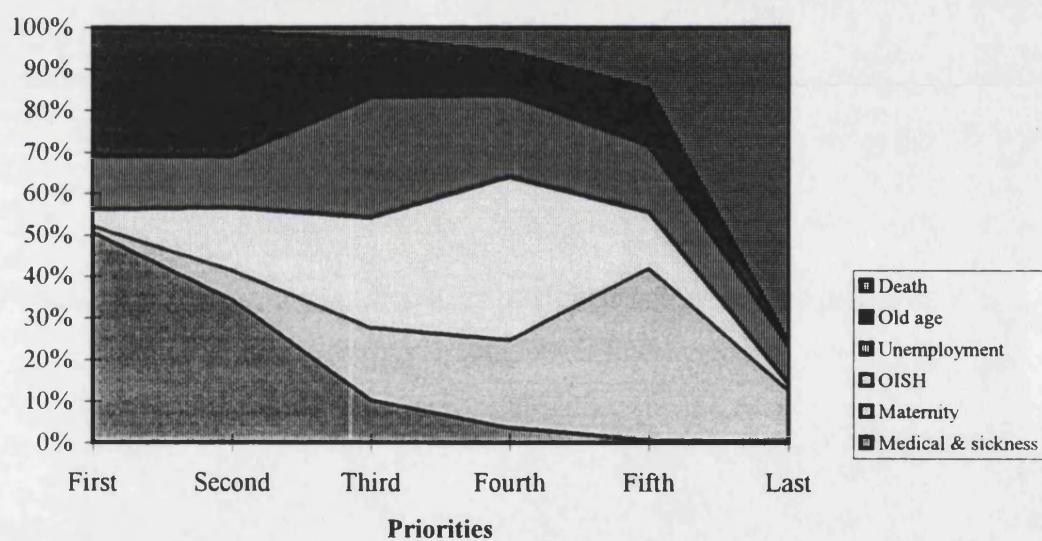
| Employment natures | % |
|--------------------|------|
| Permanent | 82.7 |
| Contract system | 62.5 |
| Contract | 8.4 |
| Temporary | 3.4 |
| Others | 5.5 |

The last issue in this section is about the people's choices in social insurance reforms. Chart 8-8 below presents the priorities listed by the respondents among the social insurance items in the reforms. According to the answers given by the sampled employees, medical and sickness benefits was the most concerned item among the six social insurance programs. 50.7% of the 524 respondents put this insurance service as the first priority in the reforms. On the other hand, 30.8% of the respondents also named old age pensions as the first item to be reformed. Nevertheless, the percentage of the

about the reforms in social insurance.

respondents in naming the retirement pensions as the second choice (29.9%) was very close to that being put as the first. In contrast, only 13.1% of the respondents said unemployment insurance should be placed first, whilst 12.7% put this as the second item and another 29% listed it as the third. For OISH, 26.4% put it the third, while 15% said it should be the second and only 4% placed it first. Finally the least percentage of respondents (1.4% and 0.2%) listed maternity and survivors' benefits as the items most desperately in need of reform. However, more respondents (17.2%) put maternity benefits as the third insurance service to be reformed, in contrast with 2.7% naming survivors' benefits. Accordingly, the choices of the sampled population in this study, in descending order, is: medical and sickness insurance, old age pensions, unemployment insurance, OISH, maternity, and survivors' benefits. The desires of the people, however, do not line up with the reforms in social insurance initiated by the state and there is dissatisfaction. In the concluding chapter this situation will be discussed in more detail.

Chart 8-8 Priorities in social insurance services reforms



Summary and Conclusions

This chapter presented the views and attitudes of employees on social insurance in China. These views and attitudes, however, reflect some of the features of the social insurance system in the country. In the main this chapter discussed some of the result findings echo conclusions stated in previous chapters. These findings might be grouped into three different aspects: the determinants that make social insurance in China unique, the specific features of social insurance in China, and the effects of these social

insurance services.

Concerning the determinant factors that nurture the uniqueness of social insurance in China these are various. First it is pointed out in this chapter that eligibility to social insurance in China is based upon the employment nature and economic ownership of the work unit. One of the findings in this study is that the number of family members who are employed permanently in state-owned work units is crucial to accessing and receiving social insurance benefits. Accordingly 'need' of employees is not an important factor since other factors are weightier. For examples, the achievement of economic reforms and the success of the birth control policies.

Political transition and economic system transformation drive the government to assign social insurance services with the non-social insurance goals. These make up the fabric and the dynamism of the institutions in the country. Because of these intricate relationships social insurance in China turns out occupational welfare in nature attached to the work units. In brief, political fervour and belief in economic growth mould the features of social insurance in China in the 1990s.

The finding in this chapter also demonstrates an important issue that the development of social insurance in China passes through many different social, political and economic changes that mould a particular set of values, experiences and views among the employees. The historical legacy can be found in the 1990s that permanent employees in state-owned work units are better off and widely covered. Furthermore, the non-contributory and occupational welfare nature of social insurance cultured among employees in China is also discovered in this study. In looking at retirement pensions in China we see that social insurance in China is weak in mutual help but strong in occupational welfare.

Because of the unique social institutions and systems created and maintained upon the economic base, the roles and functions of social insurance in China are not unequivocally defined. This can particularly be found in the non-needs based maternity benefits and in OISH benefits. Nevertheless, it is surprising to discover that the working class and capitalists do not oppose strongly the approaches and arrangements of the social insurance services. The results show that employees are apathetic and

unresponsive towards these reforms. They believe that the reforms will favour only those with stable working relationships in state-owned work units as in the past.

In view of the politically guided social insurance for achieving economic structure transformation objectives, this chapter also presented some of the effects of the current social insurance services in China detected from the interviewing. It is clearly found that employees, especially migratory temporary employees and women employees, are not satisfied with the adequacy of social insurance benefits. The respondents maintained that the benefits could not perform the income maintenance function well. The results show that some groups of employees, e.g. professional employees and migrants, who emerged in the modernisation since 1979, cannot have their needs arising from the diversified income and employment patterns met by the provisions for social insurance.

Except for the newly initiated unemployment benefits, social insurance in China in the 1990s has no differences distinguishing it from labour insurance that was specifically designed for maintaining the incentive of the socialist labour force. As a part of the job-related welfare services, social insurance in China fulfils the task of rewarding and penalising functions guided by the Chinese socialist welfare philosophy. The 'social insurance with the characteristics of Chinese socialism' can mainly be found in the important role played by work units in all income maintenance programs including social insurance, and its unquestionable influences on the public's awareness, knowledge, expectations, and acceptability of these services. At the micro level, the 'social insurance with the characteristics of Chinese socialism' is characterised by the state's oblique roles and the prominent activity of employers (work units) in social insurance service provisions. In addition, the policy discrepancies generated by the socialist economic ownership and employment systems in China nurture strong parochial views within the particular work unit, employment system, household status group, economic ownership sector, etc. Consequently employees in general are apathetic, ignorant and sceptical of social insurance in the country that turns out to be a hindrance to the reforms to institute a contributory social insurance system for risk pooling and mutual help. The features of 'social insurance with the characteristics of Chinese socialism' will be discussed in detail as the conclusions of this study in the following chapter.

Chapter 9

Social insurance with the characteristics of Chinese socialism

Introduction

The previous chapters examined social insurance in China for finding out its particular features from the Marxist structuralist perspective. This study method suggests that all state institutions stem from and are determined by the economic base or structure of the country. Accordingly, social insurance is the institution created and maintained by the economic base of the country that its features vary. It is therefore necessary to probe into the particular features of social insurance in China because it is a socialist developing country. The study on social insurance in China is important because its social insurance services are coloured most with the internal factors especially the long lasting Confucian values and socialism with Chinese characteristics.

This exercise went through a thorough literature review on the values and features of social insurance in capitalist developed countries. It also reviewed the policies and regulations on labour and social insurance in China in the past 50 years. Most importantly, this project employed both quantitative and qualitative research strategies to collect the data on social insurance in China in the 1990s. The results of the research demonstrate that, with the case of Guangzhou Shi, social insurance in China is largely tinted with the Confucian self-reliant values and determined by the socialist economic production relationship.

The first four parts of this conclusion and summary chapter will respond to the four sub-questions set in Chapter One. The first part is about the development of social insurance from the feudal stage to the mid 1990s. This part will specially spell out how the Confucian values affect and the socialist economic structure determines the development of social insurance in China. The second part summarises the views and information gathered from unstructured interview and document reviews on six major social insurance benefits in Guangzhou Shi. It is pointed out in this section that social insurance in the country is developed on the public ownership economic system and provided by work units which manage the social labour force and social insurance.

The third part summarises the findings of the structured interview with the management of 25 work units in Guangzhou Shi. The data collected from the interviewing with questionnaires demonstrate that because of the close state-work unit-individual relationship in the public ownership economic structure that only those with local household status and permanently employed in state-owned work units are widely covered. The subsequent part of this chapter shows that, appreciation of the provision of income maintenance services provided by work units is stronger than that by the state among the 524 employees in the 25 work units. This reflects the obscure roles and functions of first, social insurance and second, work units in offering social insurance and other income maintenance services in the socialist economic structure.

In concluding this study, the final part of this chapter states that social insurance in China have many features different from those found in capitalist developed countries. These identifiable features relate strongly with the specific economic structure of the country and unique to the Chinese society. Finally, it is highlighted at the end that the knowledge on social insurance in socialist developing countries is meagre and that more exploratory study is needed for building up a comprehensive view in social policy studies.

The development of social insurance in China in relation with the Confucian self-reliant and socialist collectives values

The features of social insurance services in China change in different periods. First, in the period before 1949 contributory social insurance did not exist in the country because of the very low level of industrialisation, and an insignificant domestic capitalist class and salaried labour force. Second, in the period from 1949 to the mid 1990s the economic base of the country guided social insurance services to facilitate the realisation of political objectives that consequently forms many distinguished features of the social insurance services. However, the effects of the socialist economic mode of production on social insurance are dissimilar in two periods. First, the public ownership system limited the coverage of the labour insurance system and directed the services to become a part of the occupational welfare provided by work units from 1949 to late 1970s. Second, from 1980 and on, social insurance has been adapting for establishing a socialist market economy in the country. This section is going to summarise in general how the

features of social insurance in China relate with the particular social values system and economic structure in China before 1980. After this the subsequent parts will give the main points of the study results and the features of social insurance in socialism with Chinese characteristics.

The absence of contributory social insurance in China before 1980 can be explained by the predominance of Confucian and socialist values. Confucian teaching appeals for self-reliant, cohesive family relationships, and looks askance at non-scholastic activities. These consequently disregard residual welfare system in the country. Equally significant is the emphasis and belief in the effectiveness and functions of the socialist collective system. The occupational income maintenance services offered by work units are assigned for maintaining the productivity of the socialist labour force but not for satisfying the contingent needs of all. The development of the Chinese social insurance manifests four main factors: the extent of self-help or self-reliance ideology, the degree of economic specialisation, the stability of political system, and finally, the strength of collectivism. These four factors are also the particular features of Chinese social insurance.

Self-help ideology is the basic requirement in Confucian teaching. The centre point of self-independence, as stated in “*Sishu: Daxue* (The Four Books: The Great Learning)”, is *xiushen* or cultivates one’s moral character for realising a consolidated society. The meaning of ‘cultivating one’s moral character’ refers to introspection or self-examination of one’s innermost being for attaining a perfect personality. As the basic step to get to a peaceful time, self-examination requires one to modify oneself to adapt to society. For example, self-introspection in *Lun Yu*, the record of Confucian teaching, means “to see whether I am dishonest to others, to check whether I am unfaithful to my friends, and to review whether or not I practise what I am taught.”

The requirement of oneself to be honest and faithful to the others accords with Confucian teaching and has great social impacts in Chinese society. This ideological training raises inferior and weak self-image of an individual in a group of people and induces him to be submissive. A submissive self does not involve others in solving his difficulties. Thus self-reliance ideology does not equate with individualism in that the former is less aggressive and more retiring. Self-reliance ideology also stimulates one’s

concern for face-saving. A Chinese proverb says that you ‘don’t spread your family’s scandal’ and that others should be excluded from such family matters. It brings shame on oneself or one’s family if one has to involve others in securing one’s or one’s family’s own living. Therefore, Chinese would prefer seeking help from one close such as siblings, in-laws, friends and colleagues, rather than referring to a publicly run organisation. This is supported by the findings in the field study that when income problems rise only about 40% of the sampled employees of all types tend to seek assistance from state.¹⁷¹

Confucian teaching has been so dominating in China for more than two thousand years that it goes beyond the syllabus of public examination for selecting government officials. It becomes the social rules and norms for identifying one’s roles and duties in society. In many Confucian teachings these roles and duties are clearly defined. For example, Mengzi, the foremost student of Confucius, mentioned ‘five human relationships (*renlun* or *wulun*)’ in society and everyone has his or her expected roles and duties. In relation to the concept of state, ‘Five human relationships’ conveys ideas of ‘community’ or ‘society’ by means of images, which are spiritual, spontaneous, non-contractual and non-institutional.¹⁷²

In relation to income maintenance, self-reliance but not state provision is praised so that one has to find the solution, or through the expected human relationships to obtain the assistance. The ‘five human relationships’, for example, states that the more capable is responsible to look after the less able. A son, for instance, is charged with the responsibility to support his parents when they are weak and unproductive. In *Lun Yu* parent-child relationship is emphasised in the roles of younger family members in supporting their seniors. According to *Lun Yu* “the meaning of filial piety (*xiao*) is support (*yang*)”. This implies the Confucian values on meeting individual contingent income needs focus on the family or social relationships between oneself and others.¹⁷³

¹⁷¹ Please refer to Chapter Eight of this study.

¹⁷² The interpretation of ‘state’ in feudal China related with spiritual images. For example, the Chinese word ‘*sheji*’ is a worship place for ‘the god of the land and the god of grain’ that symbolises the being of ‘state’. In addition, it was believed that the head of state, i.e. the emperor, is sent from heaven to rule over the land. Thus the concept of state is very ambiguous among Chinese. (Liang, 1987) This specific point will be discussed in detail in later part.

¹⁷³ This refers to the teaching in *The Great Learning* that ‘the people learnt filial piety from the emperor if he supports the elderly’. In addition, the value of ‘family across the land’ also stresses on supporting the elderly in the community as that at home.

Such relationships extend from a ‘self’ to his family and then the ‘land under heaven (*tianxia*)’.¹⁷⁴ It requires one to work for supplying oneself with daily necessities and when this fails the family members have to play their roles. For those who are weak or old and have no family ties then community collective relief work should come in to help.

In Chinese society families perform the role of supplier in various aspects. The Chinese word for ‘family’ (*jia*) means the physical setting for its members living together. Furthermore, in Chinese writing the ideogram of ‘family’ includes a roof at the top and a pig under it. Symbolically the roof is the protection and the pig is the comfortably off living for those under the roof. The implication is that supports between family members are very strong but concerns for outsiders are relatively weak. In addition, “family (for Chinese) is the centre of social life.” (Zhong in Liang 1987 P. 12, my translation) In the five human relationships three (husband-wife, father-son, sibling) are found inside family whilst one relates to community (friends) and the other in work environment (emperor-officials). Furthermore, “for a long time social organisations in China disparage individuals but place stress on family and put family and clan before the state.” (Chen in Liang 1987, p. 12) Thus in Chinese culture family is an enclosed setting that rejects non-members. This Confucian individual-based and family-bound ideology greatly affects the development of mutual contributory social insurance in China.

Before 1949 the family in China performed two functions under the inward support forces: consolidating the relationships between its members and satisfying their various needs on the one hand, and excluding outsiders on the other. For example, family clan (*jiazu*) for Chinese is a collective for realising the supportive functions. In the old days members of a clan used to live together in order to maintain a mutual support and security system. This system is realised by physically built structures like walled community or, if not living in their hometown, grouping together those with the same last name to form mutual help associations. Such kinds of civil societies offered various kinds of social services including shelter, medical care, education, and even

¹⁷⁴ *Tianxia* in Chinese is a supranational concept. In ancient China ‘state’ is at the intermediate level between family and ‘land under heaven’. State refers to the grouping of families whilst ‘land under heaven’ is the conglomeration of states. In this sense state is not the ideal stage of human society in which the people’s living is protected or satisfied.

assistance in cash.¹⁷⁵ On the other side the most destitute had to live upon the relief provided by philanthropic organisations, which 'represent the spirits of benevolence and universal fraternity.' (Chow 1990 p. 4) Consequently, charitable welfare rather than mutual contributory income maintenance system prevails in Chinese society.

In sum, before 1949 the family in China played two important roles that affect the development of social insurance. First it built up a very intimate relationship amongst its members. Second, individuals preferred the family to the state because it was believed that the 'peace across the land (*ping tianxia*)' or a pacific society could only be achieved and sustained by the family system. (Liang 1987, p. 18) This explains why 'society' rather than 'state' was emphasised among Chinese. 'Society' is the aggregate term for all families but 'state' means institution or bureaucracy for ruling over the public. Therefore, the patriarchal system is maintained from the ruler to general public in order to minimise the role of the state but strengthen the role of the family across the land.¹⁷⁶ Liang states that "China ... belongs to the supranational type of country" which means it passes through the 'state' stage. Thus the insignificant 'state', dominant patriarchal system, and strong individual responsibility held up the development of contributory social insurance in China before 1949.

The other impact of Confucian values on the development of contributory social insurance is the discrimination against non-scholastic activities like trading and manufacturing. This strongly discouraged economic specialisation, especially the rise of capitalists and hired labourers in the country. Confucianism places high value on scholars but looks down upon businessmen and artisans. 'A good scholar will make an official' and 'no prospect for an artisan' is Confucian doctrines that is etched on the peoples' mind for a long period. In the old days the title of 'literati and officialdom (*shidafu*)' but not wealth aggrandised one's own as well as one's family's social status.

The higher place of scholars and lower place of workers and merchants can be

¹⁷⁵ See, for example, Chow comments on the early welfare system in Hong Kong that "(in the period before 1960), assistance from family was the most reliable. If someone has no relatives to rely on then he had to turn to the associations of fellow provincials or townsmen which set up for uniting the clansmen." (Chow 1990 p. 4, my translation)

¹⁷⁶ The concept of ruling the country by an emperor in China is 'family across the land (*jia tianxia*)'. This implies the whole country belongs to the emperor and the ruling is his family's business.

found in the book *Xiaokang* (Comfortably Off) by Guanzi, a student of Confucius. Guanzi says “Scholars, farmers, workers and merchants are the four pillars of the state.” It is thus obvious that the literati was highly praised whilst those who made use of their labour or capital to make a living were despised. Such a social ideology lasted for more than two thousand years and the consequences are contributory towards the underdeveloped manufacturing industries and capitalist system in China before 1949. Fairbank in his comprehensive book on the history of China also mentioned the underdevelopment of the proletariat and the capitalist classes and insists that revolution in the 1940s in China is not proletarian or bourgeois revolution but a peasant revolution.¹⁷⁷

The inferior social status of manual labour force and trading people affected the development of large-scale production in China and consequently deterred the growth of the numbers of salaried workers and capitalists. Large-scale industries were not found until the turn of the 19th century in some designated areas. In the mid 1800s the Qing court was forced to open the country’s eastern and southern coast as the result of being defeated by European and American colonial conquerors. These started the establishment of contemporary mass production economy in China. On the other hand, the Qing government also recognised the importance of national industries in national security. Hence in the second half of the 19th century China founded several military industries such as shipbuilding, casting, machinery, etc. in Shanghai and Tianjin. All of these were initiated by the state for the aim of industrialisation for self-strengthening (*Yangwu Yundong*). Nevertheless, industrialisation failed. The capitalists and labour were stopped from growing numerically because of the World Wars and civil war in China from the 1910s to the 1940s.

The bourgeoisie and waged labour in China emerge very late in the long Chinese history. Furthermore, these social classes were not developed alongside industrialisation but ‘created’ by state in the wake of the national crisis, e.g. the establishment of state-

¹⁷⁷ However the Chinese Marxists like Mao Zedong accepted the basic analysis of Lenin and recognised that capitalism had developed beyond national borders into the advanced stage and the struggle was not simply between capitalist and labourer in each national setting. Capitalism had developed into imperialism and this is what defined the camps of the contenders and which put the Chinese proletariat at the forefront of the global struggle. The Chinese Marxists always stressed that theory is tested by practice and by this criteria it is clear that Mao Zedong and his comrades had a different view on the nature of revolution.

managed enterprises after the invasion of foreigners. This pattern is different from Western industrialised societies in that, according to Karl Marx, the capitalists and working class appear spontaneously in each historical stage. The linear perspective of Marx on the development of human history also demonstrates the substantial needs for establishing a multi-party income maintenance system. In other words, the non-existence or weak development of any of these parts may lead to difficulties in realising this.

The previous paragraphs demonstrate why the development of social insurance in China before 1949 was slow and insignificant. The insight got from the discussion at above is that strong self-reliance values, a weak state, undeveloped capitalist economy, late development of salaried workers and strong family system are the counter-forces militating against the development of a contributory social insurance system. All of these are the actualities in the country. It has been elaborated above that 'land under heaven' rather than 'state' is the utopia for Chinese. Before the revolutions in the early 20th century, people in China persevered at the two-level roles and functions of family: provider of daily necessities and the necessary step to achieve 'peace across the land'. Thus the state is minimised for its unspecific duties whilst the people's living contingency is served within the family. The weak state is less capable or unwilling to plan and manage a contributory social insurance system whilst the strong family system diverted the people with needs away from state assistance.

The undeveloped capitalist economy affects the building up of contributory social insurance in three ways. First, since production cannot be socialised then the waged labour force is very small. The basic approach of contemporary social insurance system is a vast base of the production force so that the risks can be shared. Second, the labour force is difficult to organise under the petty commodity economic system. The characteristic of most petty commodity production is an unorganised labour force and the use of informal means of production like family members and with no formal accounting system.¹⁷⁸ Therefore it is difficult to set up formal contributory system for this group of labour force. Third, since capitalists are paltry in a non-capitalist mode of production that their roles and duties in social insurance is unrecognised. This raises an issue that in non-capitalist economic system capitalists are insignificant, neglected or

¹⁷⁸ See, for example, the study by Moser (1986) on 'informal economy'.

discriminated against that a part of the tripartite system cannot be identified. This is particularly true for the case of China before 1979.

In the period from the 1910s to 1970s, contributory social insurance was hardly found in China. This can be attributed to political factors in addition to the dominant Confucian values. Because of the civil wars and the Second World War, social insurance could not be developed since the social environment was unfavourable. In this period social production was disturbed and the people's living was very insecure. Although it was mentioned in Chapter 2 that the communist and the Nationalist governments developed labour insurance in their own spheres of influence, contributory social insurance system was very minimal and unstable.

In the thirty years after 1949 state-owned labour insurance but not contributory social insurance was implemented in China. Chinese labour insurance was in fact a part of the collective occupational welfare system provided in state-owned work units and built upon the socialist public ownership system. On the one hand labour insurance had a strong political element for promoting the incentive of the socialist production force. On the other hand state collectivism emphasises strong state intervention and collective actions. In addition, since it is socialist in nature capitalist economic production was suppressed. In sum, the unfavourable factors to establish and develop contributory social insurance in China after 1949 are economic and political: precarious political lines and extreme strong collectivism. These are distinct from the prominence of self-reliance and retarded economic specialisation in the feudal stage.

In contrast with the family ties, a weak state and an undeveloped capitalist economy in the past, China after 1949 can be described as a strong state; collectivism oriented and suppressed capitalist economy. Between these, the strong state is the most influential factor. Through political activities and state institutions the Chinese government intervenes in every sphere of people's lives. These include comprehensive services through its organs like work units (*danwei*), trade unions and street committees (*jiedao weiyuanhui*), and mass (or political) movements such as the Great Leap Forward Movement and the Cultural Revolution. These approaches mobilise the public to sacrifice oneself to the collective for realising the political ideals. In the process the family bound ideology is changed to state bound. Public services substitute the

traditional roles and functions of families; one's activity boundary is extended which ultimately leads one to live off the state. The typical example is the commune system in the Great Leap Forward Movement whereby the services like canteens, nurseries and retirement homes replaced the services provided by the family.

Since 1949 state mechanisms in China have been extensively intervening into the people's living. The strong socialist government centralises the supply of materials and services in society. Production materials and services are allocated through collectivisation and centralisation with the aim that the people's living is guaranteed. This approach, therefore, built up an involuntary comprehensive state supportive mechanism in which the conventional tripartite contributory social insurance system is discarded. The almost all-embracing non-contributory labour insurance system, however, did satisfy most of the socialist labour force in the urban areas of the country. Furthermore, irrespective of the turbulent decade of Cultural Revolution, the successful centralised policies, booming population and young labour force in the 1950s to 1970s depicted a picture of 'peace across the land' which is always longed for by the Chinese.

In a nutshell, contributory social insurance seems odd to the Chinese government and her people before 1979. It is because of the strong Confucian values in the society and the impacts of the socialist economic structure that determines the features of social insurance in China in the period. These two main forces cultivate a unique perception on oneself, one's relationship with society, and the expected roles and functions played by state. Consequently, individualism, socialisation of production, and contractual social relationships emerge very late in China. Most importantly, the development of individualism, social contract system and socialisation of production is also under the influences of the forces of the social values and economic structure in the country. Because of these socio-economic factors the development and features of social insurance in China are different from those found in capitalist developed countries. The following section will summarise in more detail the particular features of social insurance in China in the 1980s and beyond.

The provision and management of social insurance in China with the case of Guangzhou Shi in the 1990s

It is detected from the interview with social insurance experts in China and review of the policy documents and statistical yearbooks that in the 1980s to the mid 1990s the provisions and management of social insurance in China has three main characteristics. These three main characteristics were described in Chapter 3 and will be summarised in the following paragraphs. In addition, Chapter 4 presented the case of Guangzhou Shi in Guangdong Province in China. The findings in the chapter echo with those three characteristics discovered in Chapter 3.

The first characteristic of social insurance in China in this period is the persistence of the 'dual service system'. 'Dual Service System' refers to the phenomenon whereby two relatively different sets of criteria and benefit levels were designed for those eligible for social insurance services with dissimilar backgrounds. The 'dual service system' approach can be found in various aspects. For examples: state-owned and non state-owned work units, cadres and workers, migratory employees and local employees, permanent workers and contract system workers, and even between the employees who are law-abiding or not.

The 'dual service system' emerged during the economic and enterprise reforms in the country in the early 1980s. It becomes more and more apparent with the deepening of the reforms especially in social insurance services. In social insurance system contrasts between two parties are easily found. For example, in relation to state-owned work units, non state-owned units are smaller in size, younger and more flexible. Social insurance services in non state-owned units have weaker ties with the state and therefore it is easier to promote 'socialisation of social insurance'. Nevertheless, because of the weaker relationships with the state, employees in non state-owned units are not always covered by social insurance.

Discrepancies in social insurance provisions between cadre (white collar) and worker (blue collar) as well as 'revolutionary' or not are also vital. The examples can especially be found in retirement pensions and medical insurance. In general, cadres are

eligible for higher and more benefits than their counterparts. This situation is quite common in capitalist developed countries since management of social insurance systems is relatively easier for salaried white-collar staff. It seems that there are no differences in China, a socialist developing country, which has higher avowed values of the manual labour force. Nevertheless, the documents on social insurance reveal that, disregarding one's job nature; people who are seen to have contributed to 'socialist construction' are better treated. Such appreciation criteria are more disguised in capitalist countries.

In the 1990s migrant and local workers are treated differently in the Chinese social insurance system. The emergence of migratory workers is stimulated by urbanisation in modernisation. The 'Smaller Urban Places Policy' designed for retaining rural surplus labour is not efficient because of the vast population base. On the other hand, the pulling forces of cities attract the people who migrate from the less developed rural areas. However, the different treatment of local and migrant workers is caused by the rigid 'household system' in the country. Eligibility to social insurance in China is determined not only by one's economic production, but also by one's personal background including political participation and social belonging. This is one of the main characteristics of social insurance in China that can hardly be found in capitalist developed countries.

Household status of a worker also affects one's employment conditions, i.e. whether one can be employed permanently or not. In general, migratory workers from rural areas usually take up the jobs left over by local workers. In China *nongmin gong* (peasant staff) are 'temporary, seasonal or rotational' employees who work in enterprises such as mines, transportation bureaux, railway bureaux, building companies, etc. (Lee 1993, 236). Furthermore, Lee (1993, p. 237) describes the employees recruited under the *nongmin lunhuan gong zhidu* (system of labourers working in factories and in the fields) as being conditioned by the registration of residence of the labourers. These labourers are always deployed in "...industries which provide unattractive and hazardous work or demand the employment of physical work." Except for OISH, most of the social insurance services in China favour cadres who are permanently employed in state organs or party offices so they hardly cover the non-permanently employed blue-collar workers.

The last but not least feature is the different treatment for employees who respect

the state laws or do not. Maternity benefit, for example, shows that only the law-abiding employees are eligible for the insurance benefits disregarding proof of the need. In this dual service provision system, women employees are categorised into two groups: those who deserve to enjoy the benefits and those who do not deserve. However, the determination on who should get the benefit is totally beyond the consideration of income maintenance. This non-social insurance criterion of granting the benefit is not common in the social insurance services in capitalist developed countries.

Apart from the dual system approach, another characteristic of social insurance in China is its unclear objectives and indeterminate role. Unlike other social insurance systems, social insurance services in China always play the supplementary role in economic and political development. In addition, because of the strong political command over all systems in the country, social insurance services are designed for facilitating the realisation of political ideals. For examples, the OISH and maternity benefits are obviously tools for such purposes. The provisions of OISH is as wide as to cover those people who were injured in the revolutionary movements and war whilst maternity benefits are designed as the means to control the birth rate of the country. Both of these approaches are overtly politically oriented in a manner that is not so familiar in capitalist developed countries.

In fact, social insurance in China is unique especially in her management system. One of the examples is the state-owned work unit, which is subordinate to the state, is the manager of social insurance. Structurally most of the social insurance services in China are controlled by the respective state ministry at the centre that provides the services based on the regulations set by the Ministry of Labour and The All China Trade Unions. On the other hand, financially the Ministry of Finance supports social insurance services through the work unit's accounting system but not an independent social insurance organisation or funding. The occupational nature of social insurance in China is nourished in the inseparable state-enterprise relationships created under the socialist ideology of 'all people's ownership'.

The final feature of the Chinese social insurance services is its social control functions. Maternity benefits, for example, penalise those women employees who do not comply with the birth control regulations. This social insurance service, at the same

time, penalises those employees who violate the rules by stopping their payment of their scheduled benefits. Another example is that, in order to reduce the labour force in state-owned units, retirement pensions are revised to induce people to take early retirement. Nevertheless, the most significant regulating function of social insurance in China is the unlike services and benefit levels between different sectors in the dual service system.

All in all, social insurance services in the 1990s in China are being reformed in many ways. These reforms aim at sharing the state's heavy burdens with enterprises and employees and to weaken the occupational welfare nature of social insurance by building up a multi-party contributory system. In these on-going reforms some specific characteristics arise that are dissimilar from those before the 1980s. For example, in foreseeing the growing numbers of idled in society as the result of enterprise reforms and the re-emergence of private ownership system unemployment insurance is redesigned. The implications of redefining unemployment benefits shows the new planning and provision initiatives in social insurance in a socialist developing economy but at the same time, it exposes the double standard of the service system.

The features of social insurance in China as demonstrated by its provisions and management approaches clearly reflect the strong impacts of the country's social system and economic structure. The 'dual service system' and the unclear roles and functions of social insurance services in the country reflect the close party-state-enterprises relationships. These relationships develop from the public ownership system of the Communist Party of China, and strengthened by the Party which dominates all state institutions, as well as the centralisation and collectivisation policies in all sectors in the country.

Social insurance in China is built up on the public ownership system as the institution to provide necessary benefits to the socialist labour force. However, in the provision and managing process work unit as the production and occupation welfare manager has to observe the related regulations and other stipulations of the state in fulfilling the control functions. Therefore the labour force is categorised and treated dissimilarly according to the non social insurance based criteria like household status and employment natures. The case of Guangzhou Shi illustrates that the party-state-work unit relationships also extend to individual employees that turns social insurance in the

country to be one's occupational welfare. This brings out an issue that employees in non-state-owned work units are more deprived of social insurance services because the financing of social insurance largely counts on the ownership nature of the work unit. In brief, the unique social insurance provision and management pattern in China is strongly related with its economic structure as in other countries.

The unique coverage pattern and types of benefits

This study delved into the social insurance coverage and benefit in Guangzhou Shi with quantitative study technique. It is found from the study that in the economic system transformation period the issue of narrow coverage of social insurance is the focus of attention in the country. Coverage of social insurance is caused by the dual service system of social insurance as discussed above. In general, disparities in coverage are found between employees of contrasting backgrounds like household status, employment natures, and submissiveness to authority.

The most outstanding feature found in Chapter 6 on the coverage of social insurance is that migratory employees are the least covered. These employees are usually less permanently employed and paid on an irregular basis. Another noteworthy feature of the social insurance in China relates to the women employees who violated the national birth control policies. Women employees who gave birth to babies without prior approval are deprived of all maternity benefits, as well as other penalties imposed on the mothers and children. In strong contrast, employees who are injured outside of the working environment might also be covered by occupational injury, sickness and be eligible for handicapped benefits if the cause and action was judged to be for social good.

Disparities in social insurance coverage in China have weak correlation with the ownership background of work units but the employment nature or status assumes great importance. This implies in both the state-owned and non-state owned work units temporary employees are the most neglected. It is thus clear that social insurance in China is in a dependent position, interacts with and is heavily affected by other policies and institutions. The crux of this issue is the functioning of centralisation and collectivisation of the public ownership system that migrants, especially those moving

without official permissions are not allocated with jobs by the state. This group of people has to face many adversities in finding a job and because of these reasons they surrender their rights to social insurance on the one hand, and the employers manipulate them on the other.

For the group of women employees the unequal treatments for the law-abiding and non law-abiding employees reflect the country's social insurance policies play the facilitator role in maintaining the socialist economic system rather than income maintenance. Similar ideology is also found in the OISH that one who sacrifices to socialism does a social good that should result in being eligible for social insurance. The examples of covering those reproduced socialist productive forces and dedication to the socialist state are strong evidence for arguing the socialist values and orientation of social insurance in China. The implication of the reward-penalty functions of social insurance in the country is that social insurance is an institution built upon and serves the country's economic base.

In comparing with the neglected groups of employees listed above, permanent employees in state-owned work units are the most favoured. These employees are mostly the residents with permanent household status, allocated to the work units through the centralised job placement process. The study results show that in most cases they are eligible for the six social insurance items in Guangzhou Shi. Furthermore, the ownership background of the work unit does not affect one's access to social insurance. These imply first, the effects of collectivism and centralisation on one's eligibility to social insurance are clear. Second, eligibility to social insurance in China relates to the stipulations in other policies and institutions.

Household status and employment status does not only determine one's eligibility to social insurance but also the types of insurance. Table 6-4 in Chapter 6 demonstrates that a higher percentage of state-owned work units fully provided the six social insurance items to permanent employees. This contrasts greatly with the percentages of the work units that provided partly or did not provide social insurance services at all to temporary employees and the employees of other employment conditions.

The discussion in the chapters on the coverage and types of benefit for employees discloses that eligibility to social insurance in China is a matter controlled by administrative measures.¹⁷⁹ It can be found from the types of benefits and one's eligibility to social insurance that the services are kind of occupational welfare set up for guaranteeing the socialist production. Work units are seen as the operational teams to fulfil the production targets set by the headquarters (i.e. the state). On the other hand, in pursuing its missions (i.e. develop socialism) the headquarters has to guide and control its operations within the proclaimed values and ideologies (i.e. public ownership). Thus the work unit is only the medium for carrying out the instructions given from the headquarters and accordingly production and services within work units are framed. This party-state-work unit relationship creates and shapes the unique features of social insurance in China and explains why the employees are treated differently.

Social attitudes and expectations on social insurance in China

Attitudes and expectations towards particular issue are nurtured through one's socialisation. This includes the social institutions like family, schools, work units in which one is brought up. In these social institutions where the peers and other members live are influential. This explains the importance of the Confucian self-reliant values that pass from one generation to another and the socialist collective system have strong impacts on one's attitudes and expectations towards the state's roles in income maintenance services.

There are two main forces in China that culture the people's attitude and expectations towards social insurance in China. First, there is a set of profound and lasting Confucian values that indoctrinate the people with a unique perspective on one's relationship with and responsibility for others. This affects the development of income maintenance in the country. Second, the collective measures established and implemented within the public ownership system after 1949 have instilled another set of attitudes and behaviours towards a contributory income protection system. These two sets of ideologies seem contrary. One of them stresses self-reliance on one's family network with minimal state assistance whilst the other emphasizes sacrificing oneself to

¹⁷⁹ For this issue please refer to Chapter 7.

the collective with strong state intervention. Nevertheless, the study results demonstrate that both of these two forces affect the people's attitude and expectations toward social insurance in the 1990s.

The study results in Chapter 8 demonstrate that, employees in work units of both ownership nature do not expect too much direct income assistance from the state, irrespective of the fact that the state finances most income maintenance services through work units in the country. The sampled employees perceive work units as the provider of all living supplements including social insurance that they are eligible. However, because of this occupational welfare nature of social insurance provided at the same time by the production unit they work for, the positive views among employees towards their work units do not necessarily mean they support the social insurance services wholeheartedly.

The finding results also reveal that after the 50 years of time employees had in most work units in China they established various degree of relationships with work units, and also cultured particular attitudes and expectations towards the all-embracing social and economic units in this socialist developing country. It is found that the older employees who had been working in state-owned work units are more adapted to the values of socialism, more supportive to social insurance and have greater confidence in the state's income protection. These particular values among the older employees on social insurance reflect the effects of occupational welfare nature social insurance rooted in the public ownership economic system.

The reactions among younger and less permanent employees found in this study are rather contrasting with those of the older and permanently employed. The younger non-permanent labour force, e.g. temporary young employees, is more pessimistic, shortsighted and has less confidence in the state's income protection services. A larger group of these employees were found living in more destitute conditions with their unstable and lower incomes. Also, because of their household status they are more alienated from social insurance coverage. These employees are indifferent to social insurance because they experienced and perceived that social insurance is another job-related income supplement provided for the permanently employed in state-owned units.

It is also found in Chapter 8 that about 40% of the employees would ask for labour insurance and state relief when contingent income needs arise. Also, there are more women than men in this group of employees. This indicates that in the past 50 years socialism in China has only augmented the chances for women to participate in economic production but has not modified the dependent status of women in the patriarchal socialist system. Rather, socialism in China treats female labour as the reserve production army that, in the economic transition stage, has to retreat from production and ask for state's income maintenance services. With the example of maternity benefits in this study, it is found that women employees are expected to carry out their roles in reproduction of the production force as planned. This reward-penalty social insurance item makes women employees not only helpless but submissive to the collective in which they are living. In brief, the work unit is viewed as an enlarged family in which traditional gender roles are maintained and the provision of social insurance in work unit is valued by its members as a matter of course.

Although employees of different backgrounds preserve dissimilar attitudes and expectations, the Confucian values still sway their views on contributory social insurance. The 'self' and 'social' ideologies of Confucianism that emphasize 'spontaneous and family-based supports' are transplanted to the 'collective' and 'state' socialist value system that stresses the 'mechanical institutional intervention' by the means of centralisation.¹⁸⁰ This transformed Confucian social system is evidenced by the roles and functions of work unit in social insurance provisions. In providing financial supports by means of social insurance to its members the only difference between a work unit and a natural family is the bureaucratic process set up for discriminating the needs of the socialist state from others. Furthermore, in the transition to socialist market economy in the 1990s, the Communist Party of China emphasizes the duties of individuals and family under the banner of 'socialisation of social insurance' in order to develop a 'social insurance with the characteristics of Chinese socialism'. It is thus clear that both Confucian and socialist values are significant and compatible in the country in formulating its social insurance policies.

¹⁸⁰ The examples of 'mechanical institutional intervention' are household registration, job placement policy, communes, ration system, birth control policy, etc.

Social insurance with the characteristics of Chinese socialism: an explanation

From the Marxist structuralist perspective, this study brought to light the significant features of social insurance in China. All these features, as stressed in the discussions, are unique to the country's social values and economic base. As a part of the conclusions, this section will elaborate further the thesis of 'social insurance with Chinese socialist characteristics'.

The starting point to delineate the issue of 'social insurance with Chinese socialist characteristics' is the concept of 'socialism with Chinese characteristics' initiated by Deng Xiaoping. In April, 1983 Deng explained to the representatives of the Indian Communist Party that the victory of the Chinese revolution in 1949 was because the CPC "combines the general theories of Marxism and the real situations of China, finds the most suitable ways, types and roads for revolution in China."¹⁸¹ (Deng 1993, p. 27, my translation) Furthermore, he said that since the CPC did not take all of the advice from Stalin that the revolution in China was successful. (Deng 1993, p. 27)

The two points above indicate that the idea of 'socialism with Chinese characteristics' means first, Marxism is the body of basic guidelines and the reference framework for all institutions including social insurance. Second, it should take into consideration the deep-rooted Confucian moral and value system and its interactions with Marxism in China. Basically Marxism has long been regarded as the guiding principle and terms of reference of the CPC. Until today the Chinese communist government still maintains that "to sustain and follow Marxism and Leninism" is one of the 'Four Cardinal Principles' (*Sige Jianchi*) in the modernisation and reform era.¹⁸²

For Deng Xiaoping and the CPC socialism with the Chinese characteristics

¹⁸¹ See 'To Build Up Socialist Material Civilisation and Spiritual Civilisation' in the interview with the representatives of the Indian Communist Party on 29 April 1983 in Deng (1993, p. 27-28).

¹⁸² The 'Four Cardinal Principles' was proposed by Deng Xiaoping at the meeting of the Communist Party of China in March, 1979. The four cardinal principles are socialism; dictatorship of the proletariat; the Communist Party's leadership; and Marxism-Leninism and Mao Zedong Thought. (Li 1993, p. 334) In the meeting with the Premier of Zimbabwe in January, 1987 Deng also emphasizes on 'the strengthening of the education of the four cardinal principles and the persistence of the reform and open policies'. (Deng 1993, p. 201-202)

means the 'constructions of material civilisation and socialist ethics' in the country with reference to Marxism.¹⁸³ In this sense, economic development for the betterment of the people's living and the preservation of the social culture should start from Marxism. For the realisation of material civilisation the CPC reinterprets historical materialism of Karl Marx on the upper and lower stages of socialism and initiate 'socialist market economy'.^{184&185} The socialist market economy includes enterprise system, market mechanism, foreign trade, rural economy, macro economic adjustment and control system, social security system, and the legal system.¹⁸⁶ (Ma 1993) In general, the strategies used by the CPC and the Chinese government in building up a socialist market economy involve the revitalisation of private ownership system and relaxation of centralisation and collectivisation in the country. These actions induce the rise of non-state-owned work units and reforms in state-owned work units, wage system, employment system and then affect the services provided by work units such as housing and labour insurance. Moreover, the development of the large-scale joint ventures with foreign capitalists and the small-scale local people owned economic units have momentous social and economic impacts in the country.

The above discussion shows that the main approach of the Chinese government used in liberalising the productivity for building up a socialist market economy is to reform its economic systems. These reforms, however, are "based on persisting in maintaining public ownership and the principle of 'to each according to his work' as the main body, with other economic ownership systems and allocation formats as the

¹⁸³ In 1992 Deng said "Guangdong has to catch up with the 'Four Little Dragons' in Asia in two aspects. It is not only in the economic area but also the social order and the common mood of society. Both of these two types of civilisations have to be ahead of them and this is socialism with Chinese characteristics." (1993, p. 378)

¹⁸⁴ Karl Marx analyses from the perspective of historical materialism that, according to the mode of production, development of human society is linear from feudalist to the ideal of communist. Marx also distinguishes socialism is the lower phase of communism in which "there are still classes, occupational division of labour, elements of a market economy and of bourgeois right...." (Bottomore 1983, p. 486) The development from capitalism to communism needs a "series of steps which eventually revolutionise the entire mode of production." (Bottomore 1983, p. 486) These steps include the seizing of political power in order to build up a dictatorship of the proletariat and centralising all production instruments in the hand of the state. The Communist Party of China in the 1950s and 1960s had successfully gone through these steps in the social and political movements like Land Reform Movement, Three-antis and Five-antis Movement, and Cultural Revolution. The Party held that the country had followed through the Marxist-Leninist line and reached the communist stage.

¹⁸⁵ 'Socialist market economy' was formally adopted in the Third Plenary Session of the Fourteenth Central Committee of the Communist Party of China on 14 November 1993.

¹⁸⁶ 'Socialist market mechanism' means the market of consumer goods and production materials, financial market, labour market, technology market, information market, real estate

complements.” (Meng *et al.* 1994, p. 2) The same ideology is also found in the constructions of socialist ethics. It is stated that the objective of constructing socialist ethics is to develop the socialist ‘ideal, morality, culture and discipline’ to ‘suit the economic and political reforms and development’. (Meng *et al.* 1994, p. 2) This evidences socialist values and principles are used as the reference framework in all aspects of social tradition and culture.

It is explicit that the modernisation in China in the late 20th century went back to the debate on the relationship between ‘system (*ti*)’ and ‘tool (*yong*)’.¹⁸⁷ The Chinese communist government has been striving in similar ways to look for the *tool* by launching institutional reforms for building up a socialist market economy in the country. Thus the centre point of ‘socialism with Chinese characteristics’ is the revival of the socialist economic base in China with capitalist market elements and approaches. Accordingly, the state institutions on this transformed socialist economic structure are adapted and in this process develop their unique patterns.

From the ‘system-tool (*ti-yong*)’ perspective it is found that the relationship between socialism and Confucian moral and value system in China is very strong. In the article by Yang (1996, p. 232) on the social morality in China in 1995, it is recorded that in November, 1994, the Postgraduate Students Society of the Beijing University initiated a movement on ‘Cultivating one’s moral character (*xiushen*)’ – a very typical Confucian value on the relationship between one and the others in family, society, and the ‘land under heaven’. (1996, p. 232) The movement was developed later into a “Project on cultivating one’s moral character” in the campus for ‘developing the general mood of socialist ethics’. Other important evidence on the using of Confucians value system in enhancing the development of socialism is the revision of some popular literature originally with strong Confucian values for primary and secondary students from the socialist values.¹⁸⁸

market, etc. (Li 1993, p. 313)

¹⁸⁷ At the turn of the 19th century the Qing government tried to initiate the technologies developed in Western countries for strengthening her military power but insisting on preserving the country’s social, economic and political systems at the same time.

¹⁸⁸ For examples, the ‘The New Three-Words Classics (*Xin San Zi Jing*)’ and ‘The New Good Writing For Enhancing The Knowledge (*Xin Zeng Guang Yan Wen*)’.

The ‘system-tool’ relationship explains clearly the features of social insurance in China and the thesis of ‘social insurance with the characteristics of Chinese socialism’ in this study. It is found from the ‘system-tool’ perspective that Confucian values and moral system is treated as the tool being used in the socialist system. Confucian moral and value systems suit the needs of social insurance reforms especially in the ‘socialisation of social insurance’. Two significant examples are the re-emphasis on one’s financial support to the elderly in family and society and the relationship between birth control policy and maternity benefits. In view of the rapidly aging population, enterprise reforms and the heavy burdens of the state in retirement pensions in the country, supports from individuals is an alternative to relieve the state’s heavy financial burdens and satisfy the people’s contingent income needs. The success of the return of the financial support responsibilities to all members in the country will attest the accomplishment of Chinese socialism and give rise a new arena of study in social development.¹⁸⁹

In sum, socialist economic system is a momentous force in establishing and guiding the institutions in China. In the transition to socialist market economy, the Communist Party of China accommodates the Confucian moral and value system to the socialist economic system. In this sense Confucian moral and value system is turned to be the tool being used for maintaining socialism and realising the ideals of the Communist Party of China. Therefore, Chinese socialism is a unique system in that the Confucian moral and value system is upheld for expediting the development of Marxist socialism. It is under this condition that the social insurance in China is characterised by Chinese socialism. Most importantly, the effects of Chinese socialism create the distinct features of social insurance in China that have not been explored before.

Limitations of this study and the need for further studies on social insurance in socialist developing countries

It was discussed at the beginning of this study with the examples of capitalist developed countries that the establishment and development of social insurance are largely framed

¹⁸⁹ According to Midgley, social development means ‘a process of planned social change designed to promote the well-being of the population as a whole in conjunction with a dynamic process of economic development’. (1996, p. 25)

by the economic system of the country. For capitalist developed countries the development of social insurance are pushed by the forces from various aspects. These include the enlightenment on individual freedom, the growing of the capitalist and working classes in industrialisation and the break down of the services like income supports in family. Hence social insurance services in these countries are developed from some of the social relief programs to a multi-party contributory income maintenance system for the purposes of risk pooling and enhancing individual economic freedom.

It is reviewed from the Marxist structuralist perspective that social insurance as a state institution is determined by the country's economic base. Therefore it needs to have an exploratory study in order to understand the particular features of social insurance in socialist country. Throughout this study the case of Guangzhou Shi in China is examined and it demonstrates certain features of the social insurance in relation with the country's economic structure. It is particularly found that social insurance in Guangzhou Shi is regulated by the reinterpreted Marxist socialism in the country.¹⁹⁰ However, the features of social insurance found in this study also shows that Chinese socialism has also embodied Confucian moral and social values in the 'socialisation' process. Because of these particularities social insurance in China is unique to the country.

This study has successfully made use of the 'sociological study on social insurance' to outline the research framework and the research questions to find out the particular features of social insurance in China. Most importantly, this study employed the Marxist structuralist view to determine why the features of social insurance in China are unique to the country in that particular way. This study methodology has the advantages of understanding the management and effectiveness of a state institution and its relation with the country's economic base. However, its weaknesses and limitations are made clear by the presumption of Marxist structuralist that all state institutions are inactive and count on the economic base. Marxist structuralist perspective excludes the metaphysical factors such as the new values and moral standards of the people on contributory social insurance developed from the changing social and economic situations. The cultural studies on the social insurance from the social value system are

¹⁹⁰ The CPC would maintain that it is not a question of "interpretation" but the living application of Marxism under current circumstances.

also significant as that of the Marxist structuralist.

Marxist structuralism is good for examining the characteristics of the institutions in socialist countries because it focuses on the relationships between economic base and institutions. The data collected from the review on the literature, policy documents, and the structured and unstructured interviewing in field study on social insurance in this study exhibit that the party-state-work units-individuals relationship determines the format and effects of social insurance in China. Such relationship reflects that the socialist economic mode of production is very dominant in the country, which governs the functioning of the institutions, and determines the service formats. These arrangements, however, can hardly be found in the liberal-democratic state where the government is limited and the social and economic systems are checked and balanced.¹⁹¹ In other words, the application of the Marxist structuralist perspective might have more limitations in pluralist society because of the existence of more independent variables (e.g. pressure and interest groups) in affecting the roles and functions of the institutions.

One of the most important implications of this study is the accentuated relationship between social development and economic development in socialist market economy. The significance of this study is that it calls for attention to the social development study approach that integrates social development with economic development. (Midgley 1996) The case of 'social insurance with the characteristic of Chinese socialism' in China exemplifies that social development hinges on the extent of economic development. Nevertheless, in view of the reforms in China that are deepening in all aspects, the socialist economic system will give ways to other economic ownership and production systems that will consequently lead to the rise of interest groups in the country. Social development in this way will ask for a 'managed pluralist' institutional approach that might change the existing social insurance system as well as the features. (Midgley 1996 p. 139-176) Midgley's insight on social development study is far-reaching but it is also the time to apply it in socialist developing countries for enhancing the knowledge in social policy studies.

¹⁹¹ For the explanation on liberal-democratic state please refer to Finer 1984, Chapter 2.

Questionnaire number:

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

Social insurance in Guangzhou City, Guangdong Province, China
Field research questionnaire on social insurance in work units

Introduction: This questionnaire is for collecting information on social insurance provisions in your work unit. There are three parts in this questionnaire. The first part is about the details of your work unit. The second part is for understanding the employees in your work unit. The final part focuses on the provisions of labour/social insurance in our work unit.

The information collected from this questionnaire interviewing is only for academic research purposes.

Part One: Details of the work unit

1. What is the nature of ownership of your work unit?

1. State-owned enterprise (commodity and products production).
2. State-owned business unit (e.g. business services).
3. Collective enterprise (commodity & products production).
4. Collective business enterprise (e.g. business services).
5. Party, government organisation.
6. Individual economy.
7. Foreign capital related enterprise (joint-venture, co-venture, etc.).
8. Private economy.
9. Share stocking.
10. Don't know.
11. Others (please specify) _____.

2. What is the background of the main owner if your work unit is not state or collective owned?

1. Local people (including those come from other provinces).
2. Hong Kong/Macau Chinese.
3. Taiwan Chinese.
4. Other country's Chinese.
5. European (e.g. Russians, German, British).
6. American (e.g. South, North American people).
7. Japanese.
8. Others (please specify) _____.

3. What is the type of business of your work unit?

1. Industry.
2. Building, constructing.
3. Transportation.

4. Business (except finance and insurance), catering, materials supplying, etc.
5. Finance and insurance.
6. Consultancy, information services.
7. Medical & health services unit.
8. Party organisation.
9. Government organisation.
10. Cultural, educational unit.
11. Others (please specify) _____

4. How long has your work unit been established?

1. Below 1 year.
2. Below 3 years.
3. Below 6 years.
4. Below 10 years.
5. Below 15 years.
6. Below 20 years.
7. Below 30 years.
8. Below 40 years.
9. 41 years or more.

Part Two: Staff and workers in the work unit

5. How does your work unit recruit and employ the different types of staff and workers?
(Multiple answers, show the answer with ✓)

| | Permanent | Temporary | Contract system | Others |
|--|-----------|-----------|-----------------|--------|
| Disposed by the Bureau of Labour | 1 | 2 | 3 | 4 |
| Disposed by Labour Service Company | 1 | 2 | 3 | 4 |
| Disposed by the Personnel Bureau of the Organisation Office | 1 | 2 | 3 | 4 |
| The work unit recruit directly with the approval from the Personnel Bureau | 1 | 2 | 3 | 4 |
| The work unit recruit directly with the approval from the Bureau of Labour | 1 | 2 | 3 | 4 |
| The work unit recruits & employs independently | 1 | 2 | 3 | 4 |
| Others | | | | |

6. What were the percentages of different types of employees worked in your work unit in the past 12 months? (show the answer with ✓)

| % | 0 | 1-20 | 21-40 | 41-60 | 61-80 | 81-100 |
|-----------------|---|------|-------|-------|-------|--------|
| Permanent | 0 | 1 | 2 | 3 | 4 | 5 |
| Temporary | 0 | 1 | 2 | 3 | 4 | 5 |
| Contract system | 0 | 1 | 2 | 3 | 4 | 5 |
| Others | 0 | 1 | 2 | 3 | 4 | 5 |

7. What is/are the usual method(s) of paying the different types of staff and workers in your work unit? (bonus: monthly bonus, year-end bonus, dividends, etc.) (multiple answers, with ✓ to show the method):

| | Hourly | Pieces | Daily | Weekly | Monthly | Bonus |
|-----------------|--------|--------|-------|--------|---------|-------|
| Permanent | 1 | 2 | 3 | 4 | 5 | 6 |
| Contract system | 1 | 2 | 3 | 4 | 5 | 6 |
| Temporary | 1 | 2 | 3 | 4 | 5 | 6 |
| Others | 1 | 2 | 3 | 4 | 5 | 6 |

8. How much did the different types of the on-the-post staff and workers earn per month in your work unit in the past 6 months? (Show the answer with a ✓. Incomes include: on-the-job supplements, basic salary, welfare supplements, bonuses such as monthly bonus, year-end bonus and dividends.)

| RMB | Permanent | Temporary | Contract system | Others |
|---------------|-----------|-----------|-----------------|--------|
| less than 300 | 1 | 2 | 3 | 4 |
| 301-400 | 1 | 2 | 3 | 4 |
| 401-500 | 1 | 2 | 3 | 4 |
| 501-600 | 1 | 2 | 3 | 4 |
| 601-700 | 1 | 2 | 3 | 4 |
| 701-1,000 | 1 | 2 | 3 | 4 |
| 1,001-1,200 | 1 | 2 | 3 | 4 |
| 1,200-1,500 | 1 | 2 | 3 | 4 |
| 1,501 or more | 1 | 2 | 3 | 4 |

9. What were the household status of the on-the-post employees in Guangzhou Shi in the past 6 months? (add up to 100%)

| | Permanent Households | Temporary Households | Non Chinese Citizen |
|-----------------|----------------------|----------------------|---------------------|
| Permanent | | | |
| Temporary | | | |
| Contract system | | | |
| Others | | | |

Part Three: Social insurance provisions in your work unit

10. How much does your work unit pay in average to each of your staff and workers per month on welfare expenses (e.g. laundrette, transportation, water and electricity charges, etc.) except post supplements, basic salary, and bonus?

| RMB | Permanent | Contract system | Temporary | Others |
|-------------|-----------|-----------------|-----------|--------|
| 0 | 1 | 2 | 3 | 4 |
| 1-30 | 1 | 2 | 3 | 4 |
| 31-50 | 1 | 2 | 3 | 4 |
| 51-80 | 1 | 2 | 3 | 4 |
| 81-100 | 1 | 2 | 3 | 4 |
| 101-120 | 1 | 2 | 3 | 4 |
| 120 or more | 1 | 2 | 3 | 4 |

11. Does your work unit make the income ceiling/baseline as the condition of joining social insurance? (Show your answer with ✓)

| | No. | Income baseline is the condition | Income ceiling is the condition |
|-----------------------------|-----|----------------------------------|---------------------------------|
| Medical & sickness benefits | 0 | 1 | 2 |
| Maternity benefits | 0 | 1 | 2 |
| OISH benefits | 0 | 1 | 2 |
| Unemployment benefits | 0 | 1 | 2 |
| Retirement pensions | 0 | 1 | 2 |
| Death benefits | 0 | 1 | 2 |

12. Does your work unit provide the following staff and workers with medical and sickness benefits? (please to show the answer)

| | No | Partly | Yes |
|-------------------------|----|--------|-----|
| Permanent workers | 0 | 1 | 2 |
| Contract system workers | 0 | 1 | 2 |
| Temporary workers | 0 | 1 | 2 |
| Others | 0 | 1 | 2 |

13. How does your work unit provide medical and sickness benefits to your staff and workers? (multiple answers)

1. 100% free on consultation and medicine charges.
2. Allow them to claim certain amount of the expenses on medical and sickness expenses.
3. Issue certain amount of medical and sickness benefits regularly (monthly or annually) to them whilst the concerned employee has to pay for all of the uncovered expenses.
4. Issue certain amount of medical and sickness benefits regularly (monthly or annually) to them whilst the concerned employee has to pay for part of the uncovered expenses.
5. The medical and health expenses are paid by the insurance company to which the work unit contributes for the employees.
6. Others (please specify) _____.

14. Which is(are) the main source(s) for medical and sickness benefits in your work unit? (multiple answer)

1. Allocated from the state.
2. Raised by the work unit (excluding the contributions from employees).
3. Insurance company (multi party contributions)
4. Contributions from workers.
5. Others (please specify) _____.

15. Is there any difference between the staff and workers in enjoying medical and sickness benefits in your work unit?

1. Yes.
2. No.

16. If there is difference, how important is(are) the following factor(s)? (Show the answers with)

| Factors/degree of importance | least | less | modest | more | most |
|------------------------------|-------|------|--------|------|------|
| Personal income level | 1 | 2 | 3 | 4 | 5 |
| Family burden | 1 | 2 | 3 | 4 | 5 |

| | | | | | |
|--|---|---|---|---|---|
| The nature and seriousness of sickness | 1 | 2 | 3 | 4 | 5 |
| Guangzhou Shi household or not | 1 | 2 | 3 | 4 | 5 |
| Job tenure (permanent or temporary) | 1 | 2 | 3 | 4 | 5 |
| Years of service in the work unit | 1 | 2 | 3 | 4 | 5 |
| Rank of post | 1 | 2 | 3 | 4 | 5 |
| Chinese citizenship | 1 | 2 | 3 | 4 | 5 |
| Others | 1 | 2 | 3 | 4 | 5 |

17. Does your work unit provide the following staff and workers with retirement pensions? (please put to show the answer)

| | No | Partly | Yes |
|-------------------------|----|--------|-----|
| Permanent workers | 0 | 1 | 2 |
| Contract system workers | 0 | 1 | 2 |
| Temporary workers | 0 | 1 | 2 |
| Others | 0 | 1 | 2 |

18. How does your work unit provide retirement pensions to your staff and workers? (multiple answers)

1. The retired employee receives retirement pensions from the insurance agency to which both the employee and work unit contribute.
2. The retired employee receives retirement pensions from the insurance company to which only the work unit contributes.
3. Work unit directly gives retirement pensions to the retired employee in regularly terms (e.g. monthly).
4. Work unit directly gives the employee a lump sum retirement pensions when retiring.
5. Work unit gives retirement pensions regularly (e.g. monthly) to employees in advance until they reach retirement.
6. Others (please specify) _____.

19. Is there any difference between the staff and workers in enjoying retirement pensions in your work unit?

1. Yes.
2. No.

20. If there is difference, how important is(are) the following factor(s)? (Show the answer with)

| Factors/degree of importance | least | less | modest | more | most |
|---|-------|------|--------|------|------|
| The employee's income level when retiring | 1 | 2 | 3 | 4 | 5 |
| Family burden | 1 | 2 | 3 | 4 | 5 |
| The length of the contribution period to the insurance agency | 1 | 2 | 3 | 4 | 5 |

| | | | | | |
|---|---|---|---|---|---|
| The amount of money contributed to the insurance agency | 1 | 2 | 3 | 4 | 5 |
| Guangzhou Shi household or not | 1 | 2 | 3 | 4 | 5 |
| Job tenure (permanent or temporary) | 1 | 2 | 3 | 4 | 5 |
| Years of service in the work unit | 1 | 2 | 3 | 4 | 5 |
| Rank of post | 1 | 2 | 3 | 4 | 5 |
| Chinese citizenship | 1 | 2 | 3 | 4 | 5 |
| Others | 1 | 2 | 3 | 4 | 5 |

21. Which is(are) the main source(s) for retirement pensions in your work unit? (multiple answers)

1. Allocated from the state.
2. Raised by the work unit (excluding the contributions from employees).
3. Insurance company (multi party contributions)
4. Contributions from workers.
5. Others (please specify) _____.

22. Does your work unit pay to insurance agency for retirement pensions?

1. No.
2. Yes. About _____ % of the monthly wages.

23. Does your work unit provide the following staff and workers with occupational injury, sickness and handicapped benefits (OISH)? (please to show the answer)

| | No | Partly | Yes |
|-------------------------|----|--------|-----|
| Permanent workers | 0 | 1 | 2 |
| Contract system workers | 0 | 1 | 2 |
| Temporary workers | 0 | 1 | 2 |
| Others | 0 | 1 | 2 |

24. How does your work unit provide OISH benefits? (multiple answers)

1. The injured employee receives OISH benefits from the insurance company to which both the employee and work unit contribute.
2. The injured employee receives OISH benefits from the insurance company to which only the work unit contributes.
3. Work unit directly gives the injured employee a lump sum OISH benefits.
4. Work unit directly gives the injured employee OISH benefits in regular terms, e.g. monthly.
5. Work unit gives OISH benefits regularly (e.g. monthly) to employees in advance that they cannot claim for the benefits when occupational injury happens.
6. Others (please specify) _____.

25. How do you rate the following factors when deciding to give OISH benefits to the injured employee? (Show the answer with ✓)

| Factors/degree of importance | least | less | modest | More | Most |
|-------------------------------------|-------|------|--------|------|------|
| The severity of injury | 1 | 2 | 3 | 4 | 5 |
| The cause of being injured | 1 | 2 | 3 | 4 | 5 |
| Family burden | 1 | 2 | 3 | 4 | 5 |
| Guangzhou Shi household or not | 1 | 2 | 3 | 4 | 5 |
| Job tenure (permanent or temporary) | 1 | 2 | 3 | 4 | 5 |
| Years of service in the work unit | 1 | 2 | 3 | 4 | 5 |
| Rank of post | 1 | 2 | 3 | 4 | 5 |
| Chinese citizenship | 1 | 2 | 3 | 4 | 5 |
| Others | 1 | 2 | 3 | 4 | 5 |

26. Is there any difference between the workers in enjoying OISH benefits in your work unit?

1. Yes.
2. No.

27. Which is(are) the main source(s) for OISH benefits in your work unit? (multiple answers)

1. Allocated by the state.
2. Raised by the work unit (excluding the contributions from workers).
3. Insurance company (multi party contributions)
4. Others (please specify) _____.

28. How does your work unit provide maternity benefits to your staff and workers? (multiple answers)

1. Full paid maternity leave at about RMB _____ per month.
2. New born child supplements.
3. Special supplements related to maternal matters at about RMB _____ per month.
4. Work unit regularly (e.g. monthly) gives women workers maternity supplements in advance that they cannot claim for the benefits after the baby was born.
5. Others (please specify) _____.

29. Does your work unit provide the following women employees with maternity benefits? (please ✓ to show the answer)

| | No | Partly | Yes |
|-------------------------|----|--------|-----|
| Permanent workers | 0 | 1 | 2 |
| Contract system workers | 0 | 1 | 2 |
| Temporary workers | 0 | 1 | 2 |
| Others | 0 | 1 | 2 |

30. Is there any difference between the staff and workers in enjoying maternity benefits in your work unit?

1. Yes.
2. No.

31. If there is difference, how important is(are) the following factor(s)? (Show the answer with ✓)

| Factors/degree of importance | least | less | modest | more | most |
|-------------------------------------|-------|------|--------|------|------|
| Personal income level | 1 | 2 | 3 | 4 | 5 |
| The first, second, or other child | 1 | 2 | 3 | 4 | 5 |
| Family burden | 1 | 2 | 3 | 4 | 5 |
| Her wage level | 1 | 2 | 3 | 4 | 5 |
| Guangzhou Shi household or not | 1 | 2 | 3 | 4 | 5 |
| Job tenure (permanent or temporary) | 1 | 2 | 3 | 4 | 5 |
| Years of service in the work unit | 1 | 2 | 3 | 4 | 5 |
| Rank of post | 1 | 2 | 3 | 4 | 5 |
| Chinese citizenship | 1 | 2 | 3 | 4 | 5 |
| Others | 1 | 2 | 3 | 4 | 5 |

32. Which is(are) the main source(s) for maternity benefits in your work unit? (multiple answers)

1. Allocated from the state.
2. Raised by the work unit (excluding the contributions from workers).
3. Insurance company (multi party contributions)
4. Others (please specify) _____

33. Does your work unit provide the following staff and workers with unemployment benefits? (please put ✓ to show the answer)

| | No | Partly | Yes |
|-------------------------|----|--------|-----|
| Permanent workers | 0 | 1 | 2 |
| Contract system workers | 0 | 1 | 2 |
| Temporary workers | 0 | 1 | 2 |
| Others | 0 | 1 | 2 |

34. How does your work unit provide unemployment benefits to your staff and workers? (multiple answers)

1. The unemployed received unemployment benefits from the insurance company (e.g. Social Insurance Services Bureau, insurance company, Bureau of Labour) to which both the employee and work unit contribute.
2. The unemployed received unemployment benefits from the insurance company to which only the work unit contributes.
3. Work unit directly gives unemployment benefits to the unemployed in regular terms (e.g. monthly).

4. Work unit directly gives unemployment benefits to the unemployed in lump sum format.
5. Work unit gives unemployment benefits regularly (e.g. monthly) to employees in advance that they cannot claim for the benefit when unemployed.
6. Others (please specify) _____

35. Is there any difference between the staff and workers in enjoying unemployment benefit in your work unit?

1. Yes.
2. No.

36. If there is difference, how important is(are) the following factor(s)? (Show the answer with ✓)

| Factors/degree of importance | least | less | modest | more | Most |
|--|-------|------|--------|------|------|
| Wage level when unemployed | 1 | 2 | 3 | 4 | 5 |
| Regularly unemployed or not | 1 | 2 | 3 | 4 | 5 |
| The length of the contribution period to the insurance company | 1 | 2 | 3 | 4 | 5 |
| The amount money contributed to the insurance company | 1 | 2 | 3 | 4 | 5 |
| Family burden | 1 | 2 | 3 | 4 | 5 |
| Guangzhou Shi household or not | 1 | 2 | 3 | 4 | 5 |
| Job tenure (permanent or temporary) | 1 | 2 | 3 | 4 | 5 |
| Years of service in the work unit | 1 | 2 | 3 | 4 | 5 |
| Rank of post | 1 | 2 | 3 | 4 | 5 |
| Chinese citizenship | 1 | 2 | 3 | 4 | 5 |
| Others | 1 | 2 | 3 | 4 | 5 |

37. Which is(are) the main source(s) for unemployment benefits in your work unit? (multiple answers)

1. Allocated by the state.
2. Raised by the work unit (excluding the contributions from workers).
3. Insurance company (multi party contributions)
4. Others (please specify) _____

38. Does your work unit provide the following staff and workers with death benefits or funeral supplements? (please ✓ to show the answer)

| | No | Partly | Yes |
|-------------------------|----|--------|-----|
| Permanent workers | 0 | 1 | 2 |
| Contract system workers | 0 | 1 | 2 |
| Temporary workers | 0 | 1 | 2 |
| Others | 0 | 1 | 2 |

39. How does your work unit provide death benefits or funeral supplements to your staff and workers? (multiple answers)

1. The family members of the deceased employee receive the benefits from the insurance company to which both the employee and work unit contribute.
2. The family members of the deceased employee receive the benefits from the insurance company to which only the work unit contributes.
3. Work unit directly gives the family members of the deceased employees the benefits in regular terms (e.g. monthly).
4. Work unit directly gives the family members of the deceased employees the benefits in a lump sum format.
5. Work unit regularly (e.g. monthly) gives the benefits to employees in advance that their family members cannot claim for the benefits at the death of the employee.
6. Others (please specify) _____.

40. Is there any difference between the workers in enjoying death benefits and funeral supplements in your work unit?

1. Yes.
2. No.

41. If there is difference, how important is(are) the following factor(s)? (Show the answer with ✓)

| Factors/degree of importance | least | less | modest | more | most |
|---|-------|------|--------|------|------|
| Personal wage level at death | 1 | 2 | 3 | 4 | 5 |
| Cause of death (e.g. work related or not) | 1 | 2 | 3 | 4 | 5 |
| Family burden | 1 | 2 | 3 | 4 | 5 |
| The length of the contribution period to the insurance agency | 1 | 2 | 3 | 4 | 5 |
| The amount of money contributed to the insurance company | 1 | 2 | 3 | 4 | 5 |
| Guangzhou Shi household or not | 1 | 2 | 3 | 4 | 5 |
| Job tenure (permanent or temporary) | 1 | 2 | 3 | 4 | 5 |
| Years of service in the work unit | 1 | 2 | 3 | 4 | 5 |
| Rank of post | 1 | 2 | 3 | 4 | 5 |
| Chinese citizenship | 1 | 2 | 3 | 4 | 5 |
| Others | 1 | 2 | 3 | 4 | 5 |

42. Which is(are) the main source(s) for death benefits and funeral supplements in your work unit? (multiple answer)

1. Allocated by the state.
2. Raised by the work unit (excluding the contributions from workers).
3. Insurance company (multi party contributions)
4. Others (please specify) _____.

43. Has your work unit ever adjusted the benefit levels of the above social insurance services?

1. Always.
2. Frequently.
3. Sometimes.
4. Occasionally.
5. Never. (Please skip to question no. 45)

44. What is(are) the reason(s) of the adjustment? (multiple answers)

1. Inflation.
2. Work unit has ample of resources.
3. It is stipulated in the national/regional regulations and policies.
4. The benefit recipients express their views.
5. Others (please specify) _____.

45. How long does it take from the time your work unit received an application to the item the applicant received the first sum of benefit?

1. Less than a week.
2. One to two weeks.
3. Within a month.
4. One to two months.
5. More than six months.
6. It depends.

46. Will your work unit provide supplementary benefits to the employees if they mentioned to you that the social insurance benefits are not enough to support the living?

1. No.
2. Sometimes/it depends.
3. Always/No special restrictions.

47. Does your work unit provide emergency financial assistance to the employees who have not joined the above social insurance services?

1. Yes.
2. No.

48. Apart from the above income protection services, does your work unit provide other assistance to the employees in urgent need? (multiple answers)

1. A lump sum supplement.
2. Loan with interest.
3. Interest-free loan.
4. Advance salary/wages.
5. Transfer them to other institutions (e.g. Bureau of Civil Administration, trade union, street committee, etc.).

6. No.
7. Others (please specify) _____.

49. Does your work unit provide non-contributory temporary living benefits/supplements to the employees in urgent need?

1. No.
2. Yes. The condition(s) is(are):
 1. Work performance.
 2. Work unit assesses the magnitude of need.
 3. The stipulations in the central/regional regulations and policies.
 4. Political participation and performance.
 5. Job tenure (e.g. permanent or temporary workers).
 6. Rank of the post (high or low rank).
 7. Recommendations from other organisations (e.g. trade unions).
 8. No special requirement.

50. Please specify your title and department in your work unit:

Title: _____

Department: _____

(End of questionnaire and thank you for your cooperation!)

Questionnaire number:

Social insurance in Guangzhou Shi, Guangdong Province, China
Field research questionnaire on social insurance for staff and workers

Introduction: This questionnaire aims at exploring the views of staff and workers on social/labour insurance. You might need 15-20 minutes to answer this questionnaire. All information in this questionnaire are confidential and for academic research purpose only.

Part One: Personal information

1. Sex

1. Male
2. Female

2. Age

1. 16-25
2. 26-35
3. 36-45
4. 46-55
5. 56-65
6. 66-75
7. 76 or over

3. Level of education

1. I have never been to school.
2. Primary 1 - primary 3.
3. Primary 4 - primary 6.
4. Junior secondary.
5. Senior secondary/technical/vocational training.
6. College/University or above.

1. Household registration in Guangzhou Shi

1. Permanent
2. Temporary

2. Marital status

1. Single
2. Married
3. Widow/widower
4. Divorced/separated
5. Cohabit
6. Others

Part Two: Your employment and work unit

3. What is your present employment situation?

1. Employed.
2. Unemployed.
3. Retired/Unfitted to work.
4. On leave (e.g. work injured, maternity)
5. Others (please specify) _____.

4. What is/was the type of business of your present or last employment?

1. Industries.
2. Building, real estate.
3. Transportation.
4. Commerce, catering, trading.
5. Finance, tax and insurance.
6. Information and consultancy services.
7. Medical and health.
8. Political party institution.
9. Government institution.
10. Cultural and educational.
11. Others (please specify) _____.

5. What is/was your employment status in the present /last job?

1. Contract system
2. Temporary
3. Permanent
4. Contract
5. Self-employed
6. Retired/unfit to work
7. Unemployed
8. Others (please specify) _____.

9. What is/was the nature of ownership of the work unit of your present/last job?

1. State owned.
2. Collective.
3. Foreign capital related.
4. Private economy.
5. Individual economy.
6. Others (please specify) _____.

10. What is/was your wage basis in your present/last job? (multiple answers)

1. On bonus.
2. On pieces.
3. On hourly.
4. On daily.
5. On weekly.
6. On monthly.
7. Annual.

11. Could you please select and rank 3 main income sources of your family (including yourself) in 1994 from the list below? (To put 1 as the most important or the only income, 2 and 3 as the second and third.)

| <i>Sources of income</i> | <i>Ranking</i> |
|---|----------------|
| Wages/salaries (including bonus and welfare supplements from work unit) | |
| Off the record supplements | |
| Medical and sickness benefits | |
| Maternity benefits | |
| OISH benefits | |
| Unemployment benefits | |
| Death benefits and funeral supplements | |
| Retirement pensions | |
| State relief/assistance | |
| Profits or rent from business or investments | |
| Supplements/borrowing from other family members, friends, relatives, etc. | |

12. What is(are) the main income source(s) in the present/last work unit? (multiple answers)

1. Work supplements.
2. Basic wage/salary.
3. Welfare supplements.
4. Bonus (e.g. monthly, annual, dividends, etc.)
5. Others (please specify) _____.

13. What is your type of work in the present/past work unit?

1. Production worker (Direct service or production, e.g. assembling, sales, etc.).
2. Non-production staff (e.g. management, planning & design, accounting, etc.).
3. Partner/shareholder/proprietor.

14. What is your skill level in the present/past work unit?

1. Non-skilled (e.g. manual worker, salesperson, waiter)
2. Semi-skilled (e.g. garment worker, driver, assembler)
3. Skilled (e.g. printer, chef, accounting clerk)
4. Technical (e.g. mechanist, computer operator)

5. Professional/manager (e.g. teacher, nurse, graduate engineer, shop manager)

Part Three: Your family and family members (Family means those with direct relationship and live in the same accommodation unit. This definition applies in this questionnaires)

15. Number of family members living on your income in your family (excludes yourself):

1. 0
2. 1
3. 2
4. 3
5. 4
6. 5
7. 6
8. 7 or more

16. How much is your monthly family income about? (RMB)

1. Less than 300.
2. 301-500.
3. 501-700.
4. 701-900.
5. 901-1,100.
6. 1,101-1,300.
7. 1,301-1,500.
8. 1,501-1,700.
9. More than 1,700.

17. Are you the main income earner (i.e. supply more than 80%) of your family?

1. Yes.
2. No.

18. Could you please state the number of your family members (including yourself) who are working in/running the following work units of different ownership? (please to show your answer)

| Work unit | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|----------------------------|---|---|---|---|---|---|---|---|---|
| State | | | | | | | | | |
| Collective | | | | | | | | | |
| Private economy | | | | | | | | | |
| Individual economy | | | | | | | | | |
| Foreign capital related | | | | | | | | | |
| Other natures of ownership | | | | | | | | | |

19. How many family members (including yourself) in your family are eligible for the following social insurance? (Please to show the answer)

| Benefits | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|--------------------------------------|---|---|---|---|---|---|---|---|---|
| Medical and sickness benefits | | | | | | | | | |
| Maternity benefits | | | | | | | | | |
| OISH benefits | | | | | | | | | |
| Unemployment benefits | | | | | | | | | |
| Retirement pensions | | | | | | | | | |
| Death benefits & funeral supplements | | | | | | | | | |

20. What kind of housing tenures of the accommodation in which your family is living?

1. Self-owned/self-built.
2. Privately rent.
3. Flat provided by work unit (with or without rent).
4. A unit in the dormitory of the work unit.
5. Others (please specify) _____

21. What household equipment your family owned? (multiple answers)

1. Television
2. Radio
3. Refrigerator
4. Visual system (video recorder, video camera)
5. Audio system (turntable, speakers, recorder, kara-o-k, etc.)
6. Telephone (shared or private use)
7. Air-conditioner
8. Electric fan
9. Microwave oven
10. Rice cooker

22. Has your family got the following household facilities? (multiple answer)

1. Tap water
2. Electricity
3. Gas/fuel cooking equipment
4. Drainage
5. Private toilet/bathroom
6. Private kitchen

23. Could you tell me your monthly family consumption pattern in percentage? (please)

| Not more than | 10 | 10 | 30 | 40 | 50 |
|--|----|----|----|----|----|
| Housing (includes rent, instalments or repayments) | 1 | 2 | 3 | 4 | 5 |
| Foodstuff | 1 | 2 | 3 | 4 | 5 |
| Transportation | 1 | 2 | 3 | 4 | 5 |
| Clothing | 1 | 2 | 3 | 4 | 5 |

| | | | | | |
|--|---|---|---|---|---|
| Children's education | 1 | 2 | 3 | 4 | 5 |
| Medical/health care | 1 | 2 | 3 | 4 | 5 |
| Fuels, electricity, water, etc. | 1 | 2 | 3 | 4 | 5 |
| Entertainment (e.g. see movie, dine out, etc.) | 1 | 2 | 3 | 4 | 5 |
| Others | 1 | 2 | 3 | 4 | 5 |

Part Four: Social/labour insurance for you and your family

24. Had you/your family ever experienced sudden loss of income in the past 3 years?

1. No. (Skip to Question Number 27)

2. Yes.

What were the causes of such happenings? (multiple answers)

1. Unemployed.
2. Retired.
3. Permanently/long term unfit to work (e.g. chronic sickness, handicapped, etc.)
4. Temporary unfit to work (e.g. expecting a baby/post-natal recovery, serious illness, work injuries).
5. Death of family member.
6. Inflation.
7. Others _____.

25. How often had them happened?

1. Seldom
2. Occasionally
3. Sometimes
4. Frequently
5. Always

26. What did your family do when it was happening and affecting your family's livings?

1. Nothing. Just leave it aside.
2. Borrowing.
3. To apply for relief/assistance from work unit.
4. To apply for state relief/assistance.
5. To find the second/another job.
6. To get along frugally.
7. To apply for labour/social insurance.
8. It depends.
9. Others _____.

27. Do you aware of the provisions of state relief/ assistance?

1. Yes.
2. No.

28. Had your family ever applied for any state relief/assistance benefits to support your family's expenditures in the past 3 years ?

1. Yes.
2. No.

29. Had your family ever received benefits (including cash and kinds) from state relief/assistance in the past 3 years?

1. Never.
2. Occasionally.
3. Sometimes.
4. Frequently.
5. Always.
6. Not applicable.

30. Do you aware of the relief/assistance provided in work units?

1. Yes.
2. No.

31. Had your family members ever applied to work units for any relief/assistance benefit to support your family's expenditures in the past 3 years ?

1. Yes.
2. No.

32. Had your family ever received benefits (including cash and kinds) from work unit in the past 3 years?

1. Never.
2. Occasionally.
3. Sometimes.
4. Often.
5. Frequently.
6. Always.

33. Which social insurance is provided in your work unit? (Please ✓ to show your answer)

| <i>Items</i> | <i>No</i> | <i>Yes</i> | <i>Don't know</i> |
|-------------------------------|-----------|------------|-------------------|
| Medical and sickness benefits | 0 | 1 | 2 |
| Maternity benefits | 0 | 1 | 2 |

| | | | |
|--|---|---|---|
| OISH benefits | 0 | 1 | 2 |
| Unemployment benefits | 0 | 1 | 2 |
| Retirement pensions | 0 | 1 | 2 |
| Death benefits and funeral supplements | 0 | 1 | 2 |

34. Are you eligible for any of the following benefits? (Please to show your answer)

| Items | No | Yes | Don't know |
|--|----|-----|------------|
| Medical and sickness benefits | 0 | 1 | 2 |
| Maternity benefits | 0 | 1 | 2 |
| OISH benefits | 0 | 1 | 2 |
| Unemployment benefits | 0 | 1 | 2 |
| Retirement pensions | 0 | 1 | 2 |
| Death benefits and funeral supplements | 0 | 1 | 2 |

35. Do you know why you are not eligible for the benefits? (multiple answers)

1. Household registration problem (e.g. temporary household)
2. Work status problem (e.g. temporary worker)
3. Irregular incomes (i.e. piece or hourly work system)
4. Low rank in the work unit.
5. Short period of service in the work unit.
6. Don't know.

36. Have you ever received/are you receiving any of the following social insurance benefits? (put to show the answer)

| Programs | No | Yes |
|-------------------------------|----|-----|
| Medical and sickness benefits | 0 | 1 |
| Maternity benefits | 0 | 1 |
| OISH benefits | 0 | 1 |
| Unemployment benefits | 0 | 1 |
| Retirement pensions | 0 | 1 |
| Death benefits | 0 | 1 |

37. Do you know why you haven't received the social insurance benefits provided by the work unit even though you are eligible for them? (multiple answer) (This question is only for those eligible but didn't receive social insurance benefits in the past three years. After completing this question please turn to Question 65.)

1. I didn't join/contribute to the insurance programmes.
2. I can't afford.
3. Social insurance can't help me.
4. I don't know what social insurance services are provided in my work unit.
5. I joined the non-statutory insurance programs.
6. I don't like the social insurance programmes in my work unit.
7. I don't like the intervention of the work unit.

8. I don't know how to get the benefit.
9. I have no need.
10. Others (please specify) _____.

38. How much does your family spend on medical and health services? (RMB)

1. Less than 50.
2. 51-100.
3. 101-150.
4. 151-200.
5. 201-250.
6. 251-300.
7. More than 300.
8. Not applicable/none.

39. Did the expenses on medical and health services in your family increase in the past 3 years? (e.g. because by inflation)

1. Never.
2. Occasionally.
3. Sometimes.
4. Frequent.
5. Always.
6. Don't know.

40. How much did your family receive from maternity benefits in the past 3 years? (RMB)

1. Less than 100.
2. 101-150.
3. 151-200.
4. 201-300.
5. 301-400.
6. 401-500.
7. More than 500.
8. Not applicable/none (please skip to question no. 45)

41. How long have you/your family to wait for getting the first sum of maternity benefits from the work unit?

1. Immediately.
2. Less than 1 week.
3. 1-2 weeks.
4. 3-4 weeks.
5. 1-2 months.
6. More than 3 months.
7. It depends.
8. Don't know.

42. How did the maternity benefits hand out?

1. A lump sum.
2. Multiple payments (e.g. monthly).
3. It depends.
4. Not applicable.

43. What was the format of the maternity benefits you received?

1. In kind.
2. In cash.
3. It depends.
4. Not applicable.

44. With the example of your family, had maternity benefits been adjusted in the past 3 years? (e.g. augmented because of inflation)

1. Never.
2. Occasionally.
3. Sometimes.
4. Frequent.
5. Always.
6. Don't know.

45. How much did your family receive from OISH benefits per month/per application in the past 3 years? (RMB)

1. Less than 100.
2. 101-150.
3. 151-200.
4. 201-300.
5. 301-400.
6. 401-500.
7. More than 500.
8. Not applicable/none (please skip to question no. 50 if chose this answer)

46. How long have you/your family to wait for getting the first sum of OISH benefits from the work unit?

1. Immediately.
2. Less than 1 week.
3. 1-2 weeks.
4. 3-4 weeks.
5. 1-2 months.
6. More than 3 months.
7. It depends.
8. Don't know.
- 9.

47. How did the OISH benefits hand out?

1. A lump sum.
2. Multiple payments (e.g. monthly).
3. It depends.
4. Not applicable.

48. What was the format of OISH benefits you received?

1. In kind.
2. In cash.
3. It depends.
4. Not applicable.

49. With the example of your family, had OISH benefits been adjusted in the past 3 years?
(e.g. augmented because of inflation)

1. Never.
2. Occasionally.
3. Sometimes.
4. Frequent.
5. Always.
6. Don't know.

50. How much did your family received from unemployment benefits in the past 3 years?
(RMB)

1. Less than 100.
2. 101-150.
3. 151-200.
4. 201-300.
5. 301-400.
6. 401-500.
7. More than 500.
8. Not applicable/none (please skip to question number 55 if chose theis answer)

51. How long have you/your family to wait for getting the first amount of unemployment benefits from the work unit?

1. Immediately.
2. Less than 1 week.
3. 1-2 weeks.
4. 3-4 weeks.
5. 1-2 months.
6. More than 3 months.
7. It depends.
8. Don't know.

52. How did the unemployment benefit hand out?

1. A lump sum.
2. Multiple payments (e.g. monthly).
3. It depends.
4. Not applicable.

53. What was/were the format of the unemployment benefits you received?

1. In kind.
2. In cash.
3. It depends.
4. Not applicable.

54. With the example of your family, had the unemployment benefits been adjusted in the past 3 years? (e.g. augmented because of inflation)

1. Never.
2. Occasionally.
3. Sometimes.
4. Frequent.
5. Always.
6. Don't know.

55. How much did your family receive from retirement pensions per month in the past 3 years? (RMB)

1. Less than 100.
2. 101-150.
3. 151-200.
4. 201-300.
5. 301-400.
6. 401-500.
7. More than 500.
8. Not applicable/none (please skip to question number 60 if chose this answer)

56. How long have you/your family to wait for getting the first amount of retirement pension from the work unit?

1. Immediately.
2. Less than 1 week.
3. 1-2 weeks.
4. 3-4 weeks.
5. 1-2 months.
6. More than 3 months.
7. It depends.
8. Don't know.

57. How did the retirement pensions hand out?

1. A lump sum.
2. Multiple payments (e.g. monthly).
3. It depends.
4. Not applicable.

58. What was the format of the retirement pensions you received?

1. In kind.
2. In cash.
3. It depends.
4. Not applicable.

59. With the example of your family, had the retirement pensions been adjusted in the past 3 years? (e.g. augmented because of inflation)

1. Never.
2. Occasionally.
3. Sometimes.
4. Frequent.
5. Always.
6. Don't know.

60. How much did your family receive from death benefits and funeral supplements per month in the past 3 years? (RMB)

1. Less than 100.
2. 101-150.
3. 151-200.
4. 201-300.
5. 301-400.
6. 401-500.
7. More than 500.
8. Not applicable/none (please skip to question number 64 if chose this answer)

61. How did the death benefits and funeral supplements hand out?

1. A lump sum.
2. Multiple payments (e.g. monthly).
3. It depends.
4. Not applicable.

62. What was the format of the death benefit and funeral supplements your family received?

1. In kind.
2. In cash.
3. It depends.
4. Not applicable.

63. How long have you/your family to wait in getting the first amount of death benefits and funeral supplements from the work unit?

1. Immediately.
2. Less than 1 week.
3. 1-2 weeks.
4. 3-4 weeks.
5. 1-2 months.
6. More than 3 months.
7. It depends.
8. Don't know.

64. Had you ever encountered any difficulties in applying/getting the insurance benefits? (multiple answers)

1. Never.
2. Bureaucratism (e.g. complicated procedures)
3. Long application and waiting time.
4. Delayed/interrupted payments.
5. Personal problems/long distance.
6. Others (please specify) _____.

Part five: Your views on social insurance

65. Do you think the existing social insurance benefit levels can maintain one's general living in Guangzhou Shi?

1. Totally impossible.
2. Slightly possible.
3. partly possible.
4. Greatly possible.
5. Absolutely possible.
6. Don't know.

66. In your opinion, which ownership type(s) of work unit can protect the employees with existing social insurance system? (multiple answers)

1. State-owned.
2. Collective.
3. foreign capital related.
4. Private economy.
5. Individual economy.
6. Others (please specify) _____.

67. Which employment type(s) can protect the employees under the existing social insurance system? (multiple answers)

1. Contract system workers.
2. Temporary workers.
3. permanent workers.
4. Contract workers (short time, less than 6 months)
5. Self-employed.
6. others (please specify) _____.

68. Do you know there are reforms in social insurance in Guangzhou Shi?

1. I know.
2. I don't know.
3. I am not sure.

69. Do you think the social insurance reforms can provide more income protection to you?

1. Totally impossible.
2. Slightly possible.
3. partly possible.
4. Greatly possible.
5. Absolutely possible.
6. Don't know/no comments.

70. Do you think the social insurance reforms can provide short term income protection to you? (e.g. unemployed)

1. Totally impossible.
2. Slightly possible.
3. partly possible.
4. Greatly possible.
5. Absolutely possible.
6. Don't know/no comments.

71. Do you think the social insurance reforms can provide long term income protection to you? (e.g. in chronic sickness, retired)

1. Totally impossible.
2. Slightly possible.
3. partly possible.
4. Greatly possible.
5. Absolutely possible.
6. Don't know/no comments.

72. According to the magnitude of importance, how do you rank the following social insurance services in the reforms? ('1' is the most important, '2' is the second and '6' is the least)

| | Rank |
|--|------|
| Medical & health benefits | |
| Maternity benefits | |
| OISH benefits | |
| Unemployment benefits | |
| Retirement pensions | |
| Death benefits and funeral supplements | |

73. Where did you get the information on social insurance?

1. Employer.
2. Mass media (newspapers, t.v.).
3. Colleagues/friends.
4. Others (please specify) _____.

(End of questionnaire, thank you very much!)

Visiting and Interviewing Records

Appendix

| Date | Department/Organisation | Place | Person contacted |
|-------------|--|---------------|--------------------------------------|
| 10/12/1994 | Guangzhou Shi Labour Bureau | Hong Kong | Ms. Jiang Yuan |
| 20/12/1994 | Guangdong Province Economic Systems Reforms Committee (Social Insurance Section) | Guangzhou Shi | Mr. Dong Binguang |
| 20/12/1994 | Guangdong Province Economic Systems Reforms Committee | Guangzhou Shi | Mr. Wu Yixin Mr. Li Binfei |
| 29/12/1994 | Guangzhou Shi Labour Bureau (Unemployment Management Section) | Guangzhou Shi | Mr. Ye Wuxiong Mr. Young Bingzhao |
| 29/12/1994 | Guangzhou Shi Labour Bureau (General Office) | Guangzhou Shi | Ms. Zhang QiuHong |
| 30/12/1994 | Department of Sociology, Zhongshan University | Guangzhou Shi | Professor Cai He |
| 25/1/ 1995 | Guangdong Province Economic Systems Reforms Committee (Social Insurance Section) | Guangzhou Shi | Mr. Dong Binguang |
| 25/1/1995 | Guangzhou Shi Labour Bureau (General Office) | Guangzhou Shi | Ms. Zhang QiuHong |
| 26/1/1995 | Department of Sociology, Zhongshan University | Guangzhou Shi | Professor Cai He |
| 16/2/1995 | Guangzhou Shi Civil Administration Bureau (Social Relief Section) | Guangzhou Shi | Ms. Pun Yonghoan |
| 24/2/1995 | Guangdong Province Economic Systems Reforms Committee | Guangzhou Shi | Mr. Wu Yixin Mr. Li Binfei |
| 25/2/1995 | Guangdong Province Economic Systems Reforms Committee | Guangzhou Shi | Mr. Wu Yixin Mr. Li Binfei |
| 25/2/1995 | Department of Sociology, Zhongshan University | Guangzhou Shi | Professor Cai He |
| 9-10/4/1995 | Department of Sociology, Zhongshan University | Guangzhou Shi | Professor Cai He |
| 9/4/1995 | Guangzhou Shi Civil Administration Bureau (Social Relief Section) | Guangzhou Shi | Ms. Pun Yonghoan |
| 19/4/1995 | Guangzhou Shi Labour Bureau | Guangzhou Shi | Mr. Ye Wuxiong Mr. Young Bingzhao |
| 25/4/1995 | Guangdong Province Economic Systems Reforms Committee | Guangzhou Shi | Mr. Wu Yixin Mr. Li Binfei |

| | | | |
|---------------|--|---------------|---|
| May-July/1995 | Department of Sociology, Zhongshan University | Hong Kong | Professor Cai He |
| 28/8/1995 | Guangdong Province Social Insurance Services Bureau | Guangzhou Shi | Mr. Long Huisi Mr. Fang Changxi |
| 28/8/1995 | Guangdong Province Academy of Social Science | Guangzhou Shi | Professor Zhang Nansheng |
| 29/8/1995 | Guangdong Province Social Insurance Services Bureau | Guangzhou Shi | Mr. Long Huisi Mr. Fang Changxi |
| 29/8/1995 | Department of Sociology, Zhongshan University | Guangzhou Shi | Professor Cai He |
| 29/8/1995 | Guangdong Province Society of Social Insurance | Guangzhou Shi | Mr. Zhang Guangyu |
| 27/9/1995 | Guangdong Province Society of Social Insurance | Guangzhou Shi | Mr. Zhang Guangyu |
| 24-25/10/1995 | International Conference on China's Economic Reforms and Opening | Hong Kong | Professor Wu Jianglian Mr. Zhao Shukai |
| 9-10/2/1996 | Guangdong Province Economic Systems Reforms Committee (Social Insurance Section) | Guangzhou Shi | Mr. Dong Binguang |
| 2/4/1996 | Labour Personnel College, People's University of China | Hong Kong | Professor Zhao Lukuan |
| 20/5/1996 | Institute of SCRES (Social Survey Department) | Beijing | Mr. Sun Li Mr. Zheng Weidong |
| 21/5/ 1996 | Department of Sociology, People's University of China | Beijing | Professor Li Qiang Mr. Zhou Xueyin |

Records on field study on social insurance in Guangzhou Shi (Work Units interviewed)

Appendix

| Case No. | Name of work unit | Ownership nature | Business nature | People interviewed |
|----------|--|--------------------|-------------------|--------------------|
| 001 | Guangzhou Shi Transportation Vehicles Manufacturing Plant 40, Qianjin Lu | State-owned | Manufacturing | Mr. Bao Yongsheng |
| 002 | Rongfei Jewelry Company 21, Yangzhong Jie, Beijing Lu | Individual economy | Business Services | Mr. Ren Feng |
| 003 | Zhonghua Transportation Team ,Guangzhou Golden Wheel Company Multi Storey Car Park, Shuijun Jiang, Huangshi Dong Lu | Collective-owned | Business Services | Mr. Liang |
| 004 | Southern China Sewing-machines Manufacturing Corporation Bianjiang Lu | State-owned | Manufacturing | Mr. Zhu |
| 005 | Forever Refrigerating Equipment Manufacturing Ltd. 1, Shechu Lu, Shizhengchang Cun | Joint Venture | Manufacturing | Mr. Chen Chengyong |
| 006 | Guangdong Province Commercial Refrigeration Equipment Company Longgui Shengyao Cun | State-owned | Manufacturing | Mr. Sheng Jirong |
| 007 | Guangzhou Shi No.2 Rubber Plant 90, Xinmin Dajie, Gexin Lu | State-owned | Manufacturing | Mr. Luo |
| 008 | Everlasting Electroplating Factory 12, Miaoqian Zhijie, Huagui Lu | Collective-owned | Manufacturing | Ms. Liang Cuiqing |
| 009 | Red Star Cables & Materials Factory Foushan Cun, Shijing Hongxing Zhen, Baiyuan Qu | Collective-owned | Manufacturing | Mr. Su Xiaohua |
| 010 | Guangzhou Hairdressing Equipment Factory | State-owned | Manufacturing | Mr. Li Buwei |
| 011 | No. 11 Rubber Plant Gongye Da Du | State-owned | Manufacturing | Ms. Zhong Yongxian |
| 012 | Guangdong Province Postage and Communication Equipment Company 21 Jiaocheng Xi Lu | State-owned | Business Services | Mr. Guo Zhengxian |
| 013 | Guangzhou Shi American Packing Co. Ltd. 166, Cheongjiang Zhong Lu | Joint-venture | Business Services | Ms. Wu Lijuan |

| | | | | |
|-----|---|--------------------|-------------------|--------------------|
| 014 | Yide Jie Trade Union Yide Jie | State-owned | Social Services | Ms. He Yizhuang |
| 016 | Guangzhou Plastic Packing Factory 164, Changjiang Zhong Lu | Collective-owned | Business Services | Ms. Liang Bijuan |
| 017 | Maxitong Computer Company 109 Liuhua Lu, Suite 901 | Individual economy | Business services | |
| 018 | Provincial Government Offices Branch, Guangdong Development Bank Dongfeng Zhong Lu | Collective-owned | Business Services | Mr. Wang Weihuang |
| 019 | Guangzhou Shi Jiebu Electrical Appliances Plant | Individual owned | Manufacturing | Mr. Zhong Jinyao |
| 020 | Guangdong Province Business Machines Plant Liyou Tai, Sanyuan Li | State-owned | Manufacturing | Mr. Chen Guangquan |
| 021 | Guangdong Province Maternity and Child Health Hospital Dongfeng Yi Lu | State-owned | Social Services | Mr. Chen Juanfei |
| 022 | Guangzhou Paper Box and Carton Factory 166 Changjiang Zhong Lu | State-owned | Manufacturing | M. Ruan Quanyi |
| 023 | Guangzhou Sanyu Guests House 23 Sanyu Lu, Dongshan Qu | Collective-owned | Business Services | Ms. Ao Hongli |
| 025 | Guangshou Yuexiu Synthetic Gas Plant 37 Lunqin Fang, Yide Dong Lu | Collective-owned | Manufacturing | Mr. Peng Zhenhong |
| 026 | Guangzhou Overseas Chinese Friendship Building | State-owned | Business Services | Ms. Zhang Haiyan |
| 050 | Guangnan Labour Services Company 15 Guangzhou Tielu Nanzhan, Huangsha Da Du | Collective-owned | Social Services | Ms. Wang Jianmei |

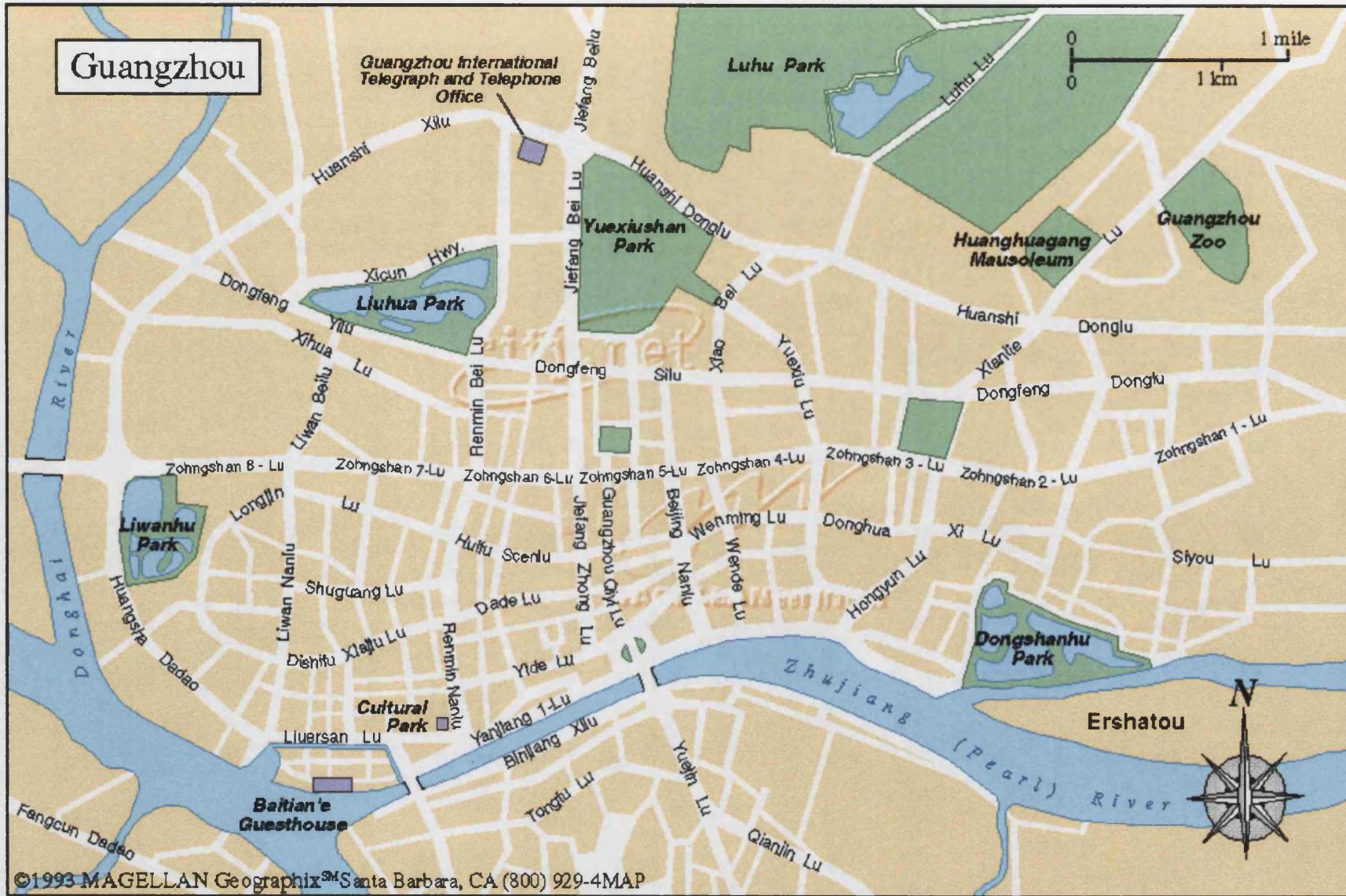
Map 1 Guangdong Province in China (circled)



Source: Central Intelligence Agency (CIA), February 1996

Map 2 City Centre of Guangzhou Shi

Appendix



Source: Magellan Geographix (1993), Santa Barbara, CA.

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