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Review Article: Human Rights Based Social Policies – Challenges for China

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This review article discusses findings from current Chinese social policy literature about the dilemmas facing the Chinese government to reform China's residual social policies, from historic, socio-economic and political perspectives. It explores how human rights based policies and transparent management are beginning to be reflected in recent literature as the policy changes emerge from current social and political development in China. China is emerging as a new important international force, both economically and socially. Its social policies are at a turning point as it shifts to a middle developed country and as the world witnesses the emergence of a new welfare state.

Context of economic change in China

At the beginning of the second decade in this century, one of the most significant world changes is the rapid development of the Chinese economy. From 1978–2008, the average annual growth rate of Chinese GDP was 9.7 per cent (Wang and Alkire, 2010). China's GDP per capita quadrupled between 1978 and 1990 from RMB 381 to 1,645.[1] Economic development accelerated once China joined the World Trade Organization in 2001, with GDP per capita doubling from RMB 7,858 to 16,165 in the six years between 2000 and 2006. In 2008, China saw GDP of over RMB 30 trillion, up 9 per cent from the previous year; the general price rises were stable; government revenue was RMB 6.13 trillion, an increase of 19.5 per cent; and the GDP per capita reached RMB 22,698 (above US$3,000) (China International Electronic Commerce Network, 2009). If Chinese social welfare provision increased at a similar rate, it would herald the rise of a new welfare state with Chinese characteristics.

While the development of the economy is facilitating new opportunities for government and social change, it also has unprecedented implications for China's social policies. The new economic strength challenges the government to consider expansion of policy objectives and new approaches to social protection. In response, fundamental changes to China's social welfare system are occurring. One response is a gradual shift towards a human rights based system, which is also consistent with the second response of greater professionalisation and transparency in managing the system.

Historical social policy priorities

The current social support system in China was developed before China's transition to a market economy, and remains based on primary social protection within the family (Li

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and Li, 2007). But social, economic and demographic changes are having a significant impact on all aspects of citizenship, including the informal system of social support, values, material circumstances and family size. This has severely reduced the capacity of family networks to support their members. China's main social security provision, social insurance, only covers the workforce in urban formal sectors. The supplementary social assistance provision is too weak to provide adequate protection to all citizens who need social support. People in rural areas, women, children and people without a working history in the formal sectors are particularly vulnerable in the new market economy. China is also undergoing large changes to its economy, to the structure and location of its population, and to the nature of Chinese society (Saunders and Shang, 2001). These socio-economic changes inevitably have had a significant impact on the lives of ordinary Chinese people. China's continued economic growth and its impact on human development will partly depend on how adequately the Chinese government provides for its citizens through income support, health care, support services and other social protection.

The policy priority of the Chinese government from the 1980s was economic development, at times at the expense of social justice and equality. The top social policy goal was national social stability to provide a stable environment for economic development. As the economy developed, the planned economy was largely replaced by a market-based economy. During the process, social differentiation developed, as the gap between rich and poor widened greatly. Vulnerable social groups, such as orphaned children, disabled people and older people without family support, lost some of the little social protection they had under the previous socialist system. Social welfare needs, interest claims and conflicts between new social classes both intensified and diversified. The Chinese population began ageing faster and on a larger scale than ever before, accentuated by the family planning policy. Moreover, an emerging civil society in China spawned a civil rights movement, claiming equal citizen rights for rural residents, vulnerable children, disabled people, women, unemployed people, homosexuals and others (Saich, 2008).

These social and economic changes posed new demands for the social welfare system, the design of social welfare programs, the level and mode of social security delivery and the transparency of policy making and management. Internationally, economic competition also pressured reform of Chinese social policies in two ways – demanding both low-cost social policies to remain competitive in the world market, and yet also demanding more universal social policy coverage so that citizens had sufficient future security to increase their consumption. How Chinese social policies meet these challenges will have a far-reaching effect on the long-term sustainability of both its socio-economic development and political stability.

In the history of social policy change in modern China, the government's first goals were policies that mediated social conflicts, maintained social harmony and supported social and economic development. To achieve these goals as the economy developed, the government introduced progressive policy priorities: poverty alleviation, income security and social equality. These three dimensions reflect the three social policy principles or models defined by Peter Townsend (1979): conditional welfare for the minority (poverty alleviation), minimum welfare for the majority (income replacement or income security) and distributional justice for all (redistribution). In the history of most western welfare states, these three policy objectives were introduced progressively. Poverty alleviation

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came as a first social policy objective, followed by income security, and the last major objective of social policies was to promote social equality. As the welfare states matured, the three policy objectives became synchronic, with varying priorities between the three. In all major developed countries, for example, the lead objective for social policies is no longer to alleviate poverty, but to promote social equality and to improve the quality of life for citizens and national competitiveness.

In the Chinese social welfare system, social security includes both social insurance and social assistance projects. Social assistance was introduced to alleviate poverty and minimum living allowances for a limited number of vulnerable people, closely followed by social insurance for income security (income substitution) for urban employees in the formal sector. At the beginning of China's economic reform in the 1980s, a large proportion of the national population lived in poverty and the GDP per capita rate was low, as described above. At that time, economic development and poverty alleviation were top government social policy goals, protecting social stability. However, for both historical and political reasons, the Chinese government simultaneously prioritised urban social insurance when it reformed the social security system, even though its national economic conditions were not mature enough to carry this financial responsibility. The government expenditure for urban social insurance was over 95 per cent of total social security expenditure, with only 5 per cent or less to spend on the social assistance project (Shang and Wu, 2004). Despite this urban social insurance aberration, the priority social policy objective was poverty alleviation, mainly through economic policy and job creation.

The economic and social policies successfully addressed poverty rates. Before 2009, the official absolute poverty line was annual income below RMB 785 per person and the low-income line was RMB 1,067. An important result of fast economic growth was that the number of people living in poverty declined dramatically. At the end of 2007, only 14.9 million people, 1.6 per cent of the total population in rural areas, were living in absolute poverty, and the number of low-income people was 28.4 million, 3 per cent of the total population. In 2009, the government was confident enough about the progress to raise the poverty line to average net income of RMB 1,196 per person per year (Wang and Alkire, 2010).

Although the poverty rate measured by income reduced, according to Wang and Alkire (2010), non-income poverty remained high. Measured by non-income poverty indicators, such as medical insurance coverage, homes with hygiene facilities, safe drinking water and education, in 2006 the poverty rate in nine provinces in China was as high as 86 per cent. For example, 59.9 per cent of urban households and 55.2 per cent of rural households did not have any health insurance, 26.3 per cent of urban and 67 per cent of rural homes did not have hygiene facilities. This contrast between income poverty and other deprivation suggests that although its economic policies successfully raised income, the Chinese government took less responsibility for providing basic public goods and services important to social welfare standards.

After introducing income poverty alleviation policies, Chinese social policies, particularly in rural areas, began to change gradually from poverty alleviation to a broader range of goals. Policy objectives also diversified to respond to population ageing, income disparity, civil rights movements, urbanisation, health care and other challenges. The government has acknowledged that demands for equality of citizens' rights are increasingly a base of the social policy change. The challenges that the government faces in this new context are briefly discussed below.

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Current income security and social services

The Chinese government's current urban income security policy, which is mainly based on social insurance, is very expensive. The cost to employers of social insurance in cities is up to 27 per cent of labour costs, above the average of developed OECD countries (26 per cent; Salditt *et al*., 2007). Apart from the former Eastern European countries, the Chinese social security system is the most expensive in terms of social insurance taxes as a proportion of labour costs and it is also very unequal.

Of all the parts of the social insurance (retirement pension, medical, unemployment and housing insurances), the most expensive is the contribution to the retirement pension insurance. The retirement pension in China is characterised by its relative generosity to a narrow share of older people and of the total population. The average aged pension as a percentage of per capita GDP shows China was nearly the highest of all world regions, apart from Sub-Saharan Africa (Salditt *et al*., 2007). Not only does it have high benefits and is expensive for the government, but also it is extremely inequitable – the government uses public finances to transfer tax from the rural population with no aged pension cover to pay the urban minority only. That is, it institutionally benefits the richer city residents at the expense of the poorer rural residents.

In most OECD countries, low-income families on average get the highest proportion of their income from public transfer payments. In the UK, for example, the lowest income 10 per cent of families get 33 per cent of their income from transfer payments from national finance and the highest-income 10 per cent of families get only 6 per cent. In China, the opposite occurs – the highest-income 10 per cent of urban families get 33 per cent of their income from transfer payments but the lowest-income 10 per cent of urban families get only 6 per cent (Salditt *et al*., 2007). Comparing urban and rural families, the Chinese social insurance system generates the most inequality in the world.

This costly and unequal system is based on separate urban–rural labour markets and a relatively young workforce. If the Chinese government were to expand this system to cover the whole population, its labour costs would greatly increase, threatening its international economic competitiveness. When population ageing peaks, such a system would be economically unsustainable and would compromise social stability. The policy approach has gradually changed in the past decade towards equally prioritising social insurance and social assistance so as to slow the costs of social security and labour and facilitate stable social and economic development. With implementation of the minimum living security (MLS) for urban and rural residents – the largest social assistance program in China, one third of the social security beneficiaries were helped by social assistance in 2004 (Shang and Wu, 2004). And in 2008, more people received social assistance than social insurance, reaching nearly two thirds of the social security beneficiaries (MCA, 2009).

As well as income security, provision of social services has also changed in response to the impact of the Chinese economic conditions. In the residual social policy period, the Chinese government relied on informal family networks to support people in need. The residual policy applied only to the most vulnerable people with no capacity to care for themselves and no-one responsible for their wellbeing, mainly widowed older people without children, orphans or disabled people without relatives in rural areas (*wu bao hu*). *Wu bao* provides minimum food, clothing, shelter, fuel and education or funeral expenses. It is now also complemented by the MLS.

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Reliance on informal support and the *wu bao* policies still apply but they have been supplemented with a growing social services sector. As government policies have moved beyond securing basic living conditions for most people, social services and health care have also expanded after 2007 (Wang, 2009). Significant strategies include funding for universal nine years compulsory free education, community based medical services in rural and urban areas to complement hospital services, enhanced unemployment services following the 2007 financial crisis and affordable housing policies. When these policies will be fully implemented is difficult to predict.

As yet, these social services are largely funded and provided by various levels of government. Because central government funding transfers are only partial, social service implementation usually relies on the unequal financial resources of the provincial and local governments, which favours citizens in the wealthier eastern provinces (Shi, 2006; Tolhurst *et al*., 2004). Both the supply and regulation of non-government and private social service providers are still rudimentary. Examples of most social service types available in developed economies are emerging in the wealthiest parts of China, but universal supply is not yet a priority, which further marginalises vulnerable groups who would benefit from more equitable support. Concepts of welfare rights (Dean, 2008), or more general economic, social and cultural human rights remain in the realm of government policy rhetoric only, rather than accessible opportunities open to most Chinese citizens.

Managing the social welfare system

In addition to expansion of social policy objectives, the other current social policy change is the way the social welfare system is managed, with implications for quality and democratic process. The Chinese government is facing challenges about how to improve managerial capabilities, professionalise service provision and respond to demands for mechanisms that facilitate democratic supervision and participation in social welfare support.

A major challenge for the Chinese government is how to improve managerial capacity and professionalisation in the welfare system. Welfare systems in developed countries emerged in contexts that were specific to their political, economic, social and administrative conditions, including bureaucratic systems and professionalised services that explicitly recognised equality of citizen rights. For example, the British social welfare system developed in the context of a bureaucracy that aimed to treat all citizens equally in the way they interact with government officials and receive welfare services; and recognised the additional needs of specific groups of people to receive state support (Clarke and Newman, 1997). These conditions supported expectations consistent with the development of human rights based welfare states.

The same conditions were largely absent in the Chinese government context. Historically, initiative for Chinese social welfare system reforms emerged from the same generalist policy expertise as other government bureaucracy. Similarly, implementation was left to bureaucrats without specific training in social welfare delivery or necessarily even tertiary level training. For example, tertiary social work education was only reintroduced to Chinese universities in 1988. To move to a more equitable social welfare delivery system requires improved professionalisation in terms of managing funds,

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policy and program implementation, quality assurance and social welfare workforce management. Without changes to capacity and professionalisation in government agencies and the social welfare sector, institutional bottlenecks will continue to hinder further development of the Chinese social welfare system. Regulating and supporting the development of quality social services from non-government organisations is a current example of this barrier.

The second set of management challenges is democratic supervision mechanisms. Internationally, the expansion of a social welfare provision was connected with the development of awareness of citizen rights and public political participation. With some local exceptions, Chinese economic development has avoided that coupling with political participation. Rising public expectations about democratic supervision in relation to the social welfare state in China is a growing challenge to current government processes. Chinese public awareness of citizen rights and public participation is increasing, information sharing through mass media and the internet is popular and the Chinese government can no longer control information flow. Social welfare development is affected by allocation of public finances and now that government agencies receive more revenue from tax collection, taxpayers are demanding that the government agencies make the information about finances and government affairs more transparent. If the government does not satisfy these demands for participation and transparency in government operations, it will lose its legitimacy.

Implications for social policies and human rights

In the past 30 years of rapid economic development in China, social tensions have also grown. To maintain a harmonious society and sustainable economic development, it is critical that the Chinese government successfully handles these social problems by responding to the challenges, expanding policy objectives and the social security system, enhancing the government capabilities in services and management and establishing effective mechanisms for democratic supervision. These goals require the joint efforts from the government and the rest of Chinese society.

Compared to economic change, the Chinese government approach to social welfare provision is one of gradual reform. Two human rights implications for social policy change which are beginning to become evident are: a recognition that the rights of all citizens should be addressed in the welfare system, with particular implications for redistributing benefits towards the most disadvantaged people; and that social welfare system processes need the expertise of professionals, quality management systems and participation of citizens to achieve democratic accountability. Only when equitable access and transparent processes are implemented will the social welfare system become one that seeks to contribute to the human rights of Chinese citizens.

Economic and demographic changes in China are already demanding social policy responses, such as urban–rural integration; rebalancing urban social insurance with national social assistance and social services; and encouraging mixed welfare support. Without these changed approaches to social policy, it is difficult to envisage how the Chinese government can reform its social welfare system in a way that complements its economic goals, let alone achieves human rights for all Chinese people to international standards.

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Note

1 RMB = 0.096 UK Pounds at March 2010.

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