

## Chapter 2

# Welfare Studies in the West and China

This chapter reviews the literature on welfare study both from the West and China. It traces the evolution of ideas and practices of welfare states in Western countries and the process of modern Chinese welfare study and policy making.

### The Development of the Welfare State and the Impact of Welfare Ideology

Welfare state exists in all industrialized countries (Taylor-Gooby and Jennifer 1981:4). Many scholars have attributed (e.g. Huhnle 1978) the modern welfare state to the product of German Chancellor Bismarck's social policies in the 1880s. In 1883 the parliament (Reichstag) approved the proposal for a national sickness insurance scheme for all industrial workers. In the next 30 years before World War I (1914), 17 OECD (Organization for Economic Cooperation and Development) countries introduced some state-sponsored system of workmen's compensation. Eleven of the thirteen European OECD countries had introduced measures to support health insurance and legislation for old-age pensions. British scholar Pierson called this period (1880–1914) the birth of the welfare state (1991: 102).

Common knowledge is that the cornerstone of the modern welfare state was laid during the post war period (Glennerster 1998 and Backman 1991). It is widely identified with the implementation of the recommendations of Beveridge's *Report on Social Insurance and Allied Services* in the first years of the post-war UK labour government (Beveridge 1942). The period after 1945 has been widely characterized as ushering in thirty years "Golden Age" of the welfare state (Pierson 1991: 125). As British scholar Pierson stated, "... this period is seen as bringing (1) rapid initial reforms to create a much more comprehensive and universal welfare state based on the idea of shared citizenship, (2) a commitment to direct increasing resources towards the rapid expansion of benefits and coverage within this extended system."

Finnish scholar Backman stated that this era also gave rise to “a Scandinavian Welfare Model” (Esping-Anderson and Korpi 1987).

Although there are differences in development, coverage, conditions of eligibility, standard of services, relation of state and private services and so on among the countries, state commitment to welfare is virtually universal (Taylor-Gooby 1981:6). This means that society has a collective social responsibility to guarantee a minimum level of living for all individuals. The aim of the social policy was to try to guarantee a fair level of living, social security and comfort or satisfaction to all individuals. The Nordic countries constructed universal, non-contributory and unified programs, thus following the direction of T. H. Marshall’s “social citizenship” (1950) idea in social legislation. Marshall defined citizenship in quite a general term as “a status bestowed on those who are full members of a community”. In his famous book on citizenship and welfare, Marshall (1950) pointed out that there has been a development from policies directed to the poor and the working-class to policies directed to all citizens. This is a social right for everybody in society. It can be stated that the emphasis of social policy was on solidarity, which was expressed in universal coverage and equal treatment of all citizens.

In social policy studies, a very common way to distinguish among welfare state models is to use concepts of “residual” and “institutional” models as coined by Titmuss (1958). Wilensky and Lebeaux are also early users of two concepts (1965). The “residual” model is based on the principle of economic individualism and free enterprise. It restricts state welfare to minimal benefits and services delivery. “First needs” were met primarily through the market or the family, the state providing an emergency “safety net” when “normal” supports broke down. Accordingly, public welfare was highly selective with low “means-tested” benefits, and widely perceived as stigmatizing. In contrast, the “institutional” model is based on the notions of security, equality and humanitarianism. It embraces universal, rights-based, non-stigmatizing state welfare as a “normal” function. Titmuss distinguished a “residual” from an “institutional” model, exemplified by the United State and Scandinavia respectively.

By using two indicators, the extent of de-commodification<sup>1</sup> and stratification of social benefits in the 1990s, Esping-Andersen (1990) published *The Three Worlds of Welfare Capitalism*. He classified welfare states into three types: liberal, conservative (corporate), and social democratic welfare state regimes. This measurement has become the conventional approach for the study of welfare states in industrialized capitalistic countries.

The liberal type of welfare state has a deep degree of commodification and it lacks a universal and state responsible welfare system. It mainly believes in the free market, and encourages the dynamic mechanism of market, and the strong influence of capital power. Facing the failures in the free market, social organizations,

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<sup>1</sup>Here, de-commodification means the extent to which social benefits are provided to workers when in need, in other words the extent to which a person can live without depending upon the labour market when in need.

charities and volunteer groups are very active in the liberal welfare state. Most Anglo-Saxon countries belong to this regime.

The conservative type of welfare state has the corporative tradition and most continental European countries are example of this model. Welfare benefits are career-oriented and the main characteristic of this welfare system is social insurance. This type of welfare has no universal welfare plan; despite this, social expenditure is high but social redistribution is limited by social insurance.

The Nordic countries are social democratic welfare states with a deep extent of de-commodification. As mentioned above, it is an institutional model based on a universalism and collectivism principle, with solidarity the class foundation of the social democratic welfare state.

The dominant concern of the institutional model was to establish a comprehensive system of universal social protection on the basis of a flat-rate benefit system (as is the case of the Nordic countries), and the residual model was the policy of earnings-related benefits (Backman 1991). Earnings-related benefit refers to contributions or benefits which vary with an individual's current or previous earnings, Flat-rate benefit to contributions or benefits paid at a fixed monthly rate unrelated to an individual's past earnings and not means-tested. Its principle is citizenship, used in Nordic countries and the UK before 1974 under Labour's policy.

Social policy in the Nordic countries is based on the institutional model. In this model, the state takes responsibility to set up a comprehensive welfare state which includes education, medical services, child care, pensions and housing policies. Historically, this model is often associated with high social expenditure. In the early post World War II era the percentage of national income used as social expenditure by country was: Finland: 6.5%, Sweden: 7.6%, Norway: 8.4%, Denmark: 8.5%, UK: 12.8% and West Germany: 20%. By the mid-1970s, there was a strong development of welfare and social policy in the Nordic countries. Since 1975 Sweden and Denmark have surpassed West Germany and the UK in social expenditure as percentage of GDP (Backman 1991). In 1981 Sweden was 33.5%, West Germany 29.2%, and the UK 23.1%. By comparison the USA was 20.2% and the OECD average was 14.3% (Ginsboury 1992:197).

Later development showed that social expenditure grew rapidly. For instance, pension costs began to rise with the increasing number of the elderly. As the welfare standards have risen, have expectations and benefits levels. It was becoming increasingly costly to provide the safety net. In the 1970s some countries had economic crisis which were reflected in their welfare policies. Symptoms of the welfare state crises were divided into two types by Swedish scholar Himmelstrand, e.g. the input crisis and the output crisis (1986). He said that "the input crisis is an economic crisis and the output crisis is the supposed discrimination of social policy".

Welfare ideology impacted the development of the welfare state, especially after the 1970s. The new liberalism posed a clear ideological challenge to conventional wisdom and forced a range of important and neglected issues back to a central place in the analysis of the role of the state in welfare (George and Wilding 1994).

The new liberalism believes that it is impossible to create a comprehensive welfare state, that the welfare state is a threat to freedom, and that the market will play a much larger role. By the time Reagan and Thatcher came to power at the end of 1970s, welfare states were injected with market ideology. During the economic crisis, and under the influences of the New Right, welfare expenditure was cut. Marklund in 1988 listed some forms of welfare cuts, such as cuts in the welfare budget, increased service fees, modified indexation rules, reduced compensation level and so on. Afterwards, the concept of welfare pluralism, also called “welfare mix” (Johnson 1987), meaning that it is desirable to include the informal, voluntary and private sectors in the social policy. In the UK the government began to apply a programme to introduce quasi (or “internal”)-markets to the welfare state (Bartlett and Le Grand 1993: 2).

The new situation of political and economic globalization impacts nation-state and welfare state, which causes new social problems. George and Wilding argued for the need for a global social policy (2002). Globalization impacts rural China. How does China make policy for individual farmers to protect themselves during the globalization process?

## **Social Policy on Chinese Welfare**

The study of the western welfare state has formed a series of theoretical and experiential systems, and is very exuberant. In contrast, the study of non-Western welfare states, especially in non-capitalist countries, is very limited.

Early analysis on Asian welfare models paid little or no attention to mainland China, perhaps due to two reasons: China was less developed than other Eastern Asian countries and regions, and China is not a capitalist system. Subsequently, along with the rapid economic development of China, some studies on the topic of Chinese welfare emerged. As an Eastern Asia country, China can be viewed as a part of the “Confucian welfare cluster” and “welfare orientalism”, a regime of “productivity welfare” and a “developmental welfare state”.

In 1990 Esping-Anderson clearly classified “welfare capitalism” on a welfare state that did not include Asian countries. It was not until 1993, in his study of global welfare systems, that Esping-Andersen listed “the Asian welfare system into the Confucian block that compared with that of the Western” (1996). And meanwhile, British scholar Gordon White defined “the Asian phenomenon as welfare orientalism” (1993). In order to answer the definition of Esping-Andersen, Chinese scholar Lin Ka studied Hong Kong, Singapore, Japan, Taiwan and Korea, the so-called “the Asian Confucian welfare cluster” (1998). However, these studies inspect and analyse Asian welfare mainly from the cultural perspective.

Some studies had gone beyond the cultural perspective to study social welfare systems in the Eastern Asian region. These studies connected Japan, Hong Kong, Singapore, South Korea and Taiwan into a unified type. The researchers found that welfare in the Asian region had some common characteristics which were quite

different from and more complicated than that of Europe. In White's study he stated that "social welfare in Asian countries [was] as part of the economic development policy" (1993). The well-known Holliday's study called social policy in East Asia as "productivity welfare capitalism" or "productivist social development regime" (2000); it was also called by Korean scholar Kwon as "developmental welfare state." (2005) These studies illustrated that welfare in Eastern Asia had some common characteristics such as low or medium social security expenditure, high social investment, more extensive gender inequality in salary (Japan and South Korea), medium or high welfare stratification, low pension coverage rate, high individual welfare loading, and high family welfare responsibility. These shared characteristics were "a system of family welfare, a status-segregated and somewhat residual social insurance and corporate occupational plans for 'core' workers" (Goodman and Peng 1996: 207). In short, it was a kind of economic growth-oriented regime (Holliday 2000: 717). Gough believed that the experience of productivist social policy in Asia was proved as a successful strategy (Gough 2004). However, these studies tend to treat Asia as a whole, but China was different from the rest, mainly because they were in different development stages. When other Asian countries had their welfare net—for instance, social insurance and other welfare items—China had just entered a market-oriented economy, and its welfare system had not yet been settled. Therefore, to place China in general productivist welfare terms is not correct.

But how do we view China as a unique country among this cluster? Not only was it not at the same stage of development but also, in fact, China has great differences in social development from the rest of this cluster because of its socialist system, even though Easter Asia shares a similar cultural background. For this reason only China's welfare system requires a unique nature, and measures different from its Asian neighbours and other capitalist societies.

Some studies on Chinese welfare, such as Wong's *Marginalization and Social Welfare in China* (1998) and Huangli's *Chinese Socialist Welfare* (1995), offered detailed comparative studies on Chinese social welfare, both urban and rural, giving readers a better understanding of this system. It is notable that Huangli pointed out that welfare in China was a residual model. Wong's study especially focused on vulnerable groups such as the elderly and the poor who were managed by the MCA's administration. These studies present Chinese welfare as limited in its standards due to its economic situation, but in term of its socialist nature it had undertaken some responsibilities. Huangli's study was a particular and thoughtful analysis of a socialist welfare system, but it stopped at the time previous to the start of rural economic reform. Thus, it did not include the most significant period of welfare reform in China.

More studies about China's welfare system, such as *Social Security System in Mainland China* (Zhan et al.1993) were published in Taiwan, and *Authority and Benevolence—Chinese Social Welfare* (Leung and Nann), published in Hong Kong in 1996. These books provided general and detailed introductions to the Chinese welfare system, but did not provide deeper discussion and analysis. Some scholars did very detailed surveys on certain specific aspects or areas of welfare constitution.

One is Chang and Feuchtwang's study, *Social support in rural China, a statistical report on ten villages* (1996), which analyzed the unofficial support function of the social relationship network. Another is Chow and Xue's study, *Socialist Welfare in a Market Economy, Social Security Reform in Guangzhou* (2001), which presented local welfare reform. These studies provide understanding for welfare composition from various particular aspects. Many more studies were related to or involved rural welfare from the perspectives of social, political, cultural and economic development in China. Among them: *Gao village* (Gao 1999), *Farewell to Peasant China, Rural Urbanization and Social Change in the Late Twentieth Century* (Guldin 1997), *Controversial Debate on the Village Self-government* (Kelliher 1997), *the Change on Migrant Labour in Rural China* (Murphy 2002), and *Transformation of Rural China* (Unger 2002), these studies gave detailed profiles of rural society from different perspectives and explored inter relationship of rural China.

A study of China's welfare system, specifically from the welfare policy rather than economic or cultural perspectives, a welfare study that views China as an entity distinguished from the rest of the Asian cluster, and a welfare study of China focusing mainly on the rural welfare system is needed. Meanwhile, I want to discover the true state of rural welfare in China and its meaning relative to the Asian countries and the rest of the world.

## Welfare Studies in Mainland China

In recent years more and more research appears from Mainland China itself. Research and studies on China's system of welfare can be divided into two sectors. One is the research of welfare design that is done mainly by researchers in institutions attached to government agencies; the other is the academic analysis of welfare theories and systems. As I mentioned in the background section, under the influence of free market economy and impact of market economic reform, research on welfare development has had a series of ups and downs. The study of welfare development has experienced repeated advances and retreats and conflict of thoughts.

During the 1990s researchers in the institutions of public welfare administration gave quite an amount of attentions to rural welfare reform. Seminars on Rural Social Security were held by these agencies, and they invited professors from universities, and researchers from the CASS to study special rural welfare cases together. Rural old-age support and poverty relief were the main topics at that time. "*Options of rural Social Endowment Models*" (Zhu and Tang) published in 1991; *Social Welfare Problems in China* (Zhu and Pan), which put forward the rural social welfare problems was published in 1994, *Demonstration Reports on Basic Program of Rural Social Endowment* by the Institute of Social Welfare of Progress in 1995. Also, *Social Security in Rural China* published by the Research Centre of the MCA in 1997. From then on, they regularly published a series of books, *China Social Welfare and Social Progress Annual Reports*, to report on the facts and data

about rural poverty, to analyse the problems and to explore the solutions. At that time, academia lagged behind government department researchers, for instance, the Institute of Social Welfare and Progress and Social Security News in the MCA, which were at the front line of welfare application and practice. These welfare departments explored to establish a social security net in rural China.

During this period, some social welfare concepts and practices, especially social security, were introduced into China by several scholars. For instance, *International Study about Problems on Social Security system* (Zheng) was published in 1989; *Comparative Social Insurance* (Deng) which introduced western social insurance systems was published in 1992; *Security Index System* (Zhu and Ge) was published in 1993, *Comparative Study of Abroad Rural Social Security Systems* (Li) in 1994; and *Experiences of Western Social Security System and Its Enlightenment to China* (Zhou) was published in 1996. Some scholars also started to categorize China's welfare problems by using the basic theory of welfare, for instance, *Disasters in China* (Zheng) appeared in 1994, and *Comprehensive Evaluation Index System of Social Security in China* (Zhu) a year later.

I would like to call this the first stage of rural welfare study in current China. In this period, the basic theories and tools from advanced industrialized countries were introduced and various welfare plans were designed and discussed.

After the idea of a state welfare system was challenged by some economists, the above-mentioned discussion about China's welfare system, especially the rural welfare system, was disrupted and silenced, but not for long. As the rural problems became more and more prominent and acute, a larger number of publications on this subject reappeared.

The most well-known work at that time was Wen Tiejun's *San-Nong* (three rural related issues, namely agriculture, countryside and farmers) issues. In his *The Impact of Principle of WTO to Rural China* (1990), Wen predicted that individual farmers would be severely affected by globalization after China's joining the WTO. Later, Wen also pointed out that two key factors underpin these rural issues: the profound contradiction between a growing population and limited cultivatable land, and the structural contradiction between urban and rural society. During the fifty years since the establishment of the People's Republic of China, the rural population had risen from 400 to 900 million, but at the same time the total area of cultivated land had shrunk (Wen 2001). Around the same time, Lu Xueyi pointed out that between 1952 and 1999 the average amount of land had reduced by 44% per rural household and 37% per capita (2002). Rural land had lost its function of safeguarding the basic well-being of farmers, this being the root cause of the farmers' problems. Soon after this, scholars Chen Guili and Chuntao published their report on the farmers' living situation: *Investigation on Chinese Farmers* (2004).

Along with the exposure of the reality of the countryside and farmers, subsequently discussions about income gaps between regions and urban and rural citizens started. Quite a lot of research had been focused on the topics of rural poverty, regional polarity and social stratification in China, and all of them related to the

huge difference between cities and countryside,<sup>2</sup> for instance, the study which appeared as *Income Gap between Urban and Rural Areas and Social Security Building* (Fang 1997). Following the researches of social stratification, income gaps and regional differences, topics related to rural welfare, such as rural old-age support, migrant workers, and rural grassroots medical care and so on regained momentum.

As migrant workers (farm-workers) became the major power of urban construction, the issues and problems related to them also became prominent. More studies about them emerged. Among the publications, *Economic and Social Analysis on Chinese Migrant Workers* (Li 2003) and the *Problem of Rural Migrant Workers Should be Solve Out* (Lu 2004) spoke out about the migrant workers' working conditions and claims. *The Migrant Workers' Social Right and Social Security* (Zheng 2002) and *Enter City Migrant Workers' Social Security* (Lu 2004) directly debated migrant workers' social rights and social security. However, although the migrant workers work in cities, the urban welfare system did not cover them, because their household registration (their identity) is "farmer". The migrant workers' families and homes are still in the countryside, their roots are in there, and they return to the land every year. Nevertheless, they have more serious problems at home as rural residents. Several topics become more and more clear: old-age support, medical care and the social security system among them. Later, community services were also mentioned more and more.

In 2000 the issue of new medical cooperative care for farmers was brought up. At a time when the old rural cooperative medical care had shrunk to merely 10% of its earlier level, scholars asked: *Who Provide Social Security for Farmers' Medicine* (Zhu 2000), and raised the argument of *Government and Rural Basic Medical Security System Selection* (Zhu). At that time the scholars were very practical and empirical because, without an existing system to examine, the researches and articles about medical care were limited to raising questions and presenting data and facts to express the urgent requirement of it at that time. Another focus of research was rural old-age support. Around the year 2000 many articles and reports on this topic appeared. For instance, *Current Rural Social Endowment Insurance System Defects and Reform* (Wang 2000) raised the question again. Some analyses of rural old-age insurance were also published. For instance, the *Empirical Analysis of Economic and Social conditions on Set Up Farmer Old-age Pension Insurance Scheme* (Yang and Yu 1997). Rural old-age insurance was not widely available at that time and the scholars brought up the issue again to raise awareness of it.

In 2000 the Chinese government put forward a plan to create a comprehensive well-off society, and in 2004 it set the goal of achieving the establishment of rural welfare. More and more rural social welfare policies were put into place.

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<sup>2</sup>Wang, Shaoguang, Hu, Angang and Kang, Xiaoguang (1995), *the Report of Regional Differences of China, Sociology should pay attention to the ... current problems of peasants*, Lu, Xueyi (1989), Li, Qiang (2000), *Analyses and Prediction about the Situation of Chinese Society*, Ru, Xin (2002).



Policies and studies about rural welfare not only grew in quantity, but also in content. In the economically advanced regions, rural social welfare was no longer a foreign concept or met by a strong opposition. *Social Security Report from Developed areas of China—a Report from Zhejiang* (Wang 2007) is a comprehensive social welfare study of the developed region of rural China. It covers policy discussions on medical care, old-age insurance, poverty relief, gender equity and migrant workers in rural Zhejiang Province. *The way to Urbanization in Southern Jiangsu: Change and Innovation of Hudai Town* is a study on a town in a wealthy area in Jiangsu province (Zhu, et al. 2008) which analyses the countryside changes, includes social security and public health.

The situation changes fast. When I first made my decision to study rural welfare, welfare measures were stalled. So I quit my job in the Ministry of Civil Affairs in China to go abroad to study social policy, an academic subject that not available in China. During the period of my study at Cambridge, many rural welfare practices and studies and assessments regarding rural welfare in China have sprung up. However, this study still holds its significance and is different from all of the above-mentioned works. This is a comprehensive study of China's rural welfare from both historical and contemporary dimensions. It is a logical and inevitable follow-up to the above-mentioned development of rural welfare studies.

I strive to place the study of China's welfare system into the realm of international welfare study, so that it may no longer be isolated from the international world. For me, it is not only a welfare system under the influence of Confucianism culture or with a label of orientalism, another productivist welfare system, nor merely about whether a specific welfare item has been established or not. The core of this dissertation is to analyse China's rural welfare system as a whole, an institutional perspective, including all the elements such as culture, historical heritage, economic development stages and its socialist characteristics.



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