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In the Service of Market Socialism: The Quest for a Welfare Model in China

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The socialist market economy in China has brought about impressive economic growth. It has also resulted in serious social problems such as unemployment, deteriorating family relations, prostitution, and poverty among the disadvantaged groups. This paper discusses a welfare model proposed by the Chinese Government to contain the destabilizing effects of the social problems and to serve the newly adopted market socialism. The authors argue that although this welfare model is still very much residual by western standards, it is a big step forward in building a modern Chinese welfare system.

INTRODUCTION

Structural economic reform has fundamentally changed the planned economy which has been instituted in China for more than three decades, and which is now substituted by an economic system with a strong market orientation. As a result of the market mechanism, people have greater freedom in choosing their jobs and the location of residence, and in purchasing goods and services such as education, medical services and transportation. People have greater power and can now act according to market forces instead of governmental orders or instructions. Politically, the government continues to adhere to socialist ideologies as

proclaimed in the latest version of the Constitution, and in the documents of the 15th Communist Party Congress in 1997. Obviously, the economic reform was not followed by political reform. However, an increasing number of citizens could not adapt or survive in the new economic system. The traditional forms of welfare supply can no longer cope with the new and increasing welfare needs which, if ignored, may threaten social and political stability.

This paper aims to examine the demand and supply of social welfare services under the economic reform, and to discuss the government's attempt in socializing social welfare services to meet new social needs. To set the stage for the discussion, the social welfare system before the economic reform took place is briefly reviewed.

THREE DECADES OF RESIDUAL STATE SOCIAL WELFARE: 1949–1979

When 'new' China was established in 1949, it inherited tremendous social problems from the 'old' society. Poverty was rampant, unemployment widespread, and social ills everywhere. Among the various political and social measures, social welfare was considered an important one in maintaining social order and stability, and to keep social unrest under control.

An examination of the social welfare system in the first thirty years of communist rule shows a rather residual orientation, emphasizing self-reliance, self-help, and a community approach. The social welfare system as officially defined was basically composed of four parts, namely, labor insurance, social assistance, social welfare, and services for the army's personnel, families, widows and orphans (Ministry of Civil Affairs, 1995). In addition to these services, community support and informal care at the neighborhood level play an important role in the provision and implementation of social welfare services (Mok, 1987a; 1987b; 1988; 1990; 1993).

The labor insurance provides comprehensive occupational benefits for sicknesses, injuries, disabilities, maternity leave and retirement. These benefits, however, are basically provided for at a minimum level and are available only to employees of the

state enterprises and staff of the state and party bureaucracy. The majority of the population are not eligible for labor insurance. Social assistance and social welfare, on the other hand, are designed to help the most vulnerable groups in the society, such as elders without sons or daughters, orphans, the physically and mentally disabled, families in extreme poverty, and victims of natural disasters. Services are primarily selective, temporary and to some extent stigmatizing. Services for the army personnel are considered special protection for a special group, which, like labor insurance, are not available for the general public. At times of contingencies or crises, people normally will first apply for labor insurance benefits or services for army personnel if they are eligible, then seek help from relatives and people in the neighborhood, and going to obtain social assistance and social welfare is the final resort.

The choice of this residual approach to social welfare was made out of necessity because the need for assistance was great and resources were scarce. The state was the only supplier of social welfare services and its responsibility to feed the vast population was enormous. Given the needed resources, China would have accelerated the pace in developing its own socialist welfare state. After all, China's socialist ideal commits it to improving the living standards of its people, and social welfare has much to contribute to socialist construction and to serving socialism (Mok, 1983). But after three decades of socialist construction, China considers that it is still in the early stage of socialism which is characterized by low productivity and poor living standard. The country just could not afford to provide universal, comprehensive and free social welfare services which constitute the basic model of distribution under socialism.

THE CHINESE SOCIETY IN TRANSITION: FROM ECONOMIC REFORM TO MARKET SOCIALISM

The pressure for change was unprecedentedly high after the death of Mao Zedong in the mid-1970's. Economically, agricultural production was stagnant, many state-owned enterprises were losing money. Politically, a great deal of pain and suffering were endured by ordinary citizens in the Cultural Revolution

which, to a great extent weakened the government bureaucracy. Ideologically, doubts were raised, though not publicly, among the masses about the efficacy of communism in light of the backward economic development and the never-ending power struggle and in-fighting within the Communist Party. These economic, political and ideological factors, coupled with the emerging globalization of the world economy at the time, had led the government to believe that economic reforms were urgently required to rejuvenate the country's economy and to restore the masses' confidence in the Communist Party as well as the government.

In 1978, the third plenum of the 11th Community Party Congress formally endorsed the economic reforms and open door policy (Central Committee of the Chinese Communist Party, 1978) under the leadership of Deng Xiaoping. The economic reform literally was to enliven the economy by all means, guided by Deng's pragmatic principle of "it doesn't matter whether the cat is white or black, it is a good cat if it can catch mice." The open door policy was to open up China to the world in the economic sphere, the primary purpose of which was to attract foreign capitals, investment and technology.

The economic reform and open door policy emphasized efficiency and profitability, and in effect transformed China into a market oriented economy. In 1992, the 14th Communist Party Congress reaffirmed the importance of the free-market in Socialist China (Central Committee of the Chinese Communist Party, 1993). As a result, the concept of socialist market economy was adopted and added to the Chinese Constitution. Essentially, the Chinese socialist market economy is one that is pluralistic: some enterprises are owned by the state, others privately, still others cooperatively or jointly by different parties. Competition is encouraged and reward is performance-based. On the other hand, the Chinese Government vowed to stick to socialist ideologies but in a pragmatic and realistic way. It is argued that as China is still in the primary stage of socialism, a widening gap in pay is acceptable in order to promote work enthusiasm and to stimulate production. It is further contended that some people must be allowed to get rich first, so that others can follow suit. The goal of socialism is for everybody to get rich altogether, not to get poorer. To the outsiders, China is on the way to capitalism; but

to the Chinese leadership, the market is necessary and useful in achieving the ideals of socialism in the long run.

CHANGING WELFARE NEEDS UNDER THE ECONOMIC REFORM AND SOCIALIST MARKET ECONOMY

The economic reform has quickly transformed China from a planned economy to an economic system that allows the market to operate without undue control. Material incentives, differential rewards and market distribution are encouraged, while competition is seen as a necessary condition in achieving economic efficiency. Striving for economic prosperity, promoting national pride and improving the quality of life have become the new social and economic order. So far the results have been impressive. From 1978 to 1996, the Gross Domestic Product was up by 444.7%, and the income per capita was increased by 309.2% in the rural areas and by 196.7% in the cities (State Statistics Bureau, 1997).

Notwithstanding these positive indicators of the economic reform, there are obvious expected and unexpected social consequences. For example, job security is no longer guaranteed as more and more bankrupt enterprises are being closed down; people are enjoying greater freedom of choice, accompanied by rising material aspirations and family conflicts; mechanisms such as price control, state subsidies and narrow wage differentials which were once treasured are now abandoned, while the government is determined to reduce the state supply of welfare services. New social problems have arisen and new social needs emerged, notably in the areas of unemployment, deteriorating family relations, prostitution, and poverty among the most vulnerable populations such as the disabled, the elderly and families with difficulties.

Unemployment. The primary objective of the structural economic reform is to increase economic efficiency by allowing state enterprises to operate according to market principles, without the usual interference from the Party or the Government. As a result, some state enterprises were sold or rented out, merged with others, developed into joint ventures with private companies, or just went bankrupt. A large number of workers were laid off and many more simply lost their jobs. Worse is for the graduating students, who find it increasing hard to get a job. The unemployment

rate in the cities had been rising since 1985 (with the exception of 1991 and 1992), and the following table (Table 1) provides a summary of the unemployment figures.

In addition to unemployment, under-employment has also become a serious problem. Although there are no official statistics, it is believed that the number of working poor is rising at a alarming rate (Sun, 1995). Workers are employed but their income is decreasing because of insufficient work.

In the rural areas, as more and more farm lands are used for property development, many farmers are forced to find work in small towns or in the cities. The younger generation are eager to move out of their village, to look for better opportunities else where. The internal migration from rural areas to the cities has caused many social problems and added pressure to the already serious problem of unemployment.

Deteriorating Family Relations. Alongside the economic reform, social attitudes towards marriage and family have under gone significant changes. For example, the general belief that "good people never divorce, the divorced never be good" is being rejected; the traditional family morality is being questioned; and romantic love is considered more important than family stability (Xue, 1997). At the same time, women are demanding more freedom to release them from home chores and family

Table 1

Unemployment Rate (%)

<i>Year</i>	<i>Unemployed (Million)</i>	<i>Unemployment Rate (%)</i>
1985	2.385	1.8
1990	3.832	2.5
1991	3.522	2.3
1992	3.639	2.3
1993	4.201	2.6
1994	4.800	2.9
1995	5.196	2.9
1996	5.528	3.0

Source: State Statistics Bureau, (1997, p. 21).

responsibilities. This demand is reinforced by their increasing economic and social independence. Three areas of concern emerged. First, divorce rate has increased, and much more so in special economic zones such as Shenzhen when compared with the national figures (see Table 2 below).

Secondly, the problem of family violence is getting worse. For instance, 20% of families in the eight counties near Beijing had incidents of family violence, 80% of which involved wife battering (Tian, 1997). Thirdly, extra-marital affairs have become more and more common, especially among the men who have made instant money from their businesses (Wang, 1997). In short, social values have changed and family relations worsened.

Prostitution. Prostitution was unthinkable in Socialist China, but it is now a social problem. According to the findings of two surveys, one conducted in Shenzhen in 1994 and the other nationwide in 1989, most prostitutes (about 80%) were between 16–25 years old and some have regular jobs (40.4% in the Shenzhen survey and 56.3% in the national survey) (Fang et al., 1997). The reasons for prostitution varied, but more than half admitted that making money was the primary motive, as shown in the following table (Table 3).

The survey results also linked prostitution to the prostitutes' desire for conspicuous consumption and their conception of prostitution as a legitimate means of making a living. Such research findings may to some extent reflect the impact of excessive

Table 2

Divorce Rate for Shenzhen and the National Divorce Rate (%)

<i>Year</i>	<i>Divorce Rate in Shenzhen (%)</i>	<i>National Divorce Rate (%)</i>
1980	0.4	0.7
1986	0.7	0.9
1989	1.4	1.3
1990	2.26	1.4
1993	3.05	1.5
1994	3.41	1.6

Source: Tang (1997, p. 429).

Table 3

Motive for Prostitution (%)

	<i>Making Money</i>	<i>Revenge</i>	<i>Curoosity</i>	<i>Enjoy Life</i>	<i>Others</i>
1989 National Survey	50.1	16.5	11.4	11.9	10.1
1994 Shenzhen Survey	56.3	17.1	13.2	4.1	9.3

Source: Fang et al.(1997, p. 287)

material wants on a section of the female population in a socialist market economy.

Poverty among Vulnerable Populations. Absolute poverty in China has been substantially reduced since the economic reform. In 1978, 250 million people lived under the poverty line, but the figure was reduced to 65 million in 1996 (Central Committee of the Chinese Communist Party & State Council, 1996). While the people's material life has been greatly improved, the disadvantaged populations such as the disabled, the elderly and families with difficulties are living a more vulnerable life in a market-oriented society. The reasons are simple: they are less competitive and the government is adopting a "small government" policy in social service. For example, welfare expenditure on civil affairs has been decreasing from 1.65% of the total government expenditure in 1981 to 1.5% in 1995 (Ministry of Civil Affairs, 1996). These vulnerable groups are living in an increasing difficult environment and are urgently in need of help from the society.

SOCIALIZING SOCIAL WELFARE: A NEW SOCIAL WELFARE MODEL

The tidal wave of the economic reform in China has awakened the country. It has lifted one sixth of the population above the poverty line and improved the quality of life of many people. However, the tidal wave has also been damaging, particularly to the vulnerable groups such as the unemployed, under-employed, disabled, elderly, families with difficulties and the poor, who may be drowned if proper assistance are not rendered immediately. The residual state welfare system from 1949–1979 can no longer

cope with the ever increasing complex social problems arising from the economic reform. The centralized and reactive welfare policies and provisions must be reformed to meet the new social needs more effectively, and to face with the new challenges that lie ahead.

The Chinese Government was well aware of the side effects of the economic reform, socially and politically. Thus, a new concept or model coined 'Socializing social welfare' emerged in response to the new social needs and social problems. It was intended to dispell people's discontent, resolve internal contradictions and ensure a socially and politically stable environment for economic development. Social welfare is expected to support the economic reform, and to serve the newly adopted market socialism (Zhang, 1990; Cui, 1991; Ministry of Civil Affairs, 1993). It was proposed and experimented in the mid-1980's when there was an upsurge in unemployment rate and other social problems, and was fully implemented in the early 1990's.

The Concept of Socializing Social Welfare. 'Socializing social welfare' is not just a slogan, but an important concept with significant policy and practice implications. It refers to all activities aimed at meeting the urgent needs and solving the more serious problems of the masses in their daily life, through mobilization of people's power and community resources (Zhang, 1990; Bai & Wu, 1996). Social welfare is considered not the sole responsibility of the government, but a duty of every member, every organization, and every sector of the community (Cui, 1991; Wang & Bai, 1996). Socializing social welfare, therefore, implies that the provision of social welfare should be 'by the community, with the community and for the community'. The role of the government is to give all possible encouragement and support to implementing this new concept or model of social welfare.

Concerns and Contents. The residual state social welfare system in China is characterized by its restrictive coverage, limited service provisions, state funding, and centralized planning and management. It is apparently unable to cope with the new social problems and new social needs. "Socializing social welfare" as a concept or model provides a clear direction in four major areas of concern (Zhang, 1990).

First, expanding social welfare services to cover all members of the society. It is envisaged that eventually all residents in the cities, not just the service recipients of the Ministry of Civil Affairs will be able to get social welfare benefits (Ministry of Civil Affairs, 1995). In the mean time, the rural population are beginning to enjoy old age insurance, medical care and basic welfare services (DuoJi, 1995).

Secondly, increasing the varieties of welfare services. In addition to reforming the existing labor insurance in the cities and introducing old age insurance in the countryside, the central government is encouraging the establishment of innovative programs to meet new needs. For instance, local governments and enterprises are requested to provide job placement, job training and re-training programs for the unemployed. Non-governmental and grassroots organizations are asked to develop counselling services for individuals and families in need. Different forms of residential and community-based care for the disabled and the elderly are also advocated.

Thirdly, developing multiple sources of welfare funding. In the past, the state was solely responsible for financing all welfare programs which were naturally limited in service provisions and restrictive in coverage because of insufficient funds. In order that welfare programs can be expanded, all possible avenues to raise money for welfare are supported. For example, selling welfare lotteries, accepting donations from abroad and fee-charging for social services are allowed. Local governments are expected to mobilize community resources for welfare purposes as much as possible, enterprises are required to set up welfare funds for their workers, and social welfare agencies are encouraged to develop profit-making businesses to support their welfare activities.

Fourthly, decentralizing the planning and management of social welfare programs. As the level of economic development and standard of living vary greatly across the nation, community problems and needs can be very different. The central government considers it appropriate for local governments to plan and design their own social welfare programs, because they are in the best position to understand their needs and solve their problems.

Some Guiding Principles. What have been proposed and implemented in socializing social welfare address a few basic questions:

Who is responsible for social welfare? What kinds of welfare services are needed? How are these services organized and delivered? Who benefits? These questions have been discussed and debated within the government and the Communist Party, and in academic and social welfare fields. Unlike before, the discussion was not dogmatic, but open and pragmatic enough to accommodate widely dissenting views. There were no common or absolute answers to these questions. However, a general consensus has been reached on some guiding principles for counties and provinces to develop their local social welfare policies and programs, including:

1. The government should play a less active role in social welfare than the society at large. The ideal model of social welfare is one that stresses 'small government, big society'.
2. Individuals, families, neighbors and the community as a whole should assume more responsibilities for the welfare of themselves and members of the community. The social values of self-protection, self-reliance, self-help and mutual help should be further enhanced.
3. The individuals' privileges should correspond with their duties. Thus, the principle of distribution should be based on work and performance. Occupational welfare should be encouraged and should be made available to all employees.
4. The speed of social welfare development should not exceed economic growth; nor should it be left far behind. An optimum point of balance should be sought between the two.
5. Where-ever possible social equality and economic efficiency should be maintained to a high extent. When there is a conflict between the two, economic efficiency should be given priority. An important objective of social welfare is to promote social equality which can best be achieved under conditions of economic efficiency.
6. The supply of welfare should be prioritized according to the demand, urgency and financial strength of a particular community. A cautious approach should be adopted.

CONCLUSION

'Socializing social welfare' was initially a concept raised in response to the new social needs arising from the economic reform.

It later evolved into a working orientation which has identified common welfare concerns, developed significant welfare contents, and derived some guiding principles. It can be considered as a new model of social welfare designed to serve the newly adopted market socialism. In fact, the mission of social welfare as repeatedly reiterated by Chinese leaders, is to help construct and consolidate socialism with Chinese characteristics through making full use of the market. This new welfare model still have a strong residual orientation by western standards. Nonetheless, taking into consideration China's present state of social and economic development, 'socializing social welfare' as a concept or model is a big step forward in building a modern social welfare system in China.

Undoubtedly, China is determined to use whatever welfare strategies that are effective in containing the emerging social ills and in promoting the welfare of its people, particularly the vulnerable populations. The success of the new welfare model however, has yet to be ascertained. Ideological as well as practical challenges are lying ahead and awaiting to be addressed.

Ideologically, there is always a big trade-off between economic efficiency and social equality. But the overriding emphasis given to efficiency in all fields, including social welfare, would certainly reduce equality. In addition, relying on market distribution of income and resources would lead to a widening gap between the rich and the poor. The slogan of "letting some people get rich first" as advocated by Deng Xiaoping may end up with "letting the poor remain poor" for a long time. Financially, allowing welfare funds to be raised by all means without proper guidelines and supervision could result in the misuse or even abuse of welfare funds. Corruption is the worst possible outcome. Policy and management-wise, the government opted for a "small" role, but it is questionable if the people or the community as a whole can shoulder immediate and greater welfare responsibilities, given that the people have not been able to accumulate wealth or experience in welfare in the years prior to the economic reform. Finally in practice, implementing the new welfare model requires an army of welfare personnel who should be equipped with varying degrees of professional knowledge and skills. Currently, trained social welfare personnel in China is extremely lacking.

Some major Chinese universities have begun to offer social work courses but it will take a long time before the manpower need in social welfare can be met.

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