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# Doing a Little More for the Poor? Social Assistance in Shanghai

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*Shanghai was a leader in nation-wide social assistance reform. It has established an extensive and complex social assistance system. This paper offers a general overview of different major assistance programs in Shanghai and uses a recent survey of Minimum Living Standard Guarantee System (MLSGS) recipients in urban Shanghai to briefly examine the performance of social assistance. It finds that on the program construction and administration level, Shanghai's social assistance is advanced. However, due to high living costs and relatively low values of social assistance, social assistance plays a limited role in relieving the distress of recipients. The paper analyzes the main reasons for this and argues that efforts should be made to give the poor more assistance and help them to get rid of poverty.*

Key words: *Social assistance, Shanghai, Poor, MLSGS, poverty*

Since the 14th Congress of the Chinese Communist Party (CCP) in 1992, China has formally clarified the objective of establishing a socialist market economic system, which initiated a transitional period of socio-economic development with the adoption of a market-based economy. Shanghai, as a commercial and industrial center with a large number of state owned enterprises (SOE) in China, first felt the pressure of transition and the challenge of urban poverty caused mainly by unemployment from SOEs. In order to deal with the problem of new urban poverty and to maintain social stability in the city, a new social assistance program—Minimum Living Standard

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Guarantee System (MLSGS) was introduced. MLSGS made its first appearance in Shanghai in 1993 and became a prelude to social assistance reform in China. Since then, Shanghai has consistently played a leading role in the reform and development of social assistance in China. Shanghai's MLSGS gradually increases its benefit level and enlarges its coverage. In order to meet the medical, education and housing needs of the poverty-stricken households, as well as to supplement their financial power, Shanghai has established special assistance programs step-by-step since the early 2000s, including medical aid, education aid, housing assistance, etc. Thus, eligible MLSGS recipients in Shanghai can also enjoy a variety of special assistance benefits.

Shanghai's experiences attracted great attention from the Ministry of Civil Affairs (MCA) and many other cities in some relatively developed coastal areas. With the effort of central government, MLSGS has become a national program and special assistance programs have been propelled gradually. So far, special assistance programs are regulated, administered and funded by local authorities without national guidelines, and large regional differences exist. As a leader of social assistance reform, Shanghai has established an extensive and complex assistance system which makes it stand out in China.

What are the major contemporary programs in its assistance system? How successful is the system in relieving the distress of the social assistance recipients? How can the social assistance system in the most affluent and thriving city in China be improved? This paper aims to find the answers to these questions.

## Main Programs

### *Minimum Living Standard Guarantee System (MLSGS)*

MLSGS is the main body of the social assistance system in Shanghai. It is authorized by national guidelines and administered by Shanghai Civil Affairs Bureau (SCAB). This means-tested income assistance program provides a basic living benefit for poor households. To qualify for this benefit, an applicant must be a holder of Shanghai permanent household registration (or *hukou*), and have average earnings below

the minimum living standard. Before 1999, MLSGS was exercised under the traditional relief structure that enterprises provided assistance to employees and government to the unemployed, such as the three-nos (residents without working ability, without an income, and without family support). As directed in the national guideline of 1999, the government has since taken the responsibility of administration and funding for all the needy, whether working or not. The means test is stringent, which means that applicants are required to draw upon all other available resources before turning to the government for assistance (Huang, 2003, p. 160).

The Shanghai government adopted the 'basket of goods' approach that basically measures subsistence needs in absolute terms; the mechanism of up-rating is to change the cost-of-living in line with the movement of the price index, real wage increases, and local financial capability. The urban assistance level has risen from 120 yuan (per head, per month) in 1993 to 425 yuan in 2010. Shanghai is among the cities with a high assistance level in China. Yet, this benefit level is quite low in relative terms. It is calculated that in 2008 the assistance level only accounted for 17.8% of the average disposable income, lower than those of the other three Municipalities in China (*zhixiaoshi*), respectively 24.7% in Tianjin, 19.8% in Chongqing, and 18.9% in Beijing, let alone the international standard: half of the average or medium income.

### *Medical Aid (MA)*

MA is a locally-regulated, SCAB-administered program providing medical assistance for poor households whose average income is lower than the 150% of the minimum living standard, within which there is a patient with uremia, mental disorder, cancers or other officially-defined serious illnesses. To be eligible for MA, claimants should prove that they are unable to afford the substantial medical expenses after taking into account all other available assistance and compensation from working units, family and medical insurance.

According to the recent regulation, the MA scheme will reimburse the eligible claimants for 50% of the total medical expenses if the expenses are no more than 30,000 yuan. For expenses more than 30,000 yuan, the reimbursement rate

increases to 60%. However, the maximum reimbursement that each claimant can apply for within a year is 50,000 yuan. The eligible claimants have to first pay medical expenses on their own before receiving the MA benefits with relative hospital receipts.

#### *Education Aid (EA)*

EA is a locally-regulated program co-administered by SCAB and the Shanghai Commission of Education, with the intention to prevent students of poverty-stricken families from dropping out of school. It has mainly two forms: one is exemption of tuition fees and other miscellaneous expenses, and the other is a stipend for eligible students from poor families. To be eligible for EA, claimants should submit applications every semester. If their applications are approved, they can get education stamps. The students submit education stamps to their schools to get exemptions, and they can also enjoy different levels of stipend according to the poverty level of their families. Currently, on the compulsory education level in Shanghai, stipends for students from MLSGS families are 110 yuan per month and 60-170 yuan per month for students for other families in difficulty. The source of funding comes partly from government finance and partly from the revenues of schools or social donations.

#### *Housing Aid (HA)*

HA, or low-rent housing scheme, is a locally regulated program and is administered by the Shanghai Housing, Land and Resources Administration Bureau. It targets families in 'dual-poverty'—meager income plus poor residential conditions—and provides recipients with cash or in-kind transfers to improve their residential conditions. It is mainly funded by the municipal and district government.

To qualify for HA, currently a household must meet the conditions that household monthly income and assets should be no more than 960 yuan and 120,000 yuan respectively. Further, a per-capita residential housing area should be below 7 square meters. In practice, housing aid is mainly available to special target households, such as the childless elderly, dependents of deceased soldiers, and the disabled. It is estimated that a small

proportion of the families with poor residential conditions in Shanghai can get HA (Huang, 2003, p. 173) .

### *Temporary relief*

Temporary relief has long been the main part of social relief system in China. Without statutory rules and regulations, such a scheme is usually operated under the discretion of sponsors. The rate of payment hinges heavily on available funds. There are two typical schemes that might overlap with each other. The first one is the "warmth-delivering project." It is initiated by virtually all tiers of governments from the central to the grass-roots, and semi-official organizations, such as the Federation of Trade Unions. The 'warmth'—in cash or in-kind handouts—is usually delivered during the important Chinese festivals or days such as Spring Festival, New Year's Day, National Day, etc. Often it is the heads of governments or departments that direct the relief by means of home visits. It should be noted that this kind of provision is not seen as just material or cash transfers, but, more importantly, a reflection of the benevolent concern, or so-called 'warmth,' from the Government and Party to the poor families.

The second form is the social aid scheme, which is generally funded by social donations. Most district governments and social offices, as well as a variety of different social organizations and foundations, have established such programs. It aims to provide emergency relief for persons who have suffered from unexpected misfortunes and who are not eligible for state assistance (Huang, 2003, p. 164). This is still regarded as an important supplement to the public assistance system today in Shanghai.

### Performance

There's no denying that Shanghai has established a rudimentary social assistance system consisting of several assistance programs, and has taken the lead in protecting the poor in China. However, we must ask how far this social assistance system is successful in relieving distress or poverty among the recipients? What are the recipients' attitudes towards social assistance? This section will briefly examine the performance of social assistance from the micro perspectives of recipients'

income and expense conditions and the recipients' attitudes towards social assistance by using data from a recent survey of MLSGS recipients in urban Shanghai.

At the end of 2008, SCAB commissioned a household survey of those who received a minimum-living-standard allowance (MLSA). A total of 400 households were surveyed, involving 1182 people. The monthly value of the MLSA was 485.3 yuan per household. Besides the allowance, 103 of the 400 households also received monthly housing aid benefits of 623.5 yuan per household and 62 received monthly education aid benefits of 142.8 yuan per household. Seventy-three households received medical aid and other temporary relief; the monthly benefit was 105 yuan per household. The respondent profiles were not fully representative of the population of all social assistance recipients, and so a weighting procedure was employed which reduced, but did not entirely eliminate, the problem of sample bias (SCAB, 2009). It is this survey that provides the basis for the analysis and assessment that follows.

#### *Income and expense of living*

It is hardly surprising that giving households a regular monthly cash benefit and other assistance will help to increase income and relieve distress. Yet, the degree of relieving impact depends on the value of the benefits and the living expenses of the households.

As shown in Table 1, before getting various assistance benefits, the poor households' per capita monthly income was 340.8 yuan, while with all the assistance benefits the per capita monthly income increased to 560.9 yuan, an increase of nearly 65%. Table 2 reveals that per capita monthly expenses were 578.3 yuan. Among all the expenditures, the expenditure on food is the largest proportion, and accounted for 42.6% of expenses. It is followed by education and medical expenditures, which accounted for 22.6% and 13.5% of expenses respectively. From the two tables, it can be seen that the expense outweighs the income and the gap is 17.4 yuan.

Table 1. Per capita Monthly Income of Urban MLSGS Recipients in Shanghai (2008)

| Income (Yuan)                     |       |
|-----------------------------------|-------|
| Without assistance benefits       | 340.8 |
| With assistance benefits          |       |
| Special assistance benefits       | 396.7 |
| MLSA+ Special assistance benefits | 560.9 |

Note: Special assistance benefits include benefits of housing aid, education aid, medical aid and other temporary relief.

Table 2. Per capita Monthly Expense of Urban MLSGS Recipients in Shanghai

| Type of expense             | Expense (Yuan) |
|-----------------------------|----------------|
| Food                        | 246.2          |
| Education                   | 130.4          |
| Medical treatment           | 78.2           |
| Water, electricity and heat | 33.9           |
| Life daily necessities      | 28.6           |
| Housing                     | 23.4           |
| Communication               | 21.9           |
| Traffic                     | 15.7           |
| Total                       | 578.3          |

As to the overall income and outcome conditions of the 400 households, 330 households (82.5%) said they were unable to make ends meet every month. Sixty-eight households (17%) said they could barely make ends meet. Only 2 households (0.5%) admitted they have a little balance every month. Most of the households who can't make ends meet chose to obtain assistance and help from their families and relatives.

It is obvious that in Shanghai the social assistance benefit was an important part of poor households' income and helped to relieve their degree of poverty. On the other hand, due to the high cost of food, education and medical treatment, as well as relatively low values of social assistance benefits, the majority of social assistance recipients lived beyond their incomes. That is to say, social assistance played a limited role in relieving the distress of the poverty-stricken families.

## Recipients' Attitudes

Since social assistance aims to help its recipients to improve their living conditions, the recipients' attitudes towards social assistance matter and to some degree can reflect the performance and effectiveness of social assistance. The survey indicated that 85% recipients responded it is convenient for them to receive social assistance benefits and 96% recipients can get their benefits in time, which means the administration of social assistance in Shanghai is basically effective. In fact, a distinctive feature of the administrative framework of the social assistance system in Shanghai is the initiation of a social assistance administrative agency (SAAA) (*shehui jiuzhu guanlisuo*) at the level of Street Office or town government. The aim of SAAA is to set up a community-based administrative agency independent of government departments. Besides MLSGS and MA, SAAA is also involved in the administration over EA, HA and temporary relief, together with related departments. This kind of design makes SAAA become the only agency through which urban residents can claim social assistance: government departments, working units, and social organizations can distribute the relief (Huang, 2003, p. 174). The administrative innovation of social assistance in Shanghai improves the effectiveness of benefits delivery and also sets a good example for other areas in China.

As to the recipients' degree of satisfaction, 152 households (38%) felt satisfied and 160 households (40%) felt all right, while 88 households (22%) felt unsatisfied with their benefits. The main reason for dissatisfaction was low values of assistance benefits. So, it is not surprising that of those 232 households who gave suggestions on social assistance, 180 households (78%) focused on increasing MLSA and 17 households (7%) asked for improvement of MA.

It is interesting that although 82.5% households couldn't make ends meet even with various assistance benefits, there were still 78% households who held a basically satisfactory attitude toward social assistance. This is partly because regular social assistance benefits actually enhance the households' income, which gives the recipients the feeling of economic security. This happens in part because the administration is

effective, which guarantees the effectiveness and convenience of benefits delivery, and partly because the influence of traditional culture of welfare in China makes the poor expect to get assistance from families and relatives instead of government.

### Commentary

It cannot be denied that on the program's construction and administration level, Shanghai's social assistance is absolutely advanced in China. However, due to high living costs and relatively low values of social assistance, it can be assumed that the poor in Shanghai probably still live a difficult life. The findings reported in the recent survey are fully compatible with this assumption. The reasons for this situation can be mainly attributed to two aspects: social assistance and the design of such social assistance.

First is the idea of social assistance. The emphasis on the idea has recently experienced a renaissance in welfare research, largely in tandem with the growing appeal of institutionalist approaches in different disciplines (Clemens & Cook, 1999; Hall & Taylor, 1996; Immergut, 1998; Thelen & Steinmo, 1992). Ideas influence institutions, as policy-makers possess values and beliefs which shape their comprehension of and response to social problems. In Shanghai, the idea of a citizenship right to social assistance is not well developed. Although the State Council decreed the Regulation of Minimum Living Standard Guarantee System for Urban Residents, marking a milestone for the government formally to take the responsibility of assisting the poor (Leung & Wong, 1999), there is general desire in China to avoid an overly generous welfare provision for the people. This lays the ideological foundation for setting social assistance benefits at the subsistence level to merely avoid starvation, homelessness, and raggedness (Tang, Cook, Wang & Ren, 2000, p. 78).

There is no exception in Shanghai. The Shanghai government adopted the 'basket of goods' approach that basically measures subsistence needs in absolute terms to determine the social assistance level. Thus, the benefit rate of social assistance is set at a minimum subsistence level to avoid it being viewed as an attractive form of support, which reflects the idea that

social assistance provision works only to provide basic living needs for the impoverished residents, not as a way to resolve poverty. Under this idea, the benefit level of social assistance in Shanghai is quite low in relative terms. As mentioned above, it is calculated that in 2008 the assistance level only accounted for 17.8% of the average disposable income, lower than those of the other three Municipalities (*zhi xia shi*), which is not compatible with Shanghai's status as the most affluent city in China.

Second is the design of social assistance. These programs, such as MA, HA and EA, are based on so many stringent conditions that only a small proportion of poor households are eligible. Thus, the effect of special programs on providing relief to the poor is very limited. As shown in Table 1, if MLSA is not included, the per capita income only increased by 16%, to around 397 yuan. To take MA for an example, the policy specifies that MA is for poor households with the patients of uremia, mental disorder, cancers, or other officially defined serious illnesses. Thus, poor households with the patients of other illnesses, chronic or acute, are excluded. In fact, the survey finds that patients with a chronic illness comprise nearly 83% in all the patients of the 400 MLSGS households, and they cannot get any assistance from MA (SCAB, 2009).

At the same time, the requirement that the eligible claimants have to first pay the medical expense on their own means many poor households can't get immediate medical treatment due to lack of money. If they do obtain MA benefits, what they get is insufficient, because the social assistance benefit level is so low. According to the Shanghai Ordinance on Social Assistance, setting of benefit level should also take into consideration the local economic development level and financial capability as well as average living condition, minimum expenditure for subsistence and consumer price index. This kind of policy design means in practice the setting of the benefit level is not fully determined by the needs of the poor but is also determined by local financial capability. Since the government financial resources mainly focus on promoting production and city construction instead of social welfare, poor citizens in Shanghai usually can't reap the benefits of economic prosperity and growth.

In order to give the poor more assistance and help them to get rid of poverty, efforts should be made in three aspects.

First, the idea of social assistance should be changed. Basically, social assistance programs involve two levels. First is a living guarantee, which is to provide a minimum standard of living to people with no other resources, though its operational definition varies within, as well as between, countries. The second is an anti-poverty program which helps to prevent social marginalization and exclusion (Eardley, Bradshaw, Ditch, Gough, & Whiteford, 1996, p. 47). Currently Shanghai's social assistance mainly has the first level: that of guaranteeing to the poor a minimum subsistence standard of benefits; the idea of eliminating poverty is neglected. Hence, the concept of social assistance should be changed through emphasizing the idea of combating poverty. In this way, social assistance can gain more attention from the government and the poor can get a relatively decent benefit, which is good for human development and social inclusion. This change of idea would shift focus to actually getting rid of poverty through the aid of various social assistance programs.

The second area of change involves policy. Since improper policy design makes social assistance play a limited role in relieving the distress of the poor households, several policies should be adjusted and rectified. The setting of benefit levels should be done scientifically and carefully according to the basic living needs, which not only include subsistence and regular needs, but also irregular or exceptional needs. Further, strict eligibility requirements of special assistance programs should be liberalized gradually to cover more poor households. For example, MA has to cover poor households with the patients of other illnesses step-by-step in order to prevent the vicious circle of illness and poverty. And, in order to guarantee that patients receive medical treatment in time, the requirement that the eligible claimants have to first pay the medical expense on their own should also be changed to make MA more accessible. As for HA, conditions on household income and assets as well as per-capita residential housing areas should also be gradually liberalized in Shanghai.

The third area for change involves charitable experiments on aiding the poor, which should be encouraged. Although the local government bears the important responsibility of assisting the poor, the role of charitable organizations cannot be ignored. In fact, how to coordinate the relationship between

government and charitable organizations in helping the poor is a crucial issue. Compared with other areas in China, Shanghai has a relatively sound environment for developing charitable organizations, and some organizations have already carried out several experiments in aiding the poor, such as the Shanghai Charitable Medical Aid Program and the Charitable Training Program. In future, more assistance programs run by charitable organizations should be encouraged and developed. At the same time, the partnership between government and charitable organizations should also be promoted.

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