

The Social Assistance Reform in China: Towards a Fair and Inclusive Social Safety Net

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1. Social Assistance in Planned Economic Periods (before 1990s)

After 1949, China generally upheld the dual urban-rural ruling principle and establishes an ideologically based social assistance system with three basic characteristics.

- **Initially Social assistance was not a fully vested.** The government did not promise to implement a minimum safety net for all the poor. The assistance principles were “save-oneself by-production” and “mutual assistance”, which means that the poor should support the families on their own. The government organized the poor with working capacity to carry out production and the masses to help the poor, additionally they provided assistance to the poor included elderly, disabled and children.
- **Urban and rural designations divided assistance unequally.** An urban-rural divided social assistance system was established. A “state-enterprise” protection system had been developed by the implementation of a full employment and labor insurance system for urban areas, and social assistance only covered *Sanwu* (“三无”, that mean no ability to work, no income, no support by family), persons with disabilities and persons who were deprived of property. In rural areas, the collective ownership institution was adopted and “collective-family” protection was established, but only *Wubao* (“五保”, similar to *Sanwu*) which included persons who were deprived of property.
- **Poor People Classification system was utilized.** The poor were idealized and divided into two groups: the deserving and the undeserving. On one hand, for those traditional assistance groups, including natural disaster victims, children, disabled, elderly and destitute were considered deserving recipients. On the other hand, the poor who resented the traditional morals and values (including drug addicts, prostitutes, and stragglers) and the poor who opposed socialism or seemed incompatible with the new regime. However, they could be rehabilitated and become the new people of socialism, so “relief and rehabilitation” assistance system was formed.

Before 1980s, the social safety net had not yet been established completely and the assistance was mainly furnished to the impoverished people, including *Sanwu*, *Wubao*, the disabled, orphans, vagrants, unemployed people and so forth. They were supported by the combination of scheduled and quantitative assistance and temporary relief. Those who were grouped as Rightists (initially bourgeoisie and intellectuals) who were unable to subsist due to lost their jobs were provided with humanitarian assistance. People with labor capacities were excluded from the assistance system, they needed to work (see Figure 1).

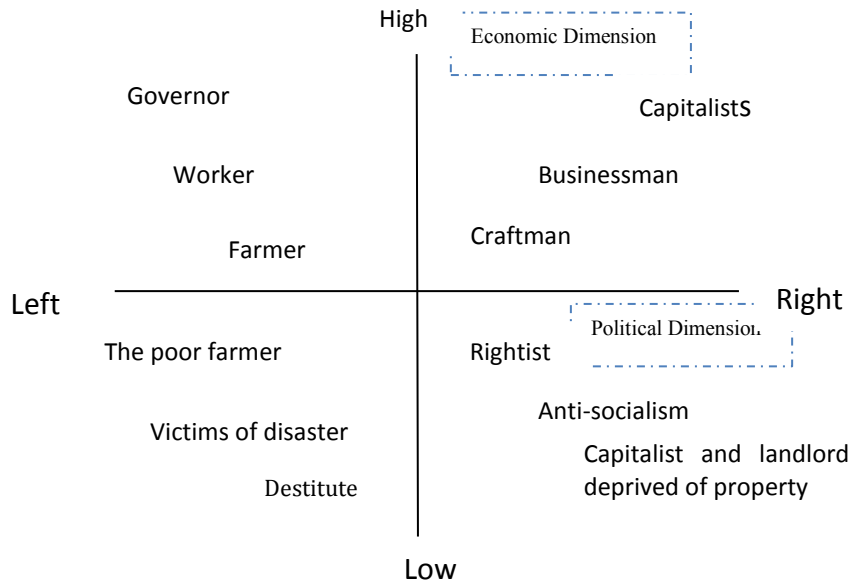


Figure 1: Social assistance about status in the period of planned economy

Before 1980s, only extremely poor families can get support by the social assistance programs, and the standard of social assistance is also very low. By 1979, the number of people who received relief in cities was only 240,000 caseloads, and the assistance amount was 75 Yuan per year per person. In rural areas, there were a total of 2.2 billion Yuan provided for social assistance from 1955 to 1978.

2. Social Assistance Reform After 1992

With the initiation of reform and opening up in 1978, China transited to market economy, and a large number of workers were laid-off and became unemployed in the process of state-owned enterprises reform. Meanwhile, some workers in employment lived in poverty due to the unreasonable distributive mechanism that widened the income gap. However, persons with work capacities were excluded from the traditional social assistance programs. So, China had to reform the traditional social safety net since 1990s.

2.1. *Dibao* (低保)

The social safety net reforming originated in Shanghai. Shanghai, the most developed city in China, first established Urban Minimum Living Guarantee System(最低生活保障, 简称“低保”, abbreviated as *Dibao*) system as the starting point of restructuring China's social safety net in 1993. According to the *Dibao* regulations, whether or not the poor have the ability to work, no matter what their value is, whatever the cause leads to poverty, all of them can get supports from government. The reform of social safety net in Shanghai achieved desired outcomes, and other local governments began to follow Shanghai's practice and subsequently established their *Dibao* programs. In 1997, the central government promulgated *Circular on the Establishment of a Minimum Living Guarantee System for Urban Residents* (《国务院关于在全国建立城市居民最低生活保障制度的通知》), and demanded local governments to establish *Dibao* in urban area before 1999. In 1999, the *Regulations on Minimum Subsistence for Urban Residents* (《城市居民

最低生活保障条例》) was issued and this institution was implemented in all urban areas in China. In 2007, China established the rural *Dibao*, that marked that a social safety net covering all peoples had taken shape.

As compared with the previous social assistance plans, *Dibao* has the following characteristics:

- **It is a means-test program.** All families applying for *Dibao* have to accept a family economic conditions survey by local governments. Any household whose per capita income is lower than the local poverty line has the right to make up a deficiency from governments.
- **It is a national social assistance program,** but responsibility of providing social assistance at the local level is acted by the local governments. Local government determined the *Dibao* poverty lines according to the standard of living, necessary cost (clothing, food, transport and housing) and local financial situation. There were over 500 poverty lines in 2017. *Dibao* poverty lines varied and large disparities in assistance level existed nationwide.
- **All peoples have the right to assistance.** After established *Dibao*, all peoples have social assistance rights, historically, it is the first time in China that peoples are empowered to obtain social assistance right and the state took the provision responsibilities of the social assistance. Since 1999, Caseloads for working poor, elderly without pension, needy children, and persons with disabilities have been growing steadily and rapidly, and the number of *Dibao* beneficiaries increase fast (see Table 1), Commensurately, expenditure on *Dibao* is also growing rapidly in relationship to this growing need (see Table 2). After establishment of *Dibao*, the level of assistance continues to increase (see Table 3). *Dibao* has become the most important system for the poor in China.

Table 1: The Trend of *Dibao* Beneficiaries in Urban and Rural (1997-2016)

Unit: million person

Year	Urban <i>Dibao</i>	Rural <i>Dibao</i>	Year	Urban <i>Dibao</i>	Rural <i>Dibao</i>	Year	Urban <i>Dibao</i>	Rural <i>Dibao</i>
1997	0.892	—	2004	22.050	4.88	2011	22.768	53.057
1998	1.84	—	2005	22.342	8.25	2012	21.435	53.445
1999	3.701	—	2006	22.401	15.931	2013	20.642	53.880
2000	4.026	3.002	2007	22.721	35.663	2014	18.770	52.072
2001	11.707	3.046	2008	23.348	43.055	2015	17.010	40.936
2002	20.647	4.078	2009	23.456	47.600	2016	14.802	45.865
2003	22.468	3.671	2010	23.105	52.140			

Source: Statistical report on the Development of Social Services of the Ministry of Civil Affairs, and Statistical report of Ministry of Civil Affairs

Table 2: The Trends of *Dibao* Expenditure in Urban and Rural (1997-2016)

Unit: billion Yuan

Year	Urban <i>Dibao</i>	Rural <i>Dibao</i>	Year	Urban <i>Dibao</i>	Rural <i>Dibao</i>
1997	0.3	—	2007	27.74	10.91
1998	0.7	—	2008	39.34	22.87
1999	2.37	—	2009	48.21	36.3
2000	2.72	—	2010	52.47	44.5

2001	—	—	2011	65.99	66.77
2002	10.87	—	2012	67.43	71.8
2003	15.1	—	2013	75.67	86.69
2004	19.19	—	2014	72.17	87.03
2005	191.9	—	2015	719.3	931.5
2006	224.2	—	2016	687.9	1014.5

Source: *Statistical report on the Development of Social Services of the Ministry of Civil Affairs, and Statistical report of Ministry of Civil Affairs*

Table 3: The Level of *Dibao* poverty lines in Urban and Rural(2003-2016)

Unit: Yuan per month					
Year	Urban <i>Dibao</i>	Rural <i>Dibao</i>	Year	Urban <i>Dibao</i>	Rural <i>Dibao</i>
2003	149.0	—	2010	251.2	117.0
2004	152.0	—	2011	287.6	143.2
2005	156.0	—	2012	330.1	172.3
2006	169.6	70.9	2013	373.3	202.8
2007	182.4	70.0	2014	410.5	231.4
2008	205.3	82.3	2015	451.1	264.8
2009	227.8	100.8	2016	494.6	312.0

Source: *Statistical report of Ministry of Civil Affairs*.

Dibao integrates a fragmented system within a planned economy and establishes a security net to meet basic needs of all people. It eliminates ideological impact on social assistance, mitigates the conflicts in society, reduces the tensions among family members caused by poverty, and promotes social justice.

2.2. In-kind Programs

Although *Dibao* has been established, it is still hard for the impoverished population to overcome their practical difficulties, including the risk of family poverty caused by rapid increase in education and medical spending. Since the highlighted the poor family housing problem is exacerbated by housing marketization, the state began to improve in-kind programs since 2000.

- **Educational assistance.** Against the background of educational industrialization in the 1990s, students from some impoverished families dropped out of school because of financial difficulties, so local governments began exploration and establishment of an educational assistance system. In 2014, *Interim Measure for Social Assistance* (《社会救助暂行办法》) was promulgated and educational assistance became a national policy. The State should provide educational assistance to students in the compulsory education attendance stage who are the members of families covered by *Dibao* and low-income families. According to the needs of different stages of education, the government supports the student such as reducing or exempting tuition fees, granting aid and providing living allowance to ensure that students' basic needs in life and study can be met.
- **Medicaid.** In 2002, the CPC Central Committee and the State Council released *Decision on Further Enhancing Health Services in Rural Areas* (《中共中央 国务院关于进一步加强农村卫生工作的决定》) and proposed to establish and improve the Medicaid system. In

2003, *Opinions on Implementation of Rural Medical Assistance* (《关于实施农村医疗救助的意见》) was released and requested the local governments to establish medicaid in rural areas gradually. Since 2005, all local governments established urban medicaid. The targeted recipients of medicaid are mainly *Dibao* and low-income families, By this medicaid is assisting through medical expense reduction and exemption.

- **Housing assistance.** With the initiation of housing marketization at the end of the 1990s in China, local governments began to establish a housing assistance system. In 2014, *the Interim Measure for Social Assistance* was released and the housing assistance system became a nationwide policy, it requests the local governments to provide assistance to *Dibao* and low-income families. Local government give priority to allocate the public rental housing, grant rental subsidies for the low-income families in housing difficulties in urban areas, and give priority to include them into the project to renovate dilapidated houses and renovate their houses as early as possible in rural areas.
- **Temporary assistance.** In 2014, *Notice of the State Council on the Establishment of Temporary Assistance* (《国务院关于全面建立临时救助制度的通知》) was released and the temporary assistance became a nationwide policy. The government provides this assistance to families or individuals, uncovered by or despite other forms of social assistance, for those whose living necessities could not be guaranteed because of emergencies, unexpected harm, major disease or other unusual factors, so as to help them cope with the emergency situation during the transitional stage.

2.3. Category assistance

China government has established a specific target for socially disadvantaged groups.

- **Minimum Pension for Elderly.** Before the 21st century, China only established a pension system for urban workers. The government established a new type of rural social insurance system for people aged 16 or over in rural areas in 2009, and established social insurance system for people aged 16 or over in urban areas in 2011. In 2014, the two systems were unified as the basic pensions insurance system for non-working urban and rural residents. The pension is composed of three parts: minimum pension provided by central government, pension provided by local government, and pension provided by individual accounts. Since the establishment of the pension system for urban and rural residents, the number of people covered by the system has been growing consistently (see Table 4).

Table4: The Number of People Protected by Minimum Pension (2010—2016)

	Unit: million person						
	2010	2011	2012	2013	2014	2015	2016
Social insurance in Urban	—	5.39	—	—	—	—	—
New Social insurance in Rural	102.77	326.43	—	—	—	—	—
Old-age insurance for residents	—	—	483.7	497.5	501.1	504.7	508.5

Source: *Statistical report of Ministry of Human Resources and Social Security*

- **Needy Children Assistance.** Influenced by traditional culture, the Chinese government was

only responsible for the relief of orphans and children with disabilities before the 21st century. With the increase of migrant workers, it led to the appearance and increase of left-behind rural children, the State Council promulgated *Opinions on Strengthening Care and Protection of Children in Difficulty* (《国务院关于加强困境儿童保障工作的意见》) in 2016, and the children in difficulties were covered by this assistance system. All the children who have difficulties in livelihood, medical care and schooling due to family poverty, or having difficulties in rehabilitation, care, nursing, and social integration due to their own disabilities and children whose personal safety is threatened or infringed upon due to lack of family custody or improper custody have the right to get assistance from the governments.

- **Vagrants and Beggars Assistance.** In 2003, the Chinese government promulgated *Measures for the Administration of Relief for Vagrants and Beggars without Assured Living The Regulations to Aid the Vagrants and Beggars Living in City* (《城市生活无着的流浪乞讨人员救助管理办法》) to provide voluntary relief to vagrants and beggars, including providing food, shelter, hospital treatment, and helping to contact their relatives or their employers. In 2006, *the Opinions on Strengthening Rescue and Protection of Homeless Minors* (《关于加强流浪未成年人工作的意见》) was promulgated to provide assistance for the homeless minors. In 2011, *Opinions of the General Office of the State Council on Strengthening and Improving the Rescue and Protection of Wandering Minors* (《国务院办公厅关于加强和改进流浪未成年人救助保护工作的意见》) demanded local governments to improve the assistance system for street children.
- **Disabilities Assistance.** In 2015, *Opinions of the State Council on Establishing a Attendant System of Living Subsidies for Disabled Persons with Financial Difficulties and Nursing Subsidies and Living Subsidies for Persons with Disabilities* (《关于全面建立困难残疾人生活补贴和重度残疾人护理补贴制度的意见》) came into effect. It was the first national subsidy programs for persons with disabilities. In 2018, a rehabilitation assistance system was established which was designed to provide rehabilitation support such for operations, assistive devices and rehabilitation training for children with disabilities.

Over the past quarter century, China has developed a citizen right-oriented social safety net which is for all peoples and fairly rich in content (see Table 5). The following progress has been made in social assistance in 2016: the number of *Dibao* beneficiaries is reach to 60.67 million and expenditure of 170.24 billion Yuan; the caseloads of temporary assistance is 8.5 million and expenditure of 8.77 billion Yuan; Medicaid expenditure is amount to 29.61 billion Yuan; the number of beneficiaries of nursing subsidies for persons with disabilities is amount to 5 millions and living subsidies for persons with disabilities is amount to 5.21 millions; the caseloads of vagrants and beggars assistance is 3.34 million (including 52,000 caseload of minors).¹

Table 5: China social safety net

General (means-tested)		Category
Cash	In-kinds	
	Medicaid	Minimum Pension for Elderly

¹ Ministry of Civil Affairs of P.R.C. *Social Service Development Statistical Bulletin (2016)*.
<http://www.mca.gov.cn/article/sj/tjgb/201708/20170815005382.shtml>

<i>Dibao</i>	Housing Assistance	Needy Children Assistance
	Educational Assistance	Vagrant and Beggar Assistance
	Temporary Assistance	Disability Assistance

3. The Social Assistance Needs to Be Further Improved

China has dismantled the fragmented social safety net in the planned economy system and developed a new one in adapting to the market economy. The new social safety net covers the most people worldwide, guarantees the basic life for the poor and maintains social stability. However, the current social safety net needs further improvement in terms of fairness and inclusiveness.

3.2 Improving Social Safety Net More Fair

China’s social assistance has developed two social safety nets based on *Hukou* (household registration, 户口) for urban and rural areas respectively and widened the gap between them. Taking *Dibao* as an example, although the gap of average monthly *Dibao* standard between rural and urban areas has been narrowed from 2006 to 2016, the *Dibao* standard in rural areas still accounted for 63.1% of that in urban areas in 2016 (see Table 3). The gaps in social rights between regions are widening. Taking *Dibao* as an example, in the first quarter of 2018 (*Dibao* standard was the data for the fourth quarter of 2017), the *Dibao* standard for provinces and cities with higher urban and rural residents’ income were also higher. The standard in developed regions such as Beijing and Shanghai was nearly twice as high as those in undeveloped regions such as Qinghai and Ningxia (see Figure2, Appendix Table 1).

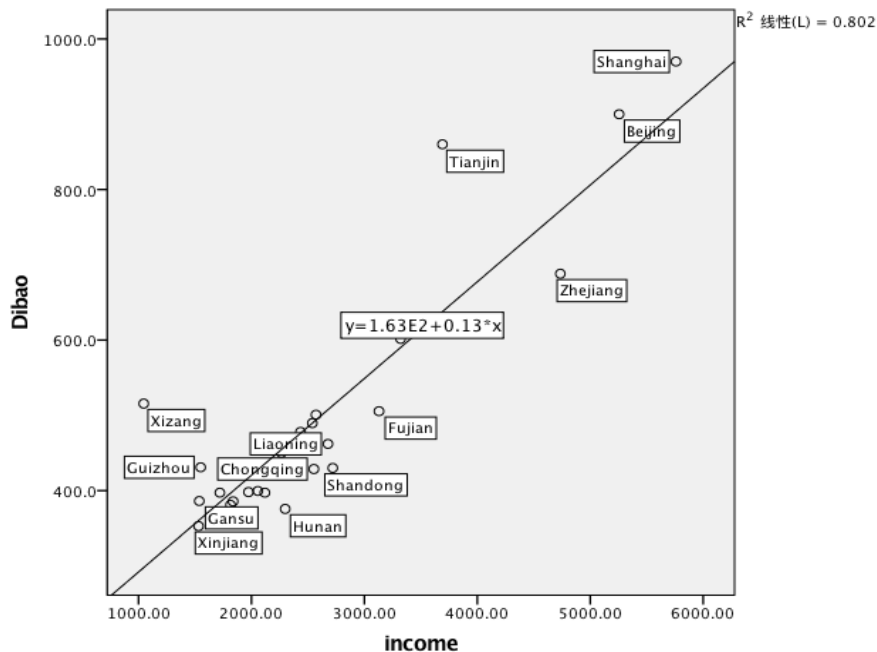


Figure 2: Comparison of the *Dibao* poverty lines and incomes in province level (First quarter of 2018)

How to promoting equality of social rights? Firstly, establish the national minimum *Dibao* poverty line and low-income family poverty line by central governments, and demand local governments' poverty lines cannot be below, only higher than the national poverty line. Secondly, reduce local government *Dibao* poverty lines to less than three poverty lines at province level. The central government should formulate a nationwide poverty line each year as the reference, and the poverty lines set by the local governments should not be lower than the nationwide standard. Lastly, unify rural and urban social assistance system, and unify the standards of *Dibao* and other social assistance programs before within the stipulated time frames (eg, before 2022, during the term of the current government).

3.2 Improving Social Safety Net More inclusive

The current social assistance programs have a low coverage rate. Take *Dibao* as example, the coverage rate kept increasing since 1997 and reach the top in 2011, then it decreased. The maximum coverage rate is just only 5.63% (see Table 6). The main factors which cause the low coverage rate is *Dibao* poverty lines are too low, and some poor families which is indeed live in difficulty can not meet the conditions. In addition, the social safety net based on the *Hukou* has an inherent leakage risk. For example, a large quantity of laborers have migrated from rural to urban areas, some of them live in difficulties because of unemployment, joblessness or disaster, but they have no right to get help from the local government.

Table 6: the trend of coverage rate of *Dibao* (1997-2016)

Unit: million person,%

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Recipients	0.89	1.84	3.70	7.03	14.75	24.73	26.14	26.93	30.59	38.33
Coverage Rate	0.07	0.15	0.29	0.55	1.16	1.92	2.02	2.07	2.34	2.92
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Recipients	58.38	66.40	71.06	75.25	75.83	74.88	74.52	70.84	57.95	60.67
Coverage Rate	4.42	5.00	5.32	5.61	5.63	5.53	5.48	5.18	4.22	4.39

Source: *Statistical report on the Development of Social Services of the Ministry of Civil Affairs, and Statistical report of Ministry of Civil Affairs*

How to promote social safety net more inclusive? Firstly, the standard of *Dibao* should be set and adjusted in according to the local living standard (income or consumption), and rename the *Dibao* as "Basic Living Assistance" (基本生活保障) which could provide more diverse assistance (for example, more communication costs, more transportation), so more people can meet the assistance conditions. At the same time, establish a mechanism by which central government and local government share the social expenditure. Secondly, protecting the rights of the migrant workers from rural areas, promoting the equal social right between migrant workers and local residents, establish a social safety net system based on the place of working, where residents who live in the area for more than six months, could entitle them with equal social right as local residents.

4. The challenges to the Social Safety Net in China

4.1 Pressures on the Social Safety Net

China's current social safety net is under great pressures from three aspects.

The first comes from *Dibao* beneficiaries decreasing. Chinese government has proposed the goal of building a moderately prosperous society by 2020 and ensuring that the poor living in the rural area are all lifted out of poverty. To achieve the goal, Chinese government has established the targeted poverty reduction and alleviation policy since 2015. As a result, the poor households database which conducted by the State Council Leading Group Office of Poverty Alleviation and Development (CPAD) had been set until 2014, and the poor who are identified and registered are included in the database. Many *Dibao* beneficiaries (which conducted by Ministry of Civil Affairs, MCA) have given up *Dibao* and switched to register in the targeted poverty alleviation system as they can enjoy more preferential policies. As a result, *Dibao* beneficiaries have being decreased since 2015. But beneficiaries of the targeted poverty alleviation policy will not enjoy the preferential policies after they are lifted out of poverty, and some of them are likely to revert to poverty if they are not supported by a social safety net. In addition, the Chinese government has implemented a strictly accountability system which leads to the tendency of officials excluding applicants by using stricter criteria during the qualification. Simultaneously, local governments reexamined qualifications of existing *Dibao* and terminated some beneficiaries' qualification that did not meet the *Dibao* conditions. but some of them are actually poor.

The second comes from medicaid and temporary assistance beneficiaries increasing. First, poverty caused by disease increased as the rapid increase in medical expenses, inadequate medical insurance system, and low reimbursement levels leading to a rapid increase in beneficiaries of medical assistance and temporary assistance systems creating more pressure on financial system. Second, China's aging population is expanding fast and has reached to 230 million (60 years old and above) in 2016, and is still increasing at a high speed. It will put more pressure on the pension system. While it is difficult to raise the minimum pension level in a short period of time, the incidence of poverty among the elderly will stay at a high level. This means *Dibao* should have to fill in to support them with their basic lives.

The last comes target methods. After the *Dibao* established, *Dibao* applicants grown rapidly, and the maximum number of applicants was over 100 million. It is a huge task to verify the applicant information and a severe challenge to keep accuracy of target. Because of short of staff and backward of target methods, some families that do not meet the conditions are protected by social safety net, even some people use false materials to get support. On the contrary, some poor families are excluded from social safety net because of incomplete information. People are very sensitive to these phenomenon, governments are seeking the solutions for reducing or eliminating fraud, improving the accuracy of target (see Figure 3). But up till now, these phenomenon cannot be completely eliminated.

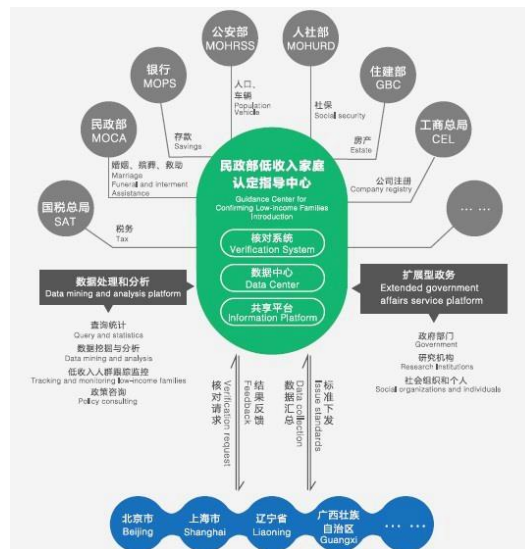


Figure 3: Family Income Information Verification System (FIIVS)
 Source: Center for Monitoring and Verification of Low Income Families, <http://www.dsrrd.gov.cn/>

4.2 How to Deal With the Challenges

First, the relationship between social safety net and rural poverty alleviation and concurrent development policy should be clarified. The two policies should be complementary rather than competitive meaning that the development-oriented poverty alleviation policy should focus on regional needs to include human resources development of poor families. At the same time the social safety net should focus on ensuring basic subsidy standards poor and take appropriate measure to help them develop.

Second, improve social insurance system to play a greater role in poverty prevention. This includes improving the level of medical insurance reimbursement for urban and rural residents to ease the burden of patients and their families; raising the minimum pension level in urban and rural residents' pension system to reduce the incidence of poverty among the elderly.

Last, improvement of targeting methods. Establish poor family database national widely, update the basic data of poor families in real time. This is not only conducive to improving the accuracy of target, but also conducive to reduce the labor intensity of the staff. Meanwhile, The accountability system for staff should also be more flexible, so that more of the poor families could be included by the social safety net.

China developed social assistance programs 3000 years ago and has completed social safety net that based on right till now. The reform of China social safety net is still under way, including: using large data to improve household survey methods, encouraging nongovernmental forces to participate in social assistance by increasing the strength of government's purchase of services, gradually unifying urban and rural social assistance system, setting up *Dibao* poverty line adjustment mechanism, and etc.. According to the report delivered at the 19th National Congress of the Communist Party of China report, China will focus more on social safety and the programs will be developed in the coming five years, the social safety nets will value fair more as the gap between urban and rural social protection rights will be further reduced. What's more, with emphasis on vulnerable groups such as the elderly, persons with disabilities and children, the social safety net will become more inclusive and open.

Appendix:

Appendix Table 1:

Appendix Table 1: Poverty lines of *Dibao* in China (First quarter of 2018)

Unit: Yuan per month

Province	<i>Dibao</i> average poverty line	Per capita Disposable Income	Province	<i>Dibao</i> average poverty line	Per capita Disposable Income
China	489.7	2,539.0	Henan	369.7	1,885.7
Beijing	900.0	5,255.7	Hubei	477.9	2,434.7
Tianjin	860.0	3,691.0	Hunan	375.7	2,298.3
Hebei	431.6	2,030.3	Guangdong	601.6	3,320.7
Shanxi	385.7	1,837.3	Guangxi	398.1	1,973.7
Inner Mongolia	500.8	2,571.3	Hainan	421.4	2,177.0
Liaoning	462.1	2,677.3	Chongqing	428.7	2,552.3
Jilin	397.3	2,118.7	Sichuan	399.6	2,056.3
Heilongjiang	436.1	2,087.7	Guizhou	431.0	1,550.3
Shanghai	970.0	5,759.0	Yunnan	397.3	1,719.7
Jiangsu	620.6	4,114.0	Xizang	515.6	1,045.3
Zhejiang	688.1	4,735.0	Shannxi	421.7	1,991.7
Anhui	450.1	2,265.0	Gansu	386.2	1,537.3
Fujian	505.5	3,129.3	Qinghai	364.2	1,775.7
Jiangxi	421.8	2,053.3	Ningxia	381.1	1,814.0
Shandong	430.1	2,719.7	Xinjiang	352.9	1,531.0

Source:

(1) *Dibao* Poverty lines Quarterly Report of Q4th 2017 from Ministry of Civil Affairs, <http://www.mca.gov.cn/article/sj/tjjb/bzbz/201803/20180315008055.shtml>

(2) The Residents Disposable Income Per Capita of Q1th 2018 from National Bureau of Statistics, <http://data.stats.gov.cn/easyquery.htm?cn=E0102>.