

Lecture 3 Survey of China

Social Welfare System of China

Xiang Nan

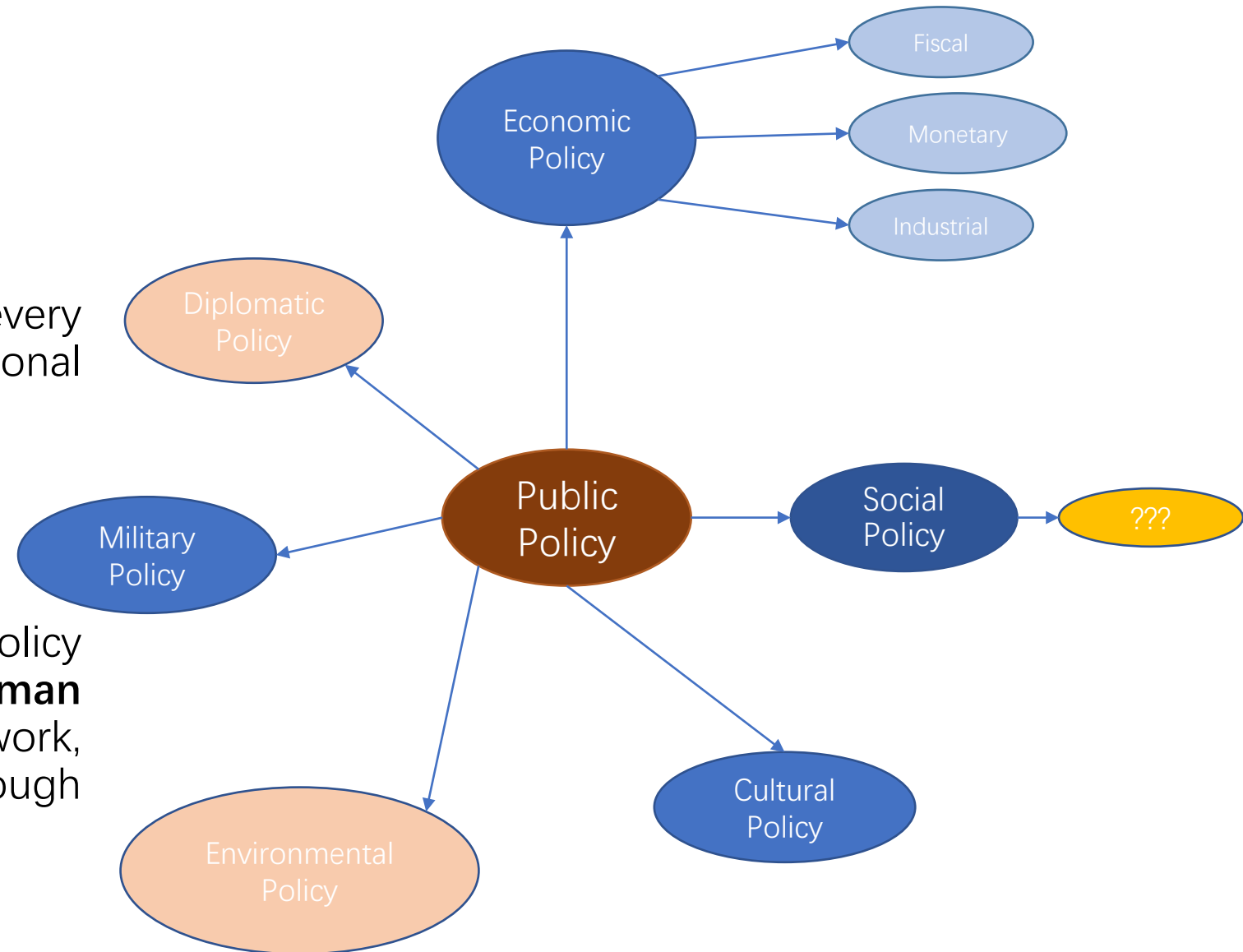
Social Welfare

- **Public Policy:**

government policies that affect every member of a nation-state or a subnational jurisdiction.

- **Social Policy :**

- an important **component** of public policy made by the government **to meet human needs** (for social security, education, work, health, housing, wellbeing, etc.) through **social welfare provision**.



Historical Development of China's Social Welfare System since 1949

1. Pre-1978: The Formation of China's Social Welfare System

- Rural Area: People's communes
- Urban Area: State-owned enterprises
 - ✓ Employment: work arrangement; lifetime employment
 - ✓ Mini-welfare state: **medical care**, housing, pension, childcare
- Characteristic:
 - ✓ collective/ egalitarian
 - ✓ urban-rural welfare difference
- Consequences:
 - ❑ Heavy fiscal burden for the government
 - ❑ Low productivity of state-owned enterprises



Example: China's Three-tier Network of Health Service Delivery before 1978

➤ Urban Area

- (1) Street clinics (referral system)
- (2) District hospitals
- (3) City hospitals

➤ Rural Area

- (1) Village clinics (brigade):barefoot doctors
- (2) Commune health centres
- (3) County hospitals

Characteristics

- **Coverage for all social groups**
 - SOE worker: labour health insurance scheme
 - Cadres: government health scheme
 - Rural residents (90%): Cooperative Medical Scheme (1966)
- **Multi-functional**
 - Medical Treatment
 - Disease Prevention:
 - anti-epidemic stations,
 - patriotic health campaigns
- **Public good**
 - Subsidized medical care and low medical cost



2. Retrenchment of Social Welfare (1978–1990s)

Economic Reforms

- ❑ To enhance productivity
- ❑ To reduce fiscal burden
- (1) Rural Area:
 - **Household responsibility system**
 - (gradual disbanding of communes)

2. From 1978 to 1990s: Retrenchment of State Welfare

Economic Reforms

- (2) Urban Area:

- **State-owned enterprise reforms**

- Employment contract + Bankruptcy law (1986)
(vs lifetime employment, **laid-off workers**)
- Legalize the status of private sector (1999)
(non-standard/ temporary employment)

- **Marketisation and localization of welfare services**



Table 7.1: Composition of hospital incomes in China (1980-2000) (%)

Sources of income	1980	1985	1990	1995	2000
Medical service	18.9	22.2	28.6	34.7	40.2
Sale of drugs	37.7	39.1	43.1	49.8	47.1
Government subsidies	21.4	20.2	11.6	7.5	8.7
Others	22.1	18.6	16.7	7.9	4.0
Total (%)	100	100	100	100	100
Total income (¥100 million)	292.6	428.6	702.2	1,003.4	2,296.5

Source: Derived from Tang and Meng (2004, p 28)

Out-of-Pocket Payment

Table 7.4: National health expenditure by resources in China (1980-2001)

	1980	1990	1995	1997	1998	1999	2000	2001 ^b
GDP^a (billion yuan)	451.8	1,854.8	5,847.8	7,446.3	7,834.5	8,206.8	8,944.2	9,593.3
Total health expenditure^a (billion yuan)	13.2	73.4	225.8	338.5	377.7	417.9	476.4	515.0
Government health expenditure (% of total health expenditure)	36.4	25.0	17.0	15.4	15.6	15.3	14.9	15.5
Social health expenditure^{a, c} (% of government health expenditure)	40.4	38.0	32.7	27.7	26.6	25.5	24.5	24.0
Individual health expenditure (% of total health expenditure)	23.2	37.0	50.3	56.9	57.8	59.2	60.6	60.5
Health expenditure per capita^a (billion yuan)	13.4	65.0	190.6	273.8	302.6	331.9	376.4	403.6
Total health expenditure as share of GDP (%)	2.9	4.0	3.9	4.6	4.8	5.1	5.3	5.4

URBAN Social Welfare Reforms in Late 1990s

➤(1) “5 insurance + 1 fund” (五险一金) system first built in Cities for **urban employees**



HROne

Consequences:

- Urban-rural welfare segregation
- Regional welfare disparity
- Increasing social inequality: welfare dependent on occupation status

Basic medical insurance for urban employee (1998)

Finance (change since 2022)	<ul style="list-style-type: none">• Employee + Employer, government subsidies• Fund managed at city level:• (1) social pooling account (reimbursement) (employer contribution + government subsidies): for inpatient treatment + outpatient treatment• (2) individual account (individual contribution + 30% employer contribution)
Contribution	<ul style="list-style-type: none">• Employer: about 6%,• Employee: about 2% (monthly contributory wage)
Minimum/Maximum payments from the social pooling fund	<ul style="list-style-type: none">• Yes

Table 7.5: Types of health insurance schemes and coverage in China (2003) (%)

Medical scheme	Urban	Rural
Cooperative insurance	6.6	9.6
Compulsory insurance for urban workers	30.4	1.5
Catastrophic disease insurance	1.8	0.1
Government scheme	4.0	0.2
Labour insurance	4.6	0.1
Other types of insurance	2.2	1.2
Commercial insurance	5.6	8.3
Sub-total	55.2	21.0
Self-payment	44.8	79.0
Total (%)	100.0	100.0

URBAN Social Welfare Reforms in Late 1990s

➤(1) “5 insurance + 1 fund” (五險一金)

➤(2) Social Assistance System

◆ Safety net: supplement to social insurance

◆ Component:

- **Minimum standard of living scheme**
- Supplementary assistance (education, medical care, housing, etc)
- Temporary assistance (disasters)

Minimum Standard of Living Scheme (1997)

- Means-tested (public notice boards)

- Assistance level:

If you were tasked with determining the respective amounts for the benefit of minimum standard of living, the benefit of unemployment, and the standard for minimum wage, which one of these should be allocated the highest amount?

- Financed by **local** and central government

Table 5.8: The monthly rate of the MSLS in 36 cities of China (May 2005)

Name of city	Monthly MSLS rate per person (¥)	Name of city	Monthly MSLS rate per person (¥)
Guangzhou	330	Fuzhou	200-220
Shenzhen	290-344	Kunming	210
Dalian	240-363	Nanning	210
Ningbo	300	Changsha	200
Hangzhou	280-320	Harbin	200
Beijing	290	Lhasa	200
Shanghai	290	Xian	200
Xiamen	265-315	Zhengzhou	200
Tianjin	265	Chongqing	195
Nanjing	240	Huhot	190
Jinan	230	Lanzhou	190
Qingdao	230	Nanchang	190
Hiakou	221	Taiyuan	183
Shenyang	220	Yinchuan	180
Shijiazhuang	220	Guiyang	170
Wuhan	220	Changchun	169
Chengdu	210	Xining	165
Hefei	210	Urumqi	161

Source: Secretary of China Social Security Forum (2006)

3. The 21st Century: Expansion of Social Welfare in China

- **Socio-economic Background**

- Balanced economic and social development

- ❑ Scientific Outlook on Development (2003)

“To put people first, we should take people's interests as the starting point and foothold of all of our works, make continuous efforts to **meet various needs of the people** and promote an overall development of the people.”

- ❑ Harmonious Society (2004)

“fairness and justice” is one of the general requirement for building a harmonious socialist society.

- **Expansion of Social Welfare**

- Back of the State

- ❑ More comprehensive: increasing coverage/ fiscal support

- ❑ Promoting social equity (rural area, migrant workers)

Basic Medical Insurance Scheme for Urban-rural Resident (2016)

- New Rural Cooperative Medical Scheme (2003)
- Basic Urban Resident Medical Insurance Scheme (2007)

Table 1. Characteristics of the three social health insurance schemes in China.

Features of Each Scheme	Urban Employee Basic Medical Insurance (UEBMI)	Urban Resident Basic Medical Insurance (URBMI)	New Rural Cooperative Medical Scheme (NRCMS)
Year established	1998	2007	2003
Target population	Urban employees	Urban unemployed, elderly, students, children	Rural residents
Risk-pooling unit	Municipal level	Municipal level	County level
Number of people insured by 2015 (millions)	288.93	376.89	670.00
Benefit package (in 2015)	Outpatient and inpatient care	Outpatient and inpatient care	Outpatient and inpatient care
Financing	Employer (6–8% of salary) Individual (2–3% of salary)	Government subsidy about 2/3 Individual about 1/3	Government subsidy about 2/3 Individual about 1/3

- **Characteristics:**
 - Universal Coverage
 - Finance: individual + government (all goes to social pooling account)
 - Lower level of assistance

Essential Drug List (2009)

- Enhance the affordability and accessibility of medical care services:
 - All drugs in the list covered by social medical insurance schemes.
 - Restrictions against community hospitals' over-prescription.
 - In 2023, 2967 commonly used drugs sold at controlled prices.

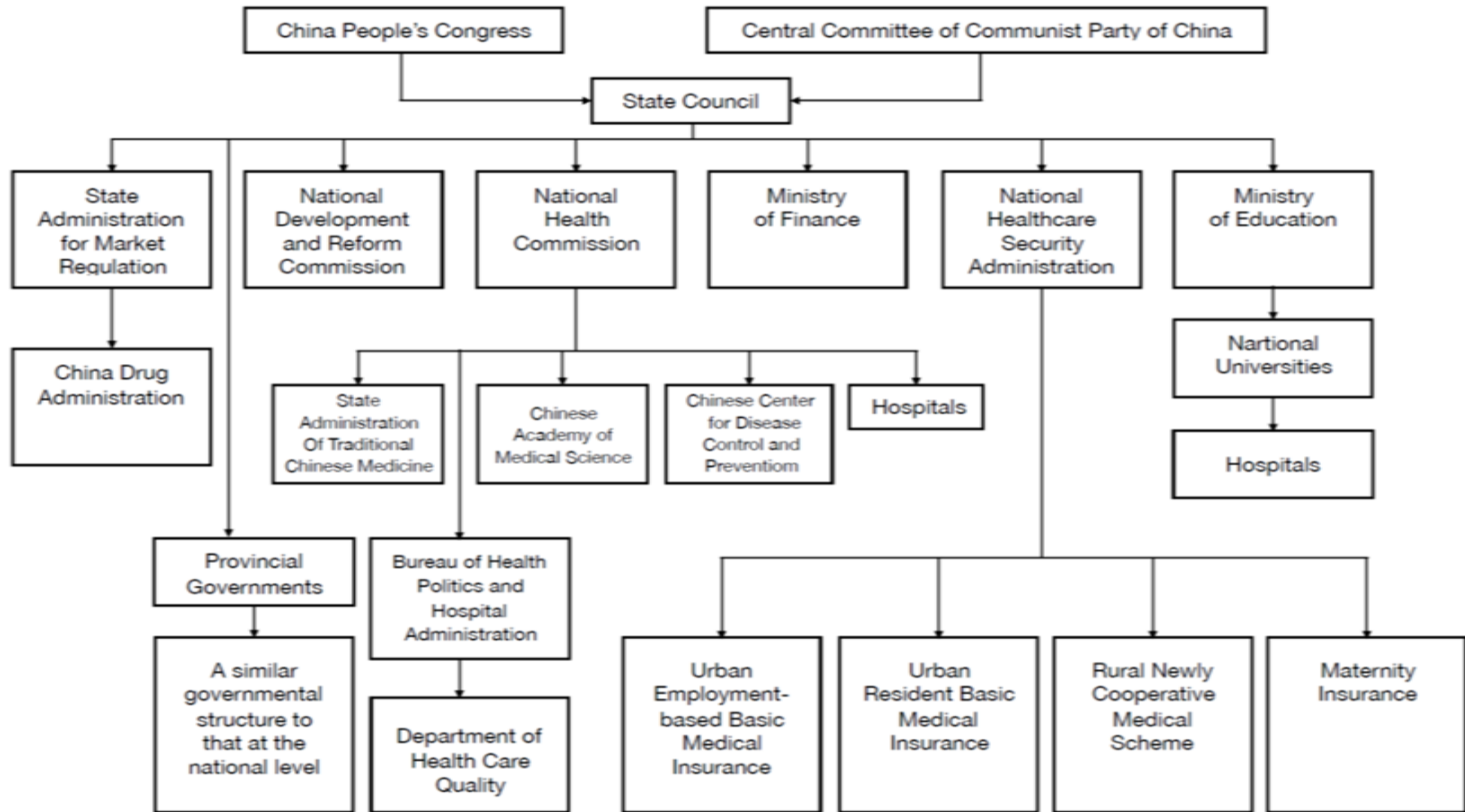


Prospect for the future: Health China 2030 (2016)

More efforts are needed in future

- Urban-rural inequality in welfare
- Regional inequality in welfare
- Social inequality in welfare

- Gap between policy goal and implementation
 - lack a comprehensive welfare law (vs rules, directives, decisions, proposals)



Summary

China's socio-economic development and social welfare development

Time Period	Socio-economic Background	Social Welfare
Before 1978	socialist planned economy	collective welfare system/ state-dominated
1978-1990s	socialist market economy	market-oriented welfare reform/ retrenchment of state-welfare
After 2000s	Balanced socio-economic development	Welfare expansion/ Back of State

- Socio-economic development as foundation for social welfare development
- Social welfare as a strong support for socio-economic development