

# T03P10 / Political Economy of Social Policy Reform in China

**Topic :** T03 / Policy and Politics sponsored by Policy & Politics Journal

**Chair :** Qian Jiwei (East Asian Institute, National University of Singapore)

## GENERAL OBJECTIVES, RESEARCH QUESTIONS AND SCIENTIFIC RELEVANCE

*In this panel a selection of papers may be considered for the Policy & Politics journal.*

Government social expenditure has increased very fast in China since early 2000's. The amount of government expenditure on three major areas, social security and social assistance, education and health care, increased by an average annual rate of 21.4 per cent between 2003 and 2013.

The size and huge variations of the country together with the dramatic experiences of economic development in the last six decades make China standing out as a very interesting case in social policy reform. On the one hand, there are significant portions of legacies of central planning system in the current welfare system. On the other hand, given the sheer size of China, regional differences in economic and social conditions are huge. In this case, having a better understanding of the changes and evolution of the Chinese social welfare system from the perspective of the political economy can be highly value-added to the existing social policy literature.

In this context, there are also several features in the recent round of the social policy reforms in China. First, while the spending on social areas has been increased very fast, financial coverage for many social programmes are still not sufficient enough. The quality of public services is still relatively low. Second, the welfare system is fragmented among different regions, between rural and urban areas and also between formal and informal sectors. Third, in some policy areas, policy initiations to expand coverage of social programmes can be very flexible and the expansion of welfare programmes can be achieved in a dramatically rapid speed. However, in some other policy areas, the policies and institutions are resilient and there are almost no significant changes in the recent decades.

This panel makes an attempt to understand social policy reforms in China from the perspective of political economy. Political institutions, incentives of political players as well as policy capacity have played important roles in the social policy making and implementation. The welfare system can vary in locations, in policy areas and also be path dependent. This panel is going to discuss the dynamics of the Chinese welfare system from the political and economic institutions.

## CALL FOR PAPERS

Theoretical, empirical and policy papers from the perspective of political economy in all social policy areas in China are welcomed. Topics may include but are not limited to:

- Welfare regime, institutional changes
- State capacity, legal capacity, fiscal capacity, policy capacity
- Central-local relation and local variation of social policies
- Political economy of the following policy areas

1. Education policy, education financing
2. Health reform, health policy
3. Social Security Reform
4. Social assistance
5. Poverty alleviation
6. Housing policy, affordable housing
7. Unemployment insurance and employment policy
8. Other social policy areas

# T03P10 / Political Economy of Social Policy Reform in China

Chair : Qian Jiwei (East Asian Institute, National University of Singapore)

## Session 1

Friday, June 30th 08:15 to 10:15 (Block B 3 - 1 )

### Discussants

Qian Jiwei (East Asian Institute, National University of Singapore)

### Policy Re-framing and Entrepreneurship in China's Public Hospital Reforms: The Case of Fujian Province

Alex Jingwei He (The Education University of Hong Kong)

How policy problems are framed exerts significant impact on how policy solutions will be formulated. Policy framing vigorously shapes policy content. New framing can change the conventional perceptions of the causes of the problem and provide new vision necessary for presenting innovative solutions. Many previous studies have revealed the powerful role of issue reframing in social policy reforms. By examining the public hospital reform in Fujian Province, China's nationwide "model" of health care reforms, this paper illustrates the dynamics of policy issue reframing and the role played by policy entrepreneurs. It elucidates the interaction between agent and structure and how this gives opportunities for policy reframing that opens the door for the introduction of innovative health policy reforms.

### The Political Economy of Chinese Health Reform? A Health Financing Perspective

Shaolong Wu (Sun Yat-sen University)

#### The Political Economy of Chinese Health Reform? A Health Financing Perspective

Chinese health reform has come to the so-called deep water zone, which involves the change of the stakeholders' power and interest. The stakeholder in Chinese health reform is the governments, departments, patients, hospitals and doctors, and drug manufacturers and distributors. To improve Chinese health system, the health reform not only need input more resources, but also need redistribute the stakeholder's power and interest.

From the perspective of health financing, the first phase of political economy of China's health reform is collecting money, which has been accomplished successfully in recent years with high health insurance coverage. The second phase is to administer, allocate, use and pay the public money for better health system performance, which involves the basic problem in the fund flow process: who get what, when and how.

After the public money was collected in China, which department should take in charge of the health insurance fund, or the Chinese government delegated authority to which department? The new rural cooperative medical insurance is ministered by department of health, and the urban employee basic medical insurance and urban resident basic medical insurance are administered by department of human resource and social security. When the central government tries to integrate the three insurance funds, the delegation problem emerges. The department of health and human resources and social security are both striving for the huge management power instead of better service.

Patients in China can choose a medical institution and a doctor freely, and they tend to go to high-level hospitals even for mild symptoms, effectively overcrowding those hospitals and overusing the health fund. Although many disorders could be treated in primary healthcare institutions with convenient access and at an affordable price, many patients are unwilling to go to these institutions owing to their lack of confidence in the health professionals' skills and the quality of health care provided. How to limit the patient's discretion of access to medical institutions and establish a Hierarchical Treatment Model? This is a great challenge for Chinese government because of strong opposition from patients and hospitals.

Though more than ten government departments manage the public hospitals, actually public hospital have big

autonomy and no department could control them. On one hand, the fragment health insurance authority should be integrated to control the public hospital. On the other hand, the public hospital's autonomy of income allocation and debt financing should be limited or cancelled because of profit-oriented overtreatment.

The public hospitals earn income though high medicine price (yi yao yang yi) under regulated low service prices. Due to corruption in the pricing process, the price of medicine in Chinese mainland is raised higher than Hong Kong, Macau, and Taiwan. The new money becomes the profit of drug manufacturers and distributors and the illegal income of some doctors instead of service delivery. Reduce drug prices and raise the wages of all medical staff, the government needs to redistribute the interests generated by drug price.

### **“Allocation of Authority” in China's Social Policy Reform**

Qian Jiwei (East Asian Institute, National University of Singapore)

For many countries, it is difficult to have institutional changes in the welfare system given the existence of vested interest, multiple veto players and constraints from the rules of formal institutions. While policies and institutions are resilient in some policy areas in the Chinese social welfare system, there have been large scale changes in some selected areas. By analysing recent cases in the Chinese social policy reform, this paper attempts to understand the peculiarity from the perspective of authority allocation.

### **The institutional account of public pension dynamics in China -from perspective of pension governance**

lei zhang (southwestern university of finance and economics)

This study explores the processes and outcomes of pension policy reform from 1980s to 2010s, targeting pension insurance program which has been through the process of fragmentation to integration in the past three decades. The literature explaining the social policy change is often fragmentary imprecise without systematic and rigorous manner. This article is aimed to provide an institutional approach to public pension reform in China. Not only focus on the pension policy profile change and the effect of political economy, this study also emphasizes the institutional feature of public pension governance and attempt to account for the endogenous change process and casual mechanisms. In this article, we firstly review the pension reform initiatives from historical perspective, and then develop an institutional framework to explain the change process of public pension system from the pension governance perspective. Finally, this article would discuss why and how the political economy conditions, formal institutions and role of idea in shaping the trajectory of public pension reform and their interactive effects on the performance of pension program. Hopeful this study could adopt the case study of China's public pension system to illustrate the explanatory power of institutional framework on what type of change, how and why the change take place in China's public pension program, and shed a new light on the social policy change and continuity literature.

# T03P10 / Political Economy of Social Policy Reform in China

Chair : Qian Jiwei (East Asian Institute, National University of Singapore)

## Session 2

Friday, June 30th 10:30 to 12:30 (Block B 3 - 1 )

### Discussants

Qian Jiwei (East Asian Institute, National University of Singapore)

### Reforms to Improve Education Accountability: Recent Experience from Beijing

Yifei Yan (University of Southampton)

Accountability has frequently been highlighted as a key towards better education outcomes. However, current research on education accountability falls short in at least three dimensions. First, the emphasis is still largely discipline and control, with the equally important aspect of support and recognition fairly under-explored. Second, those which do study the latter kind of accountability mainly focus on short-term interventions. Long-term supportive interventions are not yet systematically studied. Finally, to the extent that transparency matters for accountability, studies so far highlighted more the static aspect of providing information, rather than the dynamic aspect of how such information is communicated among different stakeholders.

This paper intends to fill in the above-mentioned gaps by presenting, as a case study, recent reforms to improve education accountability in Beijing's government middle schools. In particular, it zooms into three long-term supportive practices that involve all major stakeholders: training and career development for teachers, that for principals, and inter-stakeholder communication. Beijing's experience freshly illustrates how a previously centralized apparatus is striving to match the needs and incentives at the grass-root level, as well as the merits and limitations within the top-down approach.

After introduction, Section II describes the traditional governance hierarchy in Beijing's basic education system. Section III summarizes how training, recognition and communications are organized, with a particular focus on how these practices match with stakeholder incentives. Section IV critically analyzes the potential tensions and inertia among different stakeholders in a reform dominated by top-level agencies. Section V concludes with policy implications.

### Equity in Redistribution to the Elderly and Children: An Intergenerational Conflict in Hong Kong?

Alfred Muluan Wu (Department of Asian and Policy Studies, The Education University of Hong Kong)

Similar to other developed economies, Hong Kong is an ageing society and it is argued that there is an intergenerational conflict over welfare resources between the older and younger people. A concern has arisen for a long time among social policy analysts about horizontal equity and intergenerational fairness. Individuals in childhood and old age (especially after retirement) receive most financial and other help from the government. Nevertheless, there is little research on public expenditure on the elderly and children in the Hong Kong context. In this study, we aim to tackle this important issue through analyzing public spending on the elderly and children using a mixed method. Policy implications are drawn to inform the debate regarding the financial sustainability and legitimacy of aged-related public expenditure in an Asian context.

### Do women benefit from higher education? A study of female workers in the labour market of urban China

Jin JIANG (Lingnan University)

Qian Jiwei (East Asian Institute, National University of Singapore)

The government social expenditure in China has grown dramatically in recent decades. In particular, the government expenditure on education was RMB 203 billion in 1998, but increase from RMB 385 billion in 2003, to RMB 1045 billion in 2008, and even leaped to RMB 2449 billion in 2013. In terms of amount and increasing rate, the expenditure on education is larger than that of another two main areas—health, and social security and social assistant. The substantial change in educational expenditure coincided with the massification of higher education since 1999. During the reform, more and more female students gained access to higher education. According to the official statistics, female students in regular higher education institutions was 4.74 million in 2003, which is almost triple of that in 1998 (1.6 million). The number further increased to 10.8 million in 2008, and 13.8 million in 2013. Moreover, female labour force participation rate in China is over 70%, which is relatively high compared to other Asian countries, and over 10% of female population in China has a college degree.

Against the backdrop of the policy reform of higher education in China, the number of female college-educated workers in the labour market is unprecedented. However, the impacts of higher education on labour market conditions for female workers are less well understood. To fill this gap, the current study examines whether and how women benefit from higher education in the labour market of urban China. We focus our analysis on the advantages/ disadvantages of college-educated female in terms of income and their employment in informal sector (i.e., working in registered small-scale private enterprises, self-employed, and flexible employment).

Drawing on a recent nationwide household survey (China Labour-force Dynamics Survey 2012) and the city-level statistics, this study finds that higher education in general has a significant and positive impact on female workers' conditions. We find college-educated female workers are less likely to work in the informal sector and more likely to receive higher income, compare to those without college degree. Interestingly, female workers may benefit more from a college degree compared to their male counterparts in securing a job from the urban formal sector (i.e., state-owned enterprises, collectively owned enterprises, limited liability companies, shareholding corporations, foreign-owned companies and joint ventures). However, for female workers from rural areas, the impact from a college degree on income is significantly less compared to female workers from urban areas. And "glass-ceiling" effect of college-educated female workers also exists in the informal sector.

## **The Chinese All-Round Education Reform**

Wendy Chen

Education is one of the top priorities for all countries around the world, and China leads the way in basic education in terms of students' exam performances. However, with China's rapid economic development over the past few decades, the Chinese government and its people have started to realize that Chinese students on average fall behind their counterparts in the West in a number of necessary skills such as creativity, mental health, physical abilities, and many argue that the traditional exam-oriented education style is to blame.

Therefore, since the late 80s, the Chinese government has tried to reform basic education by promoting all-round education (also known as quality-oriented education). A variety of new education policies were implemented due to the reform including reducing the amount of homework, increasing curricular not directly related to exam subjects, adding teachers' training for all-round education and so on. However, due to the size and complex political and economic structures of the country, the implementation of the policies varies in different regions. Take Shanghai as an example, as one of the most prosperous cities in China, it receives more financial support from the government than other smaller cities over time. But, (1) how does the all-round education reform in Shanghai impact students' i) interest and knowledge in science and innovation, ii) comprehension of music and arts, iii) mental health and motivation, iv) habits of learning, and v) physical ability? (2) What is the relation between the local government funding and the results of the all-round education reform? (3) What is the role that the local government and institutions plays in this reform?

The all-round education style has been found vital in increasing students' creativity and innovation skills etc. in western countries. However, although the Chinese government has put a large amount of financial investment in the all-round education reform, the effectiveness of the reform and the role the local governments are playing remains unclear.

Because the results of all-round education are hard to estimate, so far almost no extant studies have done a thorough investigation of the Chinese all-round education reform from the perspective of political economy. This paper, as one of the first attempts to examine these issues, adopts an interdisciplinary perspective with both theoretical and empirical approaches. The study focuses on Shanghai and uses the PISA (Program for International Student Assessment) survey dataset. The Program for International Student Assessment surveys students' knowledge and skills that an all-round student is supposed to have. Shanghai has participated in the PISA study since 2000. Therefore, this study is able to compare the results over time and associate them with the local economy, government's financial support, and the role the local government plays. The policy implications are provided as well. The study will contribute to the literature on Chinese education reform from the perspective of political economy.

# T03P10 / Political Economy of Social Policy Reform in China

Chair : Qian Jiwei (East Asian Institute, National University of Singapore)

## Session 3

Friday, June 30th 13:45 to 15:45 (Block B 3 - 1 )

### Discussants

Qian Jiwei (East Asian Institute, National University of Singapore)

### Capabilities Development Among Elderly Chinese: a Comparative Study Between two Different Hukous

Birgitte Egeskov Jensen (Aalborg University (and Chinese Academy of Sciences))

### Capabilities Development Among Elderly Chinese: a Comparative Study Between two Different Hukous

The hukou system has immense power over the Chinese people as a concept that relates to people's social and economic positions, it has institutionalized inequality and discrimination against people with agricultural hukous, which seriously limits their capabilities development. The situation is worsened by the skewed demographic composition of the rural areas. The rural demographics have become increasingly disproportionate as elders and children are left behind, due to massive rural-urban migration by the working generation. Due to migration, the traditional intergenerational contract has changed, where the elderly must continue to do a considerable share of the agricultural work, as well as care for the left-behind children. This potentially creates a situation where land may be left uncultivated, resulting in poverty and increasing dependency on welfare for the left-behind elderly, combined with a massive take-up problem.

Rural citizens are, from a historical institutionalist perspective, perpetuating a path dependent sense of self-providing resilience created under the 'Iron Rice Bowl', relying heavily on family support. This in turn makes migrant workers and their left-behind families very vulnerable, seeing as migrant workers do not always earn enough to send home remittances, furthermore are they, due to the persistent discrimination of rural hukou holders, highly susceptible to ill-treatment and long periods of unemployment with less than adequate unemployment protection through the MSLS.

This article will contribute to the current debate regarding the segregational power of the hukou system within the Chinese 'appropriate universal' welfare system. The approach taken in this article will provide an unorthodox perspective from which to view the hukou divide, by exploring an alternative stream of development thinking termed 'the capability approach' by Amartya Sen. Through this approach I examine the divide created by the hukou system by exploring equity in capability development across the hukou divide. It becomes a crucial question whether the institutional logic of the hukou system is inhibiting elderly people and limiting their capabilities in their realm of autonomy.

### Property Tax, Home Purchase Restriction, Expectation and Housing Prices: An Empirical Study of 35 Large and Medium-sized Cities in China

Cheng Ruijie (Lee Kuan Yew School of Public Policy)

During the past decade, property prices have been experiencing a dramatic and uninterrupted increase in Chinese housing market and the upsurge housing price has been a public concern. There are discussions that China's housing market has gone too far ahead of itself and cannot be well explained by fundamental variables, instead, macroeconomic regulation and control on prices has strong explanatory power. The government has carried out a series of macro regulatory measures. However, housing prices still keep going up. People begin to question the effectiveness of various regulatory policy tools. Housing market regulation is a systematic project. Aside from the considerations of policy tool effectiveness, the logic of response by the general public should also be taken into account.

In this paper project, I investigate two housing regulatory policies in China (home purchase restriction policy starting from 2010 and the trials of property tax reform in Shanghai and Chongqing carried out in February 2011)

and the market expectation and empirically examine their roles in influencing housing prices. My methodology is a pooled OLS and fixed effect panel regression analysis based on 35 large and medium-sized Chinese cities by adopting monthly data from 2007 to 2011.

Based on the estimation results, I find that home-purchase restriction policy significantly reduces the housing prices by 1.2 per cent according to pooled OLS regression model estimation and the property tax trial in Chongqing significantly reduces the housing prices by 1.7 per cent, while the property tax trial in Shanghai has a significant positive effect on the housing prices, robust to pooled OLS model and fixed effect model estimations, suggesting a policy failure in the experiment in Shanghai. Expectation significantly contributes to the large proportion of the increase in the housing prices. More than 80 per cent rise in the housing prices can be explained by the market expectation for housing prices to continue going up.

This paper aims at understanding housing policy reform in China and will contribute to the general knowledge of political economy in social policy areas in China in a broad sense, which falls into the scope and matches the interest of the panel.

## **Determinants of China's land supply for affordable housing: A city-level analysis**

Zhiyong Hu (The Education University of Hong Kong)

Qian Jiwei (East Asian Institute, National University of Singapore)

China's booming housing market and the resultant skyrocketing housing prices in Chinese cities during the past decade have led the Chinese government to step up its effort to provide indemnity housing for low- and middle-income households. Despite the central government's renewed policy focus on low-income housing, the real pace of low-income housing program in urban China has been too sluggish to achieve its intended objective. Based on a panel dataset of land supply in Chinese cities at prefectural level and above between 2009 and 2013, we in this paper examine the political-economic determinants affecting local governments' commitment to affordable housing land supply. The empirical findings identify a significant negative relationship between urban governments' reliance on land finance and the share of residential land supplied for affordable housing. Cities with strong fiscal capacity were likely to reserve more land for indemnity housing, while increasing fiscal autonomy with reduced reliance on central transfer tended to undermine local governments' incentive to provide affordable housing land. Geographically, cities in inland area with low demand for affordable housing were more willing to supply land for such purpose. The study suggests that the project of indemnity housing provision in urban China cannot be successfully implemented unless local governments' vested interests in landed property are weakened.

## **Shut them down, Take them over, or Certify them: Regulating Migrant Schools in China**

Alexsia Chan (Hamilton College)

How do authoritarian states control marginalized social groups without coercion? China's latest endeavor in central planning aims to replace industrialization with urbanization as its engine of economic growth. By 2030, China will move 350 million migrants, roughly equivalent to the entire U.S. population, into its cities. Local governments in China face the daunting challenge of the world's most rapid urbanization: they seek to attract migrant workers and to preserve social stability at the same time. As a result, they devise a distinctive approach to the provision of social services that gives preference to the state's goals of stability over the migrant workers' actual welfare needs to channel demands and forestall unrest.

This paper tackles two puzzles: 1) Why do some local governments in China restrict benefits instead of give concessions to a potentially restive group? 2) Why do wealthier, coastal cities that have historically relied on migrant workers and are experiencing labor shortages provide worse services than poorer, inland cities? I find cross-time and regional variation. Contrary to existing literatures on authoritarian durability and the welfare state, when local governments want to avert immediate or visible instability from potentially restive groups, they sometimes restrict benefits instead of give concessions. Unlike previous studies that emphasize inequality between rural outsiders and urban residents, this paper focuses on new gradations in second-class citizenship among migrants in different Chinese cities that have emerged.

In 2011, Beijing launched a second, widely criticized wave of closures of migrant schools. Meanwhile, Shanghai announced it would provide free public education to all migrant children, and Chengdu certified the quickly growing number of private migrant schools. Chengdu also more openly welcomed migrants into public schools than Beijing and Shanghai. In this analysis, I focus on local governments' regulation of "people-run" (minban) schools for migrant children. As more and more migrants settle long-term into cities, they circumvent the lack of access to public schools by establishing their own private schools. However, these schools are often in

dilapidated buildings with unsafe conditions and unqualified teachers. While some local governments begin to integrate rural migrants into urban public services, they simultaneously attempt to regulate the private alternatives to address safety issues before they become public relations problems and cause social unrest.

Local governments have adopted three strategies to regulate private alternative schools and integrate migrants into public institutions: 1) suppression and exclusion, 2) selective absorption and segregated inclusion, and 3) certification and full inclusion. Their orientations toward migrant education depend on whether local officials share a regional identity with the migrants they serve and whether they can get credit for visible results and avoid blame and criticism for bad outcomes.

Findings are based on analysis of data gathered from over 130 in-depth interviews, documentary sources, and ethnographic observations over 17 months of fieldwork from. This project uses within-case and cross-case analysis in seven Chinese cities (Chengdu, Chongqing, Hangzhou, Dongguan, Guangzhou, Shanghai, and Beijing) across three industrial sectors (construction, manufacturing, and the informal work) and two types of services (healthcare and education).