Introduction

There is no doubt that the economic reforms in China, introduced after the late 1970s, have generated tremendous economic success. The number of Chinese individuals living in poverty has dramatically declined over the last 30 years whilst per capita GDP growth increased from 4.1 to 8.5 percent annually in the period from 1978-2005 (Naughton, 2007). In the meanwhile, China has taken over Japan as the second largest economy in the world (The Guardian, 2011). However, the transformation from a socialist welfare state to a socialist market economy has not been without sacrifices. The 'smashing of the iron rice bowl' that accompanied the economic reforms has taken away many of the welfare securities that existed under the Maoist period (Hughes, 1998). Whereas previously citizens had relied on their Danwei or Commune for their healthcare, education, and housing, they are now dependent upon their income. Moreover, the economic reforms have dramatically increased inequality and social exclusion (Chan, Ngok, and Phillips, 2008). With a Gini-coefficient surpassing that of the United States, China has made the shift from being one of the most equal countries in the world to being one of the most inequal countries in the world (Naughton, 2007).

After the economic reforms, social policy became subordinate to the targets for economic growth (Saich, 2011). The Maoist social policy model, with its emphasis on equality and its rejection of material incentives, was deemed to be inhibiting economic growth (Chen, 2003). The state renounced its role in providing welfare protection ‘from cradle to grave’ and devolved many of its responsibilities to the regional and local areas (Wong and Mok, 1995). This shift in social policy was justified by the premise that pursuing economic growth is the most effective method to increase the human wellbeing (Saich, 2011). It is undeniable that social policy reform was required for the economic reforms to ever be a success. The question is however, whether making social policy subordinate to the economic growth targets is truly the most effective method to increase the human well-being. Indeed, the growing discrepancy between economic development and social development seems to indicate otherwise (Chan, Ngok, and Phillips, 2008). Economic growth does not automatically translate into increased human well-being, certainly not when that economic growth is not spread equally among different classes, among different regions and between urban and rural areas (MacPherson, 1995). In this essay it is argued that a social policy model subordinate to the concerns for economic growth may miss its primary target of increasing the general well-being.

This essay analyses the extent to which social policy reform in China contributed to the overall human well-being of the Chinese citizen. The analyses will focus on the social policy reforms in the two sectors of healthcare and housing. The analytical categories used for assessing human wellbeing are borrowed from the analytical framework used by Chak Kwan Chan and Graham Bowpitt (2005) and include: 1. primary human needs (including protective housing and appropriate healthcare) 2. equal value (the extent to which the benefits of a social policy are spread among the citizens) and 3. Social Integration (the extend to which individuals are able to take part in social life). The first section of this essay gives a brief overview of the differences in social policy before and after the economic reforms. The next section then describes the framework of analysis that is used to evaluate the degree to which social policy reform contributed to the human welfare. The actual analysis forms the main part of this essay. The focus of the analysis is on the reforms in health policy and housing policy. The conclusion then summarizes the main points made in this essay.

Social policy in China: Before and after the economic reforms
To appreciate the extent to which the social policy model in China has been transformed, it may be useful to briefly elaborate on the main characteristics of both the Maoist social policy model as well as of the post-reform social policy model. Maoist social policy was characterised mainly by four features (Wong and Mok, 1995, pp 16-17). First of all, social policy was primarily aimed at securing income equality. Two other important aims were the protection of citizen’s primary needs and maintaining social stability. Second, the state heavily intervened in social life. In exchange for safeguarding the basic needs of the people, the state demanded total submission of its citizens. Third, as with economic policy, social policy was mainly targeted at the urban areas (at the expense of the rural areas). The urban regions were prioritised because industrialization was perceived to be the key to economic growth; “The practise of maintaining superior reward structures for the urban industrial elite and tolerance of lower living standards for the peasantry was justified as essential for the ultimate victory of socialism” (Wong and Mok, 1995, p16). Finally, the managerial structure was highly centralised and hierarchical (Wong and Mok, 1995, pp 16-17).

As mentioned in the introduction, Maoist social policy was perceived to be inhibiting economic growth. This view is not entirely unwarranted. The emphasis on equality combined with the fact that citizens became heavily reliant on the state for their basic needs made it that the Chinese economy was highly inefficient (Chen, 2003). For the economic reforms in the late 1970s to be successful, the social policy model needed to be restructured. After the economic reforms, social policy became an instrument for economic policy targets (Saich, 2011). Wong and Mok (1995, pp 18-19) distinguish between five characteristics of the post-reform social policy model. First of all, new political and economic values guide social policy making. The economic reforms had made way for a different mentality. Maoist values, stressing income equality, state monopoly on social welfare provision, and a rejection of material incentives, made way for an emphasis on efficiency, material incentives, and competition. Accordingly, the state encouraged a market orientation in many welfare sectors such as the health, pension and housing sectors. Second, the state renounced its role in providing welfare protection ‘from cradle to grave’. Under the new social policy model, it is the citizens themselves that are responsible (at least to a large extent) for meeting their basic needs. Thirdly, even though the economic reforms were the primary reason for the shift in social policy, social policy in China kept its primary aim of improving the well-being of the Chinese citizens. In other words, economic growth was not pursued for its own sake. The shift in social policy was justified by the premise that pursuing economic growth is the most effective method to increase the human well-being. Fourth, more social responsibility was devolved to the regional and local areas. Fifth, in terms of management structure, social responsibilities were decentralised and material incentives were introduced (Wong and Mok, 1995, pp 18-19).

There is no doubt that the social policy reforms have contributed to the successes of the economic reforms. It remains the question however, whether making social policy subordinate to the economic growth targets is truly the most effective method to increase the human well-being. As will be argued in the next section, an increased GDP per capita is not synonymous with increased quality of life.

Method of analysis

In this essay two social policies are analysed: healthcare policy and housing policy. These policies were chosen for mainly three reasons. First of all, they are classic examples of welfare policies. Second, both of these policies have been significantly reformed after the economic reforms and are therefore good subjects for our research on the extent to which social policy reforms have generated increased human well-being. The third and more practical reason for choosing specifically these two policies is that there is sufficient literature on both health as well as housing policy.

In the non-academic context social policy refers to policies aimed at promoting the general well-being (Alcock, 2008). It is important therefore to measure the effectiveness of a social policy in terms of the extent to which it increases the human well-being. Before we come to the analytical part of this essay, we need to establish a framework through which to assess human well-being. Unfortunately there is little consensus on the concept of well-being. Some of the conceptions and usages of the term human well-being are simply too narrow, thereby excluding important attributes of human well-being. Other conceptions of well-being are simply too broad or very difficult to operationalize (Chan, Ngok, and Phillips, 2008). One example of a narrow but very dominant approach to the study of well-being measures the level of quality of life in terms of Gross Domestic Product. It is this approach that underpins the premise that striving for economic growth is the most effective method to increase the human well-
being. However, an increased GDP per capita is not synonymous with an increased quality of life. First of all, an increased GDP per capita does not tell us anything about the distribution of economic growth. In some cases, economic growth leads to an increase in income for only a few. Second, we must not forget that income is only a means to an end. An increase in income may for instance improve one's chances of obtaining appropriate healthcare but it is not guaranteed, not if for instance the price of basic healthcare rises more than one's income (Perkins, Radelet, and Lindauer, 2006). In other words, GDP “identifies well-being with a very narrow set of economic indicators rather than with a broader conception of quality of life” (Chan, Ngok, and Phillips, 2008. p16). Another approach that has a somewhat broader notion of the concept of human well-being but is still narrow is the Human Development Index, measuring human well-being along the components of health, education and a decent standard of living (where the standard of living is measured by GDP per capita in PPP) (UNDP, 2005, p214). Not only is the HDI still very reliant on GDP as a measure of well-being, its focus on the two components of health and education exclude important other attributes of quality of life, including other important basic needs such as protective housing and nutritional food, but also aspects like social integration and self-determination (Fukuda-Parr, 2001). In addition, the HDI neglects the inequality within a country (Phillips, 2006).

On the other side of the spectrum there are conceptions of well-being that are simply too broad or very difficult to operationalize. Conceptions that heavily rely on subjective well-being for instance are extremely hard to put into practise (Veenhoven, 2002). An example of a framework that is rather broad is the one used by Chan and Bowpitt (2005, p29) assessing the quality of life along the categories of (1) physical and psychological well-being, (2) fulfilling caring duties, (3) social integration, (4) learning, (5) equal value, and (6) self-determination. I shall use an adapted version of this framework. First of all, I replace the category of physical and psychological well-being with the somewhat more operational category of basic human needs. With regards to health policy I understand the primary human need to be ‘appropriate healthcare’ while for housing policy I understand this to be ‘appropriate and protective housing’ (Doyal and Gough, 1991). Second, I only use Chan and Bowpitt’s categories of (3) social integration and (5) equal value. Social integration in this case stands for the degree to which individuals are able to take part in social life and equal value stands for the degree to which the benefits of a social policy are spread among the members of a population (Chan and Bowpitt, 2005). The categories of (2) fulfilling caring duties (the extent to which parents are able to fulfill their parental duties), (4) learning (the extent to which a social policy helps individuals to develop their skills), and (6) self-determination (the degree to which individuals are able to participate in the policy-making process) are excluded because of a lack of sufficient data and little applicability to the two policies analysed (Chan and Bowpitt, 2005, p29). The framework that is used in this essay for assessing human well-being therefore looks as follows:

1. basic human needs
2. equal value
3. social integration

The next two sections form the main part of this essay. For both health policy and housing policy I use the same format: I start with a brief elaboration on the change in policy that took place after the economic reforms. I then use the established analytical framework to assess whether this change in policy has contributed to the overall human well-being. Each section concludes with a small summary of the main points made.

Health Policy

The health policy model before the economic reforms was characterised by wide coverage and a three-tire network of provision (Chan, Ngok, and Phillips, 2008). In terms of healthcare coverage the state fulfilled its role as being the sole provider of basic welfare services. It was approximated that by 1975, the state provided almost the entire urban population with basic healthcare services whilst covering the basic health needs of about 85 percent of rural citizens (Chu and Rask, 2002, p17). China’s healthcare system used to be organized along the lines of a three-tire system according to which the lower levels of organization dealt with medical cases of lesser importance whilst referring the more serious instances to the next highest level (Pearson, 1995).

The economic reforms had quite an effect on health policy. The previously defined characteristics of the post-reform
social policy model are very well reflected in the post-reform health policy model. The health policy reforms were characterised by four changes in particular. First of all, in light of the state’s renouncement of its role as the sole provider of basic welfare services, the central government reduced its public expenditures in the health sector. Second, and in line with the devolution of responsibilities, the state transferred the responsibility for the funding of the healthcare institutions to the local governments. Third, material incentives were introduced in the health sector. Fourth, whereas it wasn't exactly part of health policy, the dismantling of the communes in the rural areas, in order to privatise the agricultural economy, dramatically lowered the amount of health ensured Chinese citizens (Blumenthal and Hsiao, 2005).

Under the health policy reforms, basic healthcare provision changed from being a public good to being a private good. Whereas the pre-reform period had been characterised by near universal coverage, in 2003 it was reported that almost 80 percent of rural citizens was without medical insurance compared to 44,8 percent of urban citizens (Mao, 2007, p3-4). After the localisation and privatisation of the healthcare system, the three-tier system of organisation almost disappeared. Even before the economic reforms there had been possibilities for individuals, usually with good connections, to find a way around the referral system. Currently however, individuals simply tend to opt for the highest quality service they can afford, making the referral system useless (Pearson, 1995).

1. Basic human needs

It is undeniable that the reforms after the late 1970s have generated significant successes in some important health areas. In the period of 1981 to 2000, life expectancy rose from 67,9 years to 71,4 years, between 1990 and 2000, the infant mortality rate dropped from 85 to 33 per 1000 births, and in the time from 1990 to 2002 the maternal mortality rate dropped from 89 to 43 per 100000 births. In addition, immunisation coverage has been greatly expanded (Chan, Ngok, and Phillips, 2008, p130). The introduction of material incentives in the health-sector has increased the number and quality of medical personnel while the privatisation of the healthcare system has made appropriate healthcare become more accessible to those who can afford it (Pearson, 1995). Nevertheless, for those who have not attained economic security yet, appropriate healthcare has actually become less accessible. The drop in government health expenditures caused hospitals and clinics to rely on their user charge for their revenues. This has made it that the price of basic healthcare has gone up quite rapidly, making appropriate healthcare unaffordable for the poor (Chan, Ngok, and Phillips, 2008). In 2003 it was reported that the price for an average treatment in hospital was 3911 Yuan, which accounts for 27,9 percent of an urban worker’s yearly income and for 149,1 percent of a farmer’s yearly income (Mao, 2007, p3). With many uninsured, appropriate healthcare has become not only very costly, but for a large number of Chinese also highly unattainable.

2. Equal value

The previous highlights the fact that the health reforms have not benefited everyone equally. The healthcare reforms have dramatically increased health inequalities among economic groups, between urban and rural areas, and between poor and wealthier regions (Chan, Ngok, and Phillips, 2008). A survey conducted by the World Health Organization, measuring the equality of health care, ranked China 187th out of 191 countries (191 being the least equal) (BBC, 2006). This is an incredible transformation for a policy model that used to stress equality and aimed at the provision of universal access to healthcare (BBC, 2006). Public health spending had always prioritised the urban areas over the rural areas but after the state had transferred the responsibility for the funding of the healthcare institutions to the local governments, disparities between the cities and the countryside deepened (Blumenthal and Hsiao, 2005). Local governments in the poorer regions are often unable to provide sufficient financial support to the hospitals and clinics in the area, leading to a significant deterioration in the healthcare situation in these areas (Bloom, 2001). Moreover, while the urban areas have slowly started to implement basic compulsory health insurance schemes, the rural areas still lack a decent health insurance arrangement (Bloom, Lu, and Chen, 2003).

3. Social Integration

Not surprisingly, the dramatic inequality of health care has lead to social division (Chan, Ngok, and Phillips, 2008). Not only has the inequality in healthcare between urban and rural areas led to a social division between the cities and
the countryside but it has also lead to a social division within the same area or locality. Those rural citizens with enough money to afford appropriate healthcare will bypass the local facilities and opt for better quality healthcare in the cities. Not only does this lead to a worsening of the quality of the health institutions in the countryside, with rural clinics and hospitals missing important profits, it also creates an important social division between those rural citizens able to afford urban healthcare and those who can not (Blumenthal and Hsiao, 2005).

**Conclusion**

In an official document published in 2005 by the Development Research Centre of the State Council (PTDRC), the policy reforms in the healthcare sector were termed as a ‘failure’ (Chan, Ngok, and Phillips, 2008). Such a claim does not do justice to the important improvements in the healthcare sector however. The privatisation of the healthcare system has made way for a much needed improvement in the number and quality of medical personnel whilst the beneficiaries of the economic growth are able to pay for better healthcare than they were used to under the Maoist period. However, it remains doubtful whether making healthcare policy subordinate to the concerns for economic growth is truly the most effective method to increase the national health and well-being. The dismantling of the communes and the privatisation of some of the SOEs were not directly part of the reforms in health policy. The fact that this occurred almost overnight and left so many uninsured however, begs the question why the Chinese government did not provide for a smoother transition and made sure that the poor did not lose out on their coverage (in particular in the rural areas). With costs for appropriate healthcare rising, those lacking a decent health insurance are hardly able to benefit from the economic growth, even if their incomes did rise.

To claim, like the PTDRC, that the health reforms in China have ‘failed’, does not do justice to the significant improvements in some important health areas. This does not take away the fact that China’s post reform health system is, at least to an important extent, characterised by “regional disparities, inequalities between cities and countryside and increasingly unaffordable medical costs for poorer members of the population” (Chan, Ngok, and Phillips, 2008). The fact that the Chinese government is slowly but surely taking up a larger role in the health sector indicates that the government recognizes that economic growth alone is not enough to increase the national health and well-being (Chan, Ngok, and Phillips, 2008).

**Housing Policy**

With regards to housing policy under Mao, a distinction can be made between housing policy for the rural areas and housing policy for the urban areas. Whereas in the countryside, private home ownership had been maintained, in the urban areas housing was mainly the responsibility of the work units which allocated housing to their employees for a relatively low rent. As with basic healthcare during the time, housing was regarded as a public welfare good, or at least for those working in the public sector. Urban citizens working in the non-state sector had to rely on traditional family homes or on relatives who did work in the public sector (Wang, 2003). Whereas the pre-reform healthcare system proved to be quite a success, the pre-reform housing system was marked by important problems. Examples of such problems include: “shortage and overcrowding, inequality of distribution, corruption, inefficient management, and mal-maintenance” (Wang, 2003, p178). These problems were mainly due to the state’s underinvestment in housing. Government housing expenditure accounted for only 0.78 percent of total GDP over the period of 1949 to 1978 (Zhu, 2000, p507). In contrast to the primary aim of the Maoist social policy model, the allocation of housing was not exactly directed at achieving equality. Instead of a distribution system based on needs, houses were mainly allocated according to status; the higher the rank, the better the quality of housing (Wang, 2003).

Housing policy reform was mainly directed at the privatisation of the housing sector (Lee, 1995). Since 1988, the State Owned Enterprises were no longer responsible for providing their workers with housing (Wang, 2003). Whereas before the economic reforms private property rights were deemed as unacceptable, workers were now encouraged to buy private housing in the market (Chan, Ngok, and Phillips, 2008). To stimulate the workers to buy private housing, employers could still provide their workers with housing subsidies. It was hoped that after the privatisation of the housing sector, urban citizens would obtain the housing they could afford, without being dependent upon the traditional allocation procedures of the SOEs (Wang, 2003). As is shown in this section, this hope proved to be only partly justified. Because changes have been most markedly in the urban areas, this analysis
focuses on the urban housing reform and its results (Wang and Murie, 2000).

1. Basic Human Needs

In terms of protective and appropriate housing, the situation has definitely improved after the reform period. In the period from 1978 till 2005, the average living space per urban citizen had increased from 6.1 square meters to 26 square meters while the average living space per rural citizen had increased from 8.1 square meters to 27.9 square meters (in the period from 1978 to 2004). Moreover, between 1989 and 2004 the number of urban households with running water had increased from 47.4 percent to 88.8 percent while the number of urban households using gas rose from 17.8 percent to 81.5 percent (Chan, Ngok, and Phillips, 2008, p180-181). However, many Chinese citizens are still without appropriate housing facilities. In a study conducted by Wang (2004), including 1120 households in Shenyang and Chongqing, it was found that 83 percent of the respondents lacked a shower while 62 percent of the respondents did not have a proper toilet. Similar problems are found in other Chinese cities (Chan, Ngok, and Phillips, 2008).

2. Equal Value

In contrast to the pre-reform health system, the housing system before the economic reforms was already unequal. Nevertheless, there is reason to believe that the housing reforms have deepened rather than decreased the inequality in housing distribution. Before the economic reforms, housing was distributed according to the status of one’s occupation (Wang and Murie, 2000). It was hoped that after the privatisation of the housing sector, urban citizens would obtain the housing they could afford. However, the old system was not entirely abandoned. Although the SOEs did not distribute housing according to employment status any more, the subsidies for housing were allocated according to the official entitlement standards, which in turn were dependent on employment status. In other words, the higher the rank, the higher the entitlement and therefore the higher the subsidy (Wang, 2003). Migrant workers are particularly treated unequally. Since the economic reforms the number of migrant workers has increased rapidly. Because many migrant workers are no permanent urban residents they are not entitled to public housing rights. Receiving only a low income, they are forced to live in extremely poor housing (Chan, Ngok, and Phillips, 2008).

3. Social Integration

The housing reforms have increased social division and segregation both between different economic classes as well as between migrant workers and local residents (Chan, Ngok, and Phillips, 2008). Even though the pre-reform distribution of public housing was unfair, the composition of the housing areas was not related to social or economic status. Instead, housing areas were related to workplace. After the reforms in the housing sector however, different housing areas have been developed for different economic groups (Wang, 2003). This quite literally lead to a social segregation between different economic classes; “Economic and housing reform has resulted in a social and spatial reorganization of cities and the widening of the gap between the poor and the rich” (Wang and Murie, 2000, p414). Every Chinese city now has specific areas for the rich (Wang, 2003). In Shanghai for instance the rich live in the western part of the city or in the district of Pudong while in Guangzhou the rich live in the district of Teinho (Lee, 2000). Social segregation through housing is particularly present in the capital. Beijing is said to be made up of different circles of housing areas in which each circle represents a different social group. For instance, circle five represents the low-income earners, circle three the middle class, and circle four the property managers, businessmen, and celebrities (Chan, Ngok, and Phillips, 2008). Because of the particular unequal treatment of migrant workers, there even exists a significant social division between poor migrant workers and poor local residents. Migrant workers often live in especially poor housing, in regions where the migrant workers are more numerous than local residents (Chan, Ngok, and Phillips, 2008).

Conclusion

The number of people living in appropriate housing has definitely gone up after the economic reforms. As with the health reforms, the high-income earners and middle class have benefited most from the reforms in housing policy.
Those with sufficient financial resources are able to acquire good quality housing without being necessarily dependent upon the allocation procedures of the SOEs. What is also similar to the health reforms however, is the fact that the benefits of the reforms are not spread equally. Overall housing standards may have improved but many of the poor still lack appropriate facilities. Moreover, the privatisation of the housing system has not helped in decreasing the inequality of the system. With subsidies for housing still being allocated according to the official entitlement standards, housing policy is still not based on needs. The result is a widening gap between different social classes. It is difficult to determine whether the housing reforms have increased or decreased human wellbeing. What can be said however is that, while a certain increase in inequality and social division is unavoidable during the transition from a system that treats housing as a public good to a system that treats housing as a private good, the Chinese government has done little to counter the trend (Chan, Ngok, and Phillips, 2008). Little or no government involvement may stimulate the commercialisation of the housing sector but a higher degree of involvement may be more effective at stimulating the well-being of those that lost out.

Conclusion

After the Chinese economic reforms, social policy became subordinate to the targets for economic growth. Based on the premise that pursuing economic growth would be the most effective method to increase the human wellbeing the Chinese government decided to adapt its social policy to the economic growth targets. In this essay however, it was argued that a social policy model subordinate to the concerns for economic growth may miss its primary target of increasing the general well-being. After all, economic growth does not automatically translate into an increased quality of life, certainly not when that economic growth is not spread equally among different classes, among different regions and between urban and rural areas. From the analytical part of this essay we saw that it were mostly the rich and the middle class that profited from the social policy reforms. The situation did not necessarily improve for the poorer members of society, for which the situation in some cases even worsened. After the state had renounced its role in providing welfare protection ‘from cradle to grave’ the costs of basic welfare services quickly rose and many poor members of society have found it difficult to meet their basic needs. Both with regards to housing policy as well as with regards to healthcare policy we saw that inequality and social division have deepened after the reforms have been introduced. Only recently has the Chinese government recognised the negative impacts of the privatisation and localisation of its social policy (Chan, Ngok, and Phillips, 2008). The fact that the Chinese government is slowly but surely taking up a larger role in welfare provision indicates that the government recognizes that economic growth alone is not enough to increase the national well-being. The challenge for the Chinese government is to find a balance in social policy that protects citizen’s basic needs and preserves economic growth.

Bibliography


Social Policy in Post-Reform China
Written by Luuk Molthof


Social Policy in Post-Reform China
Written by Luuk Molthof


—

Written by: Luuk Molthof
Written at: The University of Warwick
Written for: Dr. Oliver Hensengerth
Date written: 04/05/2011