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#### **4. The Rural-Urban Divide in Chinese Social Security: Political and Institutional Explanations**

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China began to establish social security systems in the early and mid-1950s. Urban residents, through their work units, enjoyed extensive and generous welfare benefits, including free housing, medical care, pension, education, as well as employment. In rural areas, the peasants were not entitled to many of these benefits, a clear indication of separate governance between the urban and rural regions (*chengxiang fen zhi*) and the sacrifice of the agricultural sector for industrialization (*yi nong bu gong*). During most of Mao's reign, the peasants could enjoy some basic social provisions, such as state sponsorship of primary and even secondary education and low-cost health care.

The traditional security systems, distinguishable in the urban and rural areas, were almost completely shattered by the market-oriented reforms that started in the late 1970s and early 1980s. The household contract and responsibility system that began to spread across China's countryside in the early 1980s gradually eroded the collective economic base that had supported many of the rural social programs. In the cities, reform measures in areas such as employment, pension, and medical care, primarily targeting state-owned enterprises, rendered the traditional urban social security untenable. During the transitional period, social security became a thorny issue that agonized commoners and haunted policy-makers. In the past decade, the government has come up with a preliminary, yet fairly effective social security system in the urban areas. However, this is not the case in the country's vast rural regions. China's peasantry, which accounts for an overwhelming majority of the nation's whole population, was largely left unattended on matters of social welfare and security.

Why were urban residents given disproportionately higher priority while the peasant farmers were almost completely neglected? The urban-rural disparity in social security provisions is a common problem in many developing countries, largely due to the dual-structure of the national economy. But the Chinese case may have some unique characteristics. This paper attempts to describe the divergent approaches to social security in China in the past decade and more importantly tries to explore some of the political and institutional reasons of this divergence. I argue that there are three major reasons: the effect of "path dependence" of the traditional urban-rural separation, the Party-state's consideration for political legitimacy and stability, and the absence of interest representation on behalf of the peasant population.

#### **The Collapse of the Traditional Social Security**

Ever since the founding of the PRC, there has never been an integrated and universal social security system in the nation. If one could lump together those various social benefits granted to peasants and call them a system, there were two social security systems, a primitive one in the rural areas and a comprehensive one for the city dwellers. During Mao's rule, industrialization was the primary goal and central planning of the economy the means to achieve that goal. A rigid household registration (*hukou*) system was applied to ensure the separation of rural and urban societies. Urbanites, affiliated to state sponsored and controlled units, enjoyed comprehensive and generous welfare and security benefits from cradle to grave. These benefits included free housing, almost free education, lifetime employment, free medical and health care, and free pension.

While in the countryside, rural residents enjoyed only a few social provisions and were largely left on their own to cope with contingencies in their lives. Supported by the Commune system and collective economic base, rural social security measures included mainly the Medicare Cooperative System, low tuitions in primary and secondary education, “five-guarantee” for orphans, seniors without offsprings, and severely handicapped, and social assistances on a case-by-case basis for families that encountered grave misfortunes. All these social security provisions, primitive as they seemed to be, were regarded as great advancements for rural China as compared to eras before the CCP came to power.

Rudimentary notwithstanding, these rural programs were largely governmental initiatives. Take the creation of the Medicare Cooperative System as an example. In 1956, the Charter for Advanced Rural Cooperatives, enacted by the central government, clearly stipulated that local Cooperatives have certain responsibilities for the treatment of its members’ illnesses and diseases. The Ministry of Health suggested in 1959 that rural areas adopt a collective medical insurance system. The next year, the Central Committee of the CCP called for all rural localities to follow that suggestion. Soon after, medical care cooperatives proliferated nationwide. By 1965, in the vast majority of rural China, a three-tier medicare system had been set up, including the county, the commune town, and the village levels.<sup>1</sup> Under this system, peasants contributed a very small amount of money, joined by financial contributions from the local communes and production brigades to set up a Collective Medicare Fund. Peasants needed to pay only a nominal fee for medical treatment when they visited a “bare-foot” doctor in the village or the town hospital. The Medicare Cooperative System was also quite effective in providing other services to local peasants, such as prevention of epidemic diseases, vaccinations, health education, and health care for women and infants. By 1976, about 90 percent of Chinese peasants were covered in this Medicare Cooperative System.<sup>2</sup> The system was widely hailed as an exemplary model among developing countries in improving health and sanitation conditions in rural regions. It significantly contributed to the rise of rural life expectancy from 35 in 1949 to 69 in the 1970s.

There were also other social provisions that were dependent on local public revenues. The “five-guarantee” (*wu bao*) system, namely guarantee for food, clothing, shelter, medicare, and burial for the above mentioned categories of rural residents, relied completely on financial and material resources from local communes and production brigades. Local governments were also directly responsible for local schools and other social assistance programs.

The social security systems in the rural and urban societies began to collapse with the advent of market-oriented reforms in the late 1970s and early 1980s. The agrarian de-collectivization greatly weakened the financial resources of local governments. The amount of rural taxes retained by local governments was far from sufficient to maintain those old social security programs. The Medicare Cooperative System and financial support to local schools could no longer continue by the mid-1980s. According to a nationwide survey conducted by the Ministry of Public Health, rural health care at the village level has become largely privatized as early as 1984, which significantly added to peasants’ expenses.<sup>3</sup> By the year 1986, as few as 5 percent of

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<sup>1</sup>Tang Zhong, et al., “Jiating chengbao zhi shishi yihou nongcun cun ji yiliao weisheng fuwu gongji tixi bianqian yanjiu” (The Changes in Rural Medicare Supply Systems since the Adoption of the Household Responsibility), <http://www.cc.org.cn/wencui/030922200/0309222009.htm>

<sup>2</sup> Tian Zhongwen, “guanyu nongcun shehui baozhang wenti de yanjiu” (Some Discussion concerning Social Security in the Rural Areas), paper presented on China’s Social Security Reform and Development in the 21<sup>st</sup> Century seminar, organized by Wuhan University and Zhongnan Finance University in 2002.

<sup>3</sup>Tang Zhong, et al., ., “Jiating chengbao zhi shishi yihou nongcun cun ji yiliao weisheng fuwu gongji tixi bianqian yanjiu” (The Changes in Rural Medicare Supply Systems since the Adoption of the Household Responsibility), <http://www.cc.org.cn/wencui/030922200/0309222009.htm>

Chinese peasants remained in the Medicare Cooperative System, as compared to 90 percent ten years ago. Other rural social programs met the same fate roughly at the same time.

A similar process also took place in the urban areas as the industrial sector began to adopt many reform policies. The retention of superfluous workers was regarded as the number one cause of State-owned Enterprises' (SOE) lack of profitability. Various sources estimate redundant urban workforce ranging from 15 million, or 10 percent of the total urban workers, to 30 million, or 40 percent of all SOE employees.<sup>4</sup> In light of these assessments, the permanent employment system was under attack. In 1984, with newly acquired autonomy, enterprise managers began to increase profits, usually at the expense of employees' welfare provisions. Starting from 1986, the contractual labor system began to be promoted. In an effort to "re-optimize" the work force, managers were given the power to solve the problem of redundant workforce in SOEs. A direct result of these labor reform measures was the emergence of "surplus labor" and "laid-off labor". "Iron rice bowl" (*tie fan wan*) employment security was no longer the case. By 1995, the permanent job tenure system was officially called to an end.<sup>5</sup>

Bankruptcies of SOEs in the early 1990s further aggravated the unemployment problem. By 1996, 11,544 SOEs had declared bankruptcy.<sup>6</sup> By September 1998, the number of laid-off workers from SOEs amounted to over 10 million.<sup>7</sup> Increasing unemployment posed a great challenge to the old social security system. Previously, enterprises provided all their state sector employees with welfare and security benefits. Now there had to be new ways to provide subsistence and many other material needs for the unemployed.

The low economic performance of SOEs was also attributed to the social burdens that these enterprises carried with them from the pre-reform era. Take the retirement pension as an example. Official statistics show that from 1980 to 1998, the number of retirees rose from 6.38 million to 27.83 million, and the total pension payment increased from 4.34 billion yuan to 172.6 billion yuan.<sup>8</sup> In 1997, SOEs spent some 116.07 billion yuan on pensions and other welfare programs, which was worth 25 percent of the total salary payment by SOEs.<sup>9</sup> SOEs sponsored all kinds of other social programs, such as medical care, housing, transportation, education, food subsidies, and other compensations. As much as 15 percent of SOE workforce in the early 1990s was in charge of non-industrial services such as education and health care in about 18,000 schools, 19,000 nurseries, and 224,000 hospitals, which financially cost about 20 percent to 35 percent of SOE assets.<sup>10</sup> Policy-makers believed that measures had to be taken to relieve the enterprises from these social burdens in order to reinvigorate the SOEs, which in turn made the traditional social security system obsolete.

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<sup>4</sup> Keun Lee, "Enterprise Reform and Social Security System in China," *Asia Journal* 3:2 (December 1996), pp. 47-66.

<sup>5</sup> Despite reform measures in the labor and wage systems, SOEs still have a huge number of surplus labor force and a variety of social obligations. Statistics estimate that about 20 to 30 percent of the workforce in SOEs was redundant. See Zhou, S. (1998), "A Review of SOEs Reforms in China in the Past Two Decades and Their Prospects", *China Social Science*, vol.6, pp.44-58.

<sup>6</sup> Ching Kwan Lee, "Pathways of Labor Insurgency", in Elizabeth Perry and Mark Selden, eds., *Chinese Society*, 2<sup>nd</sup> edition (London and New York: RoutledgeCurzon, 2003), p.74.

<sup>7</sup> Qiao, J. (1999), "1998-1999: The Situation of Employees in China", in *The Social Blue Book: Analysis and Forecast of the Social Situation of China in 1999*, Social Sciences Literature Press, Beijing, pp.427-50.

<sup>8</sup> China Statistical Yearbook 1999, p.764.

<sup>9</sup> China Statistical yearbook 1999, p.241.

<sup>10</sup> Keun Lee, "Enterprise Reform and Social Security System in China," *Asia Journal* 3:2 (December 1996), pp. 47-66; 1998 nian: Zhongguo shehui xingshi fenxi yu yuce (1998 analysis and predictions of Chinese society) (Beijing: shehui kexueyuan wenxian chubanshe, 1998)

Another direct result of China's economic reform was the appearance and growth of a dynamic private sector. Private entrepreneurs and their workers were not covered in the traditional social security system. Yet, those workers in the private sector constantly faced the danger of unemployment, injuries, health problems, and other family misfortunes. The rapid growth of the private sector urgently called for the reform of the old social security system.

In light of these situations, in the second half of 1990s, the government sensed that it had to take drastic measures to restructure the social security system. Many of the measures and policies had to be designed from scratch.

### **Rebuilding Social Security: Two Divergent Approaches**

The collapse of traditional social programs was first felt in the countryside. But, the social reform program was first launched in the cities. After almost thirty years of reform and opening up, the peasants' social security has not yet been put high on the agenda of the national government. Observers commonly acknowledge that there have been two different approaches in rebuilding social security in China: full priority for the urban areas and little attention to the rural areas. The divergence is discernible if we make a cursory review of the financial support and policy initiations by the central government.

Some simple financial figures suffice to illustrate the two divergent approaches. According to relevant researches, in 1991, China's total social security expenditure was 9.2 percent of GNP. In the cities, the ratio was 10.3 percent, while in the countryside the figure was only 1.5 percent. Overall, the rural population, which accounts for 80 percent of the national total, enjoyed only 10 percent of the total national expenditure on social security, while the urban residents, who account for 20 percent of the population, consumed 90 percent of the national budget on social security.<sup>11</sup>

The insufficient government funding to social security in rural areas is also illustrated in specific policy areas: for instance, pensions for rural elders. The Ministry of Civil Affairs started experiments of setting up a rural pension system as early as 1986. After several years of trial, the Ministry enacted an official document in 1992 calling for the establishment of a pension system in rural China. But so far, very few localities carried out this policy. A primary reason for the failure of this policy is a lack of financial support from the central government. In the policy document issued by the Ministry of Civil Affairs, peasants are required to contribute most of the fund, with supplementary contribution from the collective economy, and the state only promises to offer preferential policies. This can be contrasted to the state's generous financial support to the urban basic pension plan. From 1998 to 2001, the central government subsidized a total of 86.1 billion yuan for the urban basic pension plan.<sup>12</sup> As a result, there has been no old-age pension system in the vast countryside, except for some highly developed villages in coastal areas. But in the cities, employees in state agencies or state sponsored social non-profit organizations are able to maintain their traditional pension benefits. And in SOEs, a basic pension insurance plan has been set up with financial contributions from the state, enterprises and individuals.

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<sup>11</sup> These figures come from Huang Yonghong, "A Discussion about the Status of China's Rural Social Security and the Management of Three Major Relationships", paper submitted to a seminar The Reform and Development of China's Social Security in the 21<sup>st</sup> Century, organized by Wuhan University and Zhongnan Finance and Economic University in 2002.

<sup>12</sup> *The Conditions of Labor and Social Security in China*, white paper issued by the State Council Information Office, April, 2002.

For medical care, from 1990 to 2000, rural areas accounted for only 32.72 percent of the total national medical budget.<sup>13</sup> From 1991 to 2000, only 14 percent of the added health care budget was used for rural areas.<sup>14</sup> In 2000, the medical expenditure per person in the rural areas was 188.6 yuan, only one fourth of the expenditure per person in the urban areas. In fact, government financial contribution to rural medical expenditures has been steadily declining, dropping from 12.55 percent in 1991 to 6.59 percent in 2000.<sup>15</sup> Statistics show that medical expenses for the farming population grew much faster than their income did. From 1993 to 1999, peasants' net income increased by 139.7 percent, but their medical expenditure increased by 157.7 percent.<sup>16</sup>

Ever since the mid-1980s, the government has loudly called for rebuilding the rural medicare cooperatives and many actions have been taken by local government agencies. But so far, this effort has not been fruitful. The basic reason is that governments at higher levels are not willing to take the financial responsibilities. Statistics show that state financial contribution to rural medicare cooperatives has been steadily decreasing in the reform era. In 1979, the state subsidized a total of 100 million yuan for rural health care cooperatives, but the figure dropped to 35 million yuan in 1992, with one peasant being allocated 4 pennies.<sup>17</sup> In the urban society, by contrast, government employees keep almost all their pre-reform medical care provisions. Employees in the SOEs are mostly incorporated into the basic medical care plan, jointly financed by the state, companies, and individuals.

In education, the same pattern occurred. Education at the primary and junior high school levels was largely sponsored by local governments. But after the reform program started, education and schools were left to be the local peasants' responsibility. According to an investigation by the Research Center of the State Council, for rural obligatory education, from first grade to twelfth grade, the central government provides only 2 percent of the funding, provincial and municipality level governments 11 percent, county government 9 percent; 78 percent of the funding was essentially provided by peasants themselves.<sup>18</sup> By contrast, primary and middle schools in the cities are all financially supported by the state.

In addition to comprehensive benefits in pension, medical care, and education, the urban population enjoys many other social provisions, such as workplace injury insurance, maternity benefits, as well as various kinds of unemployment compensations. The government has put in a tremendous amount of effort in alleviating the misfortunes of those laid-off, unemployed, and urban families with low incomes. SOEs are required to run re-employment service centers for laid-off workers, providing them with compensations for basic living costs, various social insurance premiums, training, and other re-employment programs. If they cannot find new jobs after certain period of time, they can join the urban unemployment social insurance program,

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<sup>13</sup> Zou Jianfeng, "Gou jian nongmin yiliao anquan wang" (Constructing a Medical Safety Network for Peasants), *zhongguo jingji shi bao* (China Economic Times), May 26, 2003.

<sup>14</sup> *Green Book of China's Rural Economy 2003-2004* (Beijing: Social Sciences and Documents Press, 2004), p.219.

<sup>15</sup> *Green Book of China's Rural Economy 2003-2004* (Beijing: Social Sciences and Documents Press, 2004), p.226

<sup>16</sup> *Green Book of China's Rural Economy 2003-2004* (Beijing: Social Sciences and Documents Press, 2004), p.266

<sup>17</sup> Zou Jun, "Lun Zhongguo nongcun shehui baozhang de zhidu huanjing yueshu—jian yi di'erci hezuo yiliao shiyan wei li" (The Systemic and Environmental Constraints for Rural China's Social Security: the Second Health Care Cooperatives as an Example), <http://www.social-policy.info/948.htm>

<sup>18</sup> Zhou Zuohan, et al., "Cujin nongmin ziyou er quanmian fazhan de zhanlue sikao" (Strategic Thinking on Promoting Peasants' Free and Comprehensive Development), *The Journal of Hunan College of Arts and Sciences*, the social science edition, Vol. 1, 2005.

from which they can get compensation for basic living costs and various insurance contributions. For those who have little chance to find new jobs and with extremely low family income, there is the urban minimum livelihood program as a last resort for social protection. In essence, there are now three layers of social protection for urban poor. According to Zhang Zuoyi, minister of labor and social security, China has established a framework of social security with Chinese characteristics.<sup>19</sup> He was referring to the cities, of course.

Various signs indicate that the government is still not regarding social security in the rural society as an important matter on its agenda. As late as 2002, the report to the 16<sup>th</sup> Party Congress proclaimed that only in rural areas with good conditions are efforts to be made to “explore” the establishment of the pension, medical insurance, and minimum livelihood systems.<sup>20</sup> The official position is that rural conditions are not mature yet for real efforts in setting up a social security system. Instead, it is emphasized that land should serve as the means for social protection for peasants,<sup>21</sup> usually on the ground that land can provide a constant source of income. The rationale is that, with a piece of land, a peasant will never lose his job and he does not even need to retire. But the fact is, land can rarely function as a guarantee for Chinese peasants’ wellbeing, simply because farming has not been a lucrative profession. During the 1990s, in fact, farming usually led to a loss of money. As commercialization further grows, farming has become a highly risky sector due to market fluctuations, besides disastrous weathers. As a result, much land has been deserted in the past years.

To sum up, over the past two decades, clearly there have been two different governmental approaches to social security in China’s rural and urban societies, producing vastly different results. The rural regions were largely left on their own, while the urban areas have set up a fairly effective social protection system, although still preliminary. Due to the fact that the vast majority of the farming population is not entitled to medical security, the World Health Organization, in assessing medicare and sanitation equity among its 191 member countries, ranked China as the fourth lowest country.<sup>22</sup>

### **Social Insecurity in Rural China**

With little social protection in the rural society, one wonders how the peasants cope with contingencies. Because information flow in China is highly controlled, it is usually very difficult to answer this question. This difficulty is aggravated by the fact that there is no nationwide and vocal organization or institution that represents the interests of the rural population. Nevertheless, some preliminary studies have been produced that look into the social consequences of absence of social provisions in China’s vast countryside. By piecing them together, we are able to see numerous rural families, in fact the whole rural society, which have been and are still being tormented by various kinds of misfortunes. Contrary to popular perception that rural life remains dependable and stable, many villagers have come to conclude that the “only thing certain is uncertainty and change.”<sup>23</sup>

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<sup>19</sup> News report, *China News Service*, November 11, 2002.

<sup>20</sup> *Report to CCP 16<sup>th</sup> Congress*, November 8, 2002.

<sup>21</sup> News report, “Zhongguo muqian zanshi zuo bu dao jiang ba yi nongmin naru shehui baozhang tiyi” (China Temporarily Unable to Integrate 800 Million Peasants into the Social Security System), *China News Service*, March 11, 2003.

<sup>22</sup> *Green Book of China’s Rural Economy 2003-2004* (Beijing: Social Sciences and Documents Press, 2004), p.220.

<sup>23</sup> Elisabeth J. Croll, “Social Welfare Reform: Trends and Tensions,” *The China Quarterly*, No. 159 (Sep., 1999), p.685.

The following paragraphs examine the situation for the rural elders or the pension, rural medical and health care conditions, and social security for migrant workers. We can see clearly that the lack of social protection in rural China has been and still is a grave problem for millions of rural population.

Ever since the 1980s, with the collapse of traditional medicare cooperatives, the previous three-tier health care system for the rural society has run into serious troubles. Medical facilities at the town and village levels were largely weakened and eventually became privatized. Peasants were left on their own to pay all their medical expenses by themselves. Privatization of medical services led to skyrocketing of medical expenses, far exceeding the financial capacity of peasant families. According to statistics in the table below, from 1990 to 1999, the average net income for peasants rose from 686.31 yuan to 2,210.34 yuan, an increase of 3.2 times. But in the same period, the average cost of per medical visit increased from 10.9 yuan to 79 yuan and the average expenditure of hospitalization rose from 473.3 yuan to 2,891.1 yuan, increasing 7.2 times and 6.1 times respectively.

**Table: Comparison of the increases of medical expense and rural per capita income**<sup>24</sup>

Year	1985	1990	1995	1999	1990--1999 average increase (%)
rural net income	397.6	686.31	1577.74	2210.34	13.80
average cost per medical visit		10.9	29.6	79.0	24.53
average cost per hospitalization		473.3	1273.0	2891.1	22.25

According to surveys, as many as 70 percent of the peasants consider the increase of medical care cost too fast and 20 percent note that they are unable to afford medical expenses. In 1985, among those who fell ill, 4 percent could not see a doctor because of financial difficulty, and this figure rose to 7 percent in 1993. Again from 1985 to 1993, the percentage of rural patients who needed to be hospitalized but did not due to financial shortage increased from 13.4 to 24.5. In some of the poverty-stricken areas, as many as 72 percent patients did not seek any medical treatment due to financial inability.<sup>25</sup>

The lack of social support for medical care in rural China had a profound negative impact on the health conditions of the rural population, particularly those most vulnerable. According to a series of studies, ever since the 1990s, a huge gap in health conditions has developed between the rural and urban societies. In 2001, for instance, in terms of death rates for infants, children under five, and pregnant and delivering women, the figures for the rural areas are at least 2.3 times of those in the urban areas. In poverty-stricken rural communities, over 60 percent of children do not have any medical and physical examinations at all; half of pregnant women have neither pre-

<sup>24</sup> Wang Yanzhong, "Lun xin shiji zhongguo nongmin yiliao baozhang wenti" (The Problem of Medicare for Chinese Peasants in the New Century), *Century China*, Issue D, Sep. 2003, <http://www.cc.org.cn/>

<sup>25</sup> Wang Yanzhong, "Lun xin shiji zhongguo nongmin yiliao baozhang wenti" (The Problem of Medicare for Chinese Peasants in the New Century), *Century China*, Issue D, Sep. 2003, <http://www.cc.org.cn/>

delivery examinations nor after-birth visits by medical professionals; over 90 percent of women deliver at home mostly with the help of untrained persons.<sup>26</sup>

A more alarming threat to peasants' well-being comes from the possibility of falling into major illnesses. A study covering eight provinces by researchers from Beijing University concluded that the negative impact of major illnesses on rural families is long term and fairly serious.<sup>27</sup> On average, if a major illness befalls a family member, it takes two to three years before the family's income can rebound back to its previous level. For low income rural families, treatment of a major illness results in a drop in their family's consumptions for four years, and for those poverty-stricken families, it takes eight years for the negative impact to disappear. To finance treatment of major illnesses, close to 42 percent of rural families have to borrow money from relatives, local banks, or relatives. Major illnesses and poverty have become twin problems for many rural families, creating a vicious cycle that has to be broken by some outside force, preferably the government.

If the health conditions for the general rural population are not sanguine, it could mean at least equal difficulty for rural seniors, a group whose number continues to grow rapidly. Governmental statistics show that as many as 39.3 million rural elders live in poverty and 45.3 percent of rural elders mention that their lives do not have enough support.<sup>28</sup> Currently, rural seniors are mainly supported by their family members, in other words, the younger generation. In the long term, this practice will not be sustainable, due to the social effects of the family planning policy, drop in mortality rate, increase in life expectancy, and internal migrations.

Another group of rural population who faces insecurity is those suburban residents who lost their lands due to urbanization and widespread industrialization in the 1990s, in the midst of fashionable urban expansion and building industrial bases pushed by local governments. A report estimates that by the year 2004 as many as 40 million peasants had become landless.<sup>29</sup> These new landless peasants were neither sufficiently compensated nor incorporated in the urban social security system. According to a policy proposal by Jiu San Society, one of the political parties in alliance with CCP, among all those new landless peasants, less than 10 percent have become better off; 30 percent were not affected; but 60 percent of them have become worse off and encountered very difficult situations.<sup>30</sup> Many of this rural group have become residents of three "have-nots": no land to farm, no job to work, and no welfare to enjoy.

Social insecurity for the rural population is not just limited to the countryside; it also exists for millions of rural youths who migrate across China for jobs. There are now over 100 million migrant workers, who account for half of the work force in the urban service industry: 60 percent in manufacturing, and 80 percent in construction.<sup>31</sup> Except in some highly developed coastal cities, few migrant workers enjoy even basic social security provisions. Take the famous city of

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<sup>26</sup> *People's Daily*, "Diaocha xianshi: wo guo nongmin jiankang zhuangkuang bu rong leguan" (Survey shows Chinese peasants' health not optimistic), December 6, 2004.

<sup>27</sup> Yao Yang, et al., "Analyses on the Impact of Major Illnesses on Rural Families", Beijing University Health Policy and Management Research Center, October, 2003.

<http://www.cahp.org.cn/view.asp?id=263>

<sup>28</sup> Zhao Ping, "Laodong he shehui baozhang bu liang bai yi qiao dong nongcun she bao" (The Ministry of Labor and Social Security Vows to Start Rural Social Security with 20 Million Yuan), *The Twenty-first Century Economic Reports*, February 23, 2005.

<sup>29</sup> Fan Ping, "Peasant Development Report 2004", <http://www.sociology.cass.cn>

<sup>30</sup> Liu Rong, "Jinnian quanguo zhengxie yi hao ti'an zhi zhi nongmin shehui baozhang" (Number One Proposal of This Year's CPPCC Points to Rural Social Security), *China Insurance*, March 5, 2004.

<sup>31</sup> Fan Ping, "Peasant Development Report 2004", <http://www.sociology.cass.cn>

“migrant workers” Dongguan of Guandong as an example. The whole population with local *hukou* registration is 1.54 million, but the number of migrant workers exceeds 6 million. However, the budget for public services by local government agencies is set only for those 1.54 million local residents.<sup>32</sup> Local government leaders are worried that giving social security benefits to these migrant workers will substantially raise labor costs, which correspondingly causes capital outflow. Thus, unless there is a stronger push from the top, local governments will choose to delay indefinitely social security for migrant workers.

In short, rural social security, based on family protection, is precarious. As China’s economy becomes more and more market-oriented and entangled in the world market, the agricultural sector is expected to encounter more risks and uncertainties. Structural changes in the economy and society have further exposed rural problems generated by social insecurity.

### **Political and Institutional Barriers for Rural Social Security**

Many analysts maintain that contemporary problems in China’s rural society are basically economic in nature. It is indeed indisputable that many of the rural predicaments are deep-rooted in the national economic structure and economic reforms in the past decades. But one has to acknowledge that many of those problems, including social security, also have their socio-political origins. The remaining yet still strong influence of the traditional official policy of rural-urban separation exerted a profound impact on public policy making. The Party-state leadership’s shrewd concern for political legitimacy and stability primarily in the urban context also played an important role in shaping the “urban-priority” approach. The rural population’s weak political position in national politics significantly limited their capability of interest articulation and representation, which ultimately disserved the advancement of their social security and welfare benefits.

### **Path Dependence of “One Country, Two Policies”**

During Mao’s era, the primary goal of the government was to industrialize the Chinese economy. To achieve this goal, the central government instituted many rules and regulations that aimed at separating the rural from the urban society. Most notable was the household registration policy, which arbitrarily required rural and urban residents to register as two vastly different categories of citizens. With the facilitation of other measures, such as rations of daily necessities, rural residents were effectively restricted to localities of their natural birth. With very few exceptions, it was almost impossible for peasants to settle down in the cities. Even cross-regional mobility within the countryside was difficult and rarely took place. On the basis of the household registration system, the government was able to adopt public policies, including social security, that treated residents in the two categories completely differently, a practice that has been summarized as “one country, two policies”.

The core of the “one country, two policies” is to give priority to the urban-industrial sector in socio-economic policies usually at the expense of urban-rural equity. The practice of the policy can be most notably illustrated by the amount of financial resources that the central government exacted from the rural economy to assist the industrial sector over the decades through various

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<sup>32</sup> Rural Development Institute of China Academy of Social Sciences and Rural Social and Economic Investigation Team of the State Statistics Bureau, *Green Book of China’s Rural Economy, 2003-2004* (Beijing: Social Sciences and Documents Press, 2004), p.9.

means. According to a study,<sup>33</sup> from 1952 to 1990, the agricultural sector made a total contribution of 1.16 trillion yuan to China's industrialization, an average of 30 billion yuan per year. In the same period, the state provided only 190 billion yuan for the agricultural sector. The study also shows that the same practice of using the agricultural sector to assist industrialization continued in the reform era. From 1978 to 1994, taxes to the state from the traditional agricultural sector and the township enterprises amounted to 701.7 billion yuan, while the rural areas got only 495.4 billion yuan from the state. Statistics also show that the proportion of state investment in the agricultural sector in the total national financial expenditure continued to drop in the reform era, reaching the lowest point in 1999 and 2000.<sup>34</sup> Even among the limited state investment in the rural areas, a significant proportion was used for hydraulic projects that directly benefited urban residents and industrial demand for water.

Given the "path dependence" effects of the traditional arbitrary rural-urban separation, it is no surprise that the government's funding for social security disproportionately flew to the urban areas. Take the year 1990 as an example. In that year, the total national expenditure on social security was 110.3 billion yuan, of which 97.7 billion yuan or 88.6 percent, was used by the urban residents. The rural population was allotted only 12.6 billion yuan. An average city dweller enjoyed 413 yuan of social security expenditure, while an average peasant had only 14 yuan, a difference of almost 30 times.<sup>35</sup> As late as 2002, the urban population enjoyed two-thirds of all medical and health services.<sup>36</sup>

On some specific social security matters, such as the pension plan and the health care cooperatives, governments at different levels have pushed for experiments and trials. But these efforts turned out not to be so successful mainly because of a lack of firm commitment, particularly financial commitment from the central level. Starting from the early 1990s, China had begun to experiment a pension plan for rural elders. From the mid-1990s to the end of the decade, various signs indicated that peasants were showing some enthusiasm in the emerging pension system. However, in 1999, the government issued a directive saying that the conditions in the rural areas were not mature yet for an old-age pension scheme, causing a halt in the direction of developing a pension plan in the countryside.

Another example of such failure is the rural Medicare Cooperative System. Ever since the collapse of the old system, interest of reinvigorating it has always been alive. From time to time, local governments called for the reestablishment of the system. Very little progress has been made in this regard largely due to a lack of financial contribution from the central government. As a matter of fact, governmental financial support to the Medicare Cooperative System has shrunken significantly during the reform years.<sup>37</sup> After the organizational restructuring in the State Council in 1998, rural health care responsibilities were transferred from the Ministry of Health to the Ministry of Labor and Social Security. But the latter was preoccupied with rebuilding the urban social security system and had little time and expertise to focus on rural social affairs. Furthermore, social welfare in the rural society involved the coordination of

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<sup>41</sup> Li Wen, "Gaige kaifang yi lai nongye de shengyu zhuan yi", (Agricultural Surplus Transfers since the Reform and Opening Up), *Administrative Journal of CASS*, June 19, 2001.

<sup>34</sup> Niu Ruofeng, "nongmin shouru wenti yu er yuan jiegou zhengce" (Rural Income and the Dual-structure Policy), *zhuanggui tongxun* (Restructuring), Vol. 7, 2002. <http://ccrs.org.cn/big/ruralincome.htm>

<sup>35</sup> These numbers come from: Zhou Qiming, "Nongmin pingdeng quan de falu baozhang wenti", *fashang yanjiu* (Studies on Law and Commerce), Vol. 2, 2000.

<sup>36</sup> Yi Yao, "yi nongmin jiankang cu nongcun xiaokang" (Peasants' Health to Promote Rural Well-being), <http://www.he.xinhuanet.com/zhuanti/20040224/nmjk.htm>

<sup>37</sup> Cai Renhua, ed., *Zhongguo yiliao baozhang zhidu gaige shiyong quanshu* (A Practical Collection of China's Reforms in Medicare Security), China Personnel Press, 1998, p. 356.

several organizations, mainly the Ministry of Agriculture, Ministry of Health, and the Ministry of Finance. But these agencies never got down to serious coordination, consequently resulting in no one taking primary responsibility in rural health care matters. As a result, the situation in rural health care continued to deteriorate as the numbers of both village clinics and rural health professionals dropped in the past decade.<sup>38</sup>

In the process of rebuilding the social security system, the mindset of many public policy makers has largely been shaped by the traditional way of thinking and doing things. To many, it is just natural and understandable that priority should be given to the urban areas. In the mid-1980s, when it became clear that market reforms were eroding social security and there was a need to rebuild the system in both the rural and urban areas, many policy makers simply ignored the rural areas, supposing that there had never been a real social security system in the countryside anyway. When efforts started to rebuild the social security system in the cities, the household registration system was used as a convenient barrier to exclude rural population from enjoying any sort of social benefits. Even millions of migrant workers, who came from the rural society but had stayed in the cities and taken on industrial or service jobs for years, were easily excluded from any basic social security plan. The simple excuse was that they were part of the rural population because the household registration system says so.

Political leaders at various levels were not unaware of the problems in rural social security, but many of them simply hoped that local rural communities, or peasant families themselves, could solve those problems. But the fact is, in most rural areas across China, local collective economic strength remains weak. It is unrealistic to rely on the collective economy to be responsible for rural social security. Most individual peasants are not rich either. Peasants who are better off have good reasons to shy away from a social security system and choose to depend on themselves, while peasants who are worse off will never have the ability to join even a basic social security plan.

According to popular wisdom, the Chinese economy had reached the middle phase of industrialization by mid-1990s, when a more rational policy should have allowed agriculture and industry to develop independently, without the government tilting to any side. But in the case of China, the old way of sacrificing the agricultural sector for the rapid growth of the industrial sector continued, and usually through state coercive policies. A direct consequence was insufficient funding for the rural areas, which inevitably led to overall low technology in farming, low living standard for peasants, and few social security benefits for the whole rural population.

### **Ruling Elites' Political Consideration**

The divergence of social security approaches in China was also a result of the Party-state's shrewd consideration of political legitimacy and stability in response to mounting urban insurgencies launched primarily by millions of laid-off workers and those whose livelihood had declined in the reform era.

The Communist Party, the ruling force in the Chinese political system, has ostensibly maintained ever since its founding that it is the vanguard of China's working class, a tricky term that essentially includes almost all urban population. The new Party Constitution that was revised in 2002 added that the Party is also "the vanguard of the Chinese people and nation."<sup>39</sup>

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<sup>38</sup> Li Weiping, *Zhongguo nongcun jiankang baozhang de xuanze* (The choices for China's rural health insurance), Beijing: China Finance and Economics Press, 2002

<sup>39</sup> *CCP Constitution*, the revised version in 2002 at the Party's 16<sup>th</sup> Congress.

Nevertheless, it still emphasized urban workers as its primary political base. In addition to that, the CCP has persistently insisted that all policies in the reform era, no matter how they may contradict Marxist doctrines and the CCP's own ideological tenets, are socialist in nature or at least carry "socialist characteristics." Party leadership constantly reminds the people that the Party adheres to the socialist road and regards the realization of socialism and communism as its ultimate ideological goal. All these political propaganda and assertions were necessary for the Party to derive and maintain some kind of legitimacy for its political rule, but they gave workers a legitimate political tool to protest against many of the reform programs and demand actions by the government to improve their lives.

Peasants, whose interests the Party also claims to represent, are not regarded as the core socio-political support for the Party. The different weights of peasants and urban residents in the ruling elites' consideration of political legitimacy enabled, and to some extent forced, the Party-state to respond differently to the social movements of the two groups in the past decade. In addition, the urban protests were more politically and ideologically oriented as compared to those actions taken by the rural insurgents, creating a sense of urgency among top leaders to solve urban problems first.

Some argue that the urban society got better deals in social security because workers protested more fiercely than peasants. This may be only partially true. In terms of quantity, there have been at least as many protests in the countryside as in the cities. Rural contentions have also been at least as fierce as those of the urban society. For instance, in 1996 and 1997, as many as 380,000 rural residents participated in parades, demonstrations, and petitioning, in 36 counties of 9 different provinces, and 230 instances were said to be cases of "turmoil, riot, or rebellion."<sup>40</sup> Many of the rural contentions turned out to be fairly violent and bloody.

Numerous and radical notwithstanding, rural contentions were reactive and defensive in nature, meaning they were not trying to claim rights previously inexistent. Peasant actions were usually responses to concrete local aggravations, such as excessive and irregular taxations, land requisition, brutal enforcement of local officials, and occasionally corruptions by local cadres. Their demands were usually remedial and quite limited—redress of injustice and abandonment of local measures that were contradictory to national policies and harmful to their interests. Rural agitations rarely targeted the central government. They argued that local cadres' behaviors were not in conformity with decrees or intentions of the central government. In fact, they believed that the central government was on their side and that the local cadres were the only perpetrators. They hoped the higher authorities would do something to curb local cadres' abusiveness.

This pattern of rural resistance led a Chinese sociologist Yu Jianrong to conclude that peasants' social resistance could be best characterized as "resistance according to laws", meaning that rural insurgents usually demanded the protection of interests and rights on the basis of existing laws and documents issued by the Center. He also noticed that the workers' protests were largely based on "rights-protection under reasons".<sup>41</sup> And their reasons were explicitly ideological and political. The most common "reason" for workers' protests runs like this: "China is a socialist country, of which our working class is the master. The CCP is the vanguard of our working class.

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<sup>40</sup> Thomas P. Bernstein and Xiaobo LÜ, *Taxation with Representation in Contemporary Rural China*, Cambridge University Press, 2003, p.125.

<sup>41</sup> Yu Jianrong, "zhuan xing qi zhongguo de shehui congfu" (Social conflicts during China's Transition), *fenghuang zhouban* (The Phoenix Weekly), Vol. 7, 2005.

The factories are thus our factories.”<sup>42</sup> Compared to peasants’ organization, the workers’ organizations, led by some educated workers, retired Party and trade union cadres, are much more regular, better organized, and politically far more threatening to the Party-state. Workers believed that what they had enjoyed prior to the reform was the true reflection of socialism and what their vanguard should continue to guarantee for them.

Urban insurgencies, initially involving material and economic interests, often “evolved into political critique of regime legitimacy.”<sup>43</sup> In one of the early large-scale worker strikes that took place in December 1980, steel mill workers in Taiyuan demanded better housing, rights to family reunion for workers living apart, and election of worker representatives. But their strike was very political as strikers reportedly called for “breaking down the rusted door of socialism, the right to decide their own fate, the end to dictatorship, and the overthrow of the system of political bureaucracy.”<sup>44</sup> In the 1990s, when urban contentions became more widespread and increasingly radical, many of the slogans they used carried profound political implications. For instance, in a protest march in 1994 in Anshan, which involved as many as 5,000 workers, some of the slogans read: “Workers Are the Masters of the State”, “Down With the New Born Bourgeoisie,” “Yes to Socialism, No to Capitalism,” and “Long Live the Working Class.”<sup>45</sup> The growth of discontent among many under-privileged workers has also bred independent unionism, which would be the last thing the CCP leadership would like to see.

The political implications of the urban contentions have been well received by the ruling elites. In the course of economic reforms, the leadership came to realize that the laying off of urban workforce was not only an economic issue, but also a major political issue, conceding that successful handling of it “is required by the nature of the socialist system and is a compulsory duty of the government and the Party.”<sup>46</sup> The top leadership understood very well that their fulfillment of social obligations was “crucial” for their continued legitimacy, because “if anything went wrong with the economic reforms, the already fragile relations between the regime and society could be further eroded or destroyed altogether.”<sup>47</sup> Various documents concerning rebuilding the urban social security issued by the central government stressed the urgency and importance of the endeavor in highly political terms. For instance, the 1997 notice concerning the establishment of urban minimum livelihood protection system issued by the State Council, says that establishing and carrying out the system “fully reflects the merits of the socialist system, reflects the fundamental mission of the Party and government in wholeheartedly serving the people, and helps maintain social stability.”<sup>48</sup>

The editorials and commentaries of the *People’s Daily*, the CCP’s mouthpiece, constantly warns that being responsive to and taking good care of the urban poor should be political tasks high on the agenda of leaders at all levels of government. In an editorial published on May 1, 2002, while

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<sup>42</sup> Yu Jianrong, “zhuan xing qi zhongguo de shehui conggu” (Social conflicts during China’s Transition), *fenghuang zhoukan* (The Phoenix Weekly), Vol. 7, 2005

<sup>43</sup> Ching Kwan Lee, “Pathways of Labor Insurgency”, in Elizabeth Perry and Mark Selden, eds., *Chinese Society*, 2<sup>nd</sup> edition (London and New York: RoutledgeCurzon, 2003), p.74.

<sup>44</sup> Alan Liu, *Mass Politics in the People’s Republic* (Boulder: Westview Press, 1996), p. 105.

<sup>45</sup> Ching Kwan Lee, “Pathways of Labor Insurgency”, in Elizabeth Perry and Mark Selden, eds., *Chinese Society*, 2<sup>nd</sup> edition (London and New York: RoutledgeCurzon, 2003), p.81.

<sup>46</sup> FBIS, DR/C, June 22, 1998; cited from Hong Yung Lee, “Xiagang, the Chinese Style of Laying Off Workers,” *Asian Survey*, Vol. 40, No. 6 (Nov.-Dec., 2000), p.919.

<sup>47</sup> Hong Yung Lee, “XIAGANG, the Chinese Style of Laying Off Workers,” *Asian Survey*, Vol. 40, No. 6 (Nov.-Dec., 2000), p.914-5.

<sup>48</sup> State Council Notice Concerning the Establishment of Minimum Livelihood System for Urban Residents Nationwide, September 2, 1997.

praising the glory of China's working class, the newspaper urged leaders and cadres at all levels to combine their ideological and political work with efforts to solve practical problems for workers with difficulties.<sup>49</sup> Another editorial proclaims that working towards the re-employment of those laid-off workers is a vital political task that concerns the long-term governance and stability of the state. The same editorial instructs Party and government leaders to "mingle with the unemployed, listen to their appeals, understand their sufferings," and earnestly solve their problems so that they may feel the warmth of the Party and the government.<sup>50</sup>

The interactions between the Party-state and urban residents in the late 1990s and the past couple of years clearly demonstrate the process of reshaping urban society-state relationship, "a new and explicit social contract" between urban contenders and the ruling elites: "support for its legitimacy or mandate to rule in return for social security, welfare and services."<sup>51</sup>

### **The Absence of Interest Representation**

Rural social security also lagged behind due to a lack of interest representation on behalf of the rural population. Chinese peasants, even though accounting for a vast majority of the national population, are essentially disorganized. They are marginal in the socio-political decision making process. Their weak political position has contributed to the discrimination against them in almost all public policy areas.

One notable aspect of the Chinese political system is state corporatism. Under this system, vertically organized and functionally differentiated social organizations do exist under the Constitution. Social organizations in various walks of life are largely set up by the government, financially dependent on public funding, and expected to be loyal to and follow the Party politically. Despite the fact that all these social organizations are co-opted by the Party-state, they still perform some role in representing their members' interests. Unlike many other groups in the society, Chinese peasants do not have either local or national organizations. Without their own organization, peasants can hardly get their voice crossed and have any say in social debates and policy making.

In sharp contrast to the situation for the rural residents, labor unions have always existed for the urban population, even in the era of planned economy. Union leaders, although often not directly elected by the workers, enjoyed a fair amount of social and political prestige and power at all levels. For instance, Wei Jianxing, the Chairman of the twelfth and thirteenth All China Federation of Trade Unions (ACFTU) from 1993 to 2002, concurrently served as a member in the Politbureau of CCP Central Committee and the Secretariat, and a standing member of the Politbureau of CCP Central Committee from 1997 to 2002. The ACFTU charter stipulates that it is a mass organization for the working class under the leadership of the CCP and serves as the bridge and linkage between the Party and the workers. The basic responsibility of the ACFTU is to protect the legal rights and interests of the workers, including political, material, and cultural. The new charter specifically mentions that trade unions should be concerned about the life of

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<sup>49</sup> *People's Daily* editorial, "zai gaige fazhan wending zhong jianli xin de gongji" (*Make New Achievements in Balancing Reforms, Development, and Stability*), May 1, 2002.

<sup>50</sup> *People's Daily* editorial, "guanxi guojia chang zhi jiu an de zhongda zhengzhi renwu" (A Vital Political Task Concerning Long-term Governance and Stability of the State), August 17, 2003.

<sup>51</sup> Elisabeth J. Croll, "Social Welfare Reform: Trends and Tensions," *The China Quarterly*, No. 159 (Sep., 1999), p.685

those retired and laid-off and actively report their desires and demands to relevant Party-state agencies.<sup>52</sup>

The new Labor Union Law passed in 1992 by the fifth meeting of the Seventh National People's Congress stipulates that unions are an integral part of the political system. The new law states that labor unions, through various channels and means, are entitled to take part in the management of state affairs, economic and cultural affairs, social affairs, and to assist the government in its work, safeguard the socialist state led by the working class in alliance with the peasants. The labor unions are also entitled to protect the legal benefits of the workers.

For decades, labor unions in government agencies, schools, state-owned factories, or any other service working units, served as the primary agencies in charge of distributing social welfare benefits to their members and addressing their grievances. In the past two decades when market-oriented reforms began to shatter the old social security system and more and more state-owned workers began to be laid off, workers and state employees naturally turned to their local labor unions and even the national labor union leadership for help. They demanded that the labor unions should intervene and ask the state to compensate for their reduced living standard and social provisions. Some of their actions demanding attention and solution were quite aggressive, especially at times of traditional festivals or holidays. In the late 1990s, when Chinese traditional New Year came close, hundreds of representatives of laid-off workers swarmed in Beijing and protested in front of the ACFTU, asking for the government to solve their problems. Labor unions at all levels faced enormous pressure from those urban residents whose livelihood was negatively affected by the reform programs and had to convey their voices to the corresponding level of government officials. In the twelfth and thirteenth national congresses of the ACFTU, which took place in 1993 and 1998, when workers were facing increasing difficulties, the ACFTU emphasized that expressing and protecting the rights and interests of its members were its primary task.<sup>53</sup>

The Chinese political system is also well known for its lack of formal channels of democratic participation. Even in those limited formal channels, Chinese peasants were systematically under-represented. When it comes to the election of representatives to the People's Congress, peasants can only directly elect representatives to the township and county levels. They cannot directly elect representatives to the municipal, provincial, and the national People's Congresses. According to stipulations in the Election Law, revised in 1995, the number of rural voters that is needed to elect one representative to the People's Congresses is four times that of the urban voters. In actuality, less than 5 percent of the representatives in the National People's Congress can be described as coming from a true rural population background.<sup>54</sup> In the People's Political Consultative Conference at all levels, there are also very few members that either come from the rural background or represent the peasants' interest. For example, in the Tenth National People's Political Consultative Conference, there is only one member who truly carries a peasant status.<sup>55</sup> It is commonly acknowledged that both the people's congress and the political consultative

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<sup>52</sup> AFCTU Constitution, passed on September 26, 2003 by its 14<sup>th</sup> Congress, see AFCTU website: [www.ACFTU.net](http://www.ACFTU.net)

<sup>53</sup> All China Federation of Trade Unions website: <http://www.acftu.net/template/10001/file.jsp?cid=107&aid=2536>

<sup>54</sup> These numbers are from Zhou Zuohan and Zhang Yinghong, "lun dangdai zhongguo nongmin de zhengzhi quanli" (Contemporary Chinese Peasants' Political Rights), *Hunan Normal University Social Science Journal*, Vol. 1, 2005.

<sup>55</sup> Zhou Zuohan and Zhang Yinghong, "lun dangdai zhongguo nongmin de zhengzhi quanli" (Contemporary Chinese Peasants' Political Rights), *Hunan Normal University Social Science Journal*, Vol. 1, 2005.

conference do not hold real political power in the Chinese political system. Yet these institutions do from time to time discuss major socio-economic matters that are pertinent to the well-being of the people. Opinions expressed and proposals made by these members do catch the attention of the mass media and top policy makers.

At the central-ministerial level, where major economic and public policies or proposals are made, peasants also face discriminatory treatment. Urban-industrial bureaucracies ostentatiously overshadow the few economic agencies concerned with agriculture and peasants' well-being. Susan Shirk concludes: "In a system that gave agriculture only a feeble bureaucratic voice, China's eight hundred million rural dwellers remained a disenfranchised majority."<sup>56</sup>

In addition to peasants' inability to enjoy equitable political rights in those formal political institutions, they also do not have the right to select government chiefs at and above the town level. Largely appointed by higher authorities, Party-state officials at the town and county levels who are most familiar with conditions in the rural areas and most likely to be sympathetic to peasants' desires are not accountable to peasants' interests and expectations. As part of the rural-urban separation scheme, peasants are not allowed to take on public positions from the central level down to the local township level. All governmental jobs are only open to applicants with urban household status. All these create a situation where government officials act as masters and rural residents are expected and sometimes even forced to be followers. Without any checks and supervisions from the rural mass, local officials, for personal political promotion purposes, only respond to higher authorities' requirements for faster development and noticeable achievements. Reporting the positive aspects while covering the negative of local socio-economic reality, and intentionally inflating achievement figures become a common phenomenon nationwide, particularly in the mid-western regions where many peasants have a hard time making ends meet. Social development for peasants, including social security, as well as many other local problems such as corruption, unrestricted expansion of local bureaucracy, and uncontrolled and aggressive exaction of rural taxation are direct results of political weakness of the rural population.

The weak political position of the rural society results in the superiority of the state power. In this structural framework, peasants' interest formation, interest expression, and interest appeal have to take place in the existing administrative system of the state. Peasants can only strive for their interests and rights within the existing administrative system.<sup>57</sup> Out of the state development strategy and policy agenda, peasants' actions to obtain their interest and rights are regarded as either illegitimate or illegal and are often suppressed by local governments. This can be seen in the peasants' resistance actions in the past decade. Most cases of rural resistances involved infringement of peasants' direct material interests, such as land conscription, excessive taxation, and abusive treatment by local cadres. Peasants were only able to refer to existing state policies or documents, usually enacted by higher level of governments.

The vast majority of the migrant workers in the urban society, the group of the rural population who should be most likely to be incorporated into the urban social security system, are not able to enjoy substantive social benefits, except in some highly-developed coastal cities. The absence of social protection for millions of migrant workers is largely due to the fact that they have no organization to express their voices. Many people intuitively think that migrant workers are not interested in political participation and urban affairs. A study on this group of people in Wuhan

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<sup>56</sup> Susan Shirk, *The Political Logic of Economic Reform in China* (Berkeley: University of California Press, 1993), p. 133.

<sup>57</sup> Wang Xiaoyi, "jiafeng zhong de biaoda" (Squeezed Expression), *zhongguo shehui xue wang* (China Sociology Online), <http://www.sociology.cass.cn>

city sharply contradicts this assertion. According to the study, 69.3 percent of the migrant workers surveyed believed that they should participate in the management of urban affairs. 80 percent of those surveyed agreed that they should have some organization or agency to represent and protect their interests.<sup>58</sup> However, in reality, migrant workers' political participation has been marginal at most. It is not because they do not want to participate, but because the barriers of various institutions and the discriminatory practices against them make it impossible for them to be part of the political process.

In the past decade or so, Chinese peasants succeeded in protecting their interests in one area, namely reduction of rural taxes and fees. This success was made possible by peasants' collective and persistent appeals and actions, sometimes violent against local and higher authorities. Years of strong protest and appeal activities generated a strong political force and pressure on the central government, forcing the top leadership to recognize that "reducing the burdens for peasants has become an extremely urgent political task."<sup>59</sup> Excessive and arbitrary taxes and fees were eventually abolished. This example is illuminating for China's rural social security. Chinese peasantry will have to significantly increase their interest articulation and representation through various means before the top leadership pays serious attention to issues concerning social programs in the countryside.

## Conclusion

The Constitution of the PRC conspicuously stipulates that all citizens have the right to obtain material assistances from the state and the society when they are in old age, ill, or incapacitated for labor. In 2001, the National People's Congress officially ratified the International Convention on Economic, Social and Cultural Rights, indicating that the government is committed to providing equitable social provisions to all the citizens. In 2004, the Constitutional amendment further declares that the state should establish and further build a social security system that is compatible with the level of economic development. There is no denial that the government has made tremendous efforts in this regard and great progress has been achieved. The matter most people are concerned about is that the national social policy has disproportionately favored a minority group of people in the urban areas while the majority of people in the rural regions have not been given the amount of attention they deserve. The two divergent approaches not only signal social injustice, but also make future development of social protection in the countryside even more problematic.

The different approaches and their outcomes are generated primarily by political reasons, not wholly by economic and financial difficulties as some analysts tend to believe. Financial resources are not essentially prohibitive factors in the absence of social protection in the rural areas. Take rural pension plan as an example. According to Lu Haiyuan, a senior researcher at the Ministry of Labor and Social Security, if the central government were willing to appropriate 20 billion yuan to subsidize those mid-west regions, a nationwide rural pension plan could be easily set up. Given the fact that the central government revenue increased 500 billion yuan in 2004, this is highly financially feasible, Lu affirmed.<sup>60</sup> Another scholar estimates that a

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<sup>58</sup> Xu Zengyang, et al., "wuhan shi nongmingong zhengzhi canyu zhuangkuang diaocha" (A Survey of Political Participation among Migrant Workers in Wuhan), *zhanlue yu guanli*, (Strategy and Management), No. 6, 2002.

<sup>59</sup> Yu Jianrong, "Contemporary Chinese Peasants' Rightful Resistance and Politics", Speech at Harvard University, December 4, 2003.

<sup>60</sup> Zhao Ping, "Laodong he shehui baozhang bu 200 yi qiao dong nongcun shebao," (The Ministry of Labor and Social Security to Start Rural Social Security with 20 Billion Yuan), *21<sup>st</sup> Century Economic Report*, February 23, 2005.

contribution of 19.2 billion yuan from state revenue could help initiate a rural pension program and a total of 57.6 billion from government revenue could start a rural social security system that includes pension, medical care, and minimum livelihood.<sup>61</sup>

Many problems in the rural areas, including social security, have their deep roots in the political structure. The official policy of rural-urban divide serves as a convenient institution for policy makers to pursue their urban-priority strategy. The lack of interest representation for the rural population means little chance for peasants to change their fate through socio-political means. And finally, the ruling elites' consideration of political legitimacy and stability in the reform era further marginalized peasants' political position and bargaining power. In recent years, there have been a lot of calls among intellectuals and social policy scholars for more attention to social problems in the countryside. Experiences in the past two decades tell us that these political and institutional barriers have to be overcome before we can see significant advancement in rural social security.

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<sup>61</sup> Shang Changfeng, "nongcun shehui baozhang wenti yanjiu" (A Research on Rural Social Security Problems), *zhongguo caijing xinxi ziliao* (China Financial and Economic Information and Files), March 21, 2002.