

Diagnosis & Baseline Data

Project Component 3

improving of legal framework and policy for social assistance in
collaboration with the Ministry of Civil Affairs

(Macro-activity 0.1)



Social Protection Reform Project
中国-欧盟社会保护改革项目

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Diagnosis & Baseline Report on China's Social Assistance

The EU-China Social protection project Grant application form provides that “*After the setting up of the Office in Beijing, the Resident Experts, in collaboration with the three Component Coordinators and the Project Leader, will (...) establish a brief diagnosis of the situation and define the baseline*”. The present document responds to this requirement as far as Component 3 is concerned. The topics to be covered under Component 3 of the project are almost exclusively related to social assistance – hence the focus on such schemes in the Diagnosis and Baseline hereafter provided.

Ms Yu GUO, C3 Main Chinese Expert (Research), drafted this document.

1. Introduction

Article 45 of the Chinese Constitution recognizes the right of the Chinese people to social protection to maintain their basic standard of living. In line with the requirement of the Constitution, Chinese government has made great efforts over the past three decades to reconstruct the previous urban residents work-related social insurance programs. During early 1990s, urban poverty resulting from reforms of state owned enterprises has become a source of social instability. In response to this, with the aim of establishing a social security system that would function to smooth the transition, Chinese government takes social assistance as one of the most important measures to improve people's livelihood. The government gradually developed new social assistance schemes and increased financial investment to establish a basic policy framework of social assistance that adapts to the system of market economy.

This baseline report focuses on China's social assistance system, providing a benchmark introduction to the reform history of the social assistance system, the framework of current social assistance programs, and making a brief analysis on its development achievements and challenges ahead.

2. Historical Account and Current Framework of Social Assistance in China

2.1 A Brief history

Since early 1950s, Chinese government has established regular quota relief, five-guarantee scheme¹, disaster relief, temporary relief and other social assistance schemes together with planned economy. In particular, during the planned economy period, state owned enterprises (SOEs) provided full and life-long employment for their employees with various employment-related benefits, such as old-age pensions and free education and health care, known as the “from cradle to grave” welfare system. With few people being outside the formal work-units, the need for social assistance was negligible. There were a few categorical social assistance programs, which catered only for a very small number of people in need.

Following economic reforms that started in the late 1970s, an immediate and urgent issue confronting the government was to provide pensions for an increasing number of retirees emanating

¹Generally speaking, the contents of the ‘five guarantees’ consist of food, fuel, clothing, education and burial.

from many economically constrained SOEs and benefits for workers who were laid off or became unemployed in the course of reforming SOEs. Therefore, for most of the time since economic reforms started, the major efforts of the government have been focused on the establishment of social insurance schemes for retirees and workers in SOEs such as old-age pensions, unemployment benefits, and medical insurance. Since early 1990s, to deepen the economic reform and maintain social stability, Chinese government has concentrated on constructing an improved new social assistance system, so as to provide the lowest living allowance and dedicated assistance programs to the elderly, weak, patient, minor and other special groups, as well as unemployed, laid-off workers, difficult enterprise staff and other poor groups in urban and rural areas.

2.2 Current regulations and mechanism of Social Assistance system

Chinese social assistance system covers the basic living, basic medical treatment, basic housing and basic education, etc., and includes emergency temporary relief system to the temporary and sudden life difficulties as well. As a whole, China's social assistance program provides the poor population with basic living protection, and becomes a real social safety net in recent years.

The subsistence allowance program (Dibao). This Minimum Livelihood Guarantee Scheme (MLGS, Dibao, or subsistence allowance) is the core content in Chinese social assistance policy, as well as the most important assistance program. The MLGS is an income supplementary assistance system, which makes sure that the income of the population in poverty can be kept in a certain level (Dibao line), so that they have the capacity to purchase basic living consumables. Dibao was first initiated in Shanghai in early 1990s and was then promoted nationally during mid- and late 1990s. In 1997, the State Council issued the "Notice on establishing Urban Minimum Livelihood Guarantee Scheme in the nationwide" to extend local experimentation to national policy framework. In 1999, the State Council passed the "Regulations on Urban Minimum Livelihood Guarantee Scheme" to strengthen the legal framework of MLGS. In 2007, the State Council issued the "Notice on establishing Rural Minimum Livelihood Guarantee Scheme in the nationwide", which denotes rural people could be secured by MLGS as well. Meanwhile, local governments should formulate and announce the subsistence allowance standard according to the expenses required to maintain basic living standard, and then investigate and assess the average family income of the applicant.

The program of five-guarantee scheme in rural areas. In rural areas of China, as the traditional source of living security is mainly farmland security and family support, in 1950s the government established the *five-guarantee scheme* to support those people (mainly the elderly, disabled, and minor below 16 years old) who have no ability to work, no source of income and no statutory caregivers to look after them, or whose statutory caregivers have no ability to look after them. "Five guarantees" refer to the basic needs of the poorest residents which should be guaranteed in a collective form. 'Five' is not an exact number. Generally speaking, the contents of the 'five guarantees' consist of food, fuel, clothing, education and burial. In reality, its contents vary in different times and different areas. This scheme continues to function as one important part of the current social assistance system. In 2006, the State Council issued "*Regulations on Rural Five-Guarantee Scheme*" to reinforce this scheme.

Medical assistance program. To ensure the poor being guaranteed with the timely medical service, Chinese government established medical assistance program, in which the government provides funds to offer special assistance and economic support to the sufferers without economic ability for medical treatment in the population with difficulties, and the population with difficulties for paying the huge amount of medical expenses, so as to maintain their basic survival ability, and gradually improve the health condition. Medical assistance mainly adopts two forms, first, the government sponsors to help the members of poor families to participate in the medical insurance; second, when the poor cannot afford the rest expense after accepting medical service and relevant expense is reimbursed through medical insurance, the government will offer subsidy on medical fee again. In 2005, Ministry of Civil Affairs, Ministry of Health and Ministry of Finance together formulated “*Notice on advancing rural medical assistance*” and in 2009, Ministry of Civil Affairs issued “*Opinions on improve rural & urban medical assistance system*”.

Low-rent housing program. To solve the housing problem for the poor, the Chinese government implements low-rent housing program in urban areas. There are mainly two methods, first, the government invests to build some housing with complete facilities, the families with difficulties can live in after paying limited amount of rents; second, the families with difficulties that fail to get access to the low-rent housing can apply for housing-rent subsidy from the government. In 2007, the State Council formulated the “*Guidance on solving housing problems of families with low income in urban areas*”. Meanwhile, in rural areas, Chinese government is implementing the renovation of dilapidated housing, in which the government invests to renovate or reinforce the housing of allowance families, five-guarantee scheme object in scattered residence in rural areas.

Moreover, in recent years, Chinese government has been working on a holistic legal framework for social assistance; however, the progress is not that smooth as expected. Instead of a formal “Social Assistance Law”, on 21, Feb., the State Council released No. 649 Decree “*Temporary measures of social assistance*”, which is seen as the first comprehensive regulation on social assistance.

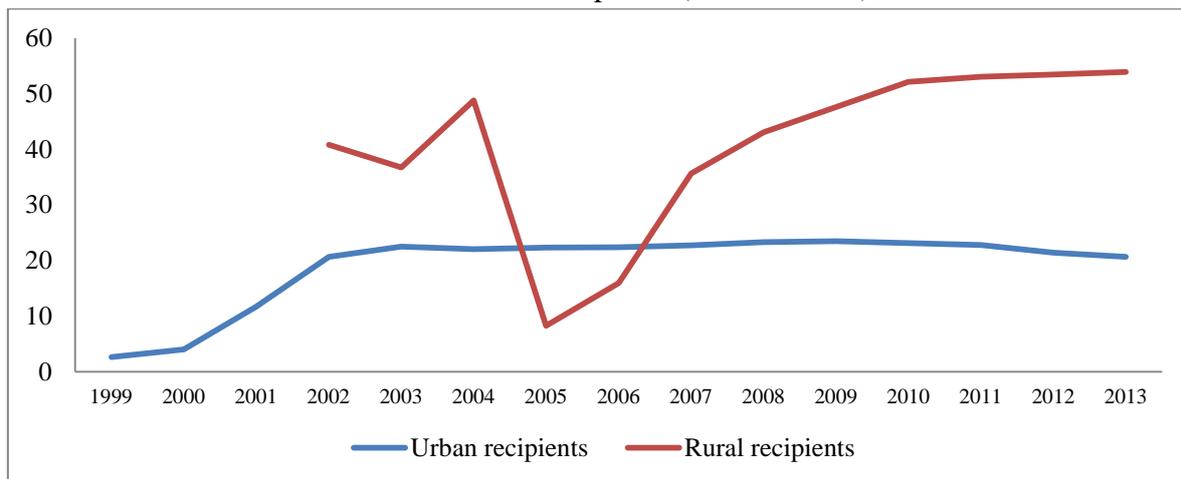
2.3 Guaranteed minimum income - Dibao

Chinese government attaches great importance to the basic living security of people with difficulties. Being a residual and means-tested social assistance program, MLGS has emerged in China as an integral part of its social protection system, filling the gaps created by the reforms in the social insurance programs. Financed out of government revenues, this program provides cash benefit to households with per capita incomes falling below local poverty lines (or Dibao lines), which were determined mostly through the budget standards methods with adjustments to the local contexts and often availability of funds. In practice, covered items include mainly food, clothing and a few daily necessities such as fuel, electricity, and water. MLGS benefits are subject to means test and are delivered by the community-based agencies under their discretion. According to the official data from MOCA, in 2013, the average urban Dibao line is 373 RMB per person/month and the average rural Dibao line is 2434 RMB per person/year. In urban areas, each Dibao recipient could get 264

RMB per month averagely and in rural areas, the average allowance is 116 RMB².

Faced with rapid demographic, social and economic transformation, China has taken steps to extend and strengthen the urban MLGS. The extension of the MLGS led to a rise in the number of beneficiaries from 2.6 million in 1999 to 20.6 million in 2002 (although long-term poor rural migrants remain excluded). From 2002, rural MLGS started local pilot programs and since 2007 it became a national program, which denotes that the state was eventually able to expand the program to rural areas as a further step towards integrating the development of social assistance in urban and rural areas. Figure 1 shows the increasing of number of MLGS recipients over past 15 years.

Figure 1: Number of Urban and Rural MLGS recipients (Unit: Million)



Data source: *Annual China Social Service Development Report* (various years)

MLGS is one of the few social programs in China financed alone by government. Owing to the vast territory and diversified social-economic conditions among different regions, MLGS is regulated, administered and partly funded by local authorities, under the guidance, support and supervision from central government. As shown in Table 1, the central government takes greater responsibility in providing MLGS funding. Matching funds from local government are usually shared between the provincial, municipal and county or district governments in different proportions, which vary also considerably across localities.

Table 1 Expenditure of MLGS in Recent Years

Year	Total expenditure (RMB 100 million)	Local financial expenditure		Central financial subsidy	
		Amount (RMB 100 million)	Proportion (%)	Amount (RMB 100 million)	Proportion (%)
1999	13.8	9.8	71%	4	28.9%
2000	25.6	17.6	69%	8	31%
2001	46.3	23.3	50%	23	50%
2002	115.8	69.8	60%	46	40%
2003	162.4	70.4	43%	92	57%
2004	188.9	86.9	46%	102	54%

² The data is drawn from *Annual China Social Service Development Report (2013)* issued by Ministry of Civil Affairs on 17-June, 2014. Retrieved from <http://www.mca.gov.cn/article/zwgk/mzyw/201406/20140600654488.shtml> on 13 April, 2015.

2005	191.5	105.2	48%	112	52%
2006	267.6	131.6	49%	136	51%
2007	386.4	196.4	51%	190	49%
2008	622.1	266.1	43%	356	57%
2009	845.1	304.3	36%	540.8	64%
2010	969.7	335.1	36.7%	634.6	63.3%
2011	1327.6	323	24.3%	1004.6	75.7%
2012	1392.3	521.8	37.5%	870.5	62.4%
2013	1623.6	455.7	29.1%	1167.9	71.9%

Data source: *Annual China Social Service Development Report* (various years) and Internal data from Ministry of Civil Affairs.

3. Challenges and future reforms for social assistance

As a policy response to rapid demographic, social and economic transformation, the current social assistance system in China indicates a statist approach to social development as it provides essential support to people in need. It is believed that Chinese social assistance policy will be more practical and effective, an increasing number of people with difficulties will benefit from this system, and the social security net will be further improved. However, there still exists the need to redefine the role of social assistance in China within its overall social protection framework. Besides continuing to increase governmental input, further improving social assistant policy system, Chinese social assistance policy will continue to move forward along the following directions in the near future.

--**Legalized.** The legal fundamental of Chinese social assistance should be strengthened. Chinese legislative body is formulating a comprehensive *Social Assistance Law*, which covers specific regulations on Subsistence Allowance for Residents, Measure for Urban and Rural Medical Assistance, Law on Housing Security, etc. Through the construction of law and regulation, the scope, content, standard, management, capital raising, etc. of social assistance system with the core of subsistence allowance will be fixed, institutional and normative, which will further reduce the randomness of social assistance.

--**Professional.** It is recognized that social assistance practitioners should follow strict ethical codes, have professional knowledge and skills. It is expected that in the future, skills of local officials in policy transmission and implementation could be upgraded. The government is working on building Chinese social professional qualification system (e.g.: social workers qualifying exams), reasonably set social assistance positions, and propose clear professional code and qualifying standard. Meanwhile, the government provides the training to current staff to improve their professional level so as to guarantee benefit and service delivery.

--**Scientific.** At the operational level, Chinese government will make social assistance system more efficient via the use of scientific method to recognize welfare beneficiaries. For example, governmental departments could share individual income information and property information more freely through family income auditing system; welfare delivery will be more effective and convenient with the cooperation of financial institutions; social assistance should not limit to existing cash benefit but to develop social service through cooperating with non-governmental organizations.

--**Information-oriented.** To respond to the problems of labor management, manual operation, low work efficiency and untimely response in many regions, central government and local governments at all levels are increasing the input in information-oriented construction of social assistance work. It is expected that a new social assistance information system from central to province, prefecture, county, town (street), community will be constructed in recent years, and the network-based information transmission, management and supervision of social assistance data could be realized. Social assistance ICT construction is regarded as one of the means of capacity building of the governments at all levels.