

The Emergence and Development of Social Assistance in Beijing¹

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Introduction

Despite the impact of the global financial crisis and the Sichuan earthquake, China was still able to maintain an economic growth rate of 9% in 2008 (Xinhua News Agency, 22 January 2009). However, that figure was the lowest since 2001. According to the annual report on China's social situation produced by the Chinese Academy of Social Sciences, the relative economic slowdown has sharpened social contradictions including income disparities, employment (with issues related to the return of migrants to their home provinces and university graduates), labor disputes, food and drug safety, and social disturbances due to redevelopment (Ru et al., 2009). The official urban unemployment rate had risen to 4.2%, representing 8.86 million people, by the end of 2008, a record high since the economic reforms in 1978. If migrant workers are included, the Chinese Academy of Social Sciences recently put the unemployment rate at 9.4% (*South China Morning Post*, 21 Jan. 2009, A4).

Overall, Chinese people have found themselves facing higher risks of income loss due to social dislocation, insecure employment, and inadequate social protection. Facing a more pluralistic employment structure, accompanied by marketization reforms of social insurance programs, the emerging social protection system has shown itself to be increasingly inadequate, segmented, and ineffective (Leung, 2003, 2006). Public anxiety and dissatisfaction over the problems of declining pension benefits, the rising cost of medical care, housing, and educational expenses are mounting.

In recent years, the Chinese leadership has envisioned the building of a 'socialist harmonious society' in which all people can share in the social wealth brought about by reform and development (Communist Party of China, 2006). They have pledged to ensure that all Chinese people can enjoy their rights to education, employment, medical and old-age care, and housing. To achieve a harmonious society, a pluralistic social protection system comprising social insurance, social assistance, and social welfare and charity work, which covers both urban and rural residents, should be gradually established (Hu, 15 Oct. 2007). It is clear that the Communist Party faces a formidable challenge to maintain social and political stability, and enhance the quality of life of the Chinese people. In view of the marked disparities in public services between urban and rural residents, across regions, and among different social groups, the 2007/08 Human Development Report published by the United Nations Development Program calls for the

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development of equitable provision of basic public services, namely education, health, social security, and employment facilitation (United Nations Development Program and China Institute for Reform and Development, 2008).

As an integral part of the social protection system, the social assistance program in China was fully implemented in all cities in 1999. In recent years, the government has made a further commitment to guide its development, extension, and institutionalization. Accordingly, it has grown dramatically in recent years both in terms of expenditure and number of recipients. It acts as a last resort 'safety net' for urban poverty-stricken residents and as a 'shock absorber' mitigating social tensions resulting from market-oriented reforms (Leung, 2006; Leung and Xu, forthcoming).

Financed by public money and based on citizenship rights, social assistance is a means-tested program where eligibility is dependent on income. To address recipients' immediate needs, it can provide a wide range of in-kind and cash benefits. As a 'program of last resort' to tackle poverty, it has been conceived more as a residual source of income to fill the gaps between universal social insurance-based programs. Social assistance programmes have received growing attention from governments and social policy analysts in recent years in developed welfare states (Atkinson, 1995; Ditch, 1999; Gough, et al., 1997; Ditch, et al., 1997; Ditch & Oldfields, 1999; OECD, 1998a, 1998b, 1999; Saraceno, 2002; Dahl & Lorentzen, 2003; Andren & Gustafsson, 2004; Lorentzen & Dahl, 2005), in developing countries (Lustig & Inter-American Development Bank, 2001; Subbarao et al., 1997; Wilson, et al., 2001; Ortiz, 2000, 2001, 2002) and in transition countries (Braithwaite, et al., 2000; Hutton & Redmond, 2000; Mikhalev, 2001; Milanović, 1998; Micklewright & Marnie, 2005). Overall, social assistance programmes vary across countries in terms of eligibility, application procedures, administration, payment rates and adjustment over time, the conditions of benefit receipt, and the intensity of public support for re-integration in the labour market (Adema, 2006).

This paper presents an analysis of the background and development of the social assistance program in Beijing. Issues related to background, design, and implementation are presented. Relying as it does on a decentralized delivery structure at the neighborhood level, Beijing social assistance programs can have substantial variations in terms of practice and outcomes. Finally, this paper proposes that in the long term, China needs to design a more coherent and integrated social protection system.

The Emergence of the Minimum Living Standard Guarantee System

With a demographic shift imminent, the current demographic dividend structure where there is a large proportion of economically active members of the population and a relatively low dependency ratio (covering both children and older people) is likely to end within the next decade. Accordingly, the proportion of the population who form part of the workforce will decline (Information Office, State Council, Dec. 2006). Over the last two decades, economic restructuring has resulted in massive layoffs and a mounting need for job creation and re-employment services (Sato and Li, 2006; Cai, 2006; Cai, 2007; OECD, 2007; Naughton, 2007; Tang et al., 2007). With this increased vulnerability,

market-oriented and fees-driven reforms of social services and social security have aggravated inequalities between rural and urban areas, regions, and different income groups.

Facing an ageing society, the pension system in China is riddled with problems of inadequate funds and narrow coverage (Yin et al., 2000; Leung, 2003; Beland and Yu, 2004; Sin, 2005; Salditt et al., 2007). Similarly, the restructured health care insurance program has lower coverage and is more reliant on fee payments (Duckett, 2001; Gao et al., 2001; Chen et al., 2004; Gu and Zhang, 2006; Wong et al., 2007). The coverage of the urban social insurance programs in 2007 were only 53% for retirement, 59% for medical care, 21% for unemployment, and 16% for work injury (Ministry of Human Resources and Social Security, 21 May 2008; National Bureau and Statistics of China, 2008). Despite increased expenditure, social insurance programs face difficulties in extending coverage to the self-employed, informally employed, and migrant workers. Now, people have to meet higher expenses for social services. Not surprisingly, the emergence of the 'new urban poor,' comprising unemployed people, those who have been laid off, low-income workers, retirees, and rural migrants, has become more prominent. Estimates of the size of this group range from 12 to 30 million (Guan, 2003; Li, 2004; Asian Development Bank, 2004; Wang, 2004; Saunders and Sun, 2006; Liu and Wu, 2006; Li and Sato, 2006).

Under the traditional socialist system, the role of the government was limited. It was expected to take care of the 'three nos', that is, those with no family support, no ability to work, and no source of income. Social assistance, known as the Minimum Living Standard Guarantee System (MLSGS) (*Zuidi Shenghuo Baozhang Zhidu*) in China, is a means-tested social-protection program. Eligibility depends on an income test. Introduced first in Shanghai in 1993, the program has provided assistance of last resort to poverty-stricken urban residents with household-registration status. By 1999, the program had been set up in all cities. By the end of 2007, the number of recipients was 22.7 million, with a total expenditure of 27.7 billion yuan (58% of the funding came from central government). The average assistance standard was 182 yuan per person per month, and the average actual benefit received was 102 yuan per person per month (Ministry of Civil Affairs, 2009a).

The assistance line is calculated according to a minimum standard of living that relies on a budget standard, often based on expenditure surveys of low-income households, and is limited by the financial capacity of local governments (Ministry of Civil Affairs et al., 22 Oct. 2008). At a subsistence level, the benefit received would merely cover basic food and clothing costs. Assistance lines set up by local governments vary significantly across cities. Higher rates are found in coastal cities. Since this welfare is community-based in operation, neighborhood cadres are responsible for receiving and processing applications, delivering benefits, and periodically reviewing recipients' circumstances.

In 2008, the new classifications of the recipient population (23.35 million recipients in 11.11 million households, that is, 2.1 persons in each household) provided the following information (Ministry of Civil Affairs, 2009a):

- 3.5% formally employed;
- 16.3% informally employed;
- 24.3% registered unemployed;
- 17.2% unregistered unemployed;
- 13.6% older people;
- 15.3% schoolchildren;
- 9.8% other young people.

Table 1: Basic Figures on MLSGS over the Years

Year	Number of Recipients (in millions)	Expenditures in Billion yuan	Contribution from Central Government in billion yuan (%)	Averaged Assistance Level/ person/ month (averaged benefit received) in yuan
1997	2.0	1.2	-	-
1998	2.3	1.2	-	-
1999	2.7	1.5	0.4	-
2000	4.0	3.0	0.8	-
2001	11.7	5.0	2.3	-
2002	20.7	11.0	4.6	155 (52)
2003	22.5	15.0	9.2	149 (58)
2004	22.1	17.3	10.2	152 (65)
2005	22.3	19.2	11.2 (58%)	170 (92)
2006	22.4	22.4	13.6 (61%)	170 (84)
2007	22.7	27.7	16.0 (58%)	182 (102)
2008	23.3	39.3	-	205 (144)

Source: Ministry of Civil Affairs (various years), *China Civil Affairs Development Report*. Available at <<http://www.mca.gov.cn/wjylzx/index.asp>>.

Children accounted for 25% of the recipient population. While 62% of the recipients were working age adults, only 20% of them had jobs, mainly in informal jobs, while 42% were unemployed. In addition, poverty is often associated with disability and poor health. A 2002 government survey indicated that 34% of recipient households included disabled persons, and 65% chronically sick members (Leung, 2006). Overall, the need to provide employment, education, and medical care is apparent.

Future issues include the need to raise assistance limits to compensate for soaring food prices (that is, improving the formulation procedures of the local assistance line), to integrate other support services (housing, medical care, and education), and

institutionalize the management process (information management systems, cadre training and supervision, and monitoring of changes in recipients' status).² In 2007 the program was extended to rural areas under city administration.

MLSGS in Beijing

Beijing is the capital of China. Its per capita GDP in 2007 was US\$7,370. It aims to reach US\$10,000 within the next five years. The total regular population (*changzhu renkou*) in 2006 was close to 16 million, with 3.8 million (24%) classified as the 'mobile population' (that is, households without local registration or *hukou*) (*China Network*, 22 Jan. 2008). Over the years, the city population has shown a rapid increase, with growth in both the mobile and urban population. The regular population is expected to have increased to 21.4 million by 2020. Among the population with household registration in 2007, 13.1%, or 1.6 million, were aged over 65.³

Together with the increase in the population, the workforce has also been expanding rapidly of late. Despite moderate increases over the years, the unemployment rate in 2006 remained low (1.98% or 104,000 persons). Difficulties in re-employment are indicated by the declining employment rates of the unemployed, dropping from 73% in 2000 to only 60% in 2006 (Liu, 2007, p. 225). Since the 1990s, reforms of the social insurance schemes covering retirement, unemployment, and medical care have extended coverage and socialized the management of funds. However, in 2006 coverage of these three programs in 2006 remained at 66%, 75%, and 67% respectively. In short, about one-third to one-quarter of the workforce is still without social insurance coverage (Beijing Labor and Social Security Bureau, 2008).

The implementation of MLSGS in Beijing started in 1996. In the early stages, the scheme was jointly financed by the city and district governments, each bearing 50% of the cost. The scheme provided cash assistance to households with incomes below a poverty line of 170 yuan per person per month. At this assistance level, a total of 15,763 persons in 9,842 households received assistance. At the same time, each recipient could also receive 20 yuan worth of basic food coupons. In 2002, the MLSGS was extended to those rural areas under the administration of the city government.

² To standardize the program across cities and within each city, both the central government and local governments have enacted regulations and circulars to regulate and guide its design and management. Examples of these circulars include: the adjustments of assistance standards to compensate for inflation; development of other types of categorical benefits, such as housing, education, and medical care; arrangements to strengthen employment services for able-bodied recipients; management of recipient records and service statistics; and standardization and monitoring of neighbourhood-based management structure, and the supervision and control of neighborhood cadres to improve 'government implementation capability and credibility.' Together with the publication of operational manuals and newsletters, these documents serve to ensure the institutionalisation and improvement of the program, and reduce local deviations from the policy intent due to poor program management. For details of these regulations and circulars, please refer to the official website of the MLSGS (Ministry of Civil Affairs, 2009b).

³ In 2007, Beijing's population with household registration was 12 million. The population of people aged over 60 was 2.1 million (17.3%); over 65, 1.6 million (13.1%); and over 80, 0.28 million (2.3%) (*China Network*, 21 Jan. 2008; China National Committee on Ageing, 9 Oct. 2008).

The initial design of the scheme was the extension of the existing public relief program, originally designed mainly for the 'three nos' households, to include families of employees and retirees from poorly-performing state-owned enterprises. The operation of the program was based on the principle of 'one should take care of one's own baby,' according to which the government is only responsible for financially supporting people in the 'three nos' categories. Work units should be responsible for taking care of their own employees if they were in financial need. The government was only responsible for formulating the assistance line, while applicants were required to submit their applications to the work units for approval and provision of benefits. Clearly, loss-making enterprises may have experienced difficulties in ensuring that eligible employees received the benefits to which they were entitled.

An application for social assistance has to be made to the community residents' committee of one's household registration. The applicant has to submit documentation including identity card, household registration book, income records of all working family members (certified by the relevant work units), disability certification, marriage certificates, and social insurance certificates. Compiled by the street offices, these recommendations are referred to the district civil affairs bureaus for endorsement and the eventual delivery of benefits (Beijing Social Assistance, Beijing Civil Affairs Bureau, 2000, 2002).

Three major changes were made to the scheme in 2000, following the announcement of the Regulations on the Minimum Living Standards Guarantee Scheme by the State Council in 1999. These provided a broad framework and guidelines for the operation of the local schemes, including coverage and financial responsibility. Firstly, the funding responsibility was changed; having been jointly financed by the city and district governments, it became the exclusive province of district governments. Secondly, the previous division of responsibility between the government and work units based on the principle of 'one should take care of one's own baby' was abandoned. All eligible residents were now to make applications to the community residents' committees, and the schemes were fully financed by district governments. District governments were also given discretion over the setting of up of their own assistance lines, which were permitted to vary slightly across districts, particularly between central and remote districts. Thirdly, requirements were set whereby able-bodied recipients had to report their family income and employment situation regularly, accept jobs referred to them by the street offices, and participate in mandatory community work.

Beijing has 16 administrative urban districts and two counties. In 2007, the assistance standard was 330 yuan per person per month (310 yuan for a remote district or county). The average assistance level per person per month was 267 yuan. In December 2007, Beijing had a total of 147,576 persons receiving MLSGS (72,679 households). On average, there were two persons in each household (Beijing Civil Affairs Bureau, 2009). The assistance level was raised to 390 yuan in July 2008, and again to 410 yuan in January 2009 (Beijing Social Assistance, Beijing Civil Affairs Bureau, 30 December 2008).

By the end of 2008, Beijing had a total of 145,237 persons receiving MLSGS (72,888 households). Total expenditures amounted to 545.6 million yuan. The average assistance level was 312 yuan per person per month.

Major characteristics

Enforcing Family Obligations

All households with a Beijing non-agricultural household registration are eligible for MLSGS benefits if their per capita income falls below the poverty line defined by individual districts. Benefits are paid to recipients based on the household as a unit, according to the household registration system. Therefore, a household may consist of people either living separately but registered under the same household, or living together but registered in different households.

To enforce the family obligation to support elderly parents, the incomes of married children, even if registered as in a different household and living separately, are included in the calculation of eligibility. If the per capita income of the adult child's family is less than 150% of the MLSGS assistance line, he/she would be regarded as having no ability to carry out the support obligation and would therefore be exempted from the calculation.

The Principle of Less Eligibility

Intended to provide a subsistence level of living for recipients, the assistance line is based on the Engles' Coefficient⁴, taking into consideration the average incomes of urban residents, average wage, benefit levels of other social protection programs, and the financial capacity of local governments. Among these considerations, an explicit principle is that social assistance should be less than all the other social protection programs. For Beijing the relevant figures are 1,665 yuan (net income of urban residents), 730 yuan (minimum wage), 620 yuan (minimum pension), and 422-531 yuan (unemployment benefits). Even worse, from 2000 to 2007, the MLSGS level was increased by only 18% whereas other social security benefits registered a much higher rate of increase, namely 83% in minimum wage, 41% in minimum unemployment benefits, and 47% in minimum pension benefits (Beijing Labor and Social Security Bureau, 2008). Table 1 shows the comparison between the levels of the MLSGS assistance line and other social security benefits over the years. Table 2 shows that the average monthly wage was 4.7 times the MLSGS assistance line in 2000, which increased to 8.1 in 2004, and further to 10.1 in 2007.

⁴ The Beijing MLSGS assistance line was set up in three steps. Firstly the costs of basic food were calculated, based on the calorie requirements recommended by the National Nutritional Institute and their market prices in Beijing. Secondly, the average Engles' Coefficient (the proportion of household income allocated to buying basic food) of the low-income households (bottom 5%) in Beijing was compiled. Thirdly, a preliminary assistance line was formulated by dividing the expenditure by the coefficient. Finally, this line was adjusted by taking into consideration the levels of other social benefits and the financial capacity of the district governments.

Table 2: Levels of major social protection schemes in Beijing, 1996-2008 (in yuan)

Year	Minimum Wage	Minimum Pension Benefits	Minimum Disability Subsidies	Unemployment Benefits	MLSGS Assistance Line
1996	270	263	-	189-230	170
1997	290	293	-	203-247	190
1998	310	336	-	217-264	200
1999	400	396	-	291-374	273
2000	412	421	-	300-385	280
2001	435	441	640	305-392	285
2002	465	466	700	326-419	290
2003	465	466	730	326-419	290
2004	545	510	700	347-446	290
2005	580	563	730	382-491	300
2006	640	620	900	392-501	310
2007	730	620	1100	422-531	330
2008	800	682	1721	556	390

Source: Beijing Labour and Social Security Bureau, 2008.

Table 3: Average wage, disposable income, and MLSGS levels in Beijing, 2000-2007 (in yuan)

Year	Annual Average Wage (monthly)	Annual Disposable Income (monthly)	Assistance Line (monthly)	Average Benefits (monthly)
2000	15,726 (1,311)	10,349.7 (863)	280	111
2001	18,092 (1,508)	11,577.8 (965)	285	127
2002	20,728 (1,727)	12,463.9 (1,039)	290	183
2003	24,045 (2,004)	13,882.6 (1,157)	290	187
2004	28,348 (2,362)	15,637.8 (1,303)	290	212
2005	32,808 (2,734)	17,653.0 (1,471)	300	222
2006	36,097 (3,008)	19,978.0 (1,665)	310	242
2007	39,867 (3,322)	21,989 (1,832)	330	254

Source: Beijing Labor Social Security Bureau, 2008.

All income except social insurance premiums, financial awards for model workers, special subsidies for families of martyrs and ex-servicemen, and compensation for the death of family members, are included in the calculation. Assets are not included in the means test, but any of the following situations would be a disqualifier for assistance, including the possession of 'luxurious commodities' such as a car or a motorcycle. Before 2008, owning a mobile phone and owning a pet animal were also listed as disqualifiers. In addition, if a household lives a lifestyle that is commonly deemed to be unacceptable, such as having a child enrolled in a private school or a public school of its

own choice rather than the one arranged by the education authority, it would not qualify for assistance.

Supplementary Benefits for MLSGS Recipients

A variety of supplementary assistance is also available for MLSGS recipients. Food stamps (40 yuan per person per month) were introduced in 2002 (Beijing Civil Affairs Bureau, 2009a). The Medical Financial Assistance Scheme (MFA) was implemented in Beijing, along with MLSGS, in 1996. In earlier years, MLSGS recipients who were also 'three nos' households, or were disabled, were eligible for full reimbursement of their medical expenses, while other recipients could apply for a 20-50% reduction in hospitalization costs. In 2002, these subsidies were extended to all MLSGS recipients, who could apply for reimbursement of 50% of total medical costs in excess of 1,000 yuan (reduced to 500 yuan in 2004), with a maximum payment ceiling of 10,000 yuan per year. In addition, recipient households are also eligible for financial assistance if they have members receiving maternity or birth-related medical services or include a disabled child who has had an operation or is receiving rehabilitation. More recently, such households have also been exempted from paying premiums to a medical insurance scheme established specially for old people and children to cover the costs of medical services for specified types of illness (Beijing Civil Affairs Bureau, 2009b; Beijing Finance Bureau, Beijing Health Bureau, Beijing Labor and Social Security Bureau, 2008).

Education Assistance (EA) was introduced in Beijing in 1999. Subsequent adjustments have been made with regard to benefit levels and types. EA consists of several separate schemes which provide financial subsidies to households receiving MLSGS and which include children receiving various levels of school education. During the years of compulsory education, a child from a recipient household is eligible for an annual subsidy of 300 yuan to cover education related costs as well as a monthly food subsidy of 100 yuan. When the child has finished compulsory education, a monthly subsidy of 100 yuan is available together with exemption from paying tuition and boarding fees. For students attending a senior high vocational school, there would be an annual lump sum of 4,000 yuan. For a university student, subsidies include 4,000 yuan to cover tuition fees for the first year and a monthly allowance of 320 yuan (Beijing Civil Affairs Bureau, 2009c).

Housing Assistance (HA) caters for low-income residents, including MLSGS recipients. A recipient household can apply for HA if its housing area is less than 7.5 square meters per person. The assistance is provided in the form of renting subsidies, by which the household can rent a house in the market and then get the costs reimbursed up to a maximum amount of 10 square meters per member at a rate of 27-30 yuan per square meter depending on the location of the house (Beijing Civil Affairs Bureau, 2009d).

Apart from the above-mentioned benefits, recipient households are also provided with a variety of financial exemptions or deductions covering matters such as heating, transportation, funeral service, and visitors' tickets to parks. Finally, temporary cash assistance will be given to recipient households as a last resort if they still have financial

difficulties after all other benefits have been provided. This may be provided as a flat rate payment to all recipients at times of increase in the price of food, electricity, fuel, or water. More often, however, it is given on a case by case basis to recipient households which have met with difficulties due to such contingencies as high medical expenses, the cost of children's education, or disastrous events that are out of their control. In this case, the amount of benefit would vary considerably as allocation is at the discretion of the workers in the street offices.

Taking together all these supplementary benefits, the MLSGS purports to provide basic protection to low-income residents in Beijing. The medical and educational benefits are considered particularly necessary. On the other hand, these supplementary benefits may provide a disincentive for recipients to leave the social assistance scheme.

Public Monitoring of Recipients

With the MLSGS having a decentralized delivery system, district governments are given substantial discretion in the formulation of their own assistance lines and implementation of the guidelines set up by the Beijing city government. The actual delivery of the services is carried out by the Street Office and Community Residents' Committees (CRCs). Each office has a social security unit responsible for administering all the schemes, including social insurance, social assistance, and job placement for the unemployed. Within this unit, CRC cadres receive applications and conduct preliminary eligibility screening. The screening process involves a home visit as well as checking all the relevant documents. A special committee of the CRC, comprising resident representatives, reviews these applications. Finally, the names of the applicants will be posted in the neighborhood bulletin boards, or sometimes at the front gate of the applicants' residence, for 'public monitoring.' Local residents are invited to give their approval or disapproval of the applications. Cadres may also interview neighbors to check the information provided by the applicants, including their lifestyles. If eligible, the applications will be sent to the district civil affairs bureau for final approval. Each successful applicant will be issued with a MLSGS card, and receives the benefits from the bank on a monthly basis. A MLSGS household is subject to regular review for continuation on a half yearly basis.

From Welfare to Employment Policy

In the early years of the implementation of MLSGS, recipients were required only to participate in community work organized by the CRC. The scheme did not include measures to encourage recipients to seek paid employment. To encourage able-bodied recipients to find or keep paid employment, the Beijing city government introduced several measures in 2004. These were made conditions of benefit entitlement for employable recipients. Firstly, such recipients would lose their entitlement if they refused three times to take up jobs introduced to them by relevant government agencies; failed to attend for community work twice without reasonable explanation; failed to contribute a minimum of 40 hours per month to community work; or were dismissed by their employers due to their own inadequacies or conduct. However, these measures would not

affect the entitlement of other members in the household to the benefits.

Secondly, for households where a member has some income from employment, the difference between the minimum wage and the assistance line is deductible when calculating the total household income. The arrangement serves to provide an incentive for people to work. For example, if a household member earns 800 yuan for a paid job, only 400 yuan of that would be counted in the calculation of total household income.⁵ The amount of 'income disregard' was changed in 2006 to 80% of the assistance line, that is, 264 yuan. To encourage recipients to move out of the MLSGS, there is an arrangement by which the benefits are gradually reduced. If the employment income of a household exceeds the assistance line, benefits can be maintained for the first month at the same level, reduced by 50% in the second month, and then terminated in the third (Beijing Civil Affairs Bureau and Beijing Finance Bureau, 27 June, 2006).

Thirdly, in the early years of the scheme, MLSGS benefits and related subsidies were paid equally to all members in a household. Later, older people and disabled people began to receive 10% more than the assistance level. Since 2004, differential benefits have been paid to different categories of recipients. Older people, the disabled, and children have higher rates than able-bodied recipients. For able-bodied recipients, the coefficient is set as 1. For others, the coefficients are 1.15 for 'three nos' households and 1.1 for people aged 70 and above, children aged below 16, and people with disabilities. Meanwhile, the food subsidy has also been removed for recipients with the ability to work (Beijing Civil Affairs Bureau and Beijing Finance Bureau, 27 June, 2006). Overall, these measures serve to encourage able-bodied recipients to seek jobs.

The Case Study

This is a qualitative longitudinal study which aimed to study the impact of the social assistance program in China on the quality of life of recipients.⁶ Through negotiation with the Xicheng Civil Affairs Bureau, the Ande Road (south) Nan CRC of the Desheng Street Office, which had a relatively high number of MLSGS recipients, was selected for this study in early 2007.⁷ Within the population of 2,068 households (5,638 residents) in

⁵ The difference between the minimum wage (730 yuan) and the assistance line (330 yuan) is 400 yuan. A maximum of 400 yuan a month can be retained by a recipient with employment income.

⁶ The material used in this paper is derived from a larger project studying CRCs in three Street Offices in urban districts of Beijing (*Xicheng* district, *Chaoyang* district and *Haiding* district). These three urban districts have the highest number of MLSGS claimants. Beginning in early 2007, randomly selected cases (20 in each CRC) were interviewed at regular intervals for a period of 24 months to learn about the changes over time in terms of the difficulties faced, assistance received, responses generated and impact on quality of life.

⁷ The CRC comprises a director (full-time salaried staff member) and five committee members (part-time staff receiving an allowance). They are in charge of rehabilitation, community service and social security; public security and mediation; family planning; sports and science; community health and property management; community contribution and community development. They are directly elected by residents. The social security unit comprises of an officer-in-charge, a deputy, and seven workers. As well as social security work, they help with other duties of the committee. They are all recruited publicly. All the staffing expenses and operational expenses are covered by allocations from the street office. In addition the committee can receive fees from local shops and bonuses.

October 2006, 69 households (163 residents) received MLSGS, representing 3.3% of the CRC's household population. The average amount of benefits received per household was 450 yuan per month, or 190 yuan per person. Within the recipient household population, there were 10 older people, 28 children aged under six, 18 young people of school age, 29 persons with disabilities or chronic illnesses, and 48 able-bodied working age persons.

Among the recipient households, able-bodied persons with the ability to work, disabled or sick persons, and children were over-represented. Some 70% of the households had at least one person with working capacity.

Between October 2006 and January 2008, seven households (18 persons) exited from the scheme and 11 new households (18 persons) entered. The major reasons for exit included having jobs (three households) or receiving pension after reaching retirement age (two households). The major reasons for seeking assistance included release from jail (two households), being disabled or sick (five households), getting divorced (one household), and being widowed (three households). Among the recipient households, two-third had received assistance for over five years.

Among the recipients, 27 heads of households were randomly sampled and interviewed in mid-2007. In addition, the neighborhood cadres of the social security unit responsible for the scheme were interviewed in June 2008. For these sample cases, the average amount of benefit each household received was only 448 yuan per month, or 151 yuan per person. The majority of the families only received around 300-400 yuan a month, with the exception of those with severe disabilities or chronic illnesses.

Welfare Trap

The average number of years for which the 27 cases had received MLSGS was 5.7. Only one had been an applicant in 2006, with the rest having started before 2004. To get out of the MLSGS, they hoped to get a job, receive a pension, or win the lottery. Most of them realized that it would be difficult for them to exit from the scheme.

Because of the difficulties in checking employment and income, neighborhood cadres tended to use 'assumed income' to exclude able-bodied persons from receiving benefits. This practice was officially abolished in Beijing in 2002. But in practice in the cases studied, only children and those without working ability would be included in the calculation of benefits. One recipient grudgingly complained about the compulsory requirement for community work and the exclusion from benefit:

Community work has little meaning. The money from the scheme is not for me, but for the children. Then why I have to do voluntary community work? They (neighborhood cadres) claim that I have working ability and deny me the benefits. Is my voluntary work for my children? You said that the benefits are for children. Children are the future of our country. It is their obligation. Why can the benefits to the children not be shared by us? What are the reasons to ask us to perform voluntary work? That is unreasonable.

Low wage and Difficulties in Re-employment

Among the 27 households, only seven included no working persons at all, and 15 had only one employed person in the household. Poor health, increasing age, lack of skills, and poor education accounted for the difficulties in seeking work. Wages, when earned, tended to be close to the minimum (between 500 and 800 yuan per month). Among the 15 working persons, only eight had social insurance provided by their employers, who were usually state-owned enterprises. One woman, aged 44, described why she had been dismissed from time to time:

We have no social insurance coverage. Employers do not wish to provide us with the protection. To save money, employers prefer to recruit retirees or those without insurance coverage. I have better connections and my jobs can last for a year. For others, their jobs usually last only several months. At the end of the probation period, employers will dismiss you so that they have no need to enroll you in the social insurance scheme. I usually look for casual jobs in supermarkets and sanitation work. They look for those who either have no social insurance or those who have social insurance coverage paid by employees only. On the other hand, they also prefer to employ younger migrant workers.

To encourage self-employed and informally-employed persons to participate continuously in social insurance schemes, the Beijing city government started to subsidize two-thirds of insurance contributions for the unemployed in 2002.

According to the requirements of this scheme, all able-bodied recipients had to participate in retraining courses (lasting 7-10 days) provided by the government. Certificates were provided on completion. Similar to unemployed persons receiving unemployment insurance benefits, a MLSGS recipient would be given a jobseeking certificate and preferential re-employment certificate for attending courses offered by the district retraining college. These included computer skills, flower arranging, food and nutrition, store management, and so on. They had little practical value and most recipients interviewed claimed that these compulsory retraining classes did not help them in their job search.

In terms of job referrals, most of the recipients had been recommended by the local employment services for jobs. These introductions were often not successful because the working conditions offered did not match their expectations. Jobseekers usually turned down the offers. One woman aged 50 described one job she had been offered:

The job is far away, and I have to leave home at 6 o'clock in the morning, and I can only leave for home at 7-8 o'clock in the evening. The wage is only 450 yuan a month. My wages will be deducted if I take leave. The working environment is terrible. The place smells bad and I hardly have a place to stand. There is hardly a day off each month. Even poor people and outside migrants would not work under such conditions. The employment service centre does not seem to know the job conditions. I was told the job was in a large canteen.

Another unemployed man of 52 years described his experiences of retraining courses and his expectations of new jobs:

I have participated in some job training classes. You need to attend them when you apply for the job-

seeking certificate. I have forgotten all the course contents. What can you learn by listening to a 40 minute talk? [...] They have referred me to several jobs, like watchman and cleaner. Salary is too low, at most is only 500 yuan a month [...] I put down 1,500 yuan salary in my application form. Without this salary, I will not accept any job offer.

In general, job-seeking is more successful when recipients are referred by friends and relatives who have a better relationship with the prospective employers.

Educational Expenses for Children

Low-income families can apply for exemption from administrative fees, and students who are academically excellent can obtain scholarships. Most of the recipient families had applied for the fees exemption, even though they had concerns over their children being stigmatized at school, and the charges schools made for other activities. A parent complained about these additional charges:

Even though there is a reduction in fees, we still have to pay 300 yuan at the beginning of the term. In addition, the school charged us 60 yuan for the spring picnic, and 80 yuan for books. Yesterday, we had to pay 20 yuan for material expenses. Put together, these charges are higher than the school fees. If we do not pay the charges, the teachers will announce it in class and my child would cry. The teachers will treat those who do not pay poorly. Ultimately, we have to pay for the charges.

Others

Most of these families included people whose health was poor. Even though most of them were not entitled to medical insurance, they often relied on using other people's insurance cards to obtain the medicine they required. In terms of housing, most recipient households were eligible to live in subsidized housing with low rents. Some of the families were heavily in debt because of medical and educational expenditure, as well as the need to buy back their houses after redevelopment. In terms of social interaction, their circle of friends was limited. Poor health and economic inactivity had led to limited social interactions with friends and relatives. Nevertheless, they found loans and gifts from relatives were important sources of assistance.

Recipients saw the cash payment as offering them limited assistance, not enough even for food. But if it became a regular and stable payment, it could give people a sense of security. On the other hand, the status of being a MLSGS recipient constituted valid proof by which to obtain exemptions from other fees, such as the registration fee for consulting a doctor and school fees. Looking into the future, they hoped that the assistance could help the children to get a job when they grew up.

Views from Neighborhood Cadres

Cadres have substantial discretion in determining eligibility. Even though unemployed able-bodied persons are eligible for benefits, cadres could and did deny them benefits, provide benefits to their children only, or take the MLSGS assistance level as their assumed income. One cadre member commented:

The unemployed persons should be considered as having zero income. If you have working ability, we will treat you as having 310 yuan income a month. The applicant has to fill in 310 yuan as income in the application form. If you have a child, we will include the child in the payment. [...] This community residents' committee was formed by merging with others in 2003. Control was loose. The director was an old lady. If you gave her a small gift or shouted at her, she would give you benefits. After we took over the management, we terminated a lot of cases. The total number of cases has declined from over a hundred to only around 70 now.

According to the cadres, there were three 'blind spots' in the scheme. These were the widespread practices of 'hidden employment', 'person-household separation', and 'certifying working ability'. In the past, a person could only be certified as unemployed after his/her personal employment file had been transferred from the work unit to the neighborhood office or job-referral centre. Many casual and informal jobs do not require the employment files. Checks on employment status may now be reliant on reporting by neighbors.

Because of urban redevelopment in 2001, some of the residents had moved away from the community, even though their household registration records had remained there (this is known as person-household separation, *ren-hu fen li*). Ten of the sample households were considered to have person-household separation. Accordingly, they were required to come back to the community for MLSGS assistance and job referrals. In this situation, it was difficult for neighborhood cadres to check on the applicants' employment status and arrange community voluntary work. Public monitoring also became impossible. At the time, no hospital would take responsibility for certifying the loss of working capacity of a disabled or sick person. Without this certification, it was difficult for the cadres to enforce work requirements.

Retraining was difficult since most of the job-seeking recipients were 40-50 years old and low-skilled. Because of widespread hidden employment, people were often not motivated to attend these courses. Meanwhile, employers were reluctant to employ these people, particularly those who were ex-prisoners or had been released from labor education or labor reform centers (*liang lao ren yuan*). Many job-seekers were actually ex-prisoners.

Being neighbors living in the same vicinity, cadres were under informal pressure from recipients to relax the eligibility criteria. A cadre member said:

I live in the same neighborhood as the recipients. I know that they have employment. When we chat informally with them, they tell us that they have temporary jobs. There is no need for us to make home visits and investigation to confirm their employment status. However, if we do not approve their applications, they would make appeals by coming to our homes, or even make petitions to the government authorities. We usually do not turn down their applications, so long the supporting documents look acceptable. We simply put up the recommendations to our superiors for final approval. I would not reject the applications directly because they are our neighbors. We need to have a harmonious neighborhood. Therefore, we do not usually question hard to check on their employment status and earned income. If we were strict, I think no able-bodied applicant should be eligible.

Overall, the MLSGS benefits can only provide a regular, yet meager, source of income. More importantly, medical, educational and housing benefits are considered crucial.

However, because of the inadequacy of medical and educational assistance, recipients often have to allocate a significant proportion of their benefits to pay for medical and educational expenses.

Conclusions

The market-oriented economic reforms carried out since the 1980s have transformed China from a highly egalitarian society to one of the most unequal societies in the world (Li and Sato, 2006; OECD, 2004; Wen, 2008). The absence of universally accessible basic social services and other benefit programs that can benefit a wide segment of the population, including households with low incomes, makes the implementation of means-tested social assistance extremely challenging. Combined with the failure to implement effective labor market policies to assist recipients, it is difficult to provide a benefit regime that can properly balance adequacy and incentives for work.

The social assistance program in China is administratively decentralized and community-based. Even though it has been designed as a rights-based program, local and neighborhood government has substantial discretion to determine eligibility and entitlement. In operation, the program structure relies too much on community-based government offices and neighborhood cadres to deliver services. This has the advantage of keeping administrative costs low and maintaining flexibility in the operation. However, a decentralized administrative and delivery system with loose operational guidelines also means that individual neighborhood cadres can have substantive, often arbitrary, discretion to interpret and apply the rules. Working under ambiguous policy directives and standards, and with only loose managerial supervision, neighborhood cadres can function as 'street-level bureaucrats' by seeking individualized and informal solutions to cope with increasing service demands, high workload, lack of authority, and limited resources (Lipsky, 1980). This study has vividly illustrated the dynamics and unintended effects involved in processing recipients.

Neighborhood cadres are poorly trained and ill-equipped to administer the programs. There is a lack of systematic and standardized procedures to handle investigations and to make arrangements for job referrals, training, and voluntary community work. There is an urgent need to formulate standardized, valid, and objective mechanisms by which to determine degree of disability, income level, and health condition. Neighborhood cadres often find themselves lacking the support from other authorities, including banks, work units, employment and retraining services, schools, and hospitals, which they require to implement the programs successfully.

The programs do not incorporate an effective system of appeal. The whole application and review process may be affected by the personal relationships between neighborhood cadres and applicants or recipients. As neighborhood cadres are not administratively supervised by the district civil affairs departments, it would be difficult to hold them accountable for abuses. In essence, the whole neighborhood-based governance structure of the MLSGS needs to be restructured with increased financial investment and the recruitment of qualified professional staff, such as social workers, to run it. The current

system hinders effective program implementation and breeds abuse.

As an emerging scheme with only a short development history, the MLSGS in Beijing is still subject to frequent adjustments and further institutionalization. It has become an integral part of the social protection system, covering gaps in the employment-based social insurance programs. As the majority of the recipients are unemployed, there is a need to strengthen employment assistance programs to assist their re-integration to the labor market.

Finally, Beijing, as the capital of China, is a relatively wealthy place with low unemployment. Its MLSGS benefits are also considered to be the highest in China, although they are still low compared to other social security benefits and average wages. As well as the need to reduce the arbitrary discretion of the neighborhood cadres, the scheme has to be extended to cover migrant workers living in cities. In the long run, the MLSGS will form the basic safety net providing the protection of last resort to all Chinese citizens.

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