

## **Welfare Governance in China? A Conceptual Discussion of Governing Social Policies and the Applicability of the Concept to Contemporary China<sup>\*</sup>**

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### **Abstract:**

In the last three decades the structures and logic of providing social policies in the People's Republic of China underwent decisive reforms. As a consequence of institutional and socio-economic transitions, such as privatization, and rural to urban labor migration, the work-unit based social security system in urban areas and the family based systems in rural China were largely rendered dysfunctional. Against this background the question is, what types of social policies exist in contemporary China, what principles are underlying their governing and which actors are involved in their formulation, operation, and supervision.

In this paper we proceed in two steps, in the first we discuss and specify the concept of welfare governance in order to provide a framework for the description and analysis of governing social policies, in the second part we discuss the applicability and usefulness of the concept to study the case of China as a single country case and in comparative perspective.

**Key Words:** Governance, Social Policy, Welfare, China

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## 1. INTRODUCTION

Social rights to guarantee high levels of welfare are among the features of advanced capitalist economies and often portrayed as key constituting parts of democracies (Marshall, 1950, 1965). In order to achieve these high levels of welfare public social policies have been applied as major instrument. Whereas public debates on social policies are centering on issues such as benefit levels, eligibility criteria and the very effects of public social policies, the related question of how social programs are actually governed remains largely ignored. Which organizations are involved in providing social services and transfers? What are their competences? Who is monitoring the quality of services and rightfulness of transfers? All of these questions are relating to other core characteristics of democracies: representation, transparency, accountability, and the relationship between state and societal actors.

In this paper we provide the reader with a conceptual discussion of welfare governance and its applicability to contemporary China. Focusing on the relationship between the concept of governance and social policy, we are asking for the principles underlying the governing of public social policies and the role of different actors in the functions of their formulation, operation and supervision. Effects of social policy interventions will not be part of the concept. An important update to other contributions is our extension of the understanding of the governing beyond only one function, such as policy formulation or operation. The influence of actors is very different if they are only assigned a role in executing policies, or if they do have the right to influence the outlook of the policies themselves in interaction with other actors or autonomously. Furthermore, if there are independent actors in charge of supervision of the aforementioned two functions, policy formulation and operations are assumed to have an increase in the level of transparency and accountability.

The appropriation of social inequality by the European states, which arose from the aftermath of the World War II, was followed by movements towards strong state intervention in the form of nationwide social policies and the building of large bureaucratic bodies concerned with the operation of public social programs (Verhoest and Mattei, 2010). In turn the tendency to have more flexible and open forms of governing social welfare is advocated since the 1980s. It is closely related to discussions on “new forms of governing”, or the research agendas of “New public management” and “governance”, that are all directly associated with transparency, citizens’ participation in decision-making and accountability. Concepts to describe the governing of public social policies are numerous, and differ both in names and characteristics attached to it. In the literature we find the terms welfare governance (Henman and Fenger, 2006; Newman, Glendinning, and Hughes, 2008), and social governance (Verdeyen and Buggenhout, 2003), but also the more loose association between governance and the modern welfare state (Merrien, 1998) or governance and social policy (Daly, 2003). It is our intention to contribute to the research agenda of governing public social policies by discussing the concept of welfare governance, and by extending its analytical scope to countries beyond the OECD member

countries. In this paper we test the applicability to the People's Republic of China.

We are aware of the challenges posed by the "travelling of concepts" and "conceptual stretching" (Sartori, 1970). Are concepts also applicable to study phenomena in other countries than the ones against the history of which they have been built originally? While cross-country comparative research includes more countries than ever, this issue is even more salient today and the problem of concept stretching still constitutes the rule rather than the exception. The applicability of concepts to any time and place must not be assumed lightly, for "nothing is gained if our universals turn out to be "no difference" categories leading to pseudo-equivalences" (Sartori, 1970).

When writing this paper that deals in its second section with the applicability of the concept of welfare governance to the People's Republic of China we are aware of the challenges involved. It was already in the middle of the last decade the concept of governance entered the field of contemporary China studies. It was first introduced by Western scholars (Howell, 2004; Saich, 2004) but Chinese scholars followed suit describing new governance practices on the national and local level (Li, 2007; Sun and Zhang, 2007; Yang, 2004). International organizations were promoting the concept of governance, for instance the OECD, by publishing 'Governance in China' (OECD 2005). Among the key critics of an uninformed or at least undifferentiated application of the concept to the PRC is Sigley who directly accuses the above listed – first and foremost the Western scholars – of concept stretching (Sigley, 2006).

The paper is structured in three main parts, in the next part we deal with the general definition of social policy. Part three is dedicated more in detail to the questions of "What is the concept of welfare governance? Does it constitute a new development or is it just a re-branding of already existing forms of governing (public social policies)?" We will conclude part three by a concept formation, before turning in the fourth part to the question "In how far the concept of welfare governance applicable and useful to studying social policy in contemporary China?" In the conclusion we summarize the answers to these questions.

## 2. SOCIAL POLICY

When defining a concept that relates to the governing of public social policies, we need to give a short introduction to the understanding of what constitutes the latter. Marshall's understanding of social policy in the mid-1960s was that social policy is "not a technical term with an exact meaning (...) it is taken to refer to the policy of governments with regards to action having a direct impact on the welfare of citizens, by providing them with services or income" (Marshall, 1965: 7) . More recent definitions of social policy underline that social policy comprises "specific actions to promote welfare, such actions are not necessarily state actions" (Hill, 2006: 6). Whereas we can see that the goal of social policy - the promotion of social welfare - has not been challenged over time, the notions of the structures and means how to achieve the goal are portrayed differently. Whereas in the first definition the government is paramount, the second clearly indicates that actions are not necessarily state actions and herewith opens the

opportunity to relate it more clearly to the debates of governance that have their origin in the mid-1980s. Another concept that often goes in hand with social policy or even replaces it, at least in the case of academic contributions is the welfare state. The welfare state is a transnational phenomenon that dates to the end of the 19th century, and is mainly perceived as functional response to problems created by the capitalist industrialization, urbanization, and demographic changes (Flora, 1986; Jaeger and Kvist, 2003). From its outset it pays most attention to the role that the state takes over in providing social welfare. However, in respect of operationalizing and measuring the welfare mix, major critique can be brought forward, as especially government spending on social welfare was taken as indicator, whereas many public programs are founded by social insurance contributions. Furthermore tax cuts or other fiscal incentives to individuals or their employers are often not included in comparative data sets. Focusing one-sidedly on the input parameters instead of including different dimensions, the necessary attention to differentiate among functions of governing social welfare is absent in most contributions on single country or comparative studies on social policy. Merrien (1998) provides a literature overview how many similarities are displayed in the debates on reforms of welfare state and governance in the 1990s. The literature on social partnerships in the discipline of political science focuses one-sidedly on decision making concerning public social policies. In social partnerships bi-partite or tri-partite structures are differentiated— bringing together employer organizations and trade unions, leaving out the state, or comprising all three. Concepts in public administration on the other hand neglect the political dimension of social policies and focus mainly on the function of their organizational dimensions (Henman and Fenger, 2006). In the concept to be presented here, we bring together the foci and add supervision as a third function.

Recent research on the development of old age security policies covering the time from the early 19th century to the mid-2000s in Germany, the country where the first welfare state was established reveals that at least in academia, and maybe also in broader parts of the society, there has been a large misinterpretation of the empirical reality of public social policies (Berner, 2009). Berner does not only reveal the dichotomous differentiation between the public and the private being a fiction, but even more importantly traces the organic growth of modern social policies out of spatially limited private initiatives covering people of the same kin or profession to national systems. The institutional foundations of the welfare state originate in the private sphere, and some of its core actors are hybrids between public and private (Berner, 2009; Berner, Leisering, and Buhr, 2009). Against this background of long term developments, current initiatives towards more market and private initiative are therefore far away from being a new of fashion of neo-liberal or other nature, but rather another manifestation of the oscillation of the balance of different actors in charge of operating social services and transfers. For persons more familiar with the German welfare state, the German tradition of self-governing (*Selbstverwaltung*) is a central principle in governing public social policies. Embraced from the first moments that the social insurance system was established in Germany in 1881, the principle puts the policy formulation competence concerning all organizational

issues, the right to nomination of leading personnel same as the control functions in the hands of the stakeholders – representatives of employers and insured (DRV, 2012). The legislative branch of the German government can simply specify the framework for the operating the provision of social services and transfers of social benefits, and the executive in form of the Ministry in charge of social affairs can only initiate discussions and initiate reform plans rather than deciding one-sidedly. Bodies that are hybrids between non-state and public are among the main pillars of operating the provision of social services or transfers of benefits. Examples are the “Statutory pension insurance agency on the federal level” (Deutsche Rentenversicherung Bund) and their 14 regional offices, in which representatives of the insured on the one and representatives of the employers on the other side practice self-governing. All representatives are elected for limited terms into office and can be hold accountable for their actions. Supervision is exercised by mixed bodies formed by the insured and employers. In the specific case of an appeal from an insured person or pensioner, it is these bodies that exercise the control.

After this excursus to social policy in both theory and practice, we come back to the discussion on the conceptual level. Public social policies are specific actions to promote welfare of citizens. These programs can be of distributive nature in form of cash transfers (e.g. sickness benefits, or tax deductions), it can also be the delivery of certain social services (e.g. old age care, childcare), and in a broader sense also regulatory policies (e.g. regulations of safety at work).

### 3. THE CONCEPT OF WELFARE GOVERNANCE

Governance as a terminology has spread widely and its use in the social sciences has led to a situation that people are already warning of it becoming an “empty signifier” (Offe, 2009). A number of senior scholars have already tried to clarify the concept and systematize the available contributions (Pierre, 2000; Treib, Bahr, and Falkner, 2007; van Kersbergen and van Waarden, 2004). Treib et al. (2007) conclude that while most contributions share the interest in the relationship between state intervention and societal autonomy, they yet highlight different facets of this continuum depending on the emphasis in their work. The latter might be the politics, polity or policy dimensions of governance. In this paper we strive to contribute to the literature that emphasizes the policy dimension.

Working in this tradition, Rhodes defines governance as “self-organizing, interorganizational networks” (Rhodes, 1996) and highlights that it must not only be understood as complement or alternative to hierarchies but in fact also to the mechanism of markets. Bob Jessop (1999) refers to governance as “any form of coordination of interdependent social relations ranging from simple dyadic interactions to complex social divisions of labour”. Networks are only one form of governance in his typology of three, which are (1) the anarchy of exchange (e.g. market forces), (2) the hierarchy of command (e.g. imperative coordination by the state), and (3) the heterarchy of self-organization (e.g. networks). In the following we adhere to the second definition of Jessop and further specify characteristics of welfare governance. There seems to

be a consensus among scholars, that the requirements are democratic rules of decision making, transparency of actions, accountability of decision makers, and rule of law that guarantees each individual can claim his/her rights. Research on mature European democracies has shown that the relationship between state and society is not stable, but open for changes. Domestic studies of the case of the Netherlands and cross country comparative studies under the headline of the research agenda “Shifts in governance” (Van Kersbergen and Van Waarden, 2001, 2004) largely confirmed the original assumption of the changing nature of relationships and revealed the differences of governance across countries and across time. The emergence of new governance issues, new forms of organization, the re-organization of territorial power in the time of decentralization and the rise of super-national bodies were identified to having major effects on governance. They become manifest so called shifts in governance that concern the organizations involved in providing certain public goods and the conditions of their provision. In the following we elaborate in a first step on the defining characteristics of the concept of governance, before turning in a second step to concept formation.

### **3.1 Defining attributes**

#### **3.1.1 Structural characteristics**

When listing types of actors participating in governance, there are often the notions of private versus public, or profit versus non-profit. Starting with the structural characteristics of the concept, it is a key characteristic that a differentiation between governmental and bureaucratic actors generally referred to as the state, on the one hand, and private actors on the other hand is possible. Social policy has traditionally bred a number of hybrid organizations that cannot easily be defined. We therefore suggest the following crude differentiation between public, private, and hybrid actors. The latter comprises organizational forms as public private partnerships, or the involvement of both public and private actors. Private actors comprise both, profit and non-for profit organizations. For the function of operation the differentiation into the public and private sector is another criterion.

As for the relationship among the organizations, there is the requirement of a certain degree of independence. Degree of independence means they have their independent internal decision-making bodies and do not simply constitute organizational units of one and the same organization, which may have a different legal status. Examples for the latter are companies established and exclusively contracted by a state actor to provide certain services, or a non-profit NGO run by a private for-profit company. Operations are directed by the respective mother organizations rather than an independent board of decision makers.

#### **3.1.2 State intervention**

Secondly, the question of the formal involvement of the government needs to be answered when speaking of governance. Rosenau and Czempiel (1992) have inspired a whole research agenda on this question with their book *Governance without government* even though the book itself deals exclusively with international politics. An involvement of the formal government is

not necessary in order to speak of governance, as it very much depends on the issue area we are speaking of. Governance can be applied to processes that are completely in the non-state realm, such as it is the case for corporate governance. Welfare governance understood as the governing of public social policies yet needs to be regarded a public responsibility. In the provision of public goods, the state is never completely absent and influences governance at least indirectly.

### **3.1.3 Functions of governance**

Thirdly, our concept requires the possibility to differentiate between different functions of governance. Against a simple focus on the structure of government van Kersbergen and van Warden state that the concept of governance incorporates “an emphasis on processes of governing or functions” (Van Kersbergen and Van Waarden, 2001 25). Against this background, we suggest differentiating among three functions: (1) policy formulation, (2) operation, and (3) supervision. They require further specification which depends largely on the issue area we are dealing with, in our case the governing of public social policies. We want to stress at this point, that the individual functions do not necessarily work to the change of a system as in the broad literature on the policy cycle, but first and foremost to maintaining a system to guarantee or increase levels of social welfare.

### **3.1.4 Normative dimension of governance**

Furthermore, as the notions such as “good governance” reveal, the governance scholarship does not necessarily describe empirical reality but may include strong normative or even prescriptive underpinnings (Mayntz, 1993). Merrien (1998: 59) identifies clear parallels in the recommendations given from international organizations towards the reform of the state in general and more specifically the governing of its welfare systems. Among the key drivers for the promotion of governance were the problems of accountability, the lack of participation channels and responsiveness of traditional forms of governing, which were resulting in a perceived legitimacy crisis in Western European democracies. In that respect, the research on governance and the new public management paradigm that advocates the modernization of the administration along the dimensions of transparency, accountability, participation and service orientation show clear overlaps. Schaan (2007) discusses these points at the example of two books dealing with the transformation of traditional welfare services. We acknowledge the overlap with the concept of new public management at this point, and yet claim the distinctiveness of welfare governance. As the previous discussion has shown, the concept of governance differs from the mere introduction of new steering instruments and criteria for public administration.

Due to the conflict between structural and normative characteristics the analytical value of the concept of governance has received major criticism. Therefore we want to exclude the normative dimension in the building of the concept of governance. Such normative requirements, as they are expressed in the term “good governance”, already imply a notion of “bad governance”, which means it can be both the one way or the other. To governance as we see it, such notions are additional qualifiers to be analyzed in a second step, but not an integral

part of the conceptual core.

### **3.2 Concept formation**

Welfare governance is according to our definition the application of the governance concept on governing public social policies that serve the function to guarantee or increase the level of social welfare of citizens. Due to the very different nature of public social policies as discussed in the previous paragraph, different activities are related to their governing. Welfare governance as a sub-type of governance shares its structural characteristics and requires adaptations and specifications mainly on the dimension of functions. With these specifications at hands we are able to form the concept of welfare governance. In order to avoid conceptual stretching we define primary and secondary categories (Collier and Mahon, 1993).

#### **3.2.1 Primary category: welfare governance**

We define welfare governance as a classical primary category, with a set of general attributes. These general attributes are (A) the existence of differentiated institutions of governmental and bureaucratic actors generally referred to as the state, or the public authorities. This also entails the existence of private or so called non-state actors; (B) the state engages – directly or indirectly – in the governing of public social programs, which goes beyond traditional and pre-modern forms of autonomous operation within social units such as families, clans or guilds; (C) it furthermore implies the existence of formalized and differentiated substantive and procedural norms with a founded claim to differentiate among the governance functions of policy formulation, operation, and supervision.

#### **3.2.2 Secondary categories of welfare governance: types of welfare governance**

Secondary categories are formed by considering three additional attributes; these are (D) the form of policy formulation, (E) the mode of operation, and (F) the form of supervision of public social policies. The different combinations of values define the secondary categories of welfare governance. For reasons of practicality, the different secondary categories are referred to as types of welfare governance, and be allotted running numbers.

#### **Policy formulation**

Policy formulation is a complex function. Policy (re-)formulation can concern systemic issues such as the type of actors involved in the operations, or the financial responsibility for fiscal transfers. It can also concern more specific issues such as the specific amount of transfers, or the definition of (regulatory) standards. Furthermore, different actors can be involved at different stages.

We differentiate ideal-typically three forms of policy formulation:

- **Exclusive (state):** policy formulation is completely in the realm of state actors without the involvement of private actors
- **Coordinated (state/society):** state and private actors are involved in the policy

formulation process

- **Autonomous (society):** the policy formulation is in the hands of private actors alone

### **Operation**

In respect of the function of the operation of public social policies, a differentiation is more easily made. We differentiate between three forms:

- **Bureaucratic:** the operation by state actors – organizations in the public sector
- **Private:** the operation by for profit and non-profit organizations of the private sector
- **Hybrid:** the latter can point to a situation in which public and private actors are involved in providing concurrently or under the joint umbrella of public-private partnership.

### **Supervision**

The supervision of public social policies concerns the operational as well as legal aspects of the provisioning of social services and transfers of social benefits. Legal aspects such as do the providers adhere to the laws and regulations when dealing with beneficiaries, but also the quality of the services provided are in the focus of interest. In the case of distributive policies, supervision includes the monitoring and control of financial accounts and money flows.

Ideal-typically, we differentiate again between three forms. The function of supervision can be vested in the hands of:

- **State:** a line ministry or specialized government agency is in charge of the supervision
- **Mixed-bodies:** mixed bodies of state and private actors, the traditional examples are the tri-partite arrangements in industrial relations, bringing together the representatives from the government, the trade unions and employer organizations.
- **Private stakeholders:** private actors can be the representatives from numerous stakeholders.

Both mixed bodies and the bodies with private actors should be understood as forums of stakeholders to a certain policy –with or without the representation of the state. In the field of the provision of medical care, private actors can be the representatives from numerous stakeholders, such as hospital management, doctors, care personal, pharmacy and patients (see Verdeyen, Put, and van Buggenhout, 2004). Bi-partite constructions or other bodies bringing together different stakeholders while the state remains at the sidelines can be considered as supervision by private actors.

**Table 1: Primary and secondary categories**

	<u>General attributes</u>	<u>Additional attributes</u>		
<b>Primary category:</b>	welfare governance	A	B	C
<b>Secondary categories:</b>	welfare governance (type 1)	A	B	C
	welfare governance (type 2)	A	B	C

  

D1	E1	F1
D1	E1	F2

### 3.3 Types of welfare governance

For the possible combinations of the three additional attributes that define the secondary categories we have a number of  $3*3*3 = 27$  potential types of welfare governance (see table 2). Further specifications or exclusion of types require the application on empirical cases.

**Table 2: Types of welfare governance**

Type	Policy formulation	Operation	Supervision
1	(state) exclusive	bureaucratic	State
2	(state) exclusive	bureaucratic	mixed-bodies
3	(state) exclusive	bureaucratic	private stakeholders
4	(state) exclusive	hybrid	State
5	(state) exclusive	hybrid	mixed-bodies
6	(state) exclusive	hybrid	private stakeholders
7	(state) exclusive	private	State
8	(state) exclusive	private	mixed-bodies
9	(state) exclusive	private	private stakeholders
10	Shared	bureaucratic	State
11	Shared	bureaucratic	mixed-bodies
12	Shared	bureaucratic	Private stakeholders
13	Shared	hybrid	State
14	Shared	hybrid	mixed-bodies
15	Shared	hybrid	Private stakeholders
16	Shared	private	State
17	Shared	private	mixed-bodies
18	Shared	private	Private stakeholders
19	autonomous (society)	bureaucratic	State
20	autonomous (society)	bureaucratic	mixed-bodies
21	autonomous (society)	bureaucratic	Private stakeholders
22	autonomous (society)	hybrid	State
23	autonomous (society)	hybrid	mixed-bodies
24	autonomous (society)	hybrid	Private stakeholders
25	autonomous (society)	private	State
26	autonomous (society)	private	mixed-bodies
27	autonomous (society)	private	Private stakeholders

  

STATE

↑

↓

SOCIETY

As we can learn from the discussion of social policy and the functions that constitute welfare governance, the phenomenon we are interested to study is all but new. Different concepts have been developed mainly on national basis to study the governance of public social policies, such as self-governing in Germany. The added value of the concept of welfare governance lies in its quality as a systematic comparative tool covering the relevant functions governance. This can be the starting point for the systematic comparative analysis of the similarities and differences in welfare governance across countries. It provides a language of description and allows for analysis of why, when, and how a certain type of welfare governance is established, maintained or changed.

#### 4. WELFARE GOVERNANCE IN CHINA?

The unique qualities of the institutional and cultural context of China pose a considerable challenge to the application of analytical and normative concepts rooted in the study of pluralist, “Western” democracies. The concept of governance is but one example of this problem. Under the conditions of one-party rule and fragmented authoritarianism (Heberer, 2008 70; Heilmann, 1996; Lieberthal, 1992) the reservations among Western scholars to speak of governance in the case of China are quite high. Academic discussions that have evolved around the broad issue of “travelling of concepts” (Sartori, 1970) when applying the concept of democracy to countries outside the Western industrialized world have seen similar challenges that were eventually overcome (see Collier and Levitsky, 1997). Additional challenges originate in the field of translation between Chinese and English. In recent scholarly debates in China, the term “shehui zhili” that was translated into English as social governance has received major attention. Whereas this term has been applied in the Western debates as the application of corporate governance principles on providing social welfare (Verdeyen and Buggenhout, 2003) and therefore to a concept similar to welfare governance, the discussion in China led into another direction. Leading scholars applied it to discuss the role of government in steering and controlling society (Yu, 2011). Western scholars following this debate closely come to the result that they are more related to issue of social engineering rather than public social policy (Schucher, 2011). In order to assess the applicability of the concept of welfare governance to China, we proceed in two steps, in the first sub-section we will provide an overview of the existing public social policies in China, before moving in a second step towards the institutional background.

##### **4.1 Public social policies in China**

The relationship between government and social policy in modern China in the time from 1978-2012 is shaped by the transition from the planned towards a market economy. Since the start of this transition process in the late 1970s, most of the existing social policies and the structures of their provisioning in the People’s Republic of China (PRC) were rendered dysfunctional (Stepan, 2008). After waves of privatization and the establishment of a labor market in the 1980s and 1990s, the diversification of the employment status and the average

work histories of individuals was one of its main lasting effects. In this context, the old socialist welfare system built around the work unit (*danwei*) was simply outdated. The policy process to replace the old structures by a social security system is incremental and stretches already over more than three decades (Zheng, 2008). Among the main problem areas is the distribution of responsibilities between the newly emerging private (enterprises) and the public sector (Darimont, 2009).

Social security (*shehui baozhang*) is used as umbrella term in Chinese for all different forms of public social policies. The field of public social policies is primarily divided along the lines of social insurance (*shehui baoxian*) and social welfare (*shehui fuli*). Additionally, new forms of mainly tax-financed insurance systems have developed against the legacy of communal systems of risk-sharing. The Chinese social security system is fragmented and divided along the lines of occupation, administrative jurisdictions and residency.

The social insurance programs include the following: pension insurance (*yanglao baoxian*), medical insurance (*yiliao baoxian*), work injury insurance (*gongshang baoxian*), unemployment insurance (*shiye baoxian*) and maternity insurance (*shengyu baoxian*). In line with the traditional social insurance principle, insured employees and their employers are paying contributions to the schemes.

Social welfare is defined as the social measures, which are targeted towards the needy. Provisions in cash and kind are means tested. The social policies falling under this category are the 5 guarantee system (*wubao*), the minimum livelihood guarantee scheme (*dibao*), and various assistance programs such as medical assistance (*yiliao jiu zhu*). Whereas *dibao* is a rather new invention that guarantees a minimum livelihood by cash transfers, starting in a limited number of urban areas for the first time in the early 1990s, it has reached out to all urban areas and more recently to rural areas. The cash transfers are financed out of tax. *Wubao* is a more traditional community based program that provides benefits in kind. Recipients of the latter are households without income or financial support by children, widows, orphans, and veterans. Benefits comprise the following: food, clothes, shelter, medical treatment and death grants. In a broader sense social welfare also touches upon education, as education grants and scholarships are provided to students of low income families.

Insurance systems building on state budgetary transfers include the new cooperative health insurance for rural residents (NRCMS – *xinxing nongcun hezuo yiliao*), the new style rural social pensions insurance (*xinxing nongcun shehui yanglao baoxian*), and the urban residents health insurance and social old age insurance (*chengzhen jumin yiliao baoxian* and *chengzhen jumin shehui yanglao baoxian*). Last but not least, state interventions in form of a system of fixed prices for medical services and drugs can be considered public social policies.

Familial support as a traditional pillar to provide social welfare still plays a crucial role in the PRC and is often referred to as family insurance (*jiating baozhang*). It can play a more important role than formalized insurance systems, the rural pension insurance for example is

officially designated an amendment to familial support. Furthermore, the allocation of land parcels to farmers is also understood by some scholars as source of security and henceforth referred to as land security (*tudi baozhang*). These systems of support add to the considerable complexity of China's social policy mix, which is not always internally coherent.

## **4.2 Institutional background**

Goodman (2009) states that popular and to some extent academic perceptions of the political system of China remain over-determined. The scholarly reservations on the applicability of the concept of governance on China, he states that the difficulty lies in the problem of conceptualizing the state in country ruled by a one party system. As a reference to substantiate this statement he refers to Ionescu as a specialist on European communist states in the 1960s (Ionescu, 1967). Goodman writes "one-party states have always had a tendency in practice (though not in principle) to avoid governance-government distinctions, not least because they are teleologically driven"(Goodman, 2009). However, as the history of the last three decades tells us, China's development path went quite different from the developments in Eastern Europe, Russia and other post- communist countries and also the global political landscape has changed significantly. Yang Dali names the market transition and changes in respect of governance mechanisms in China as a remaking of the Chinese leviathan (Yang, 2004). The gradual introduction of market mechanisms, the emergence and growth of the private sector, and the formal establishment of a labor market in the mid-1990s are key products of the Chinese reform era that started in 1978. It is these developments that make the socio-economic challenges the Chinese leadership faces more similar to the ones experienced by the leaders in advanced capitalist economies. With the rising socio-economic inequalities and the work units no longer responsible or capable to guarantee social welfare, new forms of providing social services and transfers are needed (Gu, 2001). Especially since the turn to the new millennium, we can see numerous initiatives of the Chinese central government to institutionalize and increase the reach of public social policies. Key efforts are in the field of legislation (see Darimont, 2009) but also in the very implementation of social policies measures, in the coverage rates and rising benefit levels of public social policies

Social policy has for a long time been considered as the ugly duckling in Chinese politics and the decentralization of the responsibility for social welfare has led to an increase of the fragmentation of public social policies across the country, especially throughout the 1980s. Focusing on economic growth, little attention was paid by the authorities to construct a coherent nationwide social security system with clear institutional competences, and sufficient administrative and financial capacities. With the incoming 4th leadership generation of the CPC around Hu Jintao as Party Secretary and President of the PRC, and Wen Jiabao as Prime Minister the one-sided focus on economic growth was succeeded by a new development model that put the fight of social inequalities and the construction of a social security system high on the political agenda. Among the key projects of the Hu-Wen administration was the "Building of the new socialist countryside" and the institutionalization of social policies, a major

achievement is the Social Insurance Law that has been passed in 2010. In twelve chapters the new law specifies the rights to access and the work principles of the following five social insurance programs: pension insurance, medical insurance, work injury insurance, unemployment insurance and maternity insurance ("Social Insurance Law of the People's Republic of China," 2010). One of the impacts the law already had, was that the policy process led to a consolidation of the actors involved in social policy making and social administration (Stepan, 2011). The establishment of the Ministry of Human Resource and Social Security (MoHRSS) is a result of a number of mergers and re-assignment of competences to have one relatively strong actor in the field of social insurance. Competences for health-related social policies remain scattered. Whereas the NRCMS is falling under the jurisdiction of the Ministry of Health (MoH), it is the National Development and Reform Commission (NDRC) that is in charge of the price system for medical services and drugs. The Ministry of Civil Affairs (MoCA) is responsible for dibao and other social welfare related programs. In general however, competencies, rights and duties in the field of public social policies are more concentrated than ever before and social policy, or the advancement of social welfare, is identified as a clear independent function and no longer a cross-cutting task that all ministerial portfolios are dealing with (Stepan, 2011). In the general provisions of the law (especially the articles 2, 7 and 9), the shared role of the state and society to guarantee the social rights and obtaining assistance is named as a clear principle. In Art. 9, the rights for the trade unions "to participate in the research on major social insurance issues and sit on social insurance regulatory committees to oversee issues related to the social insurance rights and interests of employees" relates to the activities of policy formulation and supervision. In Chapter X of the law – Social Security Supervision – the rights of legislative branches of the local governments (Art.76), interest organizations and individual to be take part in the supervision of insurance funds and receive answers on filed complaints are guaranteed (Art. 82). In mid-2011 an implementation order<sup>1</sup> was enacted, that further addresses the role and rights of non-state actors and individuals in implementation, supervision and potential policy re-formulations required in the future.

Leading politicians have time and again stressed the responsibility of the government in the field of governing social policy, while at the same time encouraging the role of citizens' participation. Concerning the development of new social policies and the improvement of citizens' welfare Wen Jiabao wrote in 2010: "the main responsibility of the government is to ensure that social programs are operated for the benefit of the general public and that the needs of the public for basic public services are met." (Wen, 2010)

In his speech at the 17th Party Congress in President Hu Jintao stressed the role of citizens' participation:

"We must ensure that all power of the state belongs to the people, expand the citizens' orderly participation in political affairs at each level and in every field, and mobilize and

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<sup>1</sup> Several Provisions on Implementing the Social Insurance Law of the People's Republic of China

organize the people as extensively as possible to manage state and social affairs as well as economic and cultural programs in accordance with the law. We must uphold the rule of law as a fundamental principle and adopt the socialist concept of law-based governance to ensure that all work of the state is based on the law and that the legitimate rights and interests of citizens are safeguarded.” (Hu, 2007)

Herewith, perhaps even unknowingly they have been very outspoken about the importance of what in Western countries is comprised under the headline of welfare governance.

Concluding this part, the governing of public social policies in China displays the general attributes we defined for the concept of welfare governance: there is a differentiation between public and private actors; the state is engaged in providing social welfare and yet allows for the participation of private actors in the formulation, operation and supervision of public social policies; the components of policy formulation, provisioning and supervision can be differentiated in laws and regulations. Whereas the principles of welfare governance are codified in laws and regulations, it requires further empirical research in how far they are present in reality. We want to highlight the challenge for this research originating in the variegated levels of socio- economic development and distribution of wealth across Chinese provinces, which are further accentuated by the low progressiveness of fiscal transfer systems. These factors increase the difficulties of creating equality in social policy and service provision.

## 5. CONCLUSION AND FUTURE RESEARCH AGENDA

The concept of welfare governance has the potential to become a powerful tool to support single or cross country comparative studies on the governing of public social policies - including countries outside advanced capitalist economies.

As we have discussed in the second section of the paper, the concept of welfare governance has for a long time been both contested and underspecified. Providing a concept that includes both structural characteristics and highlights the role of public, private and hybrid actors in three functions of governance, we reach beyond previous concepts that were focusing on merely one of those. Whereas the concept first of all provides a tool to describing existing structures and processes, the identification of differences or commonalities across cases provides empirical material as basis for further analytical research.

Discussing the applicability of the concept on contemporary China, we conclude that despite the barriers in respect of structure, culture and language, the concept is applicable, yet only if these factors are properly addressed. Judging from the developments in China over the last decade, we see the formation of a clearer distinction of public and private sector. The Chinese government on different levels has shown increased interest in improving the level of social welfare and enacted laws and regulations that specify social rights and the provisioning of social welfare. In order to live up to its promises, it increasingly works together with private organizations – profit and non-profit alike. Differentiating between public social policies that

serve basic needs and those that go beyond, Wen Jiabao shared his opinion in the CPC party journal that “Social programs designed to meet non-basic needs should be handed over to the non-public sector to let the market satisfy the multi-layered and individualized needs of society through the development of related industries, and the government should only carry out its supervisory and regulatory responsibilities.” (Wen, 2010) Under these premises, and the current challenges in contemporary China to increase the social welfare of its people, studying the phenomenon of welfare governance in China and international comparative perspective is highly relevant and promising from both a scientific and social relevance point of view. In how far the changes in the legal realm lead to systematic application on the local level, requires systematic empirical research. Examples of first initiatives are the edited volume of Carrillo and Duckett (2011), Klotzbücher (2006) or the research of Gu (2001) on welfare pluralism. These provide us with evidence from case studies on the question which actors are involved in the governing of public social policies. Nonetheless, researchers need to pay the necessary attention to avoid generalization where it is not appropriate. The difference among public social programs such as social assistance programs and social insurance can be tremendous even within the same country, as the programs are built on different logics and operate with different normative and cognitive assumptions.

Combining the results of different case studies or extending the scope of empirical research on the practice of welfare governance in China, are two strategies towards extending the empirical basis for an analysis that would allow to provide a more generalized answer to the question of the type or types of welfare governance being present in China, at one point in time or its changes over time.

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### **Legal texts and provisions**

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