

Old-Age Pensions and Life Course in Rural China: The Emergence of Modern Retirement?

Shih – Jiunn Shi

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Faculty of Sociology
University of Bielefeld

Supervisors:

Prof. Lutz Leisering Ph.D.
Prof. Dr. Gunnar Stollberg

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Abbreviations

ACFTU	All China Federation of Trade Unions
CASS	Chinese Academy of Social Science
CCP	Chinese Communist Party
GDP	Gross Domestic Product
ILO	International Labor Organization
LGPR	Leading Group Office for Poverty Reduction
MLSS	Minimum Living Standard System
MOCA	Ministry of Civil Affairs
MOF	Ministry of Finance
MOL	Ministry of Labor
MOLSS	Ministry of Labor and Social Security
NIC	Newly-industrialized Countries
OECD	Organization of Economic Co-operation and Development
PADO	Poor Area Development Office
PBC	People's Bank of China
RCMS	Rural collective medical system
SOE	State-owned Enterprise
SC	State Council
TIP	Township Insurance Program
TVE	Township and Village Enterprise
UN	United Nations
WTO	World Trade Organization

Abstract

Since the outset of the economic and social reforms in 1978, rural China has been undergoing fundamental changes in view of the relationship between the state, society and the individual. Social policy, not least pension policy for rural residents, has been an essential factor in this transformation process influencing the life chances of many peasants. This study deals with the relationship between social policy and individual life courses in the context of the Chinese reform process. By studying the rural pension policy, the study focuses on the power of social policy in shaping the life planning of social actors, testifying to the nexus between social institutions and human lives – first established by European life-course research for Western societies – in rural China. Main arguments of this study are that the introduction of the rural pension policy has led to the emergence of a modern “life course”, namely an institutionalized temporal structuration of the life span and related orientations of action on the part of Chinese peasants. Modern “life course” denotes the emergence of a temporal partition between work and retirement. The traditional idea of ceaseless toil until death is giving way to a conscious arrangement for a life phase after work. The institutionalization of a life course is a crucial aspect of modernization in which the state policy plays a pivotal role. Both social security and life course have become formative institutions in present-day rural China.

In particular, this study integrates theoretical insights from European life-course research which emphasizes the close relationship between social security institutions and the life course. Based on expert interviews and biographical interviews with peasants conducted in selected areas of rural China, this study seeks to trace the institutional development of rural pensions and to identify the variety of ensuing life-course patterns by constructing a typology of individual life courses with regard to securing old age. Furthermore, in order to explore the interaction process between pension policy and the life course, this study constructs a second typology that elucidates the diversity of meaning peasants attach to the biographical significance of pensions in their individual life arrangements. The theoretical and methodological application of the life-course approach sheds new light on a neglected aspect of both the institutional and the individual dimension of the modernization process in rural China.

Keywords

China; Institutions; Life course; Rural pension; Social security

1. Orientation of the Study

In terms of theory, the life course has defined a common field of inquiry by providing a framework that guides research on matters of problem identification and conceptual development. These problems have much to do with the impact of changing societies on developing lives. (Elder 1994: 5)

This study deals with the relationship between social policy and individual life courses in the context of the Chinese modernization process. The study focuses on the framing power of social policy in shaping the life planning of social actors in order to explore the nexus between social institutions and human lives in China. Since the economic and social reforms launched in 1978, the transformation of all spheres of Chinese society has been under extensive study by scholars worldwide. Many of them turn their attention to the expansion of Chinese social policy, viewing it mainly as a consequence of social changes. The active endeavor of the state to extend social protection to more citizens is widely seen as a political response to the institutional transition from a planned to a market economy. Yet, the impact of the state social policy on society remains largely unnoticed. This is an often ignored but equally important point that refers to the framing effects of social policy with respect to life chances among different societal groups. This study aims to fill this research gap by exploring the institutional effects of social policy on the individual lives in order to shed new light on the study of Chinese social policy. At the same time, this study uses a concept of Western research on social change and social policy, the “life course”, which has only recently been applied in China research, but not yet to the realm of Chinese rural old-age security. This is the second research gap this study seeks to fill. As will be manifested in the later analysis, the introduction of rural pension schemes in the 1990s as a form of institution building offers researchers a unique opportunity to examine the relationship between social policy and life courses. This approach deepens our knowledge of changes in both institutions and individual lives in Chinese society.

Based on fieldwork conducted in China, this study explores the impact of rural pension policy on the life course of the peasants. This study differs from previous works on Chinese social policy in that it does not focus merely on the description of institutions or policy analysis. By examining the extent to which the state pension policy influences the life course and retirement arrangements of the rural population, this research intends to make a contribution to the analysis of Chinese society in two interwoven dimensions. First, it attempts to offer a better understanding of the interaction between institutions and individual lives in rural China. In this way, the concept of the life course is used to model the macro-micro-link in the process of social transformation and social policy reform. Furthermore, it attempts to explore the modernization process in China from the angle of state social policy and the

individual life course, maintaining that these are two vital institutions of Chinese society. Particularly the last dimension has been neglected in previous studies on the modernization process in China.

This chapter aims to delineate the major concerns and contributions of the study in three parts. The first part provides a brief review of the theoretical discussions on social transformation and social policy reforms in China in order to locate the significance of the life-course approach in China studies. The second part summarizes this study's research questions and central theses. The last part introduces the structure of this study.

1.1 Life Course in the Context of Social Transformation and Social Policy in Rural China

Since the economic and social reforms in 1978, China has become a fast growing emerging market and it has been undergoing rapid changes in all spheres of society. In urban and rural sectors alike, the state has initiated a series of reform policies that have reconfigured the institutional frameworks of economic production and resource distribution, unleashing the potential influences of market and other societal sectors. Similar reforms are also under way in the realm of social policy, as the state perceives the growing social insecurity as a result of economic reforms and responds to them with innovative policies. The successive social policy reforms since the 1980s have fundamentally transformed the relationship between the state and society in their division of welfare responsibility. In this light, this work attempts to address a crucial institutional link in the Chinese modernization process; which has recast the relationship between the state, society and individuals. It departs from the theoretical perspective of life-course research and views the welfare state and life course as two interrelated institutions of modern society. By means of this theoretical approach, this work seeks to advance the research in two fields: China studies and life-course research in the broader context of new welfare state studies.

This frame of reference encounters a fundamental question concerning the applicability of concepts such as welfare state and life course in China studies. Indeed, East Asian countries deliberately keep their social spending at a very low level in order to improve their ability to compete in the global economy. In addition, the general socioeconomic development in the East Asia region cannot keep pace with that of Western welfare states; and is therefore unable to sustain a comprehensive framework of state social policy. These facts offer a rationale for some scholars to cast doubt on the qualification of East Asian countries as welfare states. Among them, culturalist theorists (Rieger and Leibfried 1999), in particular, go further and emphasize the elementary differences between East Asian and European countries. Whereas the welfare provision of the former is based on the Confucian tradition that attaches importance to family care and paternalistic welfare, the latter construct state welfare on the basis of individual rights rooted in the tradition of the

enlightenment and Christian charity. In short, the differences in welfare culture between East and West offer few grounds for the East Asian countries to be qualified as welfare states comparable to their Western counterparts.

However, other researchers pose different viewpoints, which make room for an inquiry into the welfare state and life course in China. Under the influence of Esping-Andersen's work (1990), there have been numerous attempts to delineate the unique characteristics of the "East Asian welfare regime". The active engagement of the East Asian states in the welfare of their citizens in the 1990s has appealed for more academic attention on the emerging new welfare states in this region. Despite different accounts of the development of the East Asian welfare states, evidence that social policy has been gaining importance is mounting even in the wake of the financial crisis in 1997 (Hort and Kuhnle 2000; also cf. Holliday 2000, 2005; Goodman *et al.* 1998). Walker and Wong (1996) also criticize the common notion of associating the term "welfare state" exclusively to the capitalist-democratic projects prevalent in the Western world. According to their views, this would narrow our vision in welfare state studies leaving other countries out of the picture. If the observers concentrate only on state provision, they will inevitably neglect the characteristics of East Asian states as regulators (also Goodman and Peng 1996; Kwong 1997). In a nutshell, these studies suggest broadening the applicability of the concept "welfare state" to non-Western countries.

By the same token, applying the concept of "life course" in China studies promises new insights as well. For Kohli (1986a, 1986b), the major life-course theorist, the "life course" found in non-modern societies is organized alongside age-stratified social status rather than temporalization of individual life phases as it is in modern Western societies. In the latter case, the welfare state has significantly contributed to the social structuration of life spans, which regulates individuals in a temporal sequence along their life courses (Kohli 1986a, 1986b; Meyer 1986, 1992). The crucial moment is the imprint of these institutional settings, as norms, in the minds of social actors that justifies their *raison d'être*. Life course is not simply the result of individual biographical choices but also the molding effect of state social policies. Life courses have become the interface between social actions and state institutional frameworks. In this vein, the concept of "life course" encompasses two meanings: in general, the life course is a social institution of the modern world which guides individuals to organize the temporal settings of their lives. In particular, the concept denotes the trajectories of individual lives as a result of agents' choices and actions.¹

¹ This understanding of the concept is based on the European tradition of the life-course research, which focuses on the intersection between (welfare) state institutions and individual life courses. The institutional aspect of the life course is less noticed by American scholars, who concentrate more on the impact of historical and social structures on human lives. For a more systematic articulation, see chapter 3. Scholarly works addressing this transatlantic difference include: Marshall and Mueller (2001); Leisering (2003).

If the effects of the welfare state in the structuration of the life course prove universal, then it is logical to infer that the same framing effects of state social policy should be equally visible in emerging new welfare states. Investigating the rise of institutionalized life course patterns in China therefore implies the discovery of a key element of socio-cultural modernization in an East Asian country. This prospective research approach has seldom been adopted in the Chinese studies, not to mention Chinese social policy research (see Zhou 2004; Zhou and Hou 1999; Zhou and Moen 2001; Zhou *et al.* 1996, 1997). In this light, this study attempts to explore a new area by explaining the interaction between social policy institutions and social actors as reflected in the latter's life course patterns. It seeks to shed new light on how new social security institutions influence the lives of their clients, and how the latter secure old-age security in given institutional environments. This point is of particular importance because it addresses the biographical dimension of social actors with regard the idea of retirement. How they perceive the policy framework, reflect on their situations and deal with their old-age security is one of the central themes of this work.²

For such an investigation, China is an ideal case because many innovative policies have been introduced to grapple with new challenges arising from social changes since 1978. Indeed, the development of Chinese social policy manifests the ambivalence of the welfare reforms. In the urban sector, major political efforts aim to weave a new social safety net for those laid-off workers coming to terms with new insecurity as a result of the massive restructuring of state-owned enterprises. In the rural counterpart, the collapse of communes, the diversification of rural economy and the aging population have equally put the traditional arrangement of rural social security into question. Especially the changing nature of rural families has profound implications for the traditional generational relationship (Chang 1993a, 1993b; Krieg and Schädler 1995; Chen 1996; Wong 1998). The state perceives the growing contingency confronting the urban and rural population and responds with innovative policies. The retreat of the state from the traditional socialist welfare framework is accompanied by its active involvement in new realms of social policy (e.g. social assistance, unemployment insurance, etc.). Among them, the introduction of a rural pension scheme at the beginning of the 1990s was a new endeavor to meet the growing need for public old-age support. Today, in some wealthier regions, local governments have even introduced contribution-free local pensions similar to the idea of "social pensions" (Leisering *et al.* 2006). Rural pension policy is an instructive example of a newly emerging welfare policy. The field of old-age security is of particular interest as China is experiencing demographic aging well before a comprehensive public pension scheme for rural residents has been established. The

² The focus of this study on the institutional effects of state social policy on individual biography concurs with the emphasis of Western welfare state scholars who pay close attention to the impact of state social policy on society and the individual. For example see George and Wilding (1984); Kaufmann (1982); Leisering (2001); Pierson (1993).

establishment of pension schemes can be seen as a policy innovation in the context of rural China, which offers social scientists an ideal opportunity to observe a policy in its origin.

Yet, interestingly, the partial success of the rural pension policy and its possible impact on rural old-age security and individual old-age arrangements in China has thus far attracted little attention of international researchers. Several studies have indeed investigated the situation of the elderly and highlighted the precarious nature of old-age security in rural China (e.g. Davis-Friedmann 1991; Ding and Chen 2005; Pang *et al.* 2004; Pei and Pillai 1999; Xu 2001), or suggested a theoretical framework for the analysis of rural welfare (Hebel 2003). But there is thus far no systematic examination of the development of rural pension policy. Only indigenous Chinese scholars have performed numerous analyses of the decade-long policy process. These studies, however, tend to be merely descriptive of rural China's imminent problems and they ultimately rush to make policy proposals.³ There seems to be equally little effort among them to explain the interaction between pension policy and its client peasants with more sophisticated accounts.

Only a small portion of the international literature has addressed this aspect from any theoretical perspectives. The focus is generally put on the political contexts and interest constellations in the central government (Gong 2003). Gong's study illustrates how political actors have come to establish experimental pension schemes in rural areas, and how the policy direction has been altered in the midst of rapid political changes. The study done by Leisering and Gong (2002) makes the first attempt to explore the interactive aspect of rural pension policy with respect to the life course of the peasants. Given their contribution to explaining the political process as well as the social consequences of the rural pension policy, however, the crucial question of what impact the policy has upon the life course of the participant peasants remains only partially answered. This indicates a weak dimension in current research.

Based on this observation, the emphasis of this work on institutional effects of social policy on individual lives is thus an attempt to close a gap in present works of rural China study and social policy research. In both research traditions, social policy implemented in rural China has thus far received scant attention, let alone its impact on the lives of rural residents. With its close examination of social policy and individual life course, this study aims to address two core elements of the modernization process highlighted by the life-course theorists (Kohli 1986a, 1986b; Mayer and Müller 1986; Mayer and Schöpflin 1989). Historically, the development of state social policy accompanies the emergence of the welfare state in Western countries in response to the emerging social questions of socioeconomic

³ Numerous Chinese articles and books discuss this theme, making it impossible to give a full account here. Nonetheless, my appraisal that, while not denying their respective contributions, they tend to be descriptive and suggestive remains valid. This view is also shared by some Chinese scholars (Peng and Song 2002).

modernization. Together with the mechanisms of market economy and political democracy, the welfare state has become a deeply-rooted institutional epitome in Western societies embodying the public responsibility for the well-being of their citizens. The institutional dominance of the welfare state has also exerted a profound influence on the lives of many.

In sum, this study emphasizes the interaction between state social policy and individual life course against the backdrop of modernization process in China since 1978. It seeks to highlight the institutionalization of two elements at the policy and individual levels. The basic assumption is that both social policy and life course are taking elementary shape in the context of rural China, as has been the case in the Western historical development. In which scope and to what extent social policy and life course are interrelated in rural China is the main theme of this study. And, as will be shown in later chapters, social policy, not least rural pension policy, has an immense influence on the perception and strategy of local peasants towards their old-age security. Despite the diverse socioeconomic developments and policy frameworks among the field sites, the idea of retirement has been gaining prominence in the biographical horizon of many Chinese rural residents. Retirement in a modern sense is emerging as a separate category of the life course in rural China.

1.2 Research Questions and Overview of the Argument

The emphasis on social policy and life course, as the two underpinnings of research, leads this study to focus on the interplay of state social policy and individual life course against the background of social transformation. The central theme of this work deals with the political nature of the rural pension policy as well as its social impact on “life course” and “retirement” as two core elements of modern Chinese society. The central aim is to explore the scope and extent of the impact of the rural pension policy upon the retirement idea and old-age arrangement of Chinese peasants. Research questions surrounding the rural pension policy are: how has the rural pension policy in China developed from its origin to the situation nowadays? What policy outcomes and implications does this development entail? Following the research logic, this study further poses questions regarding the social impact of the pension policy: are we witnessing the emergence of the modern “life course”? Can we identify a distinct category of “retirement” in the life planning of individual peasants? And, in this connection, there is a further inquiry about the policy impact on the generational relationship in the rural family: are there any changes within the interaction between generations in the family?

Bearing these central questions in mind, the general assumption of this study is that the establishment of a pension scheme in rural China, even though it is still experimental and tentative, earmarks the starting point of the state’s response to the rapid transformation that has put traditional forms of old-age security in question. The new institution of old-age security has contributed to the emergence of

convergent life experience among the peasants, i.e. their biographical forms are moving towards a temporal division between work and retirement. This is reflected in the growing consciousness of the peasants regarding the significance of old-age security in their life courses, and their awareness to make economic preparations for it during their work phase. In addition, this study is also interested in observing whether the changing context of biographical horizon and life-stage planning has any impact on the role of the family, especially in regard to the relationship between generations. The supposition is that, with the rising significance of public pensions, the importance of the family will shift correspondingly from bearing financial responsibility to giving more care. As public pensions provide a bolster for the economic safety of the elderly, their children will rather spare their capacity for more emotional support and daily care. How and to what extent this change in the family relationship in rural China is proceeding is under scrutiny in this study.

Following these starting points, the central thesis of this study is that the establishment of pension schemes has led to the emergence of the modern life course in rural China, although the individual mapping of the life course is subject to the given institutional settings of local pension schemes as well as household economic situations. Given the institutional diversity among different rural regions, a clear consciousness of retirement as a distinct phase in the life course can be observed among peasants in the survey fields where local pension policy has been successfully implemented. In contrast, in less developed rural regions where local governments are unable or unwilling to strengthen public responsibility for old-age security, peasants are more inclined to depend on traditional means such as family care and individual work. Their life courses are thus characterized by incessant toil without a clear distinction between work and retirement phases. Old age remains a high economic risk both for the elderly and their family. From this observation, one can infer that, by and large, institutionalization of the life course as manifested in the clear temporal division of one's life span (especially between work and retirement) is beginning to take root in rural China. While the state pension institution regulates the realm of old-age security in rural areas, it also influences the manner in which peasants apprehend the relationship between state and society (especially market and family), work and retirement, as well as that of the family and the individual, thereby contributing to growing attentiveness among the peasants to the whole issue.

This finding corresponds with the idea of the institutionalist approach in the life-course research that accentuates the link between institutional arrangements of the (welfare) state and the life courses of individual agency. As the state constructs political and legal frameworks regulating obligatory contributions and benefit entitlements, these given policy designs facilitate or constrain resources accessible to individual agency. In the case of rural old-age security, the most effective tool is the demarcation of the age limit in the pension scheme, which distinguishes the work phase from retirement and defines the criteria upon which one is to be included in or excluded from employment. Contribution subsidy from the state provides a further

incentive for the villagers to participate in the scheme because its size directly determines the individual share of financial burden. While the scope of local pension schemes influences the perception of the peasants towards the issue of old-age security, an equally important aspect is the burgeoning awareness of the significance of life planning and retirement in their minds. The emergence of a subjective horizon in respect to the temporal settings of one's life is the decisive element of life-course institutionalization that drives individuals to make long-term life planning. Apparent in the field survey is the finding that the introduction of rural pension schemes has often raised local peasants' interest in contemplating making more preparations for their old-age security, irrespective of their current age. If their terms are generously set, pension schemes can often attract and strengthen the willingness of local villagers to make more preparations for their old-age security.

Another result of the study further supports the thesis suggested by the institutionalist life-course approach that the social policy of the state not only frames the patterns of individual lives but produces new inequality among them as well. Indeed, a central theme of this study addresses the unequal institutionalization of the life course, both in the sense of institutional regulation and individual biography. From the outset, the rural pension policy in China is designed by the central government to leave the existing regional inequality without any policy correction. As a result, the unequal financial strength of village collectives has given rise to very different local policies regarding contribution subsidy – with enormous effects on local policy outcomes in terms of coverage and benefit levels. This residualist policy approach has led to the immediate consequence that existing regional social inequality of peasants in their work phase is directly reproduced well into their later old-age phase. Old-age security and life course in rural China are subject to the local economy situation and pension policy that generate a huge cleavage in pension entitlements among the peasants of different regions.

Given this policy framework, one notices a clear difference in consciousness among the peasants with respect to their old-age security and the idea of retirement. Villagers in well-off regions have benefited from strong regional economies that support generous local pension schemes. For them, the idea of retirement is a concrete reality, as public pensions have secured a financial basis for its fulfillment. In the best cases, generous pensions from public schemes have substantiated the division between work and retirement in the minds of the beneficiaries because they can plan their retirement without financial concern. Contrarily, peasants in less well-off regions have to worry about the prospect of their old-age security, depending crucially on the extent of support they can expect from public pension schemes. These peasants' notion of retirement remains vague because they lack sufficient material conditions even for their livelihood in the work phase. Nonetheless, an interesting finding of this study is that even among peasants in poor regions where no pension scheme has been introduced, individual preparation for old-age security is by no means a rare phenomenon. In circumstances of economic hardship,

however, their efforts to realize long-term planning prove much more difficult, as poor households can only afford to maintain their present living costs. There is little room for personal saving, to say nothing of any investment for the future. Often the retirement idea comes about through increasing contact with friends from other richer regions or information from the media, but it is difficult to concretize the notion or plan under destitute conditions. Precisely this has generated a large gap between peasants of different regions in their subjective expectations and life planning regarding retirement. Indeed, the wish of poor peasants for more economic safety in old age is no less than those already drawing sufficient retirement benefits from public pension schemes. Yet weak state responsibility in old-age support has led to the shortfall of pension entitlements in poor villages, making long-term retirement planning practically impossible. Unequal pension entitlements among rich and poor regions have a large impact on the perception of the peasants towards present and future economic safety – with significant implications for the biographical orientation of individual agency.⁴

With regard to the generational relationship, the field survey identifies continuity in internal family relationship. In most cases, co-habitation of parents and children (sons) remains the predominant form of rural family, irrespective of the amount of public pensions the elderly receive. Even when parents choose not to live together with their children, mutual support still prevails, and the interaction remains intensive. What the public pensions have changed is the perception of the elderly parents towards the financial aspect of their old-age security, i.e. they do not ask their children for any economic support whenever the circumstances permit. But even in these cases, their delight in their own financial independence does not diminish the desire of the elderly to keep close ties with their children. Public pensions are mostly deemed by the rural elderly in a functional sense, whereby the financial structure of the household is corroborated by an additional pillar. And in the case that pensions exceed the actual need, many elderly parents tend to support their children by shouldering part of the daily expenses. In this respect, public pensions have contributed to a more conscious idea of retirement among the elderly though their emotional bond with their children remains intact. Generational solidarity is still central to the family relationship.

In sum, this study differs from other approaches in China studies in its exploration of the link between social policy and life course as two distinctive institutional components of modern Chinese society. As a frame of reference, both

⁴ In this respect, subjective orientations of retirement arrangements among rural residents are necessarily a contestation process, depending on a set of individual and environmental factors, though public pensions undoubtedly play a major role. The central thesis of this work, about the emergence of the modern life course in rural China, should be understood in this dynamic sense because it refers to a burgeoning process, not a completed result. The same phenomenon also appeared in the early history of European welfare states. The crystallization of old age as a unique phase in the modern life course has undergone a long span of social contestations, especially for self-employed farmers. See: Costa (1998); Ehmer (1990); Göckenjan (2000).

institutional arrangements and individual action in the realm of old-age security constitute the core subjects of analysis in this study. In the light of the institutionalist life-course approach, this research assumes and identifies the shaping power of state institutions on individual life courses, which gives rise to the emergence of the retirement idea in the minds of rural Chinese peasants. Departing from this assumption, this study views the introduction of public pension schemes in rural China as a propulsive force directing the attention of the peasants towards their old-age security. Public pensions have awoken their awareness of retirement as well as their recognition of the necessity to make more prearrangements for this phase of life. Institutional frameworks of local pension schemes influence perceptions of the state's role as well as individual's biographical orientation towards old-age security. Therefore, one should take more heed of the relevance of rural pensions for the lives of Chinese peasants as manifested in their (variably) progressing institutionalization.

1.3 Design and Composition of the Study

In order to explore the dimensions set by the theoretical considerations, this study requires a combination of methods. To analyze the institutional design and development of rural pension policy, document analysis and expert interviews are used to gain a deeper insight into the nature and history of the policy. While document selection ranges from academic works to statutory or official documents, expert interviews are conducted with officials involved in the policy realm at the central or local government levels. This supplements the document analysis because a researcher can often gain valuable information from the perspective of insiders in the administrative body. By means of expert interviews with the responsible officials, the study is able to collect detailed data often unavailable from general academic works or published government documents. This is especially the case in respect to local pension schemes, where only responsible local officials are familiar with the overall implementation situation of respective localities.

Furthermore, to explore the biographical dimension of the peasants, the study applies case studies and biographical research to illustrate the distinctive way in which Chinese peasants deal with the issue of retirement in the context of social transformation and rural pension policy. In its essence, the biographical method requires fewer cases yet deeper exploration in respect to the subjective dimension of individual agency. There is thus a methodological affinity between the case studies and biographical method. The application of the method of case study is a suitable approach for China studies, as researchers are often unable to include all regions in the study. Particularly in view of regional disparity and national complexity, case studies can offer better access to the existing variety by highlighting specific facets of the research subject (Ragin and Becker 1992). The biographical and case study methods have been chosen to sharpen the study's focus on the actor's perspective on life course and retirement.

To achieve the research goals outlined above, this study will begin with a section discussing current theoretical approaches in China studies as well as life course studies (chapter 2). The aim is to elaborate the insights of both fields in order to specify the research gap in current China studies. The literature review provides strong support for the application of life-course theories in the study of rural pension policy and its impact on the biographical dimension of old-age security. Chapter 3 departs from this observation and portrays the development of different life-course theories in order to outline an integrated theoretical framework for analyzing the topic in concern. Chapter 4 follows this framework and delineates the methods in which the inquiry in this work proceeds.

From chapter 5 onwards, the study presents its empirical findings, focusing on the institutional development of Chinese social policy in general and rural pension policy in particular. In addition to the institutional analysis of social policy and pensions, the empirical part also addresses the life course of the peasants in relation to the pension schemes, as well as their biographical dimension with regard to retirement after work. Following this analytical strategy, chapter 5 sketches the historical development and current trends in Chinese social policy. Special focus is put on the divisive nature of social policy in China, which has separated urban from rural areas since the 1950s. Only against this background can we grasp the intention of the Chinese government to establish a rural pension scheme for the peasants, and why it is still inferior to its urban counterpart in terms of policy scope and extent. After the theoretical and historical accounts, the empirical section goes further to an in depth analysis of the development of rural pension policy as well as its impact on the life course of peasants in selected field sites. An analysis of the policy development in chapter 6 demonstrates how the Chinese central government decided to establish a formal pension scheme for rural residents and how this policy changed its track in the course of time. This will help us better understand the background regarding the different effects on the life course of the peasants at the field sites. The following chapters (7 and 8) present the results of the empirical study in terms of the theoretical assumptions forwarded in the theoretical section. The final chapter (9) summarizes the overall findings and reflects on their implications for the theoretical discussion within which the research on social policy and life course are embedded.

Part 1: Literature Review, Theories and Methods

2. Earlier Studies on Chinese Society, Social Policy and the Life Course

2.1 Sociological Study of Social Change in China

The key process of social change in China started with the transition from socialist redistribution to market mechanism. Almost all scholarly works focus on the (formal and informal) institutional changes set in motion by the economic and social reforms launched in 1978 and their impact on the society (e.g. Selden 1993; Solinger 1993; Brugger and Reglar 1994; Szelenyi *et al.* 1994; Lieberthal 1995; Walder 1995a). Sociologists and political scientists primarily focus on the changing mechanisms of social and political organization that constitute the Chinese society under communism. Their common starting point is to observe and interpret the origin, process and impact of social changes after the reforms. Their main observations focus on the essence, change and persistence of social institutions that influence other elements of social structure, which manifests the complex interaction between different institutions (mainly socialist and capitalist or hybrid forms).

The following sections aim to sketch the theoretical accounts of these scholarly works.⁵ Their common concern is associated with the rise of the market mechanism in a communist regime and its social consequences for the Chinese society and social security. Researchers also seek to explain the scope of these social changes in the context of institutional change and structural transformation. Main foci of recent research concentrate on the following four aspects: 1) Institutional legacies of socialist arrangements, 2) origins of economic growth, 3) state and society, and 4) social consequences and welfare problems after reforms.

2.1.1 Legacies of Socialist Institutional Arrangements

Current academic works on Chinese society are explicitly or implicitly institutionally oriented. This is of no surprise given that Chinese society has been undergoing large-scale institutional transition almost in all societal spheres (to a less extent in political sphere). Recent research findings univocally point to the applicability of the idea *path dependency* in the case of China whose developmental path differs from that of East Europe (McCormick and Unger 1996; Nee and Stark 1989; Pei 1994, 1996; Stark 1996; Stark and Bruszt 1998; Szelenyi *et al.* 1994; Szelenyi 1998; Walder 1995c; Wu 1994). While the reform path of the latter has been radical course in transition from socialism to market mechanism in the context of communist collapse, the experience of the former is a comparatively great success under the rule of communist party. The reform experiments within a socialist economy are embedded in the respective institutional structures, whereby political and social actors redefine and recombine

⁵ The following literature review has benefited from the introductory articles by Bian (2002/03); Stark and Nee (1989); Szelenyi *et al.* (1994); Wang (2000).

rules of resource distribution.⁶ From this perspective, the institutional legacies of state socialism with regard to social organization still influence the perception and interpretation of social actors partaking in current reform process in China. Ongoing social changes and welfare reforms proceed in a way that new institutions emerge under the constraint of existing ones.

The first focus concerns the dualistic divide among urban and rural area as a result of the previous political decision. For example, scholars have noticed the relevant institutional structures prevailing in all spheres of society. Accounts from historical perspectives interpret the existing socialist economy as a *social contract* between communist party and its people (Chen 1999; Chu 1996; Lin *et al.* 2000). During the pre-reform era, in order to spurt rapid growth of heavy industry, workers in the urban area were provided with generous social security benefits by their work units, although the average wages were kept low. In contrast, rural residents were politically and socially disadvantaged by the idea that they could rely on land and family for the life support. In this vein, social changes in the course of economic reforms are interpreted as a modification of the initially arranged social contract.

The second explanation effort concentrates on the main mechanism of this social contract, the household registration system (*hukou*), which has in practice demobilized rural residents for several decades (Cheng and Selden 1994, 1997; Shen 1997). While urban residents were dependent on the work units (*danwei*) in their daily lives, their rural counterparts were organized under production teams and communes. A set of sociological research has been conducted to explore how these institutional arrangements have influenced social organization of the two worlds. The operation and function of *danwei* demonstrated that it was a place to distribute resources and exert social control over its members (Lü and Perry 1997; Zhou *et al.* 1997). The employment status in *danwei* thus had highly symbolic and material significance for the urban residents. In this respect, *danwei* went well beyond its economic role and embodied the merit of work in socialist ideology. It also had the function of political control and social stratification. Moreover, recent scholarly findings indicate that the social structure of the new China under the socialist regime might not be as different as it often seemed. The social organization under communism was in some ways merely a new political order under the traditional social structure (Li 1991; Li and Li 2000; Walder 1986). The dependency relationship between workers and leading cadres was comparable with that of interpersonal ties in clan systems.

Contrarily, rural regions have always been the main victims of this uneven developmental strategy of China. Scholars have long bemoaned the extremely unequal treatment that had led to an “urban bias” and rural hardship (Bo 1999;

⁶ The interpretation of this viewpoint is best expressed in Stark's (1996: 995) formulation „Change, even fundamental change, of the social world is not the passage from one order to another but rearrangements in the patterns of how multiple orders are interwoven. Organizational innovation in this view is not replacement but recombination.“

Selden 1993; Tang 1999; Whyte 1981; You 1995; Zhou 1994). Relentless political movements have also hugely disrupted agricultural works and peasant lives (Chan *et al.* 1992; Unger 2002). Strict mobility prohibition and rigid membership in production teams and communes have actually *cellularized* rural society into numerous isolated and autarkic cells (Shue 1988, 1994). This organizational principle gave local cadres as mandataries of the central government a unique opportunity to implement commands from above and dispatch local resources to villagers. Similar to the urban sector, the socialist frameworks in Chinese villages have brought about a dependency relationship between peasants and local cadres.

In this light, the third focal point of scholarly works refers to the fact that these institutional arrangements fundamentally influenced the way in which Chinese society developed. Despite the artificial isolation by the household registration system, local cadres in China practiced what scholars called *clientelism* in both urban and rural areas (Oi 1989; Walder 1986). “Organized dependency” and “principled particularism” constituted the major organizational principles of work society under socialist China (Walder 1986). These mechanisms enabled the central state to penetrate those social spheres in which individual and familial ties remained strong. Cadres in state-owned enterprises as well as in villages became the intermediate layer between the state and its citizens. With the state’s mandate, cadres were able to implement commands from the central government while represented and protected local interests in villages at the same time. The unique position of cadres has created a dependency relationship between them and their clients (village residents, workers in SOE). These institutional settings still prevailed even though market mechanism was introduced. Scholars’ observations point to a landscape of co-existence of various institutional orders that persisted in the course of reforms. The socialist institutional legacies have also influenced the developmental path of Chinese reforms.

2.1.2 The Origins of Economic Growth in the Reform Era

In view of the rapid economic growth in China, the first puzzle social scientists have attempted to comprehend is: what factors can account for this extraordinary economic achievement under a socialist regime? The fact that the rise of township and village enterprises (TVE) has greatly contributed to the economic growth also stimulates scholars to explore the institutional frameworks under which economic took off. This question is both interesting and confusing in the sense that the structure and operation of TVE in China are far more complex than one would expect. A body of scholarly research has attempted to answer this question with a set of different accounts based on empirical investigations.

The first point refers to the essence of property rights associated with the TVE. According to the experience of Western capitalism, the efficiency of economic organizations largely depends on the clarity of property rights (i.e. privatization). However, what takes place in China has put this common view into question because

many TVEs are neither completely private nor public properties (Wu 1996, 2000). How, then, are China's emerging market economy and the role of TVEs in the economic development to be explained given their ambiguous ownership? There seems to be an opaque link between market mechanism and state socialism. To explain this perplexing phenomenon, three main accounts come to the fore: market transition account, political economy account, and social network account.⁷

A body of research poses the *market transition account*, which posits an economic view of a planned and a market economy as two contrast types (Kornai 1992; Nee 1989, 1991, 1996). The market economy is characterized by equal legal protection of private property, horizontal transactions, voluntary exchange and price calculations, whereas the planned economy entails public property, bureaucratic hierarchy, vertical transactions, and exchange by central command. In the course of market transition, the market transition account argues that private business emerged when the party-state released its control over the economy. When this transition went on, the redistributive mechanism of the state social socialism eventually gave way to the price mechanism of the market, which stimulated the growth of private entrepreneurs and producers.

Yet, the failure of the market transition account becomes evident when other field works point to the resilience of the central planning and bureaucratic control after the economic reforms. The *political economy account* maintains that the economic reforms have transferred the distributive power over public resources from the central government to local bureaucrats (decentralization of power).⁸ While central economic coordination declined, local governments became the main political institutions with great influence on the economic activities in their regions. Local bureaucrats and cadres took advantage of their political positions by turning their power over goods into personal advantages. That is, political capital and redistribution power remained two influential resources in the transition process (Bian and Logan 1996; Wu 1998; Walder 2002). Private entrepreneurs without such status also sought to gain access to officially administered resources to improve their

⁷ In general, the first approach starts from the economic viewpoint of state vs. market and conceives the process of institutional transition in China as institutional *replacement* (state control by market competition). Economic growth is thus to be attributed to the successful introduction and operation of market mechanism. Political economy account, by contrary, emphasizes the persistent role of political system and actor in this transitional process that have actually incorporated market mechanism into a vague institutional framework between state and market (institutional reshuffling). The boundary between the both is not as clear-cut as the market transition account suggests. This viewpoint is also shared by the third approach, social network account, which proposes a more differentiated analytical perspective stressing regional varieties in China. The radius of influence of political actors differs so greatly from each other that a careful examination of regional characteristics in the economic activities is in order.

⁸ This thesis should not overemphasize the power of local governments in Chinese political structures. Central government and administration remain authoritative with respect to important decisions. Analyses of political process and logic have dealt with the declining but still influential role of central government. For example see: Goldman and MacFarquhar (1999); Lieberthal (1995); Lieberthal and Lampton (1992); Shambaugh (2000); Shirk (1993).

business relationship (Liu 1992; Young 1995; Wank 1995, 1999; Zhang 2000). All these suggest that the bipolar idea of the market transition account has to be revised on the ground of regional institutional variations. The state and market co-evolve in this process embedded in the ongoing transition of institutional frameworks from state socialism to a hybrid form with complex reconfigurations (Duckett 2001a; Whiting 2001; Xie and Hannum 1996; Zhou *et al.* 1997; Zhou 2000).

In a similar vein, scholars emphasize the crucial role of local governments in local business relationship. For example, J. Oi (1992, 1995, 1998, 1999a) and A. Walder (1995b, 1998) propose the concept of *local state corporatism* to describe the ambiguous relationship between local governments and TVEs. In their views, cadres often directly managed a set of the most important enterprises in the regions which operate like local industrial corporations. The fiscal reforms of the central government had further led local officials to pursue regional and personal profits by managing TVEs. In other words, the entrepreneurial role of local officials provided the condition in favor of the robust economic growth in China.

While Oi and Walder remind us of the political effects on economic performance, other scholars point out that their account may have left out other relevant factors which can better grasp the regional variety. The *social network account* points to the significance of socio-cultural forces which coordinate market and other social mechanisms. According to this account, the economic reform launched by the central government provided an opportunity to transform rural economy, but its development form depended largely on local networks and institutions that directed economic activities. The concept of *local market socialism* by N. Lin (1995) guides researchers to take heed of the institutional embeddedness of the economic reforms in local network. Empirical research on the TVEs in Southern China echoes this perspective and examines how various forms of property rights have been adopted by local clans and entrepreneurs to comply with the regulations of the central government (Chen 1999a, 2001). Furthermore, the findings about the clientelist network situated in local political and economic nexus help to illuminate the elusive yet decisive ties between local bureaucrats and businessmen that framed economic activities (Wank 1995, 1999; Yep 2000). Aside from regional variety, the emphasis of Oi and Walder on the role of local governments has also neglected the participation of rural villagers and workers (Pei 1998). In other words, scholars point out that the examination of institutional rearrangement and recombination in China has to take into account varieties of regional institutions and local social networks which influence the scope and extent of reform outcomes.

In short, the above-mentioned analyses regarding origins of economic growth in China have witnessed the viability of the socialist institutional arrangements in the course of economic and social reforms. A crucial point is the complex interaction between old (socialist) and new (capitalist) institutions that has blurred the boundaries between the both. Various theoretical accounts lay emphasis on diverse aspects that have played a vital role in the transformation process. Scholars of

various accounts also remind us of the importance to keep alert to the gray zones located between diverse institutional arrangements. This transition has also enormous influence on the interrelation of state and society.

2.1.3 Changing Relationship between State and Society

The economic and social reforms have led scholars to question whether the notion of “strong state/weak society” still applies to current situations in China (cf. Rosenbaum 1992; Lieberthal 1995; Baum and Shevchenko 1999; Shambaugh 2000). The reason lies in the fact that, even when the reforms did not challenge the dominant rule of the Communist party, they have inevitably caused a rearrangement of the relationship between state and society in favor of the latter (Stark and Nee 1989: 23). The research has offered different accounts for the phenomenon of the state’s declining power.

Market transition account: According to this view, the transition from a planning to a market economy means the weakening potential of influence by the state bureaucrats regarding resource distribution. Instead, the market takes the lead and promotes more social mobility and social change (Nee 1989, 1991, 1996). Optimists view this change as a crucial reason for a further rise of civil society that would ultimately transform China into a democratic country. Marketization and privatization would eventually pave the way towards modernization (White 1993; White *et al.* 1996). They hold the rise of new entrepreneurship and well-being middle class as the herald for further pluralization and democratization. The social changes in the process of economic reforms have sown seeds for the emergence of a civil society.

Political economy account: This theoretical stream posits a more skeptical attitude towards the dualistic interpretation of the market transition account. China’s departure from a central planning to a market economy has indeed set in motion the unintended consequence of eroding communist rule in economic and social spheres. But what lies in the core of the political economy account is its emphasis on the enduring influence of state bureaucrats even in the course of economic and social reforms. Its main thesis is that what prevails in the reform-era China is less the demise of the communist state than the reconfiguration of the relationship between state and society (Walder 1995c; Baum and Shevchenko 1999; Heberer and Taubmann 1998; Selden 1998; Qiu 1999). *Corporatism* is a central concept to describe the mutual adaptation and formation between state control and new social forces unleashed by the reforms. This concept acknowledges the diversification of socio-economic changes, on the one hand, while paying attention to the persisting influence of the communist party-state, on the other hand. For example, Oi (1989) portrays the clientelist relationship between local cadres and peasants arising from the decentralization of political and fiscal power after the reforms. Shue (1988, 1994) argues further that the social organization set down by Mao has *cellularized* the society into numerous isolated and autarkic cells (e.g. urban work units and rural

collectivization). This institutional arrangement has given rise to “patron-client factionalism” that enables local cadres to resist the command of the central government in the name of local interests. Such mutual dependency is reinforced by the economic reforms even though new business entrepreneurs and middle class bourgeois have emerged. Local governments’ involvement in the economic activity takes shape through cadres’ indirect influence on entrepreneurs by means of their status and privilege to benefit those docile and cooperative businessmen, a phenomenon which David Wank (1995, 1999) calls “symbiotic clientelism”.

In a similar manner, *social network account* adopts an economic sociological view and pays attention to the interwoven relationship between local cadres and traditional clans, which have greatly undermined the capacity of the central government. Empirical research reveals that in many regions of China, local elites play both the role of officials and owners of local enterprises, leading to various outcomes regarding economic development and local politics (Lin 1995; Lin and Chen 1999; Chen 1999a). Diverse social networks in various regions make the fact clear that the control ability of central party-state is limited and subject to the contexts of local politics. Observation of state capacity and social force should hence take local varieties into account.

Despite the different perspectives offered by various approaches on the state-society relationship, a consensus seems to be emerging well beyond a simplified dualistic interpretation of social changes in China. Transition to market is not a complete replacement of old institutions by new ones, but rather a reconfiguration of various institutional orders that leads to the “interpenetration” of different societal sectors (Baum and Shevchenko 1999; also Solinger 1993; Stark 1996; Selden 1998). Economic reforms have undoubtedly brought about a set of institutional changes, leaving more room for the emergence of a “civil society”, yet viewing these as evidences for the demise of the communist state order would misjudge current situations in China and overlook potential inner tensions in Chinese society (Goldman and MacFarquhar 1999; Nathan *et al.* 1999; Perry and Selden 2000). What China is currently experiencing is the interaction between the institutional legacies of the communist party-state and the rising institutional elements introduced by the economic reforms. The reconfiguration of competing institutional orders has set in motion numerous unintended consequences for Chinese society.

2.1.4 Social Consequences of the Economic Reforms

The Chinese society has by far experienced relatively smooth structural transformation. However, new forms of social exclusion and insecurity have emerged as economic, political and social spheres are undergoing a large-scale and in-depth restructuring process. The change of institutional mechanisms has led to renewed distribution of resources, which has profoundly influenced life chances of many people. While many have benefited from new economic opportunities and better incomes, a considerable part of the population is still excluded from all these

opportunity structures and face growing insecurity in their lives. This background raises concerns about the situation of social security and safety net in China and poses challenges to the state's governance.

The whole situation provides an ideal opportunity for social policy researchers to ponder on the relationship between social changes and social policy, as well as their impact on individual life chances. With regard to the rapid changes Chinese society has been undergoing, a number of scholarly works generally focuses on the analysis of social problems and their implications for the further development of social welfare. Social problems are seen as rooted in the context of the wide-ranging reforms, which have led to a rearrangement of social institutions and social welfare provision. Researchers interested in this question generally pay special attention to the impact of the dualistic development among urban and rural areas.

Reform of state-owned enterprises and social problems: The first theme concerns social problems arising from the declining function of the socialist institutions in urban areas, and its impact on the vulnerable social groups. Among them the change of employment patterns is particularly crucial. Rationalization of the state-owned enterprises has led to growing unemployment and social insecurity (Hebel and Schucher 1999; Opper 1999; World Bank 1996; You 1998; Zhou *et al.* 1997). The plight of lay-offs in urban area becomes one of the central topics in scholarly works, as these unemployed workers constitute the main group of new urban poverty (Chan 1998; Hussain 2002; Leung and Wong 1999; Smyth 1998, 1999; Solinger 2002; Whyte 1999). While the waning function of *danwei* has led to rising unemployment, it also raises concern about the sustainability of the waning occupational welfare system (Chan and Chow 1992; Duckett 1997; Krieg and Schädler 1995; Lee 2000; Leung and Nann 1995; Lu 1996; Wong 1998; Wong and Macpherson 1995). Scholars also point to the unequal treatment of work units based on the age hierarchy in the process of welfare retrenchment. Older cohorts have benefited a lot from the occupational welfare system, whereas younger cohorts who enter work units later are those most susceptible to the cutback in welfare provision. This cohort inequality has also contributed to the segmentation of employment among different cohorts (Davis 1988; Davis-Friedmann 1991; Zhou *et al.* 1997; Zhou and Moen 2001).

Reform of rural economy: The waning function of collective agriculture has equally triggered changes in the employment patterns of rural area. Scholars point out that, while labor forces has shifted from farming to industry and services, a large number of peasants have migrated, temporarily or permanently, to cities or better-off villages. Poor situations of migrants in these places also stand in the focus of research (CASS 2001a; Heberer and Taubmann 1998; Hussain 1999; Krieg and Schädler 1995; Knight and Song 1999; Solinger 1999; Wu 2000). This means that the rural areas, despite the rising average income in the process of economic growth, is institutionally less well prepared for the challenges of all these changes than the urban ones. On the one hand, the family is undergoing structural changes which

have eroded its role as a traditional welfare provider (Chang 1993a, 1993b; Chen 1996; Krieg and Schädler 1995; Wong 1998). On the other hand, modest collective provision of social security is too weak to provide sufficient support for rural residents (Leisering and Gong 2002; West 1997; West and Wong 1995). Workers in urban areas are still better protected by their work units or private firms, despite their growing dissatisfaction with the retrenchment of occupational welfare packages. In contrast, what plagues rural regions in China is the institutional underdevelopment caused by the demise of collective communes, and no alternative collective provision of social security is in sight (Selden 1993, 1998, 1999). All these issues call for more active state engagement in social security provision. A necessary task is to extend the existing residual social safety net to more rural population.

Uneven developments: In this context, a question that social researchers encounter is the impact of economic and social reforms on income distribution. In order to promote economic prosperity, the central idea of equality in socialism has now given way to market efficiency. Applying the data of official statistics and Gini-coefficient, scholars have found mounting evidences indicating degrees of income inequality that rank among the highest ever encountered in any country (e.g. CASS 2001b; Chen 1999b; Gustafsson and Zhong 2000; Khan and Riskin 2001; Li 2001; Lin and Li 1995; McKinley and Brenner 1999; Nyberg and Rozelle 1999; Riskin *et al.* 2001; Schüller 1996; World Bank 1997a). The “urban bias” and regional imbalance have led to growing disparities between urban and rural areas as well as coastal and inland regions. Based on the Western experience, many scholars advocate for more state involvement in the welfare arrangements for the rural residents. It is in this context that many studies of Chinese social welfare have mushroomed since the end of the 1980s, a period in which social problems associated with economic reforms began emerging.

Pressure of globalization: A common view is that the above three core problems will be further aggravated by China’s accession to the World Trade Organization (WTO) in 2002, which means China’s pace of economic reforms will be accelerating, leaving much less room for gradual structural adaptation. Since joining the WTO is a recent phenomenon, academic works are beginning to assess its impact, mostly in economic sphere (Drysdale and Song 2000; Schüller 1999; Voegeli 2002). While economic liberalization is seen as a great opportunity to lift China’s economic growth, its negative impact on ill-managed SOE and bank system in the near future is expected. The ambivalence of China’s development in the trend of globalization lies in the fact that China’s prosperity depends on integration with world economy while this complicates further the whole situation for all societal sectors (Holbig 2002; Zhai and Wang 2002). The major impact on urban sector is the institutional transition of the SOEs, which is bound to accelerate with respect to rising competition from foreign business groups, further exacerbating the serious problem of unemployment of urban residents. The economic pillar of the rural sector, agricultural income, is sure to worsen since cheap and competitive agricultural commodities will erode the

revenue of local agriculture. In sum, the biggest challenge of joining the WTO and further integration into international economy for China will be how to spur further strong economic growth without additionally deteriorating current problems of unequal development.

2.2 Current Research on Chinese Social Policy

The growing academic interest in Chinese social policy goes hand in hand with the structural transformation of the Chinese society since the transition from planning to market economy. As the social transformation stretches to all parts of society, the challenges to the existing social security systems becomes evident. Questions such as how they change and towards what direction they are developing have thus attracted much attention from the scholars. The following sections sketch the overall tendency in scholarly research on Chinese social policy, and deal with the viewpoints of the analyses of old-age security.

2.2.1 Research on Chinese Social Policy

Similar to the research of social policy of the Third World, the study of the Chinese case is only at its beginning and lacks well-developed knowledge about the origin and development of Chinese social policy. In the 1980s, only the four tiger countries in East Asia have awoken scholarly interest in their rapid development (e.g. Berger and Hsiao 1988; Chow 1986; Midgley 1985; Zöllner 1983). In contrast, social policy in China received scant notice because it was long conceived as a socialist case different from the Western welfare state. Even studies of social policy in developing countries seldom took China into consideration despite the peculiarity that China established a formal social security system for urban residents at a fairly early stage. Before the 1980s, few scholars took a look at the social security systems of the closed and mysterious country with notorious reputation of totalitarian rule and human right violation. Single works appeared sporadically but made no claims to perform a systematic analysis of the whole welfare systems (e.g. Davis-Friedmann 1978; Kallgren 1969; Roberts 1979; Sidel 1972; Wilenski 1977).

As the Chinese society experienced changes after the economic reforms at the end of 1970s, welfare reforms began to take shape in the 1980s. Since then, China's experience has attracted growing scholarly interest in this research agenda. Among them, the most representative work is that of John Dixon (1981), who made an ambitious attempt to depict the establishment and development of Chinese socialist welfare systems from 1949 to 1979. His work became the first document of social welfare development in China before the economic and social reforms. Later A. Walder's work (1986) analyzed the function of Chinese work units as agencies of production, administration and welfare provision, pointing to the institutional core and organizational operation of the Chinese urban welfare system. Similar efforts were also made by researchers like Hussain (1989) and Saith (1987), who noticed the

problems of social security in the countryside. Davis (1988, 1989) indicated the problem of welfare reforms in urban area which had led to more inequality. Monographs concentrating on issues of social welfare in China also appeared (Chow 1988; Wong and MacQuarries 1986).

The last decade saw a boom in research on Chinese social policy. In addition to delineating the trend of welfare development, analysts have begun in recent years to explore in depth the connection of social policy with the general social background in the context of modernization. A general view is that changes of social structure have created problems that need to be solved by welfare reforms. Much like the argument of the functionalist account in the study of Western welfare states, some scholars view the building of new institutions or reforms of old ones as political responses to problems associated with industrialization and the economic reforms. This line of argument often suggests that, in the long run, the process of modernization will eventually pave the road to the establishment of welfare state institutions in China similar to the Western forerunners (Leisering and Gong 2002; Guan 1994; Krieg and Schädler 1995; Schädler 2001). A similar but less explicit viewpoint is expressed by other scholars who generally sketch the developmental trends of Chinese society and social policy in order to provide some practical suggestions (e.g. Aspalter 2001; Croll 1999; Duckett 1997; Hu 1997; Jing 2001; Liu 1996; Schädler 2001; Tang 1999; Wang 1999). The literature in this direction provides a good overview of current problems of and political responses to Chinese social policy, yet it lacks explanations from any elaborated theoretical perspectives.⁹ Therefore, despite their rich information, these works provide few insights and theoretical reflections on Chinese social policy as a whole.

Another body of literature (mostly by Hong Kong scholars) pays more attention to the current development of Chinese social policy in the transition from socialist to *pluralist welfare production*. While the state sheds the burden of welfare provision and transfers it to other societal sectors such as market and family, apprehensive signs are emerging in this process as the egalitarian distribution stressed by the socialist regime is giving way to other mechanisms that have led to more inequality. The welfare pluralism and its significance for the development of social policy is thus the central theme (Chow 1995; Cook 2000; Lee 2000; Leung 1994; Leung and Nann 1995; Wong 1995, 1998; Wong and Flynn 2001). Although they are in favor of the idea of welfare pluralism, these scholars are generally worried about the declining role of the state in the institutional arrangements of collective welfare and the possible outcomes of social inequality.

A third group of scholarly literature points to the *stratification* effects of Chinese welfare systems and their policy implications. Since the establishment of the

⁹ Social policy studies with strong policy suggestions are most outspoken in those by indigenous Chinese scholars. Their works are primarily oriented on practical application. Even comparative studies manifest strong interest in drawing lessons from abroad. Cf. for example: Fan and Wang (1998); Hu (1998); Tang (2001); Yang (2001); Zhang (2000).

communist regime, the individual's entitlements to public welfare provision have always been coupled with his/her social and political status. Despite current endeavors of the state to include more population into public social security systems, the entitlements to welfare benefits remain differentiated depending on artificial categories of the systems. The divide of social security systems between urban and rural areas is itself a clear proof of the institutionalized unequal rights. It is no exaggeration that part of social inequality in China is the direct consequence of the stratified social security entitlements (Bo 1999; Cook 2000; Gu 2001; Knight and Song 1999; Selden 1993, 1999; Selden and You 1997; You 1995).

The unequal treatment of citizens in Chinese welfare system motivates researchers to explore its cultural root. Many stress the reliance of the residual Chinese welfare on family and community care (Chan and Chow 1992; Chang 1993a; Wong 1998). As the family plays a significant role in Chinese tradition in support of the individuals, there is little need to establish a collective welfare system. The *cultural account* explains this situation with reference to the East Asian countries and calls them "Confucian welfare states" (Jones 1990, 1993; also Rieger and Leibfried 1999). In this view, because the concept of welfare as an individual eligibility is absent in traditional Chinese culture, public welfare provision plays a minimal role in order to give more room for community assistance and family support (Chan and Tsui 1997; Chow 1987).

The reliance on community and family as two main bearers of welfare responsibility is also emphasized by the *economic state account* (Chen 1996, 2002). Claiming that the foremost interest of the Chinese state after 1949 was to promote economic prosperity, social welfare systems were thus deliberately assigned a residual function so that the state could transfer more rural resources to urban sector for economic growth.¹⁰ To achieve this end, the state established a generous urban social security system which provided statutory and occupation-based income support to urban workers. However, even in urban sector, community care remained an important tier of welfare provision. The "Chinese characteristics" lies in the fact that "the emphasis of Chinese community care is *always* on care by the community, particularly on care by the family based on the tradition of Chinese familism" (Chen 1996: 7, italics in original). Social welfare is merely seen as an impediment to economic growth.

Overall, in order to understand the form and function of social policy in China, one needs to pay attention to the social structure that underpins the social security system,¹¹ as well as to the impact of the latter on the former.¹² The challenges current

¹⁰ Though in different contexts, this line of argument is actually similar to the claim that East Asian newly industrialized countries are "productivist welfare capitalism", i.e. the reluctant effort of the state to promote social welfare given the priority of economic development (Holliday 2000, 2005).

¹¹ The term "social welfare system" is used here in a loose sense in so far as structural differentiation of formal and informal social welfare institutions in China has not yet fully unfolded as Western countries have.

Chinese welfare institutions encounter are directly related to the problems resulting from the institutional and structural transformations. Except a few works, there seems to be little interest in exploring the interaction between these two dimensions (cf. Cook 2000; Herrmann-Pillath 1990; Hussain 1999; Wong 1998). As the literature review of the next section will demonstrate, this appraisal applies to research on social policy in general and old-age security in particular.

2.2.2 Research on the East Asian Welfare Regime

Concurrent with the growing number of studies on Chinese social policy, the theme about the place of Chinese social policy in the discussion about the East Asian welfare states has also drawn increasing attention. Inspired by the concept of “welfare regime” by G. Esping-Andersen (1990), whose typology of European welfare states has dominated recent discussion in relevant fields, scholars also begin their attempts to verify the thesis if there is a unique type of East Asian welfare regime. These discussions start with the dissatisfaction with Esping-Andersen’s negligence of other possible regime types, including the East Asian one. For example, Walker and Wong (1996) criticize the common association of “welfare state” with the capitalist-democratic projects prevalent in Western world, which has automatically put other countries out of the picture. If the observers merely concentrate on the state’s welfare provision, they will surely omit the peculiarities of East Asian states as regulators. Similar viewpoints point to the central characteristic of East Asian welfare regime in its emphasis on family welfare, status-segregated and residual social insurance systems as well as corporate occupational plans for core workers (Goodman and Peng 1996; Goodman *et al.* 1998; Gough 2000; Holliday 2000; Hort and Kuhnle 2000; Jacobs 1998; Kwon 1997; Tang 2000). Contributions in this area converge in respect to the historical development and institutional arrangements of East Asian welfare states, which significantly differ from that of their Western counterparts.

One interesting question in this vein arises: does China belong to such an “East Asian welfare regime”? In contrast to the numerous attempts to identify Japan and other four tigers (Taiwan, Hong Kong, Singapore and South Korea) as similar variants in this category, there has been thus far little research dealing with the question if the label “East Asian welfare regime” applies to China as well. Phillion (1998) leans on Esping-Andersen and applies the term “Chinese welfare state regimes” to describe the relationship between social policy and class alliance in China. But this interpretation has actually narrowed Esping-Andersen’s regime concept to class mobilization without paying much attention to the historical and institutional frameworks of Chinese welfare mix. As a result, Phillion’s usage of the

¹² In this respect, Linda Wong (1998: 208-9) is right to point out that “... The creation of socialist economic relations has significantly influenced the contours of its benefit structure. By adjusting its functions and processes, the welfare system reacts to the environment and also exerts its impact. In this sense, the welfare system is both a dependent and independent variable in social change.”

regime concept becomes less appealing in terms of welfare state classification. G. White (1998) offers a more elaborated consideration of the Chinese experience in social policy development. His familiarity with the Chinese reform pathway leads him to take a cautious stance towards the attempt to label China as a member of East Asian welfare regime. While recognizing several similarities between China and her East Asian neighbors, White does not hesitate to point out the uniqueness of China's welfare development that distinguishes it from other East Asian countries, nor does he agree with Jone's (1990, 1993) culturalist account which roughly puts countries with similar cultural heritages in the same basket without a heedful consideration of their political and institutional differences.

White's argument points to a distinctive characteristic of the Chinese welfare system. In contrast to her East Asian neighbor countries, China set up at an early stage a comprehensive social security system offering generous welfare benefits only to a small portion of the population. The majority of the population was institutionally excluded from the formal social security system. This partly socialist, partly residualist welfare arrangement has not only influenced directly life chances of the people concerned but also their perception of social order.¹³ As the former review of current sociological studies on social change suggests, even though the strict segregation between city and countryside has been abolished, the developmental pathway of Chinese welfare is still under the influence of previous institutional frameworks. In other words, the similarities between China and her neighbors as regards welfare institutions certainly hold, for example the stress on family and community support, Confucian values or the split between social insurance and social assistance. Yet maintaining that these common elements suffice to take countries in East Asian region into one conceptual category is clearly another matter. The contribution of comparative perspective of social welfare, as the discussion on the East Asian welfare regime shows, lies in the insight into the institutional similarities as well as differences. The case of China manifests more institutional and ideological differences than similarities in comparison with other East Asian newly industrialized countries.

This observation gives rise to an intriguing question: Is China a distinctive welfare regime? Part of the answer lies in the studies of Western welfare states as there is until now no consensus even in the discussion on Western welfare regimes. Scholars posit different opinions with regard to how many welfare regimes exist among advanced welfare states (overview: Arts and Gelissen 2002). While Esping-Andersen (1999: 92) is reluctant to add more regimes in his typology and insists on methodological parsimony, many other scholars attempt to justify their claims of additional regime types, including those studying East Asian welfare states. By the same token, the dispute about whether there is a Chinese welfare regime at all

¹³ Jieh-Min Wu (2000) reports in his experience of field works the superiority mentality of urban residents towards their rural fellowmen.

manifests that it is more important to explore at first the distinctive features of the Chinese arrangements of social welfare before reaching the stage of typological comparison between China and other East Asian countries.

2.2.3 Research on Old Age and Old-Age Security in China

Research on Old Age: Research interest on old age in China is concerned with the phenomenon of demographic aging. Drastic change of age structure is the result of the one-child policy and prolonged life expectancy thanks to the relatively effective health care in the pre-reform era. The unprecedented speed of population aging is comparable with the industrialized countries. This problem has attracted numerous researchers to measure the scale and extent of its impact (Chow 1999; Cook 2000; Fan 1999; Hu 1997; Hussain 1999; UNDP 1999; Wang 1999; West 1999; World Bank 1997b). Their studies unanimously portray a gloomy future of aging development the Chinese are going to encounter. For example, World Bank (1997b: 14) estimates that the elderly (aged 60 and elder) will compose some 16% of the Chinese population by 2020, approaching the 18.6% share in OECD countries in 1990. While most OECD countries spent 80 to 100 years to double the proportion of their old people to 18%, China will achieve this goal in only 34 years.

The second direction in this field focuses on the impact of demographic aging on old-age security. Relevant studies use official statistics or interview results to explore how old age is perceived and secured (Adamchak 2001; Li 1998; Lin 1995; Pei and Pillai 1999; Yan 1997). Their conclusions point out that, although family remains the main bearer in old age, the unequal development of old-age security in urban and rural areas has a significant impact on how residents in both regions arrange their own old age. Whereas urban pensioners are able to retire earlier and participate in other part-time employment or leisure activities, villagers in rural areas have to work longer for their livelihood in old age. Yet the foreseeable population aging and family decline are for these researchers a strong rationale for more state involvement. Scholars are, however, divided on the extent of state welfare for the elderly.

In this connection scholars also explore old age from any cultural perspectives to emphasize the traditional value of old age. It is located in the context of familial integrity and generational reciprocity. Family and kinship networks are thus the central providers of support for the elderly. Studies find that most Chinese still prefer to ask help from their relatives despite the existing support of the state. Both children and parents in Chinese families have generally an inclination to associate family with old-age support (Fuligni and Zhang 2004; Li *et al.* 2004; Zimmer and Kwong 2003). Even under the rule of Chinese Communist Party, this basic principle has not fundamentally changed, which persisted particularly in rural regions (Chan and Tsui 1997; Chow 1987; Davis-Friedmann 1991; Fei 1985; Wong 1998; Yuen-Tsang 1997). One of the reasons for the urban-rural-divide in Chinese social policy lies in this underlying cultural value. In fact, the waning of the community care after the economic reform means that rural welfare responsibilities have shifted from the

communes to family and individual, and that the latter are expected to play a greater role in the near future. It is thus little surprise that in most cases, the rural elderly work ceaselessly even in their advanced age in order to secure their own economic situation and relieve their children's responsibility for old-age care (Pang *et al.* 2004; Xu 2001; Yan 2003). This holds ill for the rural family because the burden of old-age support will get heavier in view of the demographic aging, rural labor migration as well as declining incomes in agricultural economy.

These scholarly works have rendered a strong rationale for more active state engagement. Old-age security in the whole welfare system is as significant in China as in other Western countries. But while the latter can better cope with the problem of population aging in their existing institutional frameworks of old-age security, the former is already confronted with the same problem well before a fully-fledged system of old-age security has been established. In addition, scholars point to the declining function of the collective agriculture as a minimal safety net, and the changing nature of family as a main bolster of old-age security (Croll 1987; Hussain 1999; Lin 1995; Selden 1999; Yan 1997). These changes indicate the growing importance of state provision for the elderly. Findings of a research project conducted by the China Research Center on Aging (1994), which investigates the support systems for the elderly, also show signs of the increasingly important role of the state's support in the perceptions of urban elderly towards their well-being (also Pei and Pillai 1999; Yan 1997). Acute aging problems and relevant political responses become the foci of recent studies of old-age security in China.

Research on Old-Age Security: Similar to the research on general social policy, the field of old-age security was not noticed until the beginning of the 1990s. Many available studies on the formal system of old-age security in China demonstrate a strong *descriptive* character. The authors tend to describe imminent problems China encounters and they ultimately rush to make policy proposals (Chen *et al.* 2000; Darimont 2000; Fan 1999; Krieg and Schädler 2000; Smyth 2000; West 1999; Zhang *et al.* 2000). For example, they view aging as a central problem for which China is not well prepared. This ongoing demographic trend has generated an urgent need for the establishment of a full-fledged old-age security system. But the whole situation is exacerbated by the ill-functioning old-age security systems of the SOEs despite their recent reforms. Following the descriptions, these authors propose practical policies regarding financial sustainability of old-age security systems. Yet, even though these studies offer valuable information about current development of Chinese old-age security, few conclusions can be drawn to contribute to theoretical explanations of old-age pension policy.

Studies of policy-oriented international organizations adopt a similar strategy. World Bank, United Nations and International Labor Organization (ILO) are the most prominent organizational actors in this area who have actively participated in global debate about pension reforms, and delivered numerous analyses of relevant problems and practical policy recommendations (e.g. Ghai 2000; Gruat and

Thompson 1997; Nyberg and Rozelle 1999; Rohregger 2001; UN 1997; World Bank 1997a, 1997b). Since these works are mainly interested in active participation in policy-making, their conclusions are more practice-oriented and inclined to certain ideological standpoints of the respective organizations. As a result, these studies offer excellent analyses of relevant problems in old-age security in China, but little theoretical reflections with reference to the interaction between social policy and social change.

Another body of scholars proposes a *cultural account* to interpret why state-organized old-age security has not prospered despite the increasing need of the people. They argue that, in the traditional culture, caring for the frail elderly is the main responsibility of the children in household (Chen 1996, 2002; Darimont 2000; Fan 1999; Feldstein 1999; Guo 1994; Krieg and Schädler 1995; Lin 1990; Wong 1998; Yuan *et al.* 1992). This idea still dominates current discourses on Chinese social policy and old-age security. For example, Chan and Tsui (1997) incorporate various cultural origins of Chinese welfare thought (Confucianism, Taoism, etc.) into their article and advocate a welfare framework with “Chinese characteristics”, i.e. the combination of old welfare ideas with new communist ideologies. Especially in the domain of old-age security, scholars of this account have a strong inclination to emphasize the role of traditional care providers such as community and family.

In a similar manner, some researchers apply the idea of *welfare pluralism*, which denotes the synergic welfare production of various societal sectors, to describe current situation of Chinese old-age security (Chen 1996, 2002). This line of argument advocates the intensification of traditional arrangements that lay emphasis on community and family. Yet another line of scholars expresses their skepticism about the current strategy of the state to shift the burden merely on societal sectors in general and on family in particular. What they have in mind is rather a stronger state responsibility for the arrangements of collective welfare in view of the drastic social transformation in China (Chan and Chow 1992; Chang 1993a, 1993b; Tao and Drover 1996; Wong 1995, 1998). Welfare pluralism denotes, in this sense, more state regulation in support of an optimal *welfare mix* than a *laissez-faire* social order that would only aggravate the burden of other societal sectors. Welfare pluralism does not necessarily mean the state’s retreat but rather its changing role from a welfare provider to a welfare regulator.¹⁴

With regard to the measurement of old-age security, scholars adopt both the quantitative and qualitative research methods. While the former is greatly dependent on regularly published official statistics as a basis for further statistical inquiries, the later generally adopts case studies in which document collection and interviews are

¹⁴ Similar arguments have been well articulated in the discussions of Western welfare states. The idea of welfare pluralism is sometimes used in the sense of a state-free welfare production by other societal sectors (market, intermediary sector and informal sector), while overlooking the fact that the state still plays a crucial role in regulating pluralized welfare production. See the discussion of Leisering and Gong (2002); Shi (2000).

conducted together to obtain meaningful information. A general drawback in most of the above-mentioned literature is its “urban bias”, i.e. these authors tend to address in their works merely urban areas in China, leaving the rural regions totally unheeded even though these have undergone similarly drastic changes. Genuine sociological works aiming to analyze the problem of old-age security in rural area as a main subject are rare (except Krieg and Schädler 2000; Leisering and Gong 2002; Wong 1998). This is partly because many rural areas have no institutionalized old-age pension systems at all. Yet even though pilot schemes of old-age security have been launched in several rich rural areas, their progress has not drawn as much scholarly attention as urban sectors, where statutory pension schemes have been developed for a long time.

Overall, research in this area is highly insufficient in terms of its exploration of the complex relationship between aging and institutional organization of old-age security systems. So far, scholars are either interested in interpreting the structural need to establish better old-age security systems as a result of social changes, or seek to offer policy suggestions and blueprints. Old age and old-age security are taken for granted in many descriptive and analytical works. The social and biographical significance of old age and old-age security is, in contrast, totally set aside without any exploration (except Hebel 1997). Subjective interpretations and action orientations in respect to the institutional regulation of old-age security have thus far received little attention from experts in this area. This deficit has led to a narrow understanding of current old age and its security systems. This unsatisfactory state of research has much to do with the embryonic stage of research on old-age security in developing countries such as China. Yet, against this background, a preliminary exploration of this area appears particularly appealing and meaningful. Exploring social change and social policy with reference to the addressee of social policy, therefore, should promise new insights into the relationship between social policy and the individuals in China.

2.3 Research on the Life-Course in Chinese Society and Social Policy

Sociological life-course approach in Chinese context is still a field seldom noticed by scholars. Powerful as it is in explaining the dynamic connection between social changes and individual life chances, this approach has thus far only been applied to Western societies. The idea that social transformation and institutional changes shape individual life courses has received still little attention in Chinese study. Numerous social studies on China have concentrated on structural transformation in political, economic and social spheres. Using historical comparative perspectives with available official and survey data, they have highlighted the significance of institutional change for China’s economic growth, relationship between state and society as well as social stratification (e.g. Bian and Logan 1996; Nee 1989, 1991, 1996; Walder 1995b, 2002; Xie and Hannum 1996). However, these studies seldom focus on

individual life courses to examine how these have been influenced by changes of social structure.

Only a small portion of researchers have begun explore this dimension from life-course perspectives. Among them, the Chinese scholar, Zhou Xueguang, has performed a lot of research in collaboration with his American colleagues. Using life histories of a sample of 5000 residents and their spouses in 20 cities collected in 1993 and 1994, for example, Zhou and his research team have identified significant connections between job-career pathways and cohorts, illustrating how different cohorts in different historical and social contexts chose their jobs patterns (Zhou 2004; Zhou *et al.* 1996, 1997; Zhou and Moen 2001). With the same database, Zhou and Hou (1999) further trace the unique experience of Chinese urban youths who were sent to rural areas during the Cultural Revolution (*xiaofang*). In general, indigenous Chinese scholars have thus far barely noticed the application of life-course approaches in social studies. Yet the research programs of Zhou in cooperation with some Chinese scholars in recent years have generated wide interest among them. A Chinese review article concerning the development and application of the American life-course approach by Li *et al.* (1999) reveals the first of such attempts in China.

Zhou's works are pioneering in the application of life-course perspectives in China research. While his approach mainly applies the quantitative methods to analyze changes in employment structures with special reference to cohort differences, aspects such as social construction of life courses and the biographical meaning of societal members remain unanswered questions. This negligence has much to do with his research questions and design, yet it indicates that there is still much room for using different life-course approaches in China research. The first attempt in this direction has been made by a German scholar Jutta Hebel (1997) who applies the idea of life-course institutionalization to interpret the significance of old age and retirement in transitional Chinese society. Leisering and Gong (2002) also forward similar theoretical interpretations. Yet, there are thus far only few empirical studies in this direction examining the applicability of these theoretical attempts with reference to China. For example, Hung and Chiu (2003) use life-course perspectives to examine the effects of the economic reforms on the cohort of the Cultural Revolution, indicating that this cohort has been particularly disadvantaged by the political turbulence during the Cultural Revolution and later by the rapid changes of labor market reforms. Li (2004) combines the idea of life course with the topic of residential mobility and investigates the case of Beijing. She finds out that there was a sharp increase in the residential mobility in the early reform period, which slowed down from the mid-1980s onwards. Overall, sporadic theoretical reflection and paucity of empirical studies indicate that research into the social significance of old age and life course remains a potential field.

While the application of life-course approaches in China studies is still at its outset, there is by far no research in the field of Chinese social policy which examines

the relationship between social policy and individual life courses. The previous review of current works on Chinese social policy illustrates that most of them are more interested in practical policy suggestion than any theoretical reflection. The lopsided emphasis on policy suggestion has, however, directed scholarly attention to a linear thinking in terms of the problem-solution logic, thereby overlooking the complex relationship between social policy and its clients.

2.4. Appraisal of Current Research on Chinese Society and Social Policy

The above overview of current scholarly works on social change and social policy in China suggests several insufficiencies:

1. *Narrow understandings of social policy:* A major finding is that the relationship between social change and social policy in China has not been thoroughly explored. Most sociological research discussed above is more interested in describing and explaining the transitional process from state socialism to market capitalism. Despite different perspectives they use to explain what mechanisms have affected social changes, their findings have highlighted the complex linkage of competing systemic logics and components that have altered the contour of current Chinese society. Yet, while these studies have delivered better understanding of Chinese social structures, the role of social policy in the reform era has received little attention. In contrary, almost all research on Chinese social policy refers to social changes during the reform era. But a general problem among them is that social transformation is often taken as a *given condition* that offers a rationale for reforming social policy, while the relationship between social change and social policy remains unheeded. This lopsided understanding has discounted the significance of social policy as an *accessory* of social change.

2. *Limited theoretical accounts:* The second common insufficiency among studies of Chinese social policy is related to their theoretical concerns. Since these studies tend to interpret the rise of social policy against the background of social changes, it is tempting for them to offer a functionalist account which presumes the responsiveness of social policy to relevant social problems. This direction is not entirely wrong, but it has unfortunately left out other (institutional) factors that have equally contributed to the current development of Chinese social policy. In addition to such a functionalist account, there are numerous studies with practical policy concerns merely confined to the description of Chinese social policy with little interest in more elaborated theoretical reflection. Informative as they are, these works can help little to advance research on Chinese social policy.

3. *Absence of agency:* Linear and oversimplified interpretations of social policy have inevitably led to a limited scope in the analysis of Chinese social policy. While the functionalist account attempts to link the necessity of social policy with the changing social situations, policy-oriented studies are merely interested in what institutional designs or reforms can best tackle certain social problems. As a

consequence, current research on Chinese social policy does not take heed of the influence of social policy on its clients, nor have the effects of changing social policy contexts on individual lives attracted much scholarly attention. Without the exploration of subjective perceptions and interpretations of the individuals in respect to the state's welfare programs, the impact of social policy on the individuals and society remains an unknown area, which has greatly limited our understandings of the relationship between social change and social policy.

4. *Limited research methods:* In general, works on Chinese social policy and old-age security apply a few research methods to verify their theses. Due to the strict control of the state and insufficient statistical databank, scholars have to rely on the statistical information provided by the Chinese government (e.g. National Statistical Bureau) or think-tank research institutes (e.g. Chinese Academy of Social Science, CASS). For example, the Household Survey Data is collected once in a few years and published for research purposes. These data and others are published by the National Statistical Bureau, which are often the only basis of academic statistical analyses. As a result, most China studies also use aggregate or macro-data even though some of them refer to individual data (e.g. personal income, status, occupation etc.). In addition to official documents and indirect information (party-controlled newspapers), expert interviews are also used to supplement the findings drawn from the above-mentioned methods. Social anthropologists have conducted ethnographic field works in their research in Chinese villages and applied numerous qualitative methods (e.g. Yan 1996; Gao 1999; Liu 2000). In contrast, biographical methods which can further our knowledge regarding forms of individual life courses in the context of social changes have thus far been little applied in research on Chinese social policy and old-age security.

Against this backdrop, a research interested in how structural changes and institutional designs of old-age security influence the paths of rural peasants into diverse local pension schemes could yield fruitful results. The theoretical reflection and empirical analysis of this study follow this direction and attempt to manifest that life-course approaches can bring fresh insights into the research on Chinese social policy. As Zhou and Moen (2001: 573) indicate, social changes influence individual life courses through two processes: (1) change of opportunity structure and/or (2) change of mechanisms that affect opportunity. The impact is especially immense when the society is undergoing institutional transition. In this light, social policy can be seen as one of the mechanisms that affect individual life chances in social change. This perspective has rarely been noticed in China studies. Zhou and his colleagues have made the first successful attempt in this direction, yet many aspects in this respect remain unexplored. Among them, the subjective perceptions and interpretations of social agency towards social policy, as well as their biographical orientations merit specific attention. Precisely one of the central themes of this study deals with this biographical dimension of Chinese social policy.

3. The Theoretical Approach: Life Course and Social Policy

3.1. Sociological Approaches of the Life Course

The life course and age have become one of the central themes in modern sociology since the 1960s. The fact that human age is not only a biological but also a social phenomenon has almost become a conventional wisdom, yet viewpoints as to how age is socially organized vary among disciplines. Sociological scholars are generally keen to search for factors or mechanisms that influence the processes and consequences of social change. This also applies to the field of life-course approach, in which researchers devote themselves to exploring the relationship between social structures and their impact on the individual life course. Recognizing the framing force of social structure over individuals, students in this field share the common view that age and life course have become one of the structural characteristics of modern societies. Diversity exists only with regard to how this connection should be observed and measured.

3.1.1. The Structural Functionalist Approach

Structural functionalists made the earliest attempt in this direction.¹⁵ Influenced by the findings of anthropology, which viewed “age” as a natural substance of human being found in primitive societies, structural functionalists adopted concepts of their neighbor discipline like “age group” or “socialization” to describe the rather static social structure. Age groups were conceptualized as structurally organized division of labor in the society that organized its members with certain obligations in order to fulfill collective function. The transition between age groups came about through socialization process, in which society members learned to internalize new identities and with them new duties in a series of rituals. Age, then, implied life phases in which individuals were expected to play given role sets and carry with them due responsibilities and behavioral modules. In this vein, the structural functionalists tend to regard this structural organization of age groups as a universal principle among societies, a view that contrasts most to other schools of life course research.

The most representative structural functionalist view of life course is that of Leonard D. Cain (1964), who also first suggested the usage of the term “life course”. In his eyes, age structure consists of a system of statuses that constitutes one important dimension of social structure.¹⁶ Society is seen as a set of age statuses each member is called upon to pass through by means of socialization and collective *rites de passage*. In this context, age is the structural dimension of differentiated statuses

¹⁵ The following articulation benefits a lot from the more detailed accounts of Elder (1991), Heinz and Krüger (2001); Marshall and Mueller (2001), Sackmann (1998), and Settersten (1999).

¹⁶ Cain’s definition of the term „life course“ reveals his viewpoint: “...to refer primarily to those successive statuses individuals are called upon to occupy in various cultures and walks of life as a result of aging, and ‘age status’ refers to the system developed by a culture to give order and predictability to the course followed by individuals” (Cain 1964: 278).

that individuals are supposed to move through. The key categories Cain proposes are 1) age status system; 2) socialization for passage into and out of age statuses; 3) formalized means to affect such changes in status, rites of passage; 4) age grading of people of similar ages into age statuses, and 5) establishment of interaction patterns among those of different age sets, or generational phenomena (Cain 1964: 287). As a result, the interaction of social structure and life course operates in a well-balanced equilibrium. Aging process begins with the entry into a system of age statuses and continues its path of age status changes until death.

There are, however, two points criticized by other sociologists. The dominant role of the social structure in shaping individual life courses, as Cain suggests, leads inevitably to an “oversocialized conception of man”, which leaves the reverse effect of individual lives on social structure out of consideration (Wrong 1961). Seeing social structure merely as a set of age phases with numerous social expectations and norms which society members are bound to follow would fail to detect the contributions of those participating individuals. The static structural functionalist perspective is, therefore, unable to explain the dynamics of social change set in motion by individuals. In other words, critics maintain that the role of social actors and the impact of their actions on social development have not been taken into account.

The other problem of the structural functionalist view concerns its thesis that age *per se* is a universal structuring principle of societies regardless of their distinctive developments and characteristics. According to this argument, principles of age structures and categories should prevail among primitive *and* modern societies, albeit distinct from one another. Other streams of the life course research have later challenged this view. Among them, especially the institutionalist perspective (e.g. Kohli 1986a, 1986b, discussed below) points to the role of social institutions in structuring the life course towards a standardized element of the modern society. A similar finding by Norbert Elias (1978) also highlights the long civilizing process Western societies have experienced in the course of modernization. Discipline of human behavior appears to be a core element of the modern society, which also contributes to the standardization of the life course. In this respect, age has become the product of modern institutionalization process that distinguishes the structural arrangement of modernity from pre-modern societies.

Despite all these shortcomings, Cain and his contemporaries have undoubtedly directed scholarly attention to the salient role of social structure and social norms in the human aging process. The conceptualization of the age category as an element of social structure has also influenced the thinking of the subsequent life-course researchers. Among them the cohort concept which takes time as a factor of social change has gained particular prominence. With the cohort concept, life-course research has entered a new horizon.

3.1.2. The Cohort Approach

The static view of structural functionalism on age as a point in the individual life cycle was soon questioned by the cohort perspective of Norman B. Ryder. In his famous article, Ryder (1965: 847) refers to the dimension of age as “a temporal location” and indicates its implication for the study of social change. By defining cohort as “the aggregate of individuals (within some population definition) who experienced the same event within the same time interval” (ibid: 845), Ryder connects the life course with the historical and social contexts in which individuals are located, thus making cohort an operational concept dependent on the temporal reference of the researcher.¹⁷ In this vein, social change can be more properly grasped by means of cohort identification and measurement. Since each cohort is viewed as a unique existence in the time horizon and social dimension, the impact of social change on certain cohorts and vice versa becomes the central frame of reference in the cohort perspective. Here Ryder echoes Mannheim’s idea of “generation as an actuality” that refers to the “co-presence in a historical and social region” as well as “participation in the common destiny” (Mannheim 1952 (1928): 303). Since Ryder’s cohort approach, life-course scholars have widely accepted Mannheim’s message that individual lives are embedded in the temporal and social context.

The proposal of Ryder to temporalize human age has turned over the static view of structural functionalism and demanded the understanding of social structure in a dynamic sense. Not universal structural principles, but processes of social transition that change in historical time have become the central theme of different life-course approaches. In other words, Ryder has taken a further stride by emphasizing the significance of collective time from the position of earlier structural functionalism where only individual time (aging, socialization etc.) was considered. The temporalization of age study through the application of the cohort concept has led to the necessity of longitudinal data. Researchers have ever since noticed the distinction between individual and collective (historical and social) time in data collection. It is therefore no coincidence that longitudinal data collection first appeared in the course of the 1960s.¹⁸ The emergence of longitudinal data has enabled researchers to examine the connection between social change and individual life courses. Ryder’s contribution lies in the inclusion of time and its dynamics in the research of social change and life course.

Following the structural functionalism and Ryder’s suggestion, Matilda W. Riley and her colleagues (1972) developed a theory of age stratification, which furthered the progress of the life-course research. Social structure is seen in this

¹⁷ This is most evident as Ryder points out that, “each cohort has a distinctive composition and character reflecting the circumstances of its unique origination and history. The lifetime data for one cohort may be analysed and compared with those for other cohorts by all the procedures developed for a population in temporal cross-section” (ibid: 845).

¹⁸ The first general panel data bank was the “Michigan Panel Study of Income Dynamics” (PSID) beginning in 1968.

theory as a system of age strata consisting of given roles and expectations. Individual members enter the age-stratified social system from birth and exit by death. At first sight, Riley's idea of age stratification seems quite similar to the structural functionalism, yet what distinguishes her model is her emphasis on the reverse effects of individual participants on the social structure. The change of cohorts implies potential strains between generations that will eventually shake the existing social structure and lead to social change. In this respect, Riley revises the one-dimensional version of the structural functionalism, which overemphasizes the socializing effects of structure on the life course. She suggests that the latter might change with time and thus influence the former (Riley 1979: 4f.).

As far as social change is concerned, Riley indicates that socialization and role allocation are both key mechanisms to binding persons into social systems. Whereas socialization conveys necessary knowledge and content of social roles to their incumbents, role allocation functions to assign societal members to appropriate roles. Socialization and role allocation of cohorts are, however, subject to the corresponding differences in timing, an idea Riley adopts from Ryder. The "lack of synchronization between the sets of processes affecting people and those affecting roles" leads eventually to a potential tension between cohorts – a situation that Riley deems to be the source of social change (Riley *et al.* 1972: 442f.). It is therefore essential for researchers to elaborate the effects of timing difference on the process of socialization and role allocation for different cohorts.

In sum, the cohort perspective has paved the path for the following life-course study because it has refreshed the scope of vision initially proposed by the structural functionalism. The recognition that we should pay more attention to the connection between individual life course and social structure, and that this context can only be properly discerned by way of dynamic analysis were not well known until the rise of the cohort perspective. As Elder (1991: 62) points out, "this connection between historical age and cohort, on the one hand, and social age in the life course, on the other, has alerted investigators to the variable meaning of life events in history." The efforts of the life course scholars since then have been to collect longitudinal data to trace the change of individual events over time, and analyze dynamic data to examine the interaction between social structure and individual life course. The relationship between change in social structures and in personal lives has become a major focus of the life-course research.

3.1.3. Elder's Life-Course Approach

The first successful attempt to link social change with human lives is the study *Children of the Great Depression* (1974, 1999²) by Glen H. Elder, which has become the cornerstone of the life-course study. Using the longitudinal data available from the Oakland Growth Study (cohort 1920-21), Elder traces back the specific impact of income shortage and life hardship resulting from the Great Depression on the life experience and family developments of those cohorts in the United States. In this

way, Elder puts individual life courses in a broad context of historical and social circumstances, further elaborating the research ideas proposed by his academic predecessors.

Under Elder's influence, two concepts become central to the life-course study: *transition* and *trajectory*. Whereas the former refers to short-time changes or events between two states in the life course, the latter denotes lifetime developments or life experience across the entire life span or longer periods of life. By observing both transitions and trajectories, Elder reminded us of the contextual embeddedness of transitions in the life trajectory (Elder 1985: 31, 1994: 5). Moreover, Elder proposes some principles of the life course "paradigm"¹⁹ which have deeply influenced the direction of life-course studies ever since (Elder 1994, 1995):

1. *Time and place*: Ryder's idea of cohort effect finds resonance when Elder stresses historical effects on the life course. The factor "time" plays an enormous role in the life experience of different cohorts.
2. *Timing*: Researchers ought to keep an eye on the occurrence time point as well as the sequence of life events. That is, the antecedents and consequences of life events make discernible differences, depending on when they occur in the life span.
3. *Linked lives*: In addition to historical and social settings, one person's location in networks of personal relationship also has an influence on her/his own life course. The interplay of actors' orientations and results sheds light on the causes and effects of certain life events.
4. *Agency*: Under the given opportunities and constraints of historical and social events, human actors construct their own life courses through their own choices. This appears to be a major explanation as to why the life course patterns within one cohort vary even though this encounters similar structural and timing characteristics.

In other words, Elder's approach lays emphasis on three levels: macro- (historical and social events), meso- (interpersonal relationship) and micro-level (actor's decision). The life course interacts with various factors of all three levels, and the clarification of these processes is the mission of sociologists. Within this conceptual framework, the life-course study has made enormous progress since Elder's work, largely because much more longitudinal data now become available, which makes dynamic approach of life-course research possible. Since the start of the "Michigan Panel Study of Income Dynamics" in 1968, many similar panel-data projects have

¹⁹ The term "paradigm" is by far only used by Elder himself, denoting his intention to establish a research domain within Sociology.

also been launched.²⁰ Interdisciplinary life-course research has also gained wide-range momentum among various fields (e.g. Sørensen *et al.* 1986; Moen *et al.* 1995; Marshall *et al.* 2001).

While Elder has given strong impulses to life-course research, his concepts remain confined to the academic tradition of North America where the interplay of social structure and life course stands in the focus of research interests. The term “social structure” here refers more to family, occupation or education patterns than to secondary institutions such as social security systems. In general, American life-course scholars tend to be more concerned about individual transitions throughout the life span and pay less attention to the role of social institutions in the structuring of the life course (Marshall and Mueller 2001: 33; also Leisering 2003). This much-neglected aspect is crucial to the understanding of the influence of the welfare state on the life course. The development of the European (especially German and Swiss) life-course research fills this gap and casts more light on the relationship between the welfare state and life course.

3.1.4. The Institutional Approach of the Life Course

The growing interest in the life course spread to the European academic circles, especially German and Swiss social sciences at the end of the 1970s.²¹ Their research mainly centered on the theme of the life course as a distinctive dimension of social institutions. In this respect, the idea of the structural functionalism that social structure plays a vital role in constituting the life course of societal members found resonance among German scholars. Their special focus lay, however, in the significant characteristics of institutions of the welfare state and modern economic organization of labor. This demarcated the starting point of the German life-course research in difference to its American counterpart (Heinz and Krüger 2001; Leisering 2003). Concern about individuals and the connections between individuals and institutions were central to this life-course approach.

The German institutionalist perspective adopts a historical approach to interpret the evolution of the life course in the process of Western modernization. Along with the structural change, the life course itself has become a significant social institution that guides individuals about their ways of living in their lifetime. Kohli (1986a,

²⁰ For instance, the German “Socio-Economic Panel” (SOEP), available for users from English-spoken countries as G-SOEP, started in 1984 and the British “Household Panel” in 1989. Household Panel for Europe as a whole began in recent years.

²¹ In Germany, the most influential pioneers at that time were Martin Kohli, a Swiss scholar living in Germany, and René Levy, also a Swiss social scientist, who have undoubtedly contributed to the establishment of the German life-course perspective. Levy’s early contributions have not been recognized until the 1990s. See for example: (Levy, 1977; Kohli, 1978). The first user of quantitative data in the German life-course research is Karl U. Mayer, who developed a theoretical account of the welfare state and the life course (see next footnote), but mainly conducted quantitative life-course research. For his conceptualization of the term “life course” and an overview of life-course research see Mayer (2000, 2001a). The French scholar Daniel Bertaux is also a pioneer in this field. See Bertaux and Kohli (1984).

1986b) demonstrates this point most plausibly. He describes the historical process as a social change towards (a) *temporalization*, in which the life course burgeons as a social institution and thus a core dimension of social structure; (b) *chronologization*, in which the age becomes socially constructed. In this respect, the life course becomes gradually standardized and normalized; (c) *individualization*, in which individuals are decoupled from the traditional ties and duties associated with status, locality and family; (d) *dominance of labor system*, which organizes the life course according to the functional demands of the economic logic of capitalism; (e) co-existence of “*position sequence*” at a structural level and “*orientation scheme*” at a subjective biographical level.

In other words, the central element of the institutionalization of the life course lies in the standardized sequence of phases alongside the life course, which corresponds with the structural requirements of the modern industrial society. The life course has been organized into three main phases that surround work: education, labor participation and retirement. The institutionalization of the life course is not only achieved by external force of social structure and institutional regulation, but it is also internalized in the consciousness of societal members who take a standardized life course for granted (Kohli 1986a, 1986b). In practice, actors orient themselves and plan their actions based on the normative module of the society. The legitimacy of standardized life course relies both on the external support of social structure and the internal unquestioning acceptance of social actors. The welfare state institutions have actively participated in this process and played a significant role in regulating the individual life course (Mayer 1991; Mayer and Müller 1986, 1988; Mayer and Schöpflin 1989). Since labor participation is the major way of income earning in the market society, one of the principal aims of the welfare institutions is to bridge the discontinuities coupled with disability to work: aging, accident or handicap. Corresponding mechanisms are social security measures such as pensions, social insurance as well as social assistance schedules. By offering comprehensive welfare programs, the welfare state ensures the well functioning of the market, which in turn bolsters the operation of the welfare system with abundant financial resources.

Historically, the emergence of life-world perspective takes place in accordance with the crystallization of individuality in the Western society. Meyer *et al.* (1994; also Meyer and Jepperson 2000) argue that both social actors and their actions are endowed with meaning and legitimacy by cultural institutions in the course of rationalization. The modern individual is constituted in the Western society as a “Self” who is deemed to find its own meaning. The “Self” is given legal rights as well as eligibility for social security benefits in order to develop its own character (Meyer 1986, 1992). The life course as such is institutionalized to integrate the requirements of the “Self” with those of social structure, on the one hand, and to provide clear orientation for individual actors, on the other hand. Therefore, the institutionalization of the life course is coupled with that of the “Self”, which demonstrates two dimensions of Western cultural program: the life course becomes

an institution which assists the individual in the adaptation to the requirements of modern society, whereas the “Self” is also institutionalized as a cultural ideal that each societal member is anticipated to pursue with effort. In this context, the institutionalized life course guarantees the individual freedom of choice coupled with responsibilities to plan and carry out one’s own life span thoughtfully (Beck 1992). With their lives being well structured by the institutional frameworks of modern society, the individuals are encouraged (nearly compelled) to simultaneously fulfill structural requirements of the institutionalized life course and design their own life trajectories.

The institutionalization of the life course and the normalization of biographical orientation have greatly contributed to the emergence of a *normal biography*, the convergence of life-trajectory types among societal members in the modern society (Levy 1991, 1996). A standardized social timing tends to influence the way in which one actor organizes her/his life course and how other members perceive and evaluate it. Most telling is the fact that normal biography tends to be gender-differentiated, revealing the way in which social structure and institutions regulate the life courses of male and female actors. From explicit law orders to implicit regulations of eligibility or entitlement for certain social right, life chances of members of different sexes become quite different. The institutionalist perspective of the life course points to the close connection between social institutions and the life course, and it also delineates the standardization and institutionalization of the modern life course.

This viewpoint has, however, triggered much debate on the further development of the life course (Settersten 1999). Critics of the institutionalist school reckon that the life course is currently undergoing drastic change towards the *erosion of the normal biography* (Hinrichs 1989; Mückenberger 1985). For example, Held (1986: 158) maintains that some groups of individuals in modern societies do not “enter into an age-graded, sequenced occupational structure [or] formally retire.” several scholars also convey similar messages indicating the changing nature of industrial organization has led to looser coupling of the life course with the economic sphere. The trend of the life course in advanced societies seems to be moving towards destandardization and deinstitutionalization (Buchmann 1989; Kohli 2000; Myles 1990, 1992; O’Rand 1996). The term “Post-Fordism” suggests that the operation of industrial production may now be more appropriately characterized by a greater flexibility that demands highly qualified workforce. Less-skilled persons are thus exposed to a higher risk of unemployment, which makes their continuous labor participation more and more unlikely. The institutionalist view of tripartition of life into education, work and retirement has lost its luster in this respect, since the employment and retirement patterns have been drastically changing (Kohli *et al.* 1991; Han and Moen 1999; Marshall *et al.* 2001; Schulz 2002). In the case of the USA, the age limit between work and retirement is in fact dissolving (Kohli 2000). This phenomenon has led to the pluralization of life arrangements among societal

members, which has largely undermined the premises of life-course institutionalization.

In essence, the debate on the institutionalization or deinstitutionalization of life course has demonstrated different accounts of the ongoing life-course change. While Kohli and his associates stress the emerging moment of life-course sequences in the interplay of diverse structural elements in the modernization process, his critics maintain that new patterns are beginning to substitute the ideal type of Kohli's institutionalization thesis. We can still discern a common denominator among adversary opinions, i.e. the fact that life course is an object of social structuring as regards the age and its social meaning. The dispute concentrates mainly on whether and to what extent the life course is institutionalized or deinstitutionalized, depending on how current economic sphere is changing. In a similar vein, another debate concerns whether there is still an institutionalized life course at all, or whether the life course is simply on the way towards destandardization even though its institutional effect remains salient (Settersten 1999). In other words, it seems that the trend is moving towards an institutionalization of de-standardized life courses, denoting the encouragement of pluralistic individual life styles through active and flexible public policy.

Major viewpoints and contributions of the life-course approaches are summarized in the following table 3-1. Note that while the connection between standardized life experience and labor participation may be waning, the role of the welfare state in integrating individuals into the economic and social spheres remains very strong. The correlation between welfare state institutions and individual life courses has captured much attention in recent years, partly due to the boom in comparative study of welfare institutions. Research interests focus on the constitutive function of the state for the life organization of individuals. Therefore, the following section seeks to elucidate major lines of the institutionalist approach of the life course in order to outline a theoretical framework for the empirical analysis in this study.

Table 3-1: Comparison of Life-Course Approaches

	<i>Major Concepts</i>	<i>Features of the LC*</i>	<i>Theoretical Advances</i>
<i>Structural Functionalism</i>	Age Status	Structuration of Age, Socialization	LC as Functional Reflection of Social Structure
<i>Cohort Approach</i>	Cohort	Temporalization of LC, Age Stratification	Impact of Generational and Historical Experience
<i>Elder's Approach</i>	Transition, Trajectory	Embeddedness of LC in Timing & Social Context	Linkage between LC, Social Structure and Time
<i>Institutionalist Approach</i>	Normal Biography, LC Institutionalization	Institutional Regulation on Individual LC	Emphasis on the Role of the (Welfare) State

* Abbreviation of the term 'Life Course'.

Source: Author's own Summary

3.2. Social Policy and the Life Course: An Institutionalist Approach

One of the major contributions of the institutionalist perspective is its insight into the significant role of the modern welfare state in regulating individual life courses. This aspect has received less attention from the circle of north American scholars because of their greater concern with other areas of social structure like family, education, career path and so on (Marshall and Mueller 2001: 33). European researchers, by contrast, have devoted much more efforts to theorizing this connection in a broad context of welfare state study (Leisering 2003). The growing interest in this area goes hand in hand with rising attention to the welfare state institutions, a phenomenon which converges with the tendency in social sciences in recent years. Against this background, the next section begins with an exploration of commonalities of institutionalist research programs in various fields.

3.2.1. The Emergence of the Institutionalist Paradigm in the Social Study

The concept “institution” is a frequently used notion without consensus as regards its actual meaning. Almost every discipline in the social sciences applies this concept with various knowledge interests and vague denotations. This is even more obvious as the views of various “new institutionalisms” have gradually gained prominence within the social sciences in recent decades. There are, however, also attempts to clarify this conceptual ambiguity in order to search for research convergence among different disciplines (DiMaggio and Powell 1991; Goodin 1996; Hall and Taylor 1996; Immergut 1998; Clemens and Cook 1999). As institutionalist account is central in our theoretical interpretation, recent developments among disciplines deserve more elaboration here. The aim of this section is to briefly outline the burgeoning contour of the institutionalist paradigm, which has also greatly contributed to the studies of the welfare state.

The renaissance of institutionalism begins with the rise of new institutional economics. Dissatisfied with the premise of neoclassical orthodox that presupposes a rational agent acting in an ideally free market, scholars in this field believe that the prerequisites of neoclassical model largely rest on a set of (neglected) arrangements of economic institutions. The main function of these institutions lies in their reduction of transaction costs (most representative works: Coase 1937, 1960; North 1990; Williamson 1975, 1985). As institutional structure constrains the realm of perceivable choices, it reduces the uncertainty economic actors have to face when they make decisions. Institutional structure, in this respect, becomes a facilitating as well as constraining environmental factor of economic actions. North (1990: 3) succinctly defines “institution” as follows: “... the rule of the game in a society or, more formally, ... the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social or economic.” The goal of the new institutionalism of economics is to explain the relevance of various forms of institutions (e.g. hierarchy, market, property right etc.)

as well as economic performance. Its contribution lies in the insight that the functioning of a “free market” is only possible under ordered institutional regulations.

Similarly, disagreement with the utilitarian account has also given impulse to the rise of the Neo-institutionalism in the political science. In objection to viewing political phenomena simply as an aggregate of individual actions aiming to maximize utilities, the institutionalist account proposed by March and Olsen (1984, 1989) emphasizes the (limited) cognitive and normative orientation of actors on ceremonies and rituals. Following their institutionalist account of organizational studies, March and Olsen point to bounded rationality, scarcity of time and information actors may encounter when they make decisions in political organizations. As a result, actors can only resort to standard rules and procedures (i.e. given institutional structure) that justify their decisions (logic of appropriateness).

Intriguingly, while the “cultural” account of March and Olsen takes a strong stance against the utilitarian explanation, the latter still appeals a lot to many political scientists, who have supplemented institutionalist elements into the rational choice model (e.g. Immergut 1992; Bonoli 2000). In general, the behavioral assumptions of a rational actor still prevail, i.e. a set of preferences, instrumental maximization of these preferences as well as strategic options. What distinguishes the rational choice institutionalism from the new institutional economics is its consideration of the institutional constraints on collective actions. For instance, Mayntz and Scharpf (1995a) incorporate (organizational) actors into institutional settings, emphasizing that the latter may influence the first by distributing resources and defining negotiation rules. Institutional design becomes a mechanism of political governance which guides collective action towards intended policy goals. In a similar vein, Windhoff-Héritier (1991) also advocates the compatibility of the new institutionalism and the rational choice theory, and suggests viewing institutional environments both as opportunities and restrictions for actors pursuing their own interests.

In sociology, the institutionalist approach traces its root to as old as its classic thinkers.²² What we call sociological new institutionalism today was initially heralded in the field of organizational theory at the end of the 1970s (Scott 1987; DiMaggio and Powell 1991). Until that time, sociologists generally followed Weber’s idea and viewed the bureaucratic structures in organizations as the product of the modern rationalization process that aims to accomplish the tasks more efficiently. According to Weber, the bureaucratic form of modern organizations displays high consistency of decisions and actions as well as rational choices among alternatives. This viewpoint is seriously challenged by Meyer and Rowan (1977), who point out that, with institutional rules incorporated in organizational structure, organizations

²² My explication is confined to the recent development in this field. For an overview of relevant classical thoughts, see: DiMaggio and Powell (1991); Nee (1998).

tend to follow them as a strategy of survival. Since then, notions such as irrationality in the decision-making process and the loosely coupled connection between decision and action have become a central concern of the new institutionalism in organizational studies.²³ The insight from the organization sociology lies in the “cognitive turn” that stresses the mutual reinforcement of actions and rules in organizational operations (DiMaggio and Powell 1991: 15ff.). Institutionalized routines and rules of organizations play a much greater role in the decision process than usually conceived. Each decision and action in organizations should not be merely attributed to personal competence and rationality but rather placed into the institutional framework, which offers rationale for organizational operations.

The resurgence of institutions is also visible in the economic sociology. Seeing that economists merely interpret economic actions through the lens of market exchange, economic sociologists stress the significance of social structures in which economic actions come about.²⁴ In their views, economic actions are a form of social actions situated in institutional contexts. In this sense, recent economic sociologists have revived the thought of Karl Polanyi (1944), who views the market as a part of the society (“embeddedness” as he calls it). The emergence of modern capitalism, as he describes with the example of English economic history, is a battleground of market rise and social protection. To bring in the concept of embeddedness, Polanyi urges us to notice the importance of social institutions in which market operates.

This premise has led economic sociologists to criticize the one-dimensional perspective of orthodox economics that has entirely left out the influence of social institutions. This stance brings economic sociology quite close to the position of the new institutional economics discussed above. Indeed, the former has greatly benefited from the insight of the latter. Yet economic sociologists contend that the new institutional economics has neither taken proper account of personal networks in economic life (Granovetter 1985; Powell and Smith-Doerr 1994; Barber 1995), nor taken heed of social norm constituted by institutional frameworks (Nee and Ingram 1998; Weise 1989). In this respect, economic sociology lays great emphasis on the normative constraints of social institutions, an insight provided by the new institutional economics but put further by the economic sociology.

Overall, the significance of institutions has drawn great attention in the social sciences. Scholars from various subfields have proposed somewhat different understandings of what institutions are and how they function in the society, a situation that has stimulated attempts to delineate the similarities and differences

²³ For some representative works, see Brunsson (1989); Cohen *et al.* (1972); DiMaggio and Powell (1983); Orton and Weick (1990).

²⁴ The idea that economic actions are to be located in a broad social structure is in itself not an entirely new idea. Almost influential classical sociologists such as Karl Marx, Georg Simmel, and Emile Durkheim have contributed to the contour of sociological views of economy. The German historical school of the National Economy (Werner Sombart, Gustav von Schmoller, Max Weber, etc.) is also a pioneer in this respect. For an introduction in the recent development of economic sociology see Swedberg (1987, 1994); Swedberg and Granovetter (1992).

among various institutionalisms (DiMaggio and Powell 1991; Goodin 1996; Hall and Taylor 1996). Despite all the differences, we can still, as a summary, identify several convergences emerging in recent years as paradigmatic guidelines in the social studies:

1. *Rejection of pure utilitarian explanations:* All institutionalisms take a strong stance against the once dominant imagery of actors with clear preferences and rationality. Instead, the institutionalists emphasize the constructive role of higher-order institutions in shaping individual interests and action. Differences among disciplines exist mainly in the extents of institutional constraints on actors. Even the rational-choice theory in sociology has reflected the reductionist interpretation of human actions and posed the thesis of “multiple self” (Elster 1985). Attempts to integrate institutionalist and rational-choice approaches also abound (Immergut 1992; Mayntz and Scharpf 1995a; Windhoff-Héritier 1991; for an overview see Hall and Taylor 1996; Immergut 1998).
2. *Institutional constitution of actors:* The premise of higher-order systems over individuals leads the institutionalists to claim that institutions constitute actors (Meyer *et al.* 1994; Meyer and Jepperson 2000). This line of thought argues that the identity of actors is deeply rooted in the rationality inherent in the modernization process of the Western world. The whole cultural program refers to individuals as subjects with prescribed duties and rights. Identities of actors are generated from social organization of rules. This has been best illustrated by organizational studies showing the importance of rule-following and routine work in organizations (March 1994, chap. 2). Even between organizations, the phenomenon “institutional isomorphism” suggests that, under the pressure from their environments, organizations tend to imitate or mimic the strategies of other organizations in order to strengthen their identities and attain legitimacy (DiMaggio and Powell 1983).
3. *Institutional constitution of interests:* In spite of their stress on institutional effects, the institutionalist approach endeavors to address the problem of individual interests in its framework (DiMaggio 1988; Scott 1987). Social institutions constitute and organize individual and collective interests by recognizing particular interest groups or delegating political function to them, as discussed in the literatures on corporatism (Lehmbruch 1991; Streeck 1994; Streeck and Schmitter 1985). Historical institutionalism also illustrates the significant function political institutions play in the definition, mobilization and organization of interests (Immergut 1992, 1998; Steinmo *et al.* 1992). Different modes of interest intermediation lead to various political outcomes.
4. *Contextual embeddedness of social actions:* Human agency is not only oriented on self-interests, but successful interactions of agents are regulated by given

institutional arrangements.²⁵ This common view among various institutionalisms reveals that the institutionalist perspective is necessarily sensitive to configurations of factors surrounding human agency. Diversity among different institutionalisms exists merely as to what contexts are actually in play. Especially sociologists give more heed to the functions and outcomes of social institutions in organizing human interactions (Nee 1998; Nee and Ingram 1998). Without the support of environmental contexts, human interactions would become fragile, as interpersonal understandings would be associated with high costs.

3.2.2. The Institutional Approach in the Study of the Western Welfare State

The preference for the institutionalist account is also visible in welfare state studies. Indeed, the term “welfare state” already suggests that the inquiry into the essence and change of social policy would not succeed without a proper account of the state institutions. Among numerous attempts to explain the expansion of welfare states after the World War II, the importance of welfare institutions for the development of social policy has received wide recognition.²⁶ As scholars from various fields study social policy, it is of little surprise that their ideas are also adopted in the welfare state research.

The concept of “institution” is broadly used in diffuse meanings among social policy disciplines. Yet a common understanding refers it to the “formal and informal procedures, routines, norms and conventions embedded in the organization structure of the polity or political economy” (Hall and Taylor 1996: 938). The central idea of the new-institutionalists is that institutions can and should be considered as an important independent variable in the analysis of social policy. As the similarities summarized above suggest, though power and interests of political and social actors exert great influence upon policy formation, it is the mediation of institutional setting that guide the their channel, thereby directing them to certain patterns of policy

²⁵ The formulation of Emile Durkheim “the non-contractual basis of the contract” is a famous example. Niklas Luhmann, though hesitating to use the term “institution”, comes close to this point when he suggests the distinction between “personal trust” and “systemic trust” to indicate the significance of stable institutional environment for the (re-)production of impersonal trust.

²⁶ As this section intends to outline the emerging contour of the institutionalist approach, it inevitably leaves out the contributions of other equally important theories. Among them two explanations should be depicted here shortly. The first one, industrialism thesis, links the growth of the welfare state to the functional need generated by the development of industrial societies. This thesis claims that social problems resulting from economic growth have given rise to the state’s increasing intervention (e.g. Wilensky 1975). The second attempt comes from the so-called “power resources model”, which views the welfare state as a product of the struggle between social democracy and capitalists. The political struggle has determined the development of the welfare state (e.g. Esping-Andersen 1985; Korpi 1989; Stephens 1979). The distinction between various theoretical accounts is, however, not necessarily mutually exclusive. In addition to these two accounts, there are also other approaches with more critical stances, such as Marxist and feminist critics of the welfare state. For a more detailed introduction of different accounts as well as critics of the welfare state, see Lessenich (2000); Myles and Quadagno (2002); Pierson (1998), (2000a); Skocpol and Amenta (1986).

outcomes. Especially relevant for our context are the discussions that concentrate on 1) how welfare state institutions arise, and 2) how they develop and expand, as well as 3) how they restructure themselves with regard to various challenges.

1. *Origins of the welfare state*: In recent years, scholars have taken a more macro-sociological view on the relationship between state and society in various countries and historical periods.²⁷ Due to the social problems associated with the social change as a result of the industrialization process, institutional answer of the state to these problems gradually becomes inevitable. The active role of the state receives especially intense attention among analysts. With the famous formulation “bringing the state back in”, Skocpol (1985) advocates a state-centered research program which takes account of the political structure as well as organizational capacity of the state in the political process.²⁸ She also proposes a research direction focusing on the feedback effect of state policy on society. Her approach has highlighted the significance of institutions arrangements in the social policy research. In her own exploration of the origins of American social policy, Skocpol (1992) argues that demands for maternalist social policies, mainly from women’s groups, played a crucial role in the political domain of social provision in the US during the first decade of the 20th century. Their efforts, either successful or failed, often left notable traces that influenced the following development of American social politics. Skocpol’s strategy is to identify the relationship between policy formation and patterns of interest constellation. In this way, she manifests the contingent character of the interplay between historical and institutional circumstances as well as actor constellations in the foundation of modern social policy.

In a similar manner, Swaan (1988) gives a compelling illustration that the building of welfare state institutions has to be examined in historical and national contexts. The collectivization of care arrangements proceeds along with the state formation which has facilitated the civilizing of the whole society. In this process, various political and social elites have also contributed to the establishment of welfare institutions. Alber (1982) also argues that the legislation of German social insurance was the result of the strategy of political elites whose initial intention was to tame the working class. Baldwin (1990) demonstrates further that the laborist interpretation does not appropriately account for the politics of the welfare state. Instead, the middle classes as well as political parties (both conservative and liberal) have also greatly influenced the politics of welfare developments.

While early scholars pay attention to the historical root of institutional building of the welfare state, a less noticed but equally important factor, namely the normative

²⁷ Immergut (1998); Thelen and Steinmo (1992) offer an excellent overview of this account.

²⁸ The idea of Skocpol and her colleagues to take the state into account is understandable in the American context where the state plays a minimal role. By contrary, this point is in continental Europe not especially appealing because the role of the state has already long been part of theoretical accounts, which makes the emphasis redundant. Thanks to Prof. Lutz Leisering for pointing this point out.

basis of the welfare institutions, has claimed much attention recently. In tracing the institutional change of the welfare state, researchers also point to the resilience of the normative ideas of welfare institutions in their historical background. The interplay of ideas and institutions has from the outset influenced the emergence of the welfare state (Hall 1989; Rueschemeyer and Skocpol 1996; Sachße 1994). The social ideas that actors have on the mind with reference to social problems of time are deeply rooted in the institutional idiosyncrasies of the welfare state.²⁹ Often the “social question” at the time of modernization has dominated the intellectual minds as well as political discourses, becoming the main frame of reference for the welfare state development in the ensuing decades (Pinker 1979; Kaufmann 2003). Rieger (1992) also borrows the term “elective affinity” (*Wahlverwandtschaft*) from Max Weber to denote the close relationship between welfare state institutions and distinctive “social questions”. Welfare institutions are to a large extent the concrete embodiment of certain social ideas (social knowledge) that guide the collective actions of social and political actors.

2. *Expansion of the welfare state*: Institutionalists scholars refer to the competition between the states as a motivation to expand welfare provisions. Even latecomers such as South-European welfare states were motivated to follow the developmental path of other pioneers (Castles 1995; Lessenich 1995b). International conventions or supranational institutions (e.g. European Union) may also have contributed to the growth of the welfare institutions among countries.

Another explanation of expansion concerns the *institutional momentum* of the welfare state. As the popular term *path dependence* suggests, institutional legacies influence or shape the following development of welfare institutions by limiting the realm of possible normative and political choices (Pierson 1993, 2000a, 2000b). Once established, political institutions and social policies lay down the rules of interaction for the participants, which frame their strategic consideration as well as perceptions of political contexts. Well-developed welfare institutions follow their own system logic and dynamics by becoming a frame of reference for the orientation of subsequent political actions.

Since Esping-Andersen’s (1990) path-breaking work about typologies of welfare capitalism, scholars have now been more aware of the diversity of welfare regimes embedded in given political institutions and social structures. This distinction is also essential for the understanding of the welfare politics in various fields. For example, Bonoli (2000) explores the impact of formal political institutions and decision-making procedures on European pension reforms. Adopting Pierson’s idea, Bonoli and his colleagues have developed a theory of welfare retrenchment in favor of

²⁹ The historical relationship between the Christian (Catholic as well as Protestant) teaching as political ideology and the birth of the welfare state is a distinctive example (Kaufmann 1988; Kersbergen 1995; Manow 2002; Sachße 1994). It is also well known that the poor-relief institutions of the Christian organizations had provided social welfare to a large extent in the time before any social policy of the state came to being.

institutionalist accounts (Bonoli and Palier 2000; Bonoli *et al.* 2000). In a similar vein, Scharpf and Schmidt (2000) also explore diverse policy responses of different welfare regimes (Scandinavian, Continental and Anglo-Saxon welfare states) in the light of institutional adaptation to challenges of the global economy. Based on a set of criteria such as industrial relation systems, government institutions etc., their results demonstrate considerably different outcomes among welfare regimes in respect to their strategies under respective institutional constraints. These comparative studies of welfare state regimes have enriched our knowledge of how institutional frameworks influence the developmental pathways of the welfare state.

3. *Restructuring of the Welfare State*: The term *path dependence* remains valid in this aspect. The resilience of welfare institutions can be best observed during the time of economic austerity and welfare retrenchment. Even in hard times, the welfare state does not completely capitulate to challenges but rather sought to take advantage of its own institutional characteristics to adapt itself to new circumstances (Pierson 1994, 2001; Bonoli *et al.* 2000). Under the rubric “new politics of the welfare state”, recent studies in the welfare state deal with the strength of welfare state institutions in channeling subsequent political discourses as well as decisions (Pierson 1996). The institutional basis of the welfare state has also become self-reinforcing and resistant over time. Each attempt to cut welfare provision requires well-formulated political rhetoric to justify the retrenchment. Welfare reforms in Western countries, therefore, tend to be piecemeal because a large-scale overhaul of the entire welfare systems proves politically unfeasible.

In the discussion of the restructuring of the welfare state, research attention has also been directed to the social consequences of the welfare state. The fact that welfare arrangements of the state are multi-faceted raises questions about interaction forms between state and society and their mutual effects. The ultimate goal to which modern welfare states devote themselves is the promotion of social welfare for all their citizens. Yet for all its political endeavors, the welfare state has still much to confront the dark side of its policies. The pioneer in this aspect is probably the German scholar Hans Achinger (1958), who characterizes social policy as “societal policy” (*Gesellschaftspolitik*) to remind us of the social impact of welfare state policies. In this respect, each state policy should always be viewed as an intervention in certain fields of social relationship and that, by attempting to influence them, the state administration has to keep alert to possible backlash triggered by previous institutional policies (Kaufmann 1982). While in praise of the contributions of the modern welfare state, one should always bear in mind that it is institutionally embedded in specific historical and social contexts, whereby the state takes an active role in establishing a framework for mixed welfare production. The intervention in societal sectors leads not only to their structural changes but also raises new problems associated with them.

This point refers to the *immanent ambivalence* of the welfare state institutions: while they were initially designed to solve certain social problems, they have also

generated new problems that later policy makers have to deal with (George and Wilding 1984; Leisering 2001; Pierson 1993). This circumstance poses acute challenges to the sustainability of the welfare state, which is also the main reference point to most of the welfare state criticisms.³⁰ However, recent reflections indicate that, despite all the drawbacks in connection with the state policies, modern welfare states have successfully established institutional frameworks for the provision of social welfare, which are capable of adapting themselves to changing societal environments. The key insight lies in the structural affinity of the welfare state with other social spheres of the modernity that any arguments to hold welfare state institutions alone responsible for new problems appear implausible (cf. Huf 1998; Kaufmann 1997; Pierson 1998; Rieger 1992). The crucial point concerns less the question about whether there is a crisis at all than how well the welfare state can respond to all-dimensional challenges. It is in this sense that the state theorist Renate Mayntz (also an institutionalist) views “management of the systemic interdependency of the society” as a central element of the state (Mayntz 1995: 155). This requires higher reflexivity of the state, i.e. more knowledge about political limits as well as social consequences of the state policy. Political learning of the state becomes a prerequisite for its successive policy-making.

The demand for higher sensibility of the state towards its policy impact can be found in the discussion about the changing role of the state. The term *second-order social policy* suggests the reflexivity of contemporary state policies (Kaufmann 1998, cf. also Kaufmann 1991; Leisering 1992; Preuß 1994). By intervening in social fields to solve the traditional first-order social risks, i.e. invalidity, sickness, old age and unemployment, the state has also contributed to a higher complexity of its intervention objects, which in turn give rise to new problems that require more sophisticated political solutions. Second-order social policy, then, refers to the necessity to get on with legacies of previous policies. In a similar manner, welfare pluralism also calls for the rethinking of the state’s role as “from welfare to enabling state” (Gilbert 1993). The basic idea is the mobilization of all possible societal sectors relevant for the welfare production in order to realize a “welfare mix”. Within this framework, the state is not only involved in the welfare provision, but also in the (institutional) coordination of welfare production of all sides (Johnson 1987; Evers

³⁰ The argument of the New Right, for instance, seeks to interpret the welfare state as interference in the sound market mechanism, which would otherwise reach equilibrium when the individuals are allowed to maximize their utilities. The necessary conclusion in this line is in favor of a minimal state. Another main critic, the Neo-Marxism, diagnoses the program of the welfare state as structurally contradictory to the capitalist system, for it has to appease to the conflicting interests of both capital and labor. Meanwhile, the provision of social welfare is due to encounter the dilemma of a rising desire for more welfare within limited economic resources. Therefore, the welfare state is structurally vulnerable to the fiscal and administrative crises. These two major criticisms of the welfare state are, of course, not entirely wrong, yet they have only emphasized certain aspects of the immanent ambivalence of the welfare state institutions, thereby oversimplifying the complex entanglements of welfare state policies and other societal sectors. For an overview, see: Lessenich (2000); Myles and Quadagno (2002); Pierson (1998); Skocpol and Amenta (1986).

1993; Evers and Olk 1996). The key message of these theoretical reflections is a much more active and flexible role of the state in political learning and engagement despite the ambivalent character of its policies. The main institutionalist accounts of the welfare state discussed above are summarized in the following table 3-2:

Table 3-2: Institutional Accounts of the Welfare State

<i>Dimension</i>	<i>Main theses</i>	<i>Theoretical implications</i>
<i>Origins of the Welfare State</i>	<ul style="list-style-type: none"> • Affinity of (social) ideas and welfare institutions • Historical contextualization of social conditions of the welfare state • Institutional uniqueness with reference to the “social question” 	<ul style="list-style-type: none"> • The origins of the modern welfare state are to be embedded in historical and social contexts • The interplay of normative and institutional frameworks needs careful examination
<i>Expansion of the Welfare State</i>	<ul style="list-style-type: none"> • State competition • Institutional momentum: policies make politics • Institutional variety of welfare regimes 	<ul style="list-style-type: none"> • The politics of the welfare state is shaped by its institutional legacies • Comparative research is vital to understanding the institutional dynamics of different welfare regimes
<i>Restructuring of the Welfare State</i>	<ul style="list-style-type: none"> • Social policy as societal policy (interplay of social policy and society) • Unintended consequences of social policy (ambivalence, Second-order social risk) • New politics of the welfare state 	<ul style="list-style-type: none"> • Second-order social policy with more complex institutional arrangements of the state (e.g. welfare mix) • Demand for more reflexivity of the state with reference to the impact of its previous policies

Source: Author’s own summary

The exuberance of the institutional accounts in the welfare state studies reflects the changing explaining emphasis from actors towards institutions. It signals different logics with which welfare states operate under changing social circumstances. In contrast with the “golden age” after the Second World War, welfare states are currently under pressure of restructuring itself to cope with problems from all directions. As Myles and Quadagno (2002: 52) succinctly indicate,

“Slow growth, high unemployment, and hence stagnant or falling state revenues create a harsh climate for welfare state innovation but a favorable environment for the critics of social programs. Within this context, the political institutions that structure interest representation and decision making play a decisive role by defining the political

opportunity structure, restricting the menu of options available to political leaders and their supporters irrespective of political preference.”

Moreover, the social consequences arising from previous institutional settings direct scholarly attention to the effects of policy feedback. Institutional intermediation of agent interests calls for more careful consideration of intersection of old and new politics in the welfare state. Given the resurrection of institutions in social policy studies, it is no coincidence that institutional factors also attract equal attention from the life-course scholars. They offer an insight into the institutional functioning of the welfare state that deeply influences individual life courses. This will be the main topic in the next section.

3.2.3. Institutional Regulation of the Life Course by the Welfare State

In his theoretical framework of the life-course institutionalization, Kohli (1986a: 288f.) noted the crucial role of state regulation in constructing age boundaries and age-related duties for its citizens. For him, the involvement of the state is part of a comprehensive and extensive modernization process that leads to the institutionalization of the life course. Kohli's account lays greater emphasis on the functional requisites of modern labor markets, which demand well-organized labor participation. The social security system exerts decisive social control to ensure smooth functioning of the economic sphere, which in turn renders financial resources for the state administration. State regulation is, in this respect, one of the central social mechanisms organizing work in modern society. In other words, Kohli has outlined a theoretical framework for the interplay of welfare state and life course, yet the question as to how exactly the former influences the latter remains largely unanswered. This becomes the point of departure for subsequent life-course studies in Europe.

The institutionalist approaches reviewed in the previous two sections have direct implications for the consideration of the relationship between the welfare state and life course. The attention is directed towards the interplay of institutional regulations of the state and strategic actions of the individual. Main foci of the institutionalist life-course study are placed upon three aspects: 1) Essence of the welfare state as an institutional program aimed towards the individual (*individual orientation*). 2) Institutional forms of the state regulation of the life course (*life-course policy*). 3) Impact of social policy on the courses of personal lives and vice versa (*social inclusion and exclusion*).

1). *Individual Orientation*: The welfare state is in itself a unique historical program of the Occident. For the first time in history, the state takes initiative to provide systematically collective goods for its citizens.³¹ This development has been

³¹ As early as 1968, Harry Girvetz (1968: 512) has already given a succinct definition of the term „welfare state“ as follows: “The welfare state is the institutional outcome of the assumption by a society of legal and therefore formal and explicit responsibility for the basic well-being of all of its

explicitly interpreted by the theory of societal differentiation (Schimank 1996). Modernization is seen as an evolution process of functional differentiation of the society system in which functional subsystems build their own identities and operate according to their own logics. Against this background, hierarchical forms of differentiation as a dominant societal form in the medieval period has been replaced in the course of modernization by a set of functional systems of a basically equal status with more independent functional specialty but greater interdependency at the same time.

An essential phenomenon in this process is the rise of the state whose political influences stretch well into other domains of society (Marshall 1964; Luhmann 1990). The enhancement of state activities ranges from regulating the internal economy, collecting and mobilizing resources, to providing different sorts of goods and service. The most significant change is the rise of individualism as the point of reference of all welfare state institutions. The legal system of the welfare state provides an institutional framework for the state's intervention in the social life of the individual. By replacing traditional association and community with the welfare institutions, the state has successfully employed its exclusive power to "single out the individual both as the object of state activity and as a distinctive, self-reliant actor" (Mayer and Schöpflin 1989: 193). Individuals are now entitled to access public goods and participate in the operation of all functional subsystems of the society. Each person obtains the right to receive public education, cast votes, and enjoy social welfare provided by the state independent of their social or wealth status.

The previous discussion of the institutionalist perspective of the life course (J. W. Meyer) has showed that the rise of individualism and the welfare state is a unique historical phenomenon. The affinity of their historical emergence is the result of the Western cultural project meant to crystallize the individual as a social actor supposed to develop her/his own life program. The purpose of state welfare provision and coordination lies not in determining the life outcomes of their clients, but rather in offering resources and chances to be perceived and claimed by citizens. In this sense, the state intervention via social policy, though directed towards the individual, is necessarily indirect in the sense that it can only influence the material and social environments surrounding actors (Kaufmann 1982, 1994).³² In this respect, the welfare state program can be conceived as an institutional framework set to facilitate or even encourage each person to pursue his/her individual life goals. Individuals are in principle free to choose their life styles, albeit within prescribed terms set by

members. Such a state emerges when a society or its decision-making groups become convinced that the welfare of the individual is too important to be left to custom or to informal arrangements and private understanding and is therefore a concern of government."

³² Here, once again, the ambivalent character of the welfare state is clearly visible, as the state does not actually possess any effective tool to force individuals to follow certain normative presumptions regarding how one is to lead his/her life. The influence of social policy is in this respect rather indirect and opaque.

the welfare state (Beck 1992). Individual freedom is only guaranteed on the grounds that corresponding obligations be simultaneously fulfilled.

The state intervention in personal lives could not gain legitimacy without the broad consent of its citizens. Again, this points to the institutionalization effect of the welfare state institutions embedded in the structure of modern work society. From the beginning of their lives, citizens acquire knowledge and norms conveyed by the (mostly state) education system, which constitute their way of viewing the life world. Education obligation, entry into the labor market, family establishment, almost all life phases have been carefully organized by the welfare state so that its intervention becomes part of individual lives. State intervention is thus deemed as legitimate by the individuals.

2). *Life-Course Policy*: The essence of modern social policy is closely connected with the organization of labor. One of the main functions of the welfare state is to compensate the negative outcome of labor commodification (Karl Marx) in order to cushion the structural inequality as a result of market force. Little wonder that Esping-Andersen (1990) borrows the idea from Karl Polanyi and views de-commodification as a vital criterion for comparing different welfare regimes. At the same time, the welfare state also plays a constitutive role in structuring the social organization to guide the further development of economy and society (Huf 1998; Kaufmann 1997; Lessenich 1995a, 1995b). The state actively establishes institutions by dint of law regulation, financial subsidy and service provision aiming to fulfill economic, political, and social functions. On the other hand, the state also intervenes in personal lives by setting a social timetable for social activities regarding labor participation and welfare production.

The state regulation of the life course is achieved primarily by structuring the temporal succession of life phases. Social policy is a temporal policy (Nowotny 1993: 105ff.; Settersten 2003). The famous phrase “from cradle to grave” indicates the significance of the welfare state institutions for the organization of personal lives. Coupled with the systemic requirements of the modern work society, the welfare state explicitly regulates different phases of the life course, notably the tripartition of life into education, work and retirement.³³ Need and potential risks associated with specific life phases are carefully handled with entitlements to social welfare products. For each phase of life course the state establishes various institutions to assist the individual to fit into the system of age stratification. The standardization and segmentation of life course through the welfare state have facilitated the stabilization of personal expectations towards the time horizon of future (Mayer and Müller 1988: 52; also Kaufmann 1973). They frame and regulate transitions from one phase to the next as well.

³³ Despite the critical observation that this division of the life course by the welfare state has lost its dominant meaning in current social structures, it remains a significant frame of reference for many individuals in their life planning. See: Kohli (1986a, 1986b, 1989).

The temporal aspect of the life-course policy is manifested in three core institutions that entail respective time dimensions: education, old-age pensions and the systems of risk management (Leisering 2003; Leisering and Leibfried 1999; Lessenich 1995a; Settersten 2003). First, the education system defines the age to enter or leave school and postpones the time point of labor-market participation. The prohibition of child labor and the obligation to receive education have contributed to institutionalizing the phase of childhood. Education is a public investment in the nourishment and formation of human capital to be applied in *future* development (prospective).

Second, old-age pensions guarantee the basic income for the life after retirement, thereby regulating the life phase after work. In fact, the contour of the concept “retirement” did not emerge until the institutionalization of old-age pensions in the late nineteenth century. The gist of old-age pensions lies in the reward for the contributions one has made during his/her labor participation, and the amount of pensions depends largely on the extent of previous contributions. Therefore, old-age pensions are an entitlement system based on *past* attainments (retrospective).

Third, the risk management system (e.g. social insurance, social assistance and social service) intends to lubricate the frictions or bridge the gaps in connection with the transitions in the phase of labor participation and family building. Its main function is to ensure continuous and smooth paths for individuals to take part in economic and social activities. Short-term interruptions in this phase such as sickness, temporary unemployment and accident injury are thus its main targets. The temporal dimension of the system of risk management refers to *present*.

With the coverage of all time dimensions the welfare state regulates relevant activities alongside the whole path of personal lives. The structuration of the life course proceeds mainly by setting age norms, life phases, duration and trajectories (Henretta 2003; Leisering 2003; Leisering and Leibfried 1999). Education, pensions and risk management systems define the time of entry into or exit from various phases, and regulate the duration of relevant obligations as well as eligibilities. Accompanied with these institutions is the regulation of age limit (schooling, retirement age) that defines exactly when society members are entitled for claiming certain benefits. This state-organized welfare provisions based on phase-related categories also induce individuals to lead their lives alongside certain paths. The whole welfare system of the state operates within institutional arrangements to offer people a timetable accompanied by full welfare packages.

Overall, life course is a concrete expression of the institutional arrangements of the welfare state. The temporal regulation of life course reveals the normative prescription of the welfare state as to what types of life experience are “normal”. The idea of *normal biography* (Levy 1996) in social policy has immense consequences for the individuals, as the welfare state rewards those who follow the prescribed paths while “punishing” others who do not. In this light, Leisering and Leibfried (1999: 33)

characterize social policy as an “implicit life-course policy” in order to emphasize its normative aspect. The welfare state organizes the relationship among social groups or categories such as sex, ethnicity or nationality etc. This raises concerns about the implicit impact of the state regulation of the life course because the welfare provision is unequally distributed among different social groups, which leads to the problem of social exclusion.

3). *Social inclusion and exclusion*: The amelioration of opportunity structures for the individuals through social policy is tightly coupled with their responsibilities to organize their life spans. In the process of life-course institutionalization, social policy also presupposes a “normal biography” corresponding with the social notion of an ideal life. This implicit idea of normal biography has immense effects on the individuals in respect to how material resources and opportunity structures are organized to facilitate or constrain individual life chances. The orientation on such a normality directs the state to organize its policies according to different social categories such as gender, ethnicity etc., with considerable effects on the social groups concerned.

For example, Leisering (2003) indicates that the school, a traditional service of the state, is a place where newcomers of the society (children) acquire not only knowledge but also relevant social norms and conventions. The “hidden curriculum” in education reproduces the existing distinctions of social categories. By the same token, the normative premise of social policy with regard to gender division of labor has also considerable consequences for the entitlements of both sexes to resources provided by the state. This point is exactly the concern of the feminist criticism on the welfare state (e.g. Allmendiger 1994; Daly 2000; O’Connor 1996; Orloff 1993). According to the critics in this stream, traditional social policy is so preoccupied by the ideal of male breadwinners that female contributions to household works and childrearing are largely taken for granted, leading to far less entitlements of women to welfare benefits than their male counterparts.

In other words, the life-course orientation of social policy functions like a mechanism of social selection which favors *and* disadvantages different social groups. It is in this context that scholars identify the emergence of “welfare classes”; which is statutorily defined and privileged by the welfare state (Alber 1984; Lepsius 1990: 128ff.; Leisering 1992). Social inclusion is always accompanied by social exclusion in the welfare state development. This dark side of the modern welfare state has not been well perceived and studied by students of social policy until recently (e.g. Korpi 2000; Lepsius 1990; Lessenich 2000). The life-course aspect of social policy has offered a deeper insight into this problematic field. Indeed, the “implicit life-course policy” can only become evident when its social consequences emerge in the course of time. One of the challenges the welfare state encounters is the growing discrepancy between its life-course hypothesis and social changes.

In this vein, it becomes evident that the strength of the state life-course policy in the arrangement of temporality also tends to be its weakness (problem of time lag,

Settersten 2003). Presumptions about how the individual's life course should proceed lose ground once the reality turns different. Current debates in the life-course studies, including the erosion of the normal biography (Hinrichs 1989; Mückenberger 1985), Post-Fordist life course (Myles 1992) or destandardization and deinstitutionalization (Buchmann 1989; Kohli 2000; Myles 1990, 1992; O'Rand 1996), reflect the changing nature of life course which has not yet been properly dealt with by the welfare state institutions. The phrase "old institutions meet new challenges" is thus the central diagnosis of leading social policy scholars (e.g. Kaufmann 1997; Esping-Andersen 1999; Bonoli *et al.* 2000; Pierson 2001). Nevertheless, it does not necessarily mean the total capitulation of the welfare state to the advance of the free market. Instead, the welfare state faces an urgent task to discover new institutional arrangements that can better cope with new patterns of social risks resulting from life course changes.

3.3. An Institutional Life-Course Framework for the Study of Chinese Social Policy

Thus far, the analysis of the relationship between the welfare state and life course has focused on the development of advanced capitalist countries. Indeed, mainstream life-course studies on the welfare state concentrate mainly on the experience of developed welfare states without paying much attention to the rest of the world. The uneven development of social policy studies on advanced and developing countries has given rise to reflections on how to fill this research gap. With special reference to East Asia, a body of scholarship has made efforts to prove that, against the background of the rapid economic growth in the past decades, East Asian countries have been attempting to establish their welfare institutions *sui generis*. Encouraged by Esping-Andersen's (1990) influential analysis, much discussion has focused on whether there were more than three regimes, and whether specific countries could be properly categorized. Believing that East Asian countries differ a lot from their Western counterparts regarding social, economic and historical backgrounds, many scholars advocate the idea of a genuine and distinctive East Asian welfare regime (Goodman *et al.* 1998; Gough 2000; Holliday 2000; Jones 1993; Kwon 1997). Yet, other analysts either hesitate to follow this thought for the reason that this region shows little maturity and convergence (Esping-Andersen 1997, 1999), or make only tentative attempts to depict and explain the historical development of East Asian welfare states (Aspalter 2001, 2002; Goodman and Peng 1996; Hort and Kuhnle 2000; Jacobs 1998; Tang 2000). In contrast to the research of mature Western welfare states, there exists little consensus as regards whether there is a distinct East Asian welfare regime at all and what kind of traits it possesses. Equally controversial is the question as to what factors can best account for their development.

Still more awkward finds the scholarship of Chinese social policy regarding its location in the research map of welfare state studies. As a socialist country whose

economy has been thriving for recent two decades, China's situation is too complicated for students of social policy to spontaneously parallel it with other East Asian newly industrialized countries (NIC), but also too important due to its geographical and historical position to ignore its existence. Moreover, the rapid transition of China triggered by the reforms since 1978 makes it a hybrid society consisting of different, if not contradictory, elements between capitalism and socialism. This distinctive development path is difficult to fit into the conceptual category of other East Asian NICs that follow Japan on the way of earlier capitalism development. Even the transition experience of East European countries from socialism to capitalism cannot offer instructive insights for China because of their diverse paths.

Yet this also suggests that the Chinese experience of modernization has its historical uniqueness that merits a closer examination. The transition from a planned to a market economy has manifested astonishing economic accomplishments, on the one hand; but brought about a series of problems emerging in the course of systemic transformation, on the other hand. Social security systems coupled with the communist economic organizations are also undergoing drastic changes in this process. As the institutionalist perspective of the life course is concerned with the institutional arrangements of the state that frame and structure the individual life chances, it is of great interest to pose questions concerning the impact of these social and political changes on the life course of society members, as well as their significance for the ongoing social security reforms. *The interplay of social security institutions and individual life courses against the background of social transformation is thus the central theme of this work.* The mutual relationship is at best examined in realms where social security systems are to be established from the outset. In the case of China it is the rural sector that has long been ignored and sacrificed to sustain the relatively generous urban system. The development of rural pension policy provides an ideal opportunity to study the interactive process of social policy and life course.

The dialog with the institutionalist approach above directs us to some preliminary conclusions regarding conceptualization and measurement of the welfare state and life course. First, a large body of institutionalist research lays emphasis on the framing power of welfare state institutions over the life course, which becomes an institutionalized element of modern societies (*institution building*). The institutionalization of the life course is a historical process in which other social forces also play an important role, such as the rise of the labor market or the emergence of individualism. To study the core mechanism of life course, one has to pay careful attention to the historical, social and political contexts in which it emerges.

Second, one of the core insights of the institutionalist approach refers to the opaque or overt normative premises behind social policy, which can only be discerned by the examination of social inequality associated with the categorical distinction set by the state (*social demarcation*). Students of life-course studies should

take heed of the criteria set by the state policies and their impact on social groups (Settersten 2003). The temporal reference of life-course policies deserves equal attention as well because they reveal forms of political structuration of social time, which are highly relevant for the subjective perception and biographical planning of the individuals.

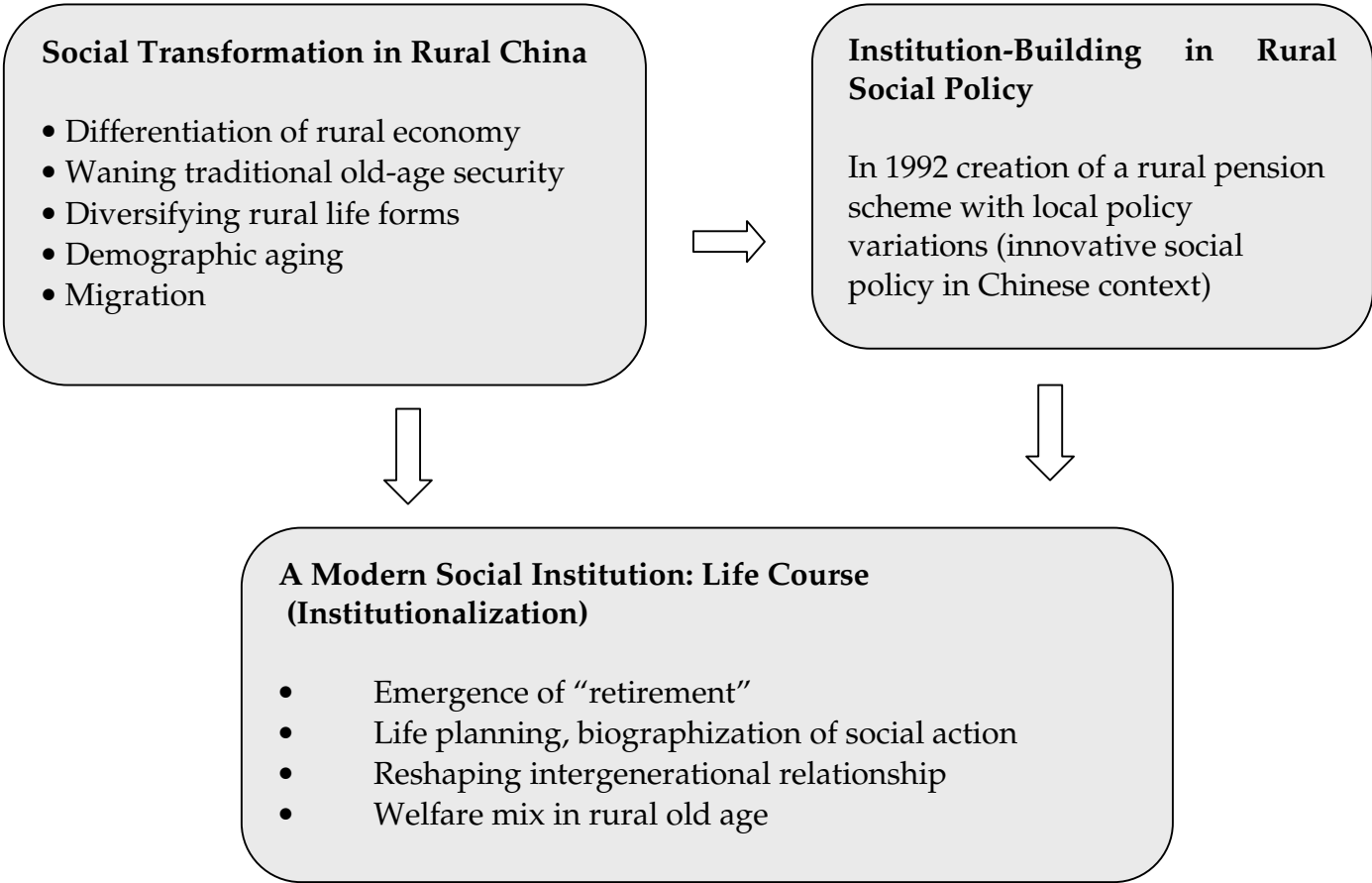
Last but not least, the relationship between the welfare state and life course is a dynamic process of mutual adaptation. A study of life course in the welfare state cannot provide plausible conclusions without taking the interplay of the both into consideration. The normative framing of life-course policies and the subjective perception of the individuals deserve a closer examination (*agency*). This aim will contribute to our understanding of social policy, but it also poses a great challenge to research methods especially when reliable longitudinal data are scarce, as is often the case in the developing countries. How to integrate the research experience in advanced societies with the exploration of less-developed ones becomes a difficult but challenging task.

Following the above account, two major analytical dimensions come into view for the research of old-age security and life course in rural China: institutional frameworks of rural pension policy as well as individual perception of situation and biographical orientation. The first analytical dimension refers to the institutional designs and variations in the process of policy implementation since 1991. As will be shown in the empirical part of this work, a closer look at the institutions of public pension schemes is of particular importance as they vary to a large extent from place to place, mainly depending on the financial conditions of local governments. Different institutional regulations have an enormous impact on the strategic responses of peasants because the extents of collective subsidy determine the division of financial responsibility among the central government, local government and individual peasants. The share of collective responsibility in local pension schemes becomes a decisive incentive or barrier for the willingness of individual peasants to participate in them. Diverse institutional designs among regions also result in very different participation paths of the local peasants – with an enormous discrepancy between individual pension entitlements.

Institutional frameworks shape the general conditions under which individual peasants have to organize their current lives and future life planning. The decision (not) to participate in local pension schemes depends largely on how many resources are available in support of the additional savings for one's old age. In this sense, institutional frameworks of local pension schemes also influence how individual peasants perceive the state's endeavor to promote rural old-age security, which in turn affect their strategic responses regarding arrangements for their later life phases. In other words, peasants' perceptions of the overall situation set a cognitive frame of reference in which their biographical planning takes place. It is in this respect that institutional regulations of local pension policies influence individual retirement arrangements most. Whereas peasants in rich regions often actively plan their lives

with the expectation of collective support, their counterparts in poor rural areas often find themselves stuck in a financial bottleneck where they can hardly make any significant plans for old-age security. The ability to do retirement planning and financial preparations divides peasants among regions of different financial strengths. To what scope and extent these vary from one another constitutes the second main element of the subsequent empirical analysis. The theoretical account and research logic of this study are illustrated in the following figure 3-1.

Figure 3-1: Research Design of the Study



Source: Author’s own account

In sum, this chapter has outlined an analytical framework for understanding rural pension policy formation within the historical context of social transformation and social policy development. The focus aims to elucidate the historical, political and social logics of rural pension policy in the context of Chinese modernization. This analytical perspective also makes room for exploring subjective orientation of social agency with respect to their retirement and life planning. With the empirical analysis, this study seeks to demonstrate that the life course in rural China is changing towards temporalization and institutionalization set in motion by social changes and state (pension) policies. By incorporating these two key dimensions, this study echoes the gist of various life-course approaches that individual life courses

are embedded in wider historical, social and institutional contexts. For the following empirical study, this implies that the analysis of the institutional regulations in rural pension policy is as important as the inquiry into the biographical orientations of rural residents. The first analytical dimension thus pays attention to the dynamics of social policy development since the economic and social reforms in 1978 (chapter 5). The development of rural pension policy in the 1990s was part of this fundamental process, which earmarked the state's involvement in the realm of rural old-age security (chapter 6). In order to explore the impact of social (pension) policy on the individual's life course, the second analytical dimension focuses on how unequal frameworks between the regional pension policies influence peasants' *pathways* into public pension schemes (chapter 7). Life chances of peasants vary to a large extent as a consequence of these different regulations, which in turn influence their subjective perceptions and orientations towards their old-age security. *Retirement* in rural China is subject to the interplay between institutional regulation of public pension schemes and biographical orientation of individual peasants (chapter 8). With regard to public pension schemes in respective localities, *pathways* and *Retirement* how villagers arrange their old-age security by dint of welfare mix (state, market and family) is of central importance in this study.

4. Research Design: Data and Methods

The theoretical framework set out in the previous chapter indicates the potential of the institutionalist approach in the study of life courses in China. The main objects of this research are the introduction of pension schemes in rural China, as well as the biographical orientation of the participants regarding their retirement and life planning. With these two goals in mind, this study attempts to assess the impact of new pension schemes in different localities on the biographical construction of Chinese peasants. By using the institutionalist approach of life-course research, this study emphasizes the idea that the life course is itself a distinctive dimension of social institutions. That is, through the interplay of social change, state policy-making and individual action, life courses of societal members are structured in similar phases according to age demarcated by political or social standards. Life course thus becomes the interface between social actions and institutional frameworks. To achieve this goal, this study applies a mix of methods in order to obtain adequate data. For the part of rural pension policy analysis, this study applies document analysis and expert interview to obtain relevant information. For the second part of life course analysis, biographical interview is the main method of data collection. These will be elaborated in section 4.1.

To be sure, even in the tradition of life-course theories, there is a range of different methods applied to approach individual life courses (cf. Giele and Elder 1998). This study uses the biographical method as a major tool to explore the subjective dimension of life planning among rural peasants. Biographical method stands in close affinity with life-course research due to the latter's interest in life histories of individual agency. Looking at individual biographies help to grasp individual attitudes and interpretations associated with life events and transitions. Since this study explores the link between rural pension policy and individual life planning, the qualitative research methods and especially the biographical method can best catch the desired information of this study. Biographical data collected through interviews are then analyzed and attributed to typologies constructed according to two dimensions of the life course: pathways to rural pension schemes as well as subjective perception and orientation of retirement. The procedure and rationale for data analysis with typology are articulated in section 4.2.

4.1 Data Collection

The inquiry into the interaction between social policy and individual life course leads this study to two interrelated dimensions: development of rural pension policy in China, on the one hand, and how social actors perceive the policy and develop the concept of retirement, on the other hand. To achieve both goals, a mix of research methods is used to gather adequate information. This study applies semi-standardized expert interviews with the administration, as well as biographical

interviews with clients and surveys of relevant published documents. Documentary research includes a thorough reading of local, provincial, and national publications obtained from libraries and official statistical yearbooks. They offer a general overview of the development of the rural pension policy. Local official documents on the regulation of pension schemes are also valuable sources to gain first-hand insights into the practical situations of policy implementation. These are precious for grasping the central government's intentions in rural pension policy and its implementation realities through local pension policies and schemes.

The interviews were conducted between 2003 and 2005 with officials responsible for central or local rural pension schemes, as well as with peasants who have or have not participated in these schemes. Interviews with the officials were made to gather more information from the insider perspective of the policy. A major concern was to realize how policy details were made at the central level and how policies were implemented at local levels. Interview questions sought to understand the policy process at the central government as well as the variety of local implementation experience. To collect as much information by the officials as possible, the interviews were conducted in a problem-centered manner that generated a communicative environment for the interviewees to tell their experience and viewpoints (Witzel 1985; see also Bogner *et al.* 2002; Hermanns 2000). With prepared guidelines to hand, the researcher asked several questions aiming to stimulate the interest of the interviewed officials to tell more about the processes of the central and local rural pension policy (semi-standardized expert interview). In the whole process, the researcher steered the direction without intervening too much with the freedom of the interviewees as to what they wanted to report. All interviews with the central/local officials were written on protocols during the processes. In most cases the interviewed officials preferred that their answers be unrecorded. All interviews were made without the presence of a tape recorder because it would otherwise only arouse their suspicion and thwart the proceeding of the interviews.

In interviews with the respondent peasants, novel on this research was that the selection of its interviewees covered not only the elderly but also younger rural residents in order to gain a deeper insight into the subjective perceptions and strategy responses of different cohorts to the issue of old-age security. Interview questions started from the theoretical viewpoints of the institutionalist life-course approach, seeking to explore the life course experience of the peasants as well as their biographical orientations of life planning. Though the interviews were equally conducted in a semi-structured form, a major difference between the interviews with the peasants and the expert interviews with the responsible officials was that the latter were embedded in the biography research. Biographical method has received increasing attention in the field of sociology, thanks partly to the rise of life-course research (Chamberlayne *et al.* 2000, 2002; Fuchs-Heinritz 1998; Smith 1998). At the beginning of the 1980s, the renaissance of the life-history method went hand in hand with the revival of biographical or narrative methodology (Bertaux and Kohli 1984).

Researchers of life histories use retrospective interview data to reconstruct social milieu of individual lives, seeking to unfold events and turning points that have given rise to transitions to other life stages. At the same time, use of supplementary materials is also a common practice to enrich the knowledge of individual lives (Clausen 1998). With the biographical method, life-course researchers learn about individual life histories through agent's own perspectives.

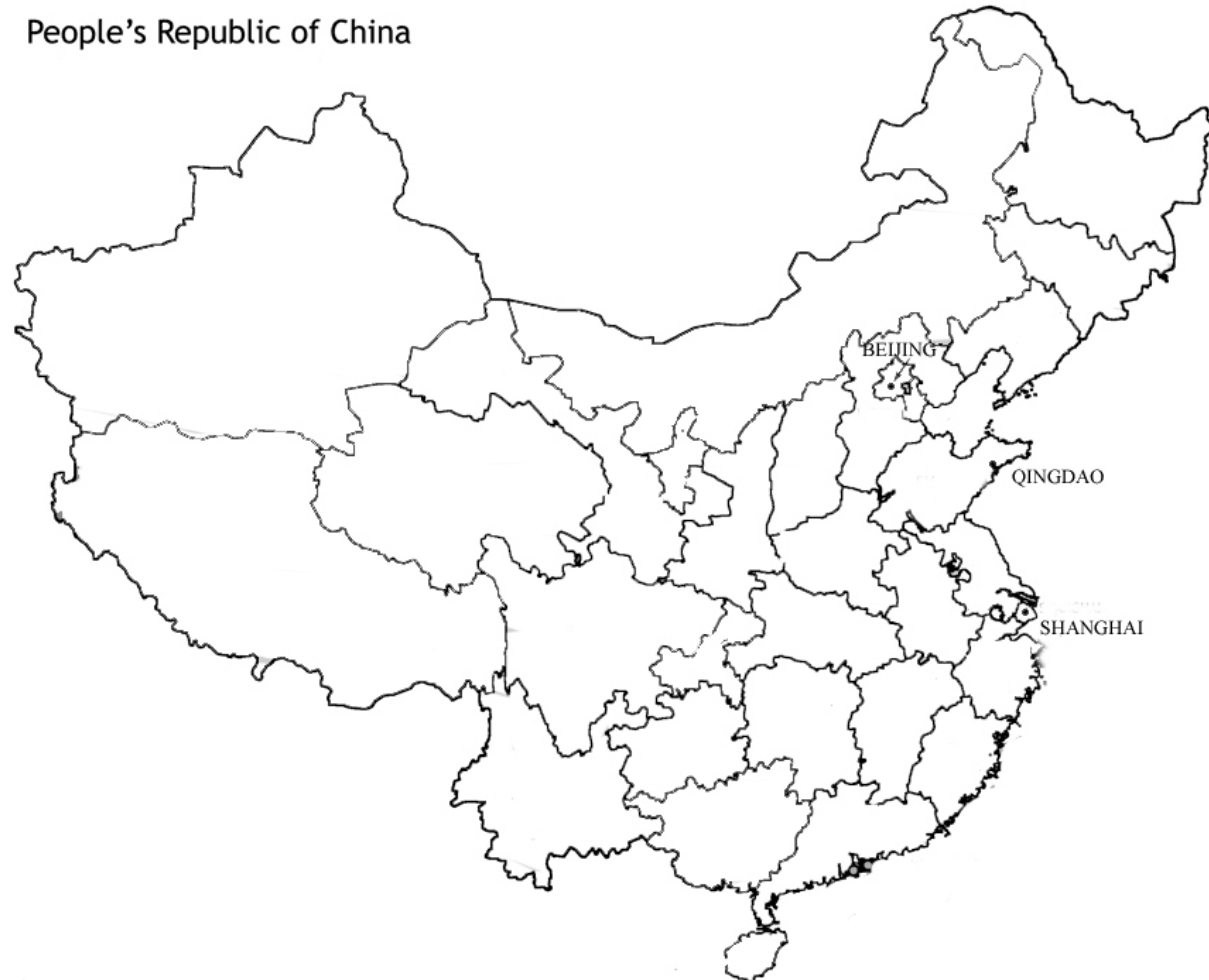
The gist of the biographical research is to view the individual as social agency living in certain historical and social contexts. Individual lives are shaped by historical and social events, leaving traces on trajectories of their life courses. In correspondence with this idea, interview questions posed to interviewees surrounded their personal experience in local pension schemes as well as their assessment of the whole program. Moreover, subjective planning of work and retirement as well as individual idea of life course stood as central themes in the interviews. Data on the individual life course were retrospectively collected through narratives about the personal interpretation and timing of important events. The researcher also registered life-history calendars revealing personal experience about retirement and life planning. All interviews were conducted in Chinese Mandarin, though in rare circumstances, local cadres helped facilitate the communication process as some peasants spoke only local dialects.

The selection of field sites and expert/biographical cases was directed by the design of case studies. To take more account of regional disparity and national complexity, a case study can offer an access to the variety of the survey subject without losing the general perspective of the research theme (Ragin and Becker 1992). Field survey was conducted in rural regions of Beijing, Shanghai and Qingdao, three economically prosperous localities in the reform era. Data gathered in three sites have enriched the scope and extent of the whole research as it can grasp more precisely the significance of regional differences in rural pension policy. Ideally, inclusion of less developed regions such as middle and western inland areas could yield still more insights in this respect, but the field work was confined to the above-mentioned three rural regions mainly due to limited access of personal ties to other potential areas. Without the cooperation of local bureaucrats or cadres it would have been extremely difficult to enter any other field sites even though they could certainly add weight to the explanatory power of this study.³⁴ Given this restriction, however, the field work was still consciously conducted in a comparative perspective, trying to explore how peasants perceived and reacted to local pension schemes in different circumstances. In this sense, the study is comparatively oriented although its observations are mostly gleaned from selected localities. Focusing on the interplay of political institutions and individual actions in the specific localities as well as evaluating theoretical propositions with the collected data have provided

³⁴ To strengthen the argument power, this study also uses the method of secondary comparison with the work of Leisering and Gong (2002), which covers poor regions in the analysis.

insights into the interactive nature of social policy and individual agents in the context of social transformation.

Figure 4-1: Location of Field Sites in China



This work also makes a close examination of the regional differences between Beijing, Shanghai and Qingdao. Although they represent economically dynamic regions in China, there exist considerable developmental differences between them, especially in the case of rural pension policy. Whereas Shanghai can glance back at a history of continuous development and almost full coverage of its rural population, Beijing's experience looks less rosy as its rural pension policy has thus far reached only one fourth of the rural population. Qingdao lags behind Shanghai and Beijing in this policy issue with a coverage rate of merely one tenth of the overall rural residents. The gap of policy achievements between these three sites epitomizes the status quo of the rural pension policy in China: the functioning of regional pension schemes depends much on the strength of local economy. These differences in policy implementation provide a rich background for a comparison of local rural policies as well as their impact on the lives of the residents. A detailed analysis is presented in the empirical part of this study (chapter 5-8).

The fieldwork has been inevitably shaped by the political context in China, where the Communist party retains tight control over the rural politics. Any field survey without the permission of the responsible officials would only complicate the progress, as peasants would refuse to do any interviews with outside strangers they did not trust in. In rural areas personal ties remain a central mechanism for daily interaction, and this is no exception for social scientists appearing as strangers in the field. Local cadres are like a two-sided blade in the field work: they help to narrow the distance between researchers and local villagers, while hindering the researchers from doing work according to strict methodological requirements. In view of this limit, the sampling process adopted the snowball method, i.e. sampling with the aid of local cadres or villagers in informal personal ties. Only in this way could the field work respond flexibly to diverse local situations. In certain circumstances, if the cadres were cooperative in the choice of respondents, sampling according to theoretical criteria was achieved in order to enhance the contrast between different samples.

In the three field sites, a total of 36 biographical interviews with the peasants were conducted and recorded. Due to unsatisfactory quality in the interview process such as hesitation of the interviewees to questions or bad recording quality, 5 interviews were excluded from the analysis. All remaining interviews were then transcribed in detail for data analysis. Differences in individual ability to express personal experience and opinions also influenced the quality of interview results. For that reason, focused analysis of certain cases that revealed more information became necessary. Nonetheless, the analysis did not leave out results from other samples since they remained a valuable source. Interview data were coded according to a list of previously designed codes derived from the theoretical framework. In the coding process major concepts were operationalized to constitute the basis of the analysis. The analysis paid special attention to the similarity and difference manifested in interview cases. Different ideas among respondents of various regions were also taken into account in order to highlight the impact of local regulations. In this manner, the study sought to trace the link between institutional frameworks of local pension schemes and planning of peasants for their retirement.

In addition to the semi-standardized guidelines, the researcher prepared a short questionnaire concerning the general information of his/her family and job history. After the formal interview, the researcher asked each interviewee a few questions based on this questionnaire. Answers were then written on a protocol as an attachment to each interview. All interviews with the peasants were transcribed in detail. In the presentation of the results of the analysis, all cited passages originated from the answers of the interviewees. Citations were translated into English by the author.

4.2 Data Analysis

Data collected in the field work are analytically classified into two parts. Results of document analysis and expert interviews are presented in the institutional analysis of the rural pension policy, which constitutes the first part of the empirical analysis (chapter 5 and 6). In this study, expert interviews help to check the information gathered from various sources of official documents or academic works. Though all expert interviews are documented as written protocols due to reluctance of the officials to have their words recorded on the tapes, the information they provide in the interviews still offers a very useful overlook on the past and current situation of the rural pension policy. The analytical goal is to delineate the historical development of the policy against the background of the overall changes in Chinese social policy. With the institutional analysis, the policy framework and implication for the life course and biographical orientation of the rural residents have become clear.

Based on this policy analysis, a further step of the data analysis is to explore how the given central/local pension policies affect the biographical perception and action orientation of the peasants. This study approaches this dimension by means of type building, i.e. sorting out categories of different biographical patterns based on the data collected from the biographical interviews with the peasants. The goal is to depict different patterns of biographical orientation in association with given regional policy context. Type building helps the researcher construct a meaningful connection between institution, policy and individual life course. As this part constitutes the second core element of the empirical analysis (chapter 7 and 8), it merits a brief discussion about the methodology.

4.2.1 Construction of Types

This study applies the construction of (ideal) types as the main tool to analyze data materials collected from the biographical interviews with the peasants. One of the major tasks of the qualitative research is to figure out meaningful (*sinnhaft*) connections among existing social phenomena, especially when the research objects manifest heterogeneous natures.³⁵ The construction of types has the advantage of highlighting the similarities and differences among data materials on the basis of the heuristic concepts derived from theoretical perspectives. A vital difference between the quantitative and qualitative research lies in the role of data: whereas the former seeks to collect representative data, the latter emphasizes the manifold natures of social phenomena and pays more attention to explore the diversity of data. Crucial for the qualitative research is thus to link collected data with one another in order to *make sense* of them. While different schools of qualitative research may dispute the

³⁵ Note that typology is not exclusively used in the qualitative research, but many quantitative research methods also seek to build types (or clusters) to explain the relationships between variables. As this study applies qualitative research methods, this section is confined to the discussion of type building in the literature of the qualitative methods.

strategies and procedures of the inquiry methods, one thing they certainly agree on is that qualitative research connects the parts to the whole and thus emphasizes the meaningful relationship among them (Denzin and Lincoln 1998; Flick *et al.* 2000). Categorization or type building is a vital step in the qualitative tradition as it is an ongoing process in which the researchers search for an order out of the seemingly manifold social world. Categorization is an attempt of the social scientists to bring possible and sensible connections into a mass of data collected in the field. A systematic comparison of cases is necessary to describe, analyze and explain social phenomena.

The “grounded theory” by Glaser and Strauss (1967) is a renowned school in the qualitative tradition, which lays emphasis on the comparison and categorization of cases. Comparative analysis is for the grounded theorists an essential element in the whole research process. With the help of coding, researchers produce and revise categories that connect the raw data collected continuously in the field. In the words of the key figures in this tradition, categories are the “cornerstones” of a developing theory (Corbin and Strauss 1990: 420). Categories become the interface between theoretical reflection and empirical work. Typical for the procedure of the grounded theory research is the categorization of all data according to the theoretical concepts, which should ultimately lead to the discovery of general action structures (saturation). Theory development is a dynamic process, whereby categories are constantly checked with newly acquired data and revised when necessary. In itself, categorization is the process of mutual reflection between theory and practice.

In German tradition, the notion that categorization of cases has gained prominence as well. In the 1980s, the school of narrative interview led by Schütze (1983) stresses the necessity to analyze the life sequence of all interviewees as detailed as possible in order to reconstruct their life courses. Comparison between cases can help researchers build types of life destinies. Inspired by this idea, W. Fischer and G. Rosenthal (1997) go further and underline the analysis of sequential structures of biographical self-presentation. All thematic and temporal structures of narrative stories are taken seriously as meaningful histories of the agents. The analysis of each interview case is, therefore, a necessary step to grasp the subjective interpretation and biographical meaning of social actors. Yet, the German stream of narrative interviews does not reveal how the analysis of each interview case should lead to general concepts with more explanatory power. Their main focus concentrates rather on the presentation of each narrative case than the elaboration of the overall structural contexts.

In order to deal with the relationship between case analysis and generalization of theoretical concepts adequately, other German qualitative researchers attempt to grasp social reality with the construction of ideal types. Inspired by Max Weber’s idea, many have sought to construct typologies to describe and explain social reality (e.g. Kelle and Kluge 1999; Kluge 1999; Kuckartz 1995). Among them, Uta Gerhardt leans her methodology explicitly on Weber’s concept and applies it systematically in

several studies. For her as for Weber, ideal types are epitomes in pure form highlighting the relationships inherent in the research objectives. The construction of ideal types helps a social scientist interpret social world, not least by means of case interpretation and comparison. In this way, Gerhardt (1986, 1995, 1996) believes that a researcher can offer an adequate and meaningful causal explanation of social structures. To achieve this goal, Gerhardt (1986) suggests a detailed analysis of each case, which is the point of departure for the construction of ideal types. Ideal types represent the attribution effort of the researchers with regard to the contextual coherence or variation among different cases. Making constant comparison between ideal types and empirical materials can warrant the empirical relevance of the types. Researchers should always keep an eye on verifying the applicability of constructed ideal types in accordance with the data in the research process.

Inspired by Gerhardt, M. Ludwig (1996) applies the concept of “career” to investigate the relationships between the institutional framework of the German social assistance scheme and the subjective strategies of social assistance recipients. By means of type building, Ludwig reconstructs a contingent poverty model that revises the traditional explanation of poverty circle. The method handbook by Kelle and Kluge (1999: 75ff.) also follow Gerhardt’s tips and explore how typologies can be made based on empirical data. They suggest three elements: development of categories based on analysis of each single case, comparison of different category systems, and finally outline of a typology or theory. In their view, single case analysis lays the cornerstone for further comparison between cases, which enables the researcher to reflect on the relationships between them. The task of the researcher in the practice is to design relevant dimensions for data comparison, followed by grouping of cases and analysis of their empirical regularity as well as contextual connection. Each constructed type should display distinctive characteristics attached to meaning dimensions pertaining to theoretical reflections. In this manner, the coupling between theoretical concepts and empirical data is secured throughout the whole process.

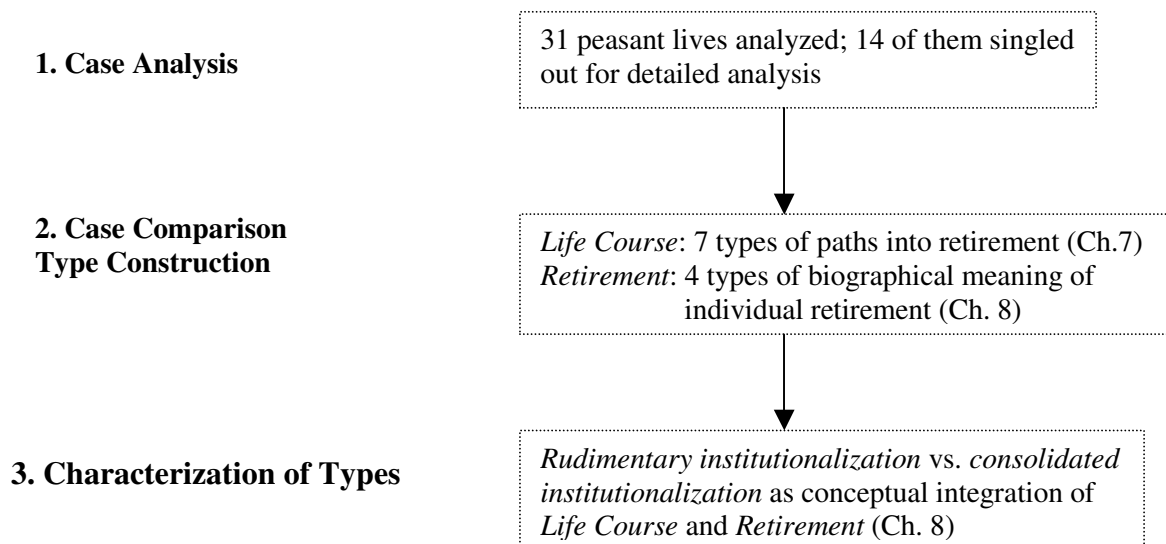
In sum, the construction of types and their comparison are a core element of data analysis in the qualitative research. Since this study applies the qualitative life-course approach and the biographical method, type building that constructs the life histories of peasants in respect to local pension schemes and retirement planning is an ideal tool for data analysis. The analytical strategy of this work follows the typology method developed by Gerhardt and others, seeking to highlight the macro-micro link between social change, social policy and life course in rural China.

4.2.2 Steps of Type Construction

This study applies the notion of Kelle and Kluge (1999: 75-97) to view categorization and type building as an ongoing process in which researchers compare data cases with the assistance of criteria derived from theoretical concepts. The analytical

procedure of type building is as follows: case analysis, type construction, and type characterization. The analytical steps are illustrated in the following figure 4-2.

Figure 4-2: Steps of Type Construction in the Study



Case Analysis: The researcher analyzes all interview materials according to a previously designed scheme which originates from theoretical discussions of the study. In focus stand the life stories and events of the interviewed peasants with respect to family economic situation, individual employment history, financial arrangement between work and retirement, diverse sources of old-age income, and personal experience with the public pension schemes or private insurance. All events before and after participation in the pension schemes or private insurance are documented chronologically. The goal at this stage is to trace the temporal sequence of all events relating to the participation in local pension schemes or other equivalent private insurance schemes. Due to the diversity of local practice in pension policy, the analysis also pays attention to previous experience with different pension schemes or private insurance companies. All relevant events and experiences are descriptively specified for later analysis.

In addition to the descriptive documentation of the temporal aspect of individual life events, the researcher also prepares a script for each interview case depicting the subjective significance of the public pension schemes from the perspective of the interviewees. The task is to analyze how the interviewed peasants define their problems with old-age security, how they interpret their personal situations and how they come to terms with them. At this stage, the researcher documents all relevant statements and remarks of the interviewees, and takes heed of possible citations for later article composition. The evaluation pays special attention to the significance of public pension schemes in the life planning of the peasants: how and why he/she came to the decision (not) to join the schemes, and

personal experience with responsible local cadres. The analysis also takes heed of the peasants' preference for public pension schemes or private commercial insurance. At the same time, biographical aspects of the interviewees also receive equal notice. The individual's interpretation of the life course before and after participation in the pension schemes or private insurance gives a hint to the subsequent preparations for old-age security, life planning as well as biographical relevance of public pension schemes or private insurance. Based on these preliminary analyses, the researcher makes tentative classifications for each interview case, assigning the statements of the interviewees to corresponding categories that lead to the construction of analytical types.

Out of the overall 31 transcribed interview cases (5 excluded due to bad quality), 14 cases are chosen for detailed analysis. The choice of criteria follows the pragmatic strategy based on the motive of participation, duration, and continuity in the public pension schemes or private insurance ones. Also, participation in diverse regional pension schemes is a crucial criterion as it often reflects the influence of regional economic development on the financial situation of individual households. While typing these 14 different personal experiences in varied pension schemes, the analysis seeks to include as many sorts of life histories within diverse institutional environments as possible, with the aim of manifesting the spectrum of life courses from poor households to well-off ones. The rest 17 cases manifest similar characteristics that can be assigned to the types constructed on the basis of the original 14 "ideal" cases.³⁶ The contrast of these 14 selected cases should illustrate the close interlocking between regional institutional conditions and individual life courses.

Construction of types: In correspondence with the theoretical and methodological considerations, the researcher begins to build types alongside two dimensions: life history relating to participation in the pension schemes or private insurance, on the one hand, as well as subjective perception and interpretation of the peasants towards the pension schemes and their retirement, on the other hand. Core concepts originating from these two analytical dimensions are *life course* and *retirement*. *Life course* of pension scheme participants refers to their life histories before and after the participation in the public pension schemes. The contrast between constructed types is geared alongside two factors: sorts of pension scheme and reasons for participation. The first factor filters the interview cases into different types of participation in regional pension schemes, which gives a hint on the institutional framework of regional pension policy. Participants of respective local pension schemes are assigned to different groups with distinctive characteristics. The second factor further sorts out sub-groups indicating why and how the interviewed peasants have made the decision (not) to accede to the respective schemes. The

³⁶ Note that this study does not aim to collect "representative" data according to the criteria of the quantitative methods. Again, the construction of types serves as a heuristic tool to manifest meaningful connection in social world and make sense of them.

juxtaposition of the two factors can highlight the connection between local pension institutions and individual life planning. All relevant dimensions have already been included in the interview guidelines so that answers of the interviewees can be attached to certain concepts in the coding procedure.

The second analytical dimension, *retirement*, explores the biographical dimension of old-age security of the interviewees. Participation experience in local pension schemes and individual strategies in response to the situations receive particular attention. The dimension *retirement* refers to the subjective aspect of the peasants, underlining their perception of and response to the given circumstances. Inquiry goes into details of questions such as how the peasants think about their old-age security and the existing public pension schemes, and which strategies they adopt to deal with these problems. The strategic choice between local pension, private insurance, family care or individual saving is of particular interest because it reveals the relative significance of each alternative for old age. In other words, the dimension *retirement* explores in particular the subjective assessment of the interviewed peasants with respect to their overall arrangements for old-age security. Based on the evaluations and strategies of the peasants, the researcher constructs 4 types to denote the internal connection between subjective perception and individual orientation. The same 14 cases used for the detailed analysis of the dimension *life course* are examined this time from the perspective of the *retirement* dimension.

Characterization of the types: The task at this stage is to develop abstract concepts that can synthesize the features of the constructed types. In this study, the constructed types of the two comparative dimensions, *life course* and *retirement*, are then linked together with features of social structures. From the intersection of *life course* and *retirement*, the analysis makes a leap forward by constructing two general types characterizing both the dimension of *life course* pathways to local pension schemes, and that of *retirement* in relation to individual life planning. The general types are constructed as umbrella categories encompassing both dimensions of *life course* and *retirement*. They can illustrate how peasants' perception and biographical orientation are related to the institutional frameworks of local pension schemes. By developing general characterization, the analysis incorporates the idea of the institutionalist life-course approach that human actions are embedded in the institutional and social settings.

In comparing the relationships between *life course* and *retirement*, one can identify the differences of individual perception towards retirement among participants of local pension schemes. The two general types are labeled as *rudimentary institutionalization* and *consolidated institutionalization*, referring to the central theoretical idea that life-course institutionalization is shaped by social policy (especially pension policy) of the state. As the empirical work has identified, while the idea of retirement is taking shape among peasants, its scope still varies a lot, depending on the how local institutional environment of old-age security is interpreted by individual agency. *Rudimentary institutionalization* refers to those

situations in which individuals have sensed the importance of old-age security, but are unable to make much for it due to limited available resources. Biographical orientation of retirement is remarkably constrained by fragmentary institutional support and individual poverty. By contrary, peasants in *consolidated institutionalization* have leapt forward in securing a stable income for old age largely with the aid of public pension schemes. The latter have opened a window of opportunity for individual peasants to think about their life planning and realize it – with significance consequence in respect to the concrete emergence of a retirement phase in their life courses. In other words, the distinction of *rudimentary institutionalization* and *consolidated institutionalization* helps identify the close relationship of structural constraints, institutional regulations and subjective meanings as well as decisions over time.

Part 2: Empirical Analysis

5. History of Chinese Social Policy after 1949: Two Worlds of Social Citizenship

Social policy often reflects the way in which a society responds to structural changes and how it copes with social problems arising from them. The case of China is undoubtedly a good example for observing the development of social policy embedded in the context of social changes. Probably no other country manifests the relevance of social institutions for social policy so clearly like China, especially in the course of institutional transition in all spheres since 1979. The multifaceted transition from socialism to market economy has altered fundamentally institutional mechanisms organizing the relationship between work and welfare in society. In this vein, this chapter seeks to analyze the origins of Chinese social policy in the socialist era and their impact on the lives of citizens. On this basis, it then goes further to outline general social changes in the context of economic reforms that have substantially changed the role of the state in social welfare provision. This chapter seeks to offer an overview of general development of social policy reforms after 1978 in order to set the background for analyzing the emergence of pension schemes for the peasants in the course of the 1980s until today (chapter 6).

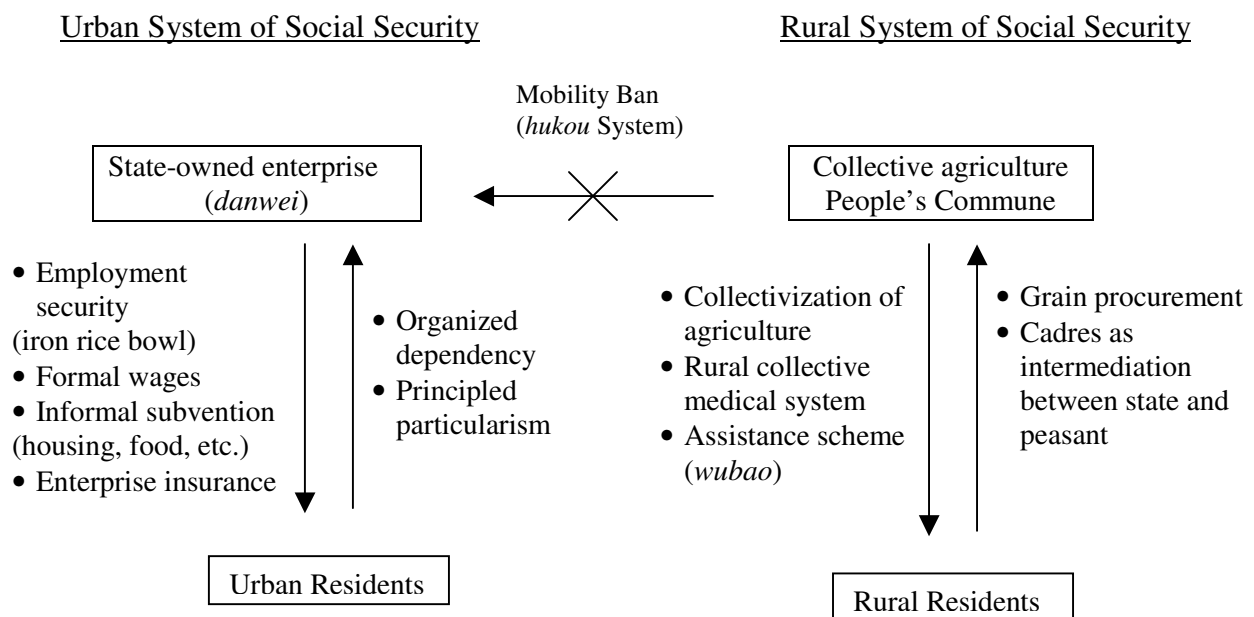
5.1 Social Policy before the Era of Reforms: A Brief Review

When the Chinese Communist Party (CCP) came to power after the civil war, China was still a destitute country fraught with destroyed economy and mass poverty. A key feature was the imbalanced development among regions: while coastal regions benefited from trade relationships with foreign countries, the vast hinterland remained underdeveloped and poverty-stricken. With the vast majority of the population still living on farming economy and the pressure for invigorating both urban and rural economy growing, the developmental strategy of the new government was to concentrate all available resources to promote heavy industry, a typical socialist approach towards modernization adopted from the Soviet Union (Chu, 1996). Furthermore, consumption was intentionally discouraged in the hope of shifting as much capital as possible to industrial sector in order to shorten the required developmental time.

The strategic choice of the CCP originated partly from its experience in the battle with the Nationalist regime before 1949 that had lasted for over two decades (1927-49). Land reforms for peasants in liberated areas during that period strengthened the legitimacy of the Communist in rural areas, a decisive factor that has contributed to the success of the Communist revolution (Friedman *et al.* 1993; Selden 1993, 1995). After the successful reform experience in rural villages, the CCP was eager to build a socialist system in urban areas which would justify the correctness and superiority of its ideology. The imitation of the Soviet approach has

led to what Selden (1993) called “mobilized collectivism” both in urban as well as in rural regions: class struggle, mass mobilization, collectivization of economy, elimination of market mechanism, and equal distribution. The emergence of the state-owned enterprises (SOE or *danwei* system) and the gradual establishment of the people’s commune became two distinctive development models that have molded lives of the people. The structural principles of this dual system are illustrated in the following figure 5-1.

Figure 5-1: Dual System of Social Security in China before Economic Reforms



Source: Author’s own account

One of the salient structural features was the restriction of citizen mobility. This movement control was achieved by the household registration system (*hukou*), which went far beyond a compulsory registration for all households. The personal data, i.e. where one was born and what sort of class background one inherited, became major determinants for one’s social identity and resource acquirement (Cheng and Selden 1994, 1997). Whereas rural registration granted households access to agricultural land in collective production teams, urban registration guaranteed the entitlement for employment assignment to state-owned enterprises that assured comprehensive social security with high benefits. Registration as urban residents meant higher social identity as well as economic safety. By restricting mobility of citizens between urban and rural regions, the CCP has established a rigid social order that lasted until the start of economic reforms at the end of the 1970s. With the establishment of the *hukou* system, Chinese society is *de facto* divided into two separate worlds of social citizenship, an employment-based comprehensive social insurance system for urban

residents and a community-based residual social assistance system for rural population.

5.1.1 The Urban System of Employment-based Welfare

Urban welfare was from the onset guaranteed on the basis of enterprise welfare programs. Each individual work unit operated decentralized with regards to welfare provision. As a result, workers' welfare depended entirely on each individual work unit that provided comprehensive, non-contributory and full-fledged welfare benefits. Working units have become the centerpiece of urban welfare that immerses deeply into urban life. As early as 1986 the American sociologist Andrew Walder (1986) described this phenomenon as "organized dependency" and "principled particularism", denoting the dominant role of working units in resource distribution as well as the importance of patron-client relationship in attaining social status and promotion chances. The ubiquity of working units in Chinese cities developed to such an extent that they penetrated in the social relationship between urban residents and oriented their behavior (Li 1991; Li and Li 2000). Memberships in working units had thus highly symbolic meaning for the urban life because they represented social status as well as resource disposition. Manifold welfare provision of the enterprises for their employees has made the urban life realize the communist ideal "from cradle to grave".

In urban social policy, the Chinese government has established a system of full employment (the iron rice bowl), coupled with a comprehensive system of work-related social benefits and guaranteed low-price food supply (Dixon 1981; Krieg and Schädler 1995; Leung and Nann 1995; Lü and Perry 1997). The development policy for the urban part was high employment, high welfare and low wages. Centerpiece of the urban welfare system was social insurance, which covered risks such as old age, sickness, work injury and maternity (later also unemployment).³⁷ Each SOE was responsible for the financial expenses of social insurance for its employees, who enjoyed all the benefits without previous contribution payment. Each SOE had to spare 3% of the total enterprise wage bill and poured the money into a collective fund of labor insurance. Contribution collection was under the administration of the trade union in each enterprise under the umbrella of the All China Federation of Trade Unions (ACFTU). In case of financial difficulty of SOEs for the contribution payment, the state would bear the burden by means of tax revenues. Since SOEs belonged to the state, they were not responsible for their operation profits or losses, nor had their performances any correlation with the welfare benefits they had to pay to their employees.

³⁷ Initially, there was no unemployment insurance, as jobless was viewed as the pathology of capitalist economy which would not exist in the communist system. For the same token, social assistance was also underdeveloped because poverty was thought to be associated only with very rare circumstances such as handicap or lack of family support.

The benefits for employees were comprehensive and generous given the overall low level of income at that time. Along with the insurance protection, employees of SOEs also retained other material benefits such as housing, food subsidies, and benefits for invalidity or death. Almost all service facilities were also run by SOEs that ranged from staff quarters, public schools, and kindergarten to hospitals and nurseries. Personal welfare services included mediating in family disputes, promoting one-child policy. As employment was the key access to abundant welfare benefits, it was centrally administered by the Personnel and Labor Department. It assigned all prospective employees to different work units, which had no disposition to decide recruitment or dismissal of their employees. Under the socialist system, employment was fixed life-long, ensuring everyone employment security as well as welfare packages. Furthermore, the system of automatic replacement (*dingti*) enabled children of the retiring employees to take their parents' jobs, a job-guaranteeing policy which was not abolished until 1986. This job replacement system led to high dependency of employees on their work units, especially on the influence and control of the enterprise cadres. With this pertinent employment security which could be transferred to next generation, the state assured the loyalty of the urban working class, which stood firm as the bulwark of the state socialism. Workers in SOEs were provided with life-long security in exchange for their conformity and support of the state.

5.1.2 The Rural System of Community-based Welfare

In sharp contrast to their urban counterpart, social security provisions in rural areas were sparse and the whole collective welfare system was primitive. The welfare system in rural China was based on two pillars established since the CCP seized power after 1949: land reforms between 1947 and 1953 as well as collectivization in the 1950s (Dixon 1981; Krieg and Schädler 1995; Song 2003; You 1995). Land reforms were always the central element in CCP ideology, which took place soon after the CCP controlled the situation of civil war in China. With roughly equal distribution of land to each household, land reforms have eliminated one of the persisting causes of inequality in rural China. It has also contributed to relieving the severe destitution in the wake of the civil war. As the vast majority (over 80%) of the population still inhabited in rural areas, farming on the land was supposed to be the main source of their living. Each household was assigned a land plot serving as the main pillar of the household income.

The developmental strategy of China was to transfer rural resources to urban sectors in support of industrialization, which was seen as the fastest route towards modernization. To achieve this goal, a main task of rural economy was to grow grain whose price was deliberately pressed for the purpose of resource transfer to urban sector as well as self-sufficiency in rural areas (Chu 1996; Knight and Song 1999; Lin *et al.* 2000). As early as 1953 a system of compulsory delivery of agricultural products at fixed prices was established. By means of this political monopoly of the crop prices,

the state took control of the pricing and marketing of agricultural products so as to extract capital for the development of heavy industry.³⁸

Following the egalitarian land reforms during 1947-53, collectivization of agriculture by means of setting up mutual-aid teams and people's commune were further steps to establishing an egalitarian rural society. The rural populations were organized into a three-tier structure with communes at the top, brigades in the middle, and production teams at the bottom. Primary responsibility for income support was placed on the peasants and rural collectives, while the state's role in this respect was rather supplementary. The people's commune constituted the rural social structure under the socialist rule. It consisted of teams and brigades, parallel to the natural villages (*cun*) and administrative villages (*xiang*). Rural cadres were recruited from local residents, who were aware of local interests and keen to ward them. Communes were explicitly conceived as highly self-contained entities with unified economic, political and social functions. The autarky of communes was further strengthened by the political barricade of *hukou* system that forbade mobility of the villagers to the outside world. Communes in rural China played the role of collective institutions comparable to work units in urban China.

Apart from agriculture as the main source of income security, the major rural scheme was a means-tested social assistance scheme, aiming at relieving severe poverty and settling demobilized veterans. These programs were financed and administered solely by local communities. The main scheme was the "five-guarantees" (*wubao*), which provided care for needy people, particularly frail elderly people, disabled and young orphans who had no sources of assistance at all. What originally consisted of food, fuel, clothing, education and burial has evolved gradually to more comprehensive benefits (Krieg and Schädler 1995: 169ff., 2000: 132). Since the *wubao* scheme was mainly financed with the incomes of production teams, the amount of benefits and the eligibility criteria depended on their financial strength, thus varying a lot among the communes. Under this condition, *wubao* recipients constituted only a very small portion of the cooperative members. Despite the attempt to extend rural welfare benefits to all residents, for example in the phase of "Great Leap Forward" at the end of the 1950s, the *wubao* scheme was the only system that actually remained and functioned.

The other institutional framework of rural welfare was the cooperative health insurance system established in the 1950s, the so-called "Rural Cooperative Medical System" (RCMS), which was originated from voluntary self-aid medical care in some regions, later implemented in the whole nation during the Cultural Revolution (Bloom and Fang 2003; Liu 2004; Lu 1996; Zheng 2002). It aimed at providing an affordable medical care for rural residents, practiced by the so-called barefoot doctors who offered basic medical treatment, promoted primary medical knowledge,

³⁸ Scholars estimated that the total sum of resource transferred in this way from the rural to urban area was at over 600 billion Yuan (Lin *et al.* 2000: 149). In other words, rural development has never been the chief concern of political elites before 1980.

and took sanitary measures. This health scheme was financed by the collection of premiums from individual members and collective welfare fund of the communes. Communes were the main institutional providers which employed medical workers, maintained health stations and hospitals. Due to large reliance on local financial capability, the RCMS was characterized by a variety of scope and extent in medical care among regions and collective units. Yet this community-based health scheme was deemed to be quite effective in accomplishing basic medical care for the vast majority of Chinese rural population.

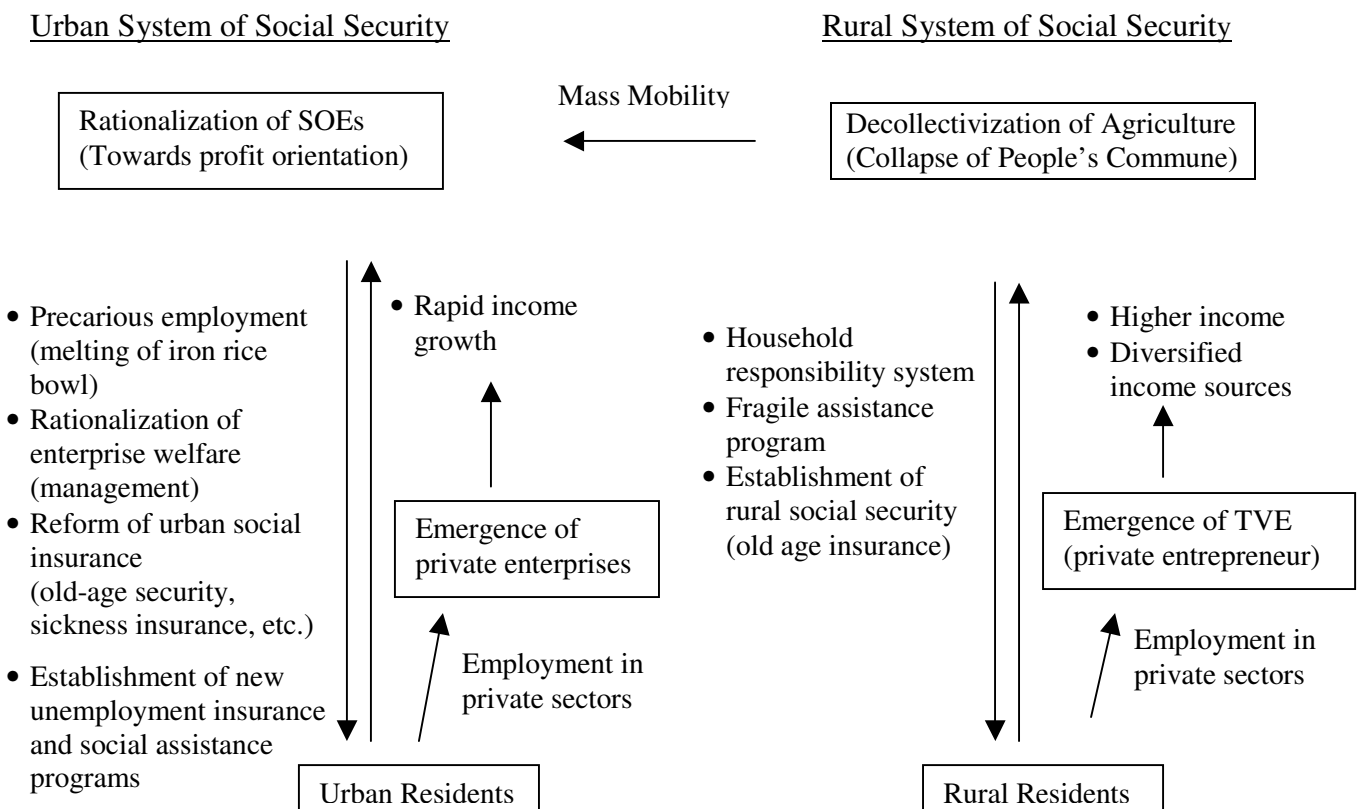
In addition to these formal arrangements, the central government also provided subsidies for poor region development to support provincial programs in education, healthcare, and other related human resource and infrastructure development. This sort of subsidies was managed by the State Development Planning Commission, which usually adopted top-down planning method according to the political priority and resource availability of the central government. Local needs were therefore subject to the strategic planning of the country.

5.2 Social Aspects of the Reform Process

The Third Plenary Session of the Eleventh Central Committee of the CCP in December 1978 marked the start of the reform process. During this session, the party sought to reassess the collectivist policies of the Maoist period and decided to take the path towards more involvement of the market mechanism while withdrawing the state from economic activities. In 1979 the second session of the Fifth National People's Congress ratified the party's resolutions. The overall goal of the reforms was to achieve the four modernizations in industry, agriculture, science and technology, and national defense. The objective was to increase the gross value of industrial and agricultural output in two decades and to improve per capita income. Under Deng's instruction, the CCP gradually revised its developmental policy and introduced a series of reform measures that has changed Chinese society irreversibly in the next decades.

Since then, the Chinese society has experienced rapid structural transformations, but it has also encountered new social problems. Restructuring SOEs in the urban sector as well as reforming agricultural production in the rural sector have unleashed market force into economic and social spheres. While a proportion of the population (especially private entrepreneurs) has benefited from new economic opportunities and better incomes, still larger population groups (especially urban SOE layoffs and rural migrants) are excluded from these opportunity structures and left alone to face increasing insecurity. As a result, concerns about social stability in China arise, raising doubt about the governance capability of the state with respect to building a comprehensive social security system. The extent of social changes and their impact on social security systems in China are illustrated in the following figure 5-2.

Figure 5-2: Dual Development of Social Security Systems after Economic Reforms



Source: Author's own account

In the pathways of social change since the economic reforms, the institutional legacy of the Maoist era remains salient. The core of urban reforms was the reform of the state-owned enterprises (SOE) from state-controlled to profit-oriented enterprises. To achieve economic rationalization, the improvement of operation efficiency and labor productivity became inevitable, forcing SOEs to reduce redundant labor force and retrench welfare benefits. The retreat of the state's control over the enterprise activities and the shedding of their responsibility for the well-being of their employees have led to an increasing number of urban layoffs. For the first time unemployment and the associated poverty emerged as the central insecurity problems in the socialist welfare framework.

In the countryside the situation is even gloomier. The waning of the state's control was accompanied by the decollectivization of agriculture, the collapse of people's communes and the implementation of the household responsibility system. Rural residents were allocated the right to manage the land they worked on (but not the right to dispose of it), and permitted to pursuit higher profit for their income. This ambiguous property right of land has spurred high growth of rural income in the course of the 1980s. In the meantime, other income sources also emerged (e.g. employment in rural enterprises TVE) in the course of economic reforms. A fundamental implication was that the rural reforms have in effect limited the state's control over migration, resulting in a mass flow of migration. Over the years millions

of rural residents migrated to wealthier regions in search of better jobs, thereby challenging the original rigid policy of mobility ban. As the function of the land in terms of economic production and social security decreased, the existing fragile rural system of social security had to adjust itself and took more reforms.

5.2.1 Restructuring Urban Economy and Its Social Implications

Urban reforms aim to transform the SOEs into market-oriented corporations. The first move began in 1978 by reinvigorating SOEs as the government granted them greater autonomy in production, distribution and management (Chow and Xu 2001; Smyth 1998; World Bank 1996; You 1998). SOEs were allowed to retain a certain part of profits for investment, welfare provision and bonus. After the state subtracted the quota, enterprises could retain funds for supplementary production and manage their own employees. The autonomy of SOEs was further bolstered in 1984 when the government moved on with experiment of various forms of management responsibility systems. Full autonomy of SOEs was not realized until 1988, when the National People's Congress passed the "Law of State-owned Industrial Enterprises of the PRC", which left all aspects of enterprise operation at managers' own disposal. Since then, SOEs were viewed as individual economic organizations responsible for their own operation profits or losses.

The reforms accelerated in the second half of the 1980s and reached their climax in 1993, when reforming the government-enterprise relationship and restructuring the internal managerial mechanism stood out as central measures to restructure SOEs. According to the reform idea, SOEs were supposed to transform into shareholding corporations with board of directors representing investors and managers running the business. Enterprises in bad form should either be closed down, declare bankruptcy, or ameliorate their operation results. The restructuring of SOEs and their affiliated occupational welfare system thus became a central target of the government to improve efficiency and performance in competition with the township and village enterprises (TVE).³⁹ Liberalization of the labor market was first implemented at the enterprise level, whereby managers could decide independently about the amount of staff.

However, the effort to disband SOEs from the planned economy has inevitably triggered massive dismissal of their redundant labor force. In tandem with the loss of job was the erosion of generous welfare benefits set to reduce the overstretched burden of SOEs. Redundant labor force has become a new group of paupers whose well-being posed a huge challenge for the existing social security system (Chan 1998; Hussain 2002; Smyth 1998, 1999; Solinger 2002; Whyte 1999). Concern about the waning function of *danwei* was compound with the skepticism about the sustainability of the withering occupational welfare system (Chan and Chow 1992;

³⁹ For a more detailed description of reform measures towards rationalization of SOE, see Smyth (1998, 1999); Wong and MacPherson (1995); World Bank (1996); You (1998).

Duckett 1997; Krieg and Schädler 1995; Lee 2000; Leung and Nann 1995; Lu 1996; Wong 1998; Wong and Macpherson 1995). Scholars also pointed to the unequal treatment of welfare retrenchment in work unit according to the age hierarchy. While older cohorts generally benefited a lot from the occupational welfare system, younger cohorts entering the work units later became those most susceptible to cutback in welfare provision. This cohort inequality has also contributed to the segregation of employment among different cohorts (Davis 1988; Zhou *et al.* 1997, 2001).

In association with the increase in job insecurity, there was growing concern about the urban poverty. Although paucity of systematic data and clear definition of poverty contributed to diverse estimates, scholars were gradually able to depict a rough scale of the urban poverty based on official statistical data and household survey.⁴⁰ Khan and Riskin (2001: 38) indicated that, between 1988 and 1995, the estimated number of urban residents in poverty rose from 23.5 million to 28.1 million. This gloomy picture was also echoed by Cook (2000: 6), who drew official statistics and confirmed the aggravating income inequality among rich and poor urban households.

Overall, urban areas in China are undergoing an overhaul of economic organizations and their financially overburdened welfare systems. This institutional transition has in general facilitated labor mobility and economic growth, yet concurrently led to problems of poverty associated with job insecurity. As a response to these exacerbating situations, the central government has initiated a series of welfare programs aiming to assist those excluded from traditional welfare benefits as a result of economic reforms. There are concerted efforts to transfer obligations from the enterprise to social insurance agencies and society (so-called socializing welfare; cf. Chen *et al.* 2000; Cook 2000; Croll 1999; Duckett 1997; Hu 1997; Krieg and Schädler 1995; Liu 1996; Wong 1995). In comparison with its rural counterpart, welfare reforms for urban areas have been implemented more systematically and comprehensively due to their political weight in the overall framework of Chinese social security systems.

5.2.2 Disparate Economic and Social Transformation in Rural Areas

The tight control of the state over the rural peasants began to loosen with the advent of the reform process. The first breakthrough came with the introduction of the household responsibility system. It aimed to promote agriculture with a series of policies such as raising state procurement prices for farm produce, promoting sideline production as well as reviving rural markets and allowing the sale of grain outside peasants' own residence (Heberer and Taubmann 1998; Selden 1999; Wong 1998; Wong and MacPherson 1995). Institutional restructuring also accompanied

⁴⁰ Athar Hussain attempts to tackle this measurement problem by adopting various definitions in order to gain a more comprehensive picture of urban poverty. See: Hussain (2002); also cf. Khan and Riskin (2001).

these economic reforms. In 1982 communes were abolished, and the administrative functions were transferred to township (*zhen*) or village governments (*xiang*). In the following years, a series of financial decentralization was enforced so that local governments have won more administrative and fiscal autonomy.⁴¹ From 1984 onwards, peasants were allowed to move into cities for work and business without changing their rural status. One year later, the state abolished its monopoly on grain procurement and switched to purchase on contract. All these measures have greatly revived the rural economy.

The core mechanisms of the economic growth in rural China lay in the industrialization and the household responsibility system. By 1987 rural industry has already surpassed agriculture as the dominant source of total rural income. According to the data collected by Oi (1999a: 1), total output of rural enterprises surged almost ninefold from 1980 to 1987, and they contributed to almost one quarter of China's total exports. The strong growth of rural industries has led to profound changes. Large amount of rural labor force transferred from agriculture to industry and service sectors, thereby altering the employment landscape from self- to wage employment and induced population migration from poor villages to rich regions (Hussain 1999: 6ff.; also Herberer and Taubmann 1998; Krieg and Schädler 1995; and critical analyses Knight and Song 1999; Solinger 1999; Wu 2000; Zhang 2003). Rural migration challenged the institutional structures and premises of providing different levels of service and support according to the residence and employment status. As migrant workers had no registration status in their workplaces, they were in fact excluded from any local social security systems, making them vulnerable to typical risks of modern life. Nor had their children any access to local health care and education (Fan 1999: 50; Tang 1999).

The large wave of migration in China was propelled by the growing imbalance among regional development. The uneven development was most palpable between rural and urban areas. World Bank (1997a: 16) reported that rural incomes were only 40 percent of urban incomes in 1995, down from 59 percent in 1983.⁴² McKinley and Brenner (1999: 6f.) calculated the change of Gini-ratio between 1988 and 1995 from 0.382 to 0.452, or an 18% rise. Results of numerous studies also revealed similar trends (Khan and Riskin 2001; Knight and Song 1999; Nyberg and Rozelle 1999; Riskin *et al.* 2001). While the impact of income inequality in urban areas could be mitigated by the existing social security system, it was much harder for their rural counterparts to tackle these problems alone due to lack of a social safety net.

⁴¹ The relative autonomy of local government in the decision over local issues is seen in the eyes of some scholars as a key factor that has generated rapid rural industrialization in the last two decades. See: Oi (1995, 1998, 1999a); Walder (1995b, 1998).

⁴² Rural residents did have initially profited from the reforms as their incomes rose rapidly, but these began to lag behind the increase pace of urban incomes after 1985. This trend reversed only once in 1995.

In sum, all these issues emerge as factors that have undermined social stability. A difficult but necessary task is to extend existing residual social safety net for the rural population. Nevertheless, any determined political move for rural welfare extension at this stage appears unlikely, as the state intervention remains very fragmented. In recent years, the MOCA has initiated innovative experiments with insurance schemes in rural areas (see chapter 6). These include pension insurance schemes, as well as efforts by the Ministry of Health to reintroduce health prepayment schemes similar to the earlier cooperative medical schemes (Cook 2000; Wang 1996; Wong 1998; World Bank 1997b). Due to regional disparities, however, these programs were first introduced in more developed areas. A further extension of social security programs depends on the overall economic growth and the state's resolution to distribute resources more evenly among its citizens.

5.2.3 Demographic Transition

A social phenomenon equally challenging to social welfare development in China is its rapidly aging population. Drastic change of age structure is a combination of the one-child policy and the prolonged life expectancy as a result of the relatively effective health care. The unprecedented speed of population aging comparable with industrialized countries has attracted numerous researchers to measure the scale and extent of its impact (Chow 1999; Cook 2000; Fan 1999; Hu 1997; Hussain 1999; UNDP 1999; Wang 1999; West 1999; World Bank 1997b). Their studies unanimously portray a gloomy future of aging development the Chinese are going to encounter. For example, World Bank (1997b: 14) estimates that the elderly (aged 60 and elder) will compose some 16% of the Chinese population by 2020, approaching the 18.6% share in OECD countries in 1990. Whereas most OECD countries spent 80 to 100 years to double the proportion of their old people to 18%, China will achieve this goal in only 34 years. Hussain (1999: 2-6) indicates the shrinking proportion of the population group aged from 15-29, which dropped from 47.3% in 1982 to 36.3% in 1998. The proportion of the age group 30-64, by contrast, increased in the same period from 52.7% to 63.7%.

The aggravating demographic development has two major implications for current social security systems. First, the foreseeable tendency of more dependent elderly indicates that priorities should be given to establishing more sustainable systems of pensions and health care in coming welfare reforms. These developments would certainly complicate the whole circumstance since the ongoing welfare reforms have already given rise to more contingencies for certain population groups. Second, the uneven dependency ratio in terms of both child and elderly dependency raises the question of burden distribution among societal sectors (state, market, and family), a crucial issue in designing new or reshaping old social security systems. Especially rural areas are far less well prepared for the demographic challenge than their urban counterparts. While family and land are hitherto two major pillars underpinning rural welfare, diminishing offspring will surely weaken the caring

function of families and thus that of the already fragmented rural social security systems.⁴³

5.3 Reforms of Social Policy after 1979: General Development

The onset of economic reforms marks the turning point for social policy development in China. The redirection from plan to market economy has fundamentally altered the role of societal sectors in the process of welfare production. The leading idea of development now emphasizes efficiency rather than equality. Deng's slogan "let some people get rich first, let some areas get rich first" demonstrates vividly the maxim of the Chinese government. As a consequence, the exorbitant intervention of the state in the Maoist era is replaced by its successive retreat from all societal spheres: control of civil life is relaxed and autonomy of local areas and social groups reinvigorated. In the field of social policy, the state is attempting to diversify welfare responsibilities among different societal sectors. This is especially obvious in the urban areas where traditional occupational welfare systems are overhauled in the hope to relieve the state's burden and strengthen SOE's efficiency. The trend is turning from ubiquitous care of the state to re-commodification of labor force and re-emphasis of individual responsibility.

Recalibration of policy aims and measures thus becomes a major task of Chinese welfare reforms. With regard to the policy clientele, there remains a clear tendency towards the urban bias. Though peasants and their village collectives enjoy more freedom than before, they still have to bear considerable responsibility for their own economic development and welfare provision. One significant consequence is the widening regional inequality, as poor areas receive few aids from the central government, therefore unable to escape the gridlock of underdevelopment. The urban areas, meanwhile, receive many aids from the state due to the central government's policy orientation on urbanization and industrialization. Developmental imbalance is most evident between city and countryside, but also continues widening between coastal and inland areas. The following description seeks to depict social policy reforms in China following the vein of urban-rural divide. Note that it does not intend to give a comprehensive illustration of all policy reforms, as this task is almost impossible given the complexity of their overall development. The aim is rather to delineate the contour and direction of the reform process in order to locate rural pension schemes in corresponding contexts.

5.3.1 Urban Welfare Reforms: "Socializing" Occupational Welfare

For more than three decades after the establishment of the PRC, the urban system of employment-based welfare represented the superiority of socialism. Yet as the sum

⁴³ Hussain (1999: 4) indicates that only 20% of the aged Chinese (over 60) receive pensions and merely a small proportion of these are in urban areas. The rest 80% aged people live in rural areas and depend largely on their children for financial support.

of workers eligible for pension benefits surged, financial pressure upon the system began looming. The rapid rise of retirees since the 1980s put additional burden on the state and collective enterprises at a time when they were also under pressure to competition with new private, foreign-funded firms as well as TVEs.⁴⁴ The mounting yet uneven pressure on individual work units to pay the welfare benefits of their retirees was a direct threat to the effort to increase their productivity. In order to tackle these problems, the Chinese government adopted measures in three respects. First, the government set up in 1986 a special contract workers' retirement pension system for state employees hired on labor contract basis. Meanwhile, the existing pension system for employees of SOEs was reformed. Second, China introduced for the first time since 1949 unemployment insurance for SOE employees. Third, in order to tackle increasing risk of poverty in urban areas, the government established a new social assistance scheme. These three steps reflected the policy effort to prepare SOEs and their employees for the institutional transition to market economy. These measures were incremental reforms focusing on promoting the independence and autonomy of SOEs as well as diversifying the burden of welfare costs among individuals, enterprises and the state. These three reform endeavors are sketched below.⁴⁵

Pension Reforms

China started experiments of alternative pension options in the mid-1980s (Chow and Xu 2001; Lee 2000; Leung 1994; 2003; Selden and You 1997; Smyth 1999, 2000; West 1999; Whiteford 2003). With the initial experiments made in several cities in the early 1980s, all cities were encouraged to set up pooled funds for pensions in 1985. The state hoped that enterprises with different proportions of retirees could share their pension costs together. Furthermore, under the new contract workers' scheme in 1986, both enterprises and contract employees were obliged to pay contributions to a funding pool.⁴⁶ The new policy marked a farewell to the traditional socialist system of occupational welfare by a further stride towards mixed insurance. Yet the reform of 1986 only dealt with the contract employees and left out other types of

⁴⁴ According to the estimates of Selden and You (1997: 1661), the number of retirees increased tenfold from 3.1 million in 1978 to 30.9 million in 1995, including 24 million state sector and 6.2 million collective sector employees. Total insurance and welfare benefits rose from 7.8 billion Yuan in 1978 to 236 billion Yuan in 1995, a net increase of 15.5% in the total wage bill in the SOEs.

⁴⁵ The following description leaves out intentionally the urban health insurance because it is less relevant for the connection between rationalization of the SOE and employment security of the urban workers. Also, the trend in the urban health reforms that the state imposes more responsibility onto enterprises and individuals corresponds largely to the development of other social insurance branches delineated in this chapter. For further discussion in this field, see Duckett (2001b, 2004); Zheng (2002).

⁴⁶ Based on the State Council Document 77 of 1986, Enterprises contribute 15 percent of contract employees' total wages and contract employees make an individual contribution of no more than 3 percent of their standard wages. Pension pooling covers the following items of benefits: pensions, medical fees, death compensation and funeral expenses, survivors' payments and relief.

workers. The effect of financial pooling soon proved insufficient in coping with the mounting burden of coming pension expenditures.

Against this backdrop, the State Council's decided in 1991 to introduce a nationwide new system of old-age pensions for state-sector employees (*guanyu qiye zhigong yanglao baoxian zhidu gaige de jue ding*). Envisaged was the introduction of a multi-tiered pension scheme for employees of state-owned and collectively-owned enterprises. According to the plan, all SOEs were due to set up contributory pension funds for their employees, and other types of enterprises such as collectively-owned enterprises, joint ventures, and urban private enterprises should follow suit. The financial structure of the basic tier was set based on actual pension expenditures, but the financial ability of employees should be taken into account as well. The state, SOE and individual employees were to share contributions to the pension insurance altogether (the state contributed by preferential tax treatment while the other two parties paid contributions on a monthly basis). The collected contributions were either deposited in a designated bank or partially invested in government bonds. In addition, bigger enterprises in sound financial conditions could establish their own supplementary pension schemes. An optional benefit based on individual savings was also encouraged. Employees could participate in programs according to their own financial capabilities.

The year 1995 saw another major reform when the State Council (*guanyu shenhua qiye zhigong yanglao baoxian zhidu gaige de tongzhi*) decided to expand the new three-tier pension scheme to employees in non-state sectors. Following the decision of 1991, the document of 1995 further regulated that the basic part of the scheme was designated as a combination for basic old age insurance with personal accounts for individual workers (so-called *shehui tongchou yu geren zhanghu*). All workers owned a personal fund account portable throughout their working paths. Individual contribution rate was set at no more than 3 percent of his/her average wages in the previous year, which would rise by 1 percent every two years. The pension reform of 1995 was an attempt to integrate unified fund and individual accounts. The establishment of individual accounts aimed at expanding the funding basis and reducing employers' contribution as well as providing incentives for employees to contribute.

Yet, as the reforms of SOEs speeded up in the course of the 1990s, it became clear that the pension scheme based on the State Council Document of 1995 was still incomplete. In July 1997, the State Council issued another document addressing problems of the current system (*guanyu jianli tongyi de qiye zhigong jiben yanglao baoxian zhidu de jue ding*). The main objective was to unify pension systems to a state pension program. The 1997 reform substantially redistributed pension burdens among enterprises as well as between enterprises and employees. It reduced the replacement rate of pension benefits from 80 to below 60 percent, slashed the

contribution burden of enterprises but increased employees' shares.⁴⁷ The reform of 1997 also urged local governments at various levels to establish subsistence allowance system in urban areas to provide minimum benefits to the poor including pensioners (Minimum Living Standard System, see below). In this way, it attempted to diversify the financial risk among various enterprises and strengthen the condition of the whole system.

The effort to unify pension schemes and their local administration at the provincial level went further in 1998, as only 13 provincial localities had established unified social pooling by the end of 1997. To lubricate the transition process in the local systems, the State Council allowed local governments to establish a provincially unified adjustment mechanism at first, and then a provincially unified pension system by the end of 1998. In this way, social pooling provided all retired workers within that pooled social pensions. Yet overall, even after the 1997 reform, enormous regional variations persisted. This led the Chinese government to conduct experiments or pilot projects, among them notably the pilot plan launched in the Liaoning province in December 2000 (Zheng 2002: 91). The goal was to upgrade the old-age, medical care, and unemployment insurance programs of the state for urban employees. The plan included both components of social pooling and individual accounts, a further move to consolidate the three-tier pension system.

Pension reforms in urban China are one of the core social policies that attempt to adjust traditional old-age security systems in line with the structural overhaul of SOEs. The central idea of the reform strategies is to establish a multi-pillar system in which funded individual savings account can supplement enterprise benefits. A balanced distribution of pension costs among the state, enterprises and individual workers becomes the financial paradigm underpinning the whole reform process. Due to decentralized political structure and lack of appropriate social insurance laws, however, the state fails to stipulate penalties for non-compliance (Béland and Yu 2004; Chow and Xu 2001). Local labor departments (main body of implementation) often find it difficult to coerce enterprises to make contributions, especially those already struggling for survival. Furthermore, most of the contributions paid into the individual pension accounts are susceptible to administrative abuse, which directs it to pay for current pension expenditure instead of accumulating in independent investment funds. The advantage of personal pension accounts is further dented by the fragile financial system in China, a problem that puts the desired profitability of funded accounts to flank the pension system into question. Hence, despite the progress of pension reforms in urban China since the 1980s, their overall results are still far from successful.

⁴⁷ Each enterprise should not contribute more than 20 percent of the total wages as social pension funding, while individual workers had to pay 11 percent of their wages into personal accounts.

Unemployment Insurance

Unemployment was supposed not existing before 1978. This circumstance changed when the economic reforms developed to a stage at which SOEs were allowed to lay off redundant workforce. With the number of laid-off workers mounting, it became clear that social policy for this group was needed to lubricate the transition process. Since 1978, China has been developing unemployment insurance in three steps (Chow and Xu 2001; Wong and Ngok 2006; Zheng 2002). The first locally based unemployment insurance scheme was established upon the requirement of the State Council in 1986 (*guoying qiye zhigong daiye baoxian zhanxing tiaoli*). It issued a document which reformed fundamentally the employment system: 1) establishing the contract labor system; 2) abolishing the practice of assigning workers to enterprises by the government while introducing open competition in recruitment policies; 3) allowing dismissal of employees with unsatisfactory work records; and 4) establishing unemployment insurance for SOEs. At the outset, the access to unemployment insurance was limited only to laid-off workers of SOEs. Participating SOEs had to contribute 1 percent of the total standard wage bill, while benefits included regular relief payments, medical payment, funeral expenses, and survivors' compensation.⁴⁸ Accumulated funds were also obliged to pay pensions to retirees of bankrupt enterprises, as well as offer training and financial assistance. Both the duration and level of benefits were calculated on the length of employment and the standard wages.

The newly-established unemployment insurance faced soon a challenge as the mass dismissal became imminent during the 1990s. The government realized that further extension of the unemployment insurance was essential to assist an increasing number of involuntary laid-offs. The scheme, which initially covered only new recruitment in SOEs, was then successively extended to the increasing mass of formal employees dismissed by their work units. The State Council Document 110 formally recognized this practice in 1993 (*guoyou qiye zhigong daiye baoxian tiaoli*), which expanded the coverage of the scheme from unemployed workers in SOEs to all types of unemployed workers. Whereas the duration of receiving the benefits remained unchanged, the benefit levels were adjusted from the previous 50-75 percent of the standard wages to 120-150 percent of the social relief program (Zheng 2002: 165). Local governments were given the discretion to define the exact contribution rate of enterprises. Furthermore, the reform of 1993 stressed the importance of reintegration in the labor market, thereby obliging the local governments to spare a certain amount of the funds for training programs or reemployment assistance.⁴⁹

⁴⁸ The standard wages were calculated as the worker's average monthly wages over two years before leaving the enterprise.

⁴⁹ For a recent analysis of policies towards the unemployed and the function of the re-employment service center in Shanghai, see Wong and Ngok (2006).

In the course of the mid 1990s, it became evident that further measures should be taken to tackle the unemployment problem outside the state enterprises. The State Council issued in January of 1999 “Regulations on Unemployment Insurance” (*shiyue baoxian tiaoli*), ruling that unemployment insurance be legalized and compulsory for all enterprises excluding governmental organs (State Council 1999). Local governments were even allowed to extend the coverage to employees in non-governmental organizations and self-employed households. Contribution rates for enterprises were raised from previously 1 percent to 2 percent of the total wages, and employees were also demanded to make an individual contribution of 1 percent of the total wages (ibid: 167). By increasing enterprise contribution rate and including individual contribution of the employees, the reform sought to broaden the financial basis of the scheme.

In order to curb benefit costs, the reform of 1999 differentiated the duration of benefits into three grades according to the number of years the beneficiary had contributed to the fund. A record of one-year contribution payment was the prerequisite for the eligibility. The maximal period of unemployment benefits was 24 months when the beneficiary had over 10 years of contribution record, and 18 months instead if the duration contribution payment was between 5-10 years, 12 months only when previous contribution record was less than 5 years. A beneficiary could get 60-75 percent of the standard wages during the first 12 months of unemployment and 50 percent for another 12 months, the same rate as previously (ibid: 167). Yet if the unemployed worker’s eligible benefit fell below the standard minimum wages, local governments could determine the exact level of benefits based on individual situations to avoid falling into poverty.

In sum, the implementation of the reform 1999 has broadened the coverage of the unemployment insurance as well as the funding basis of the scheme. The financing method has also been diversified to strengthen the viability of the scheme, though in practice the enterprises had to bear a large proportion of the funds based on the number of laid-off employees from them (*shehuihua*). Local governments were given greater responsibility for organizing the implementation of unemployment insurance at local level and setting up reemployment service centers that provided financial assistance and job introduction. With the institutionalization of the unemployment insurance, the central government has taken a further step towards diversification of welfare responsibilities among societal sectors.

Minimum Living Standard Scheme

Despite the efforts of the government to address the intensifying problems of unemployment and pension burden, more employees were unable to receive their pensions or wages from SOEs due to the problem of rising unemployment burden. Even the establishment of the unemployment insurance was not sufficient to cope with the urban poverty emerging as an urgent phenomenon (Liu and Wu 2006). To establish a social safety net in the cities, the government restructured the traditional

social assistance program in 1993, aiming to extend its coverage, raise the level of benefits and secure financial commitments from local governments. This has led to the Regulations on the Minimum Living Standard System (MLSS; *zuidi shenghuo baozhang*) in 1999, which prescribed all city governments to include the social assistance expenses in city budgets (Hussain 2002; Leung and Wong 1999; Shang and Wu 2004; Zheng 2002). Before MLSS there were already several pilot schemes experimented at some localities, which offered experience and lessons for the final implementation across the country. Shanghai, for instance, was the first city to introduce the MLSS in 1993. Yet in contrast to many other reforms, the institutionalization of the MLSS has turned to be much more rapid than initially envisaged. The 1997 plenary meeting of the National People's Congress gave strong support to the proposal of an MLSS, and at the end of 1998, 486 cities have established the MLSS.

An obvious difference of the MLSS to the earlier form of urban poverty relief lies in its openness to those able to work with a household income below the local poverty line. In this respect, the scheme marks an important progress because it loosens the tight link between work and welfare dominant during the era of plan economy. The MLSS includes more poverty-stricken families and offered more cash benefits than traditional relief programs. The definition of eligibility for assistance in terms of income recognizes the inevitable unemployment as a consequence of economic reforms as well as the inability of local governments to provide job guarantee. It supplements the introduction of unemployment insurance in 1986 and also the living allowance for laid-off employees.

The MLSS provides the last line of protection against urban poverty. The target groups of the new program are persons who fall into the following destitute situations: traditional recipients of social assistance (three no's), families in financial difficulties due to unemployment, unemployed people not eligible for unemployment benefits and pensioners with modest pension incomes. Formally, the MLSS covers only the urban population. The assistance line is calculated according to the minimum standard of living often based on expenditure surveys of low-income households and the financial capacity of the local authority. At the subsistence level, the program offers cash and in-kind assistance, and covers merely basic food and clothing costs as well as fuel, rental, medical care and tuition expenses. The rates are adjusted according to inflation rates.

The MLSS is operated at the community level. Administration at the city level is located at the city civil affairs bureau, which coordinates the work of the district office. District offices then check and monitor cases delivered by the street local street offices. Applications are to be submitted to the local street offices, which then check the documents and make recommendations for assistance. Civil affair officials of street offices are also responsible for identifying families in poverty. In the calculation of incomes, all sorts of household income of all members are to be included. They are also in charge of delivering benefits, keeping records and

reviewing regularly the situations of the recipients. Neighborhood cadres will visit recipients once in a month to check on their financial situations.

The minimum standard varies from city to city, depending on the financial strength of local governments.⁵⁰ The assistance level is based on the minimum cost of basic necessities in the city. The usual practice of the city governments is to survey the income and consumption patterns of families living in poverty, the results determine what the basic necessities are and the minimum costs needed. The benefit level is deliberately set lower than the minimum wages and the unemployment relief so that work incentives will not be dented. Both the district and the street office are obliged to assist recipients to search for jobs. Recipients who reject job introduction from employment agencies twice will be denied benefits.

So far, the program is operated at the level of local governments. A specific national statute or policy coordination by the central government is not yet scheduled. This decentralized administration leaves much room for cities to implement the scheme according to their own circumstances, which results in a variety of benefit calculation and beneficiary definition among cities. The effectiveness of the MLSS becomes vulnerable to the discretion of local officials in charge of the civil affairs, who often respond to the shortage of funds by tightening the qualification for receiving assistance and thus reducing the numbers of potential beneficiaries. As a consequence, the coverage of the MLSS is actually very low. Among identified poor households, less than 30 percent of them have received assistance from the program, not to mention the fact that even more potential applicants remain unidentified (Hussain 2002: 61). To remedy these visible inadequacies, a further move towards standardization of the program by enacting national law and offering financial subsidies would certainly nudge more economically weak cities to strengthen the effectiveness of the MLSS.

5.3.2 Rural Community Welfare: Fragmented Welfare Reforms

Before 1978, the centerpiece of the social security system in the Chinese countryside was the land plot allocated to rural households. Farming income and family support were two main pillars of rural welfare. Collective support of in-kind subsidies only came sparsely from communes and production teams. This has only partly changed after the outset of the rural reforms. While pre-reform era required that agricultural outputs be collected together by production teams in communes which would then distribute the harvest among the members, the new rule granted each household the capacity to dispose of its own produce. The crop harvest of land plots as well as the incentive for increasing agricultural output ensured that incomes from farming

⁵⁰ The most famous models originate from Shanghai, Wuhan and Chongqing, each introducing own system of the MLSS in the course of the 1990s respectively. Though the benefit level and entitlement condition vary among them, the basic principles sketched here apply to all. For a more thorough comparison, see Zheng (2002).

activities would suffice for living costs. Rural industries further provided new employment opportunities to attract rural labor force in pursuit of higher incomes.

Yet, the far-reaching institutional transition from collectivization to household economy has inevitably disbanded the communes and shattered the main pillar of social security in rural China (Ash 2001; Cook 2000; Krieg and Schädler 1995; Oi 1999b; You 1995). As communes used to be the administrative organ responsible for economic, social and welfare affairs, the shift to household farming has undermined the basis of collective welfare from underneath. Villagers in poor regions with weak economic strength were confronted with the problem of making sufficient revenues for their own welfare provision. Under the new circumstances, local cadres also found themselves more powerless in transferring village resources among households to achieve greater justice since peasants tended to resist giving up a portion of the harvest upon demand. In short: the household responsibility system has fundamentally changed the relationship between local cadres and villagers towards greater autonomy of the latter.

As China never established a comprehensive social security system for rural citizens and left them instead in the protection of community safety net, the waning of communes after 1978 meant a fading role of collective welfare provision in rural areas. Traditionally established branches of health care and social assistance also underwent dramatic transformations, largely to the disadvantage of the poor. In many poor areas, community-based social security systems have de facto collapsed, and local administrations are no longer competent in maintaining basic social net for rural residents, leaving them exposed to enormous economic risk. Reform initiatives in recent years thus concentrated on reviving the responsibility of local governments and communities for developing social infrastructure and providing welfare benefits. Three areas are of particular interest: health reform, social assistance and old-age security. While the latter will be explored in detail in the next chapter, the following description is confined to the first two areas.

Rural Health Reforms

Since the onset of economic reforms in the early 1980s, the reform strategy of the central government has been liberalization of rural health sector, deliberately reducing its responsibility in the total spending by shifting the burden to local governments and individual households (again: *shehuihua*). However, the transition from collectivization to household economy has weakened the financial basis of the cooperative medical system, leading to the collapse of traditional rural collective medical systems (RCMS). Many villages have seen a rapid drop of health workers such as barefoot doctors, medical assistants and midwives (Cheung 2001; Lu 1996; Unger 2002). By 1986, only very few villages still owned cooperative medical systems. Policymakers were preoccupied at that time with the idea that as long as economic growth kept rolling, voluntary community financing schemes would eventually come into being. Along with the growing commercialization within the economy was

the limited access to health care, which was decided by individual ability to pay (Liu 2004; Rösner 2004; Selden 1999; You 1995). The result was that rising cost of medical services was causing more and more rural poverty, and inadequate funding was driving clinics to increase fees and sell patients more drugs. Poor regions and their households were those groups most vulnerable to these changes, as user charges and high medical costs now deterred many who lacked sufficient income from getting proper medical treatment. How to rebuild a medical system accessible to rural population thus became one of the major issues in rural social policy in recent years.

Under the sponsorship of the World Bank, the central government launched in 1989-90 a rural health insurance experiment in Sichuan Province, which covered 26 villages in two counties and 40,443 residents (World Bank 1997c: 49f.). The pilot scheme established a health cooperative insurance, which offered basic treatments in villages and major treatments in townships (*xiaobing buchucun, dabing buchuzhen*). Premiums were set at 1.5 percent of average income. Three insurance benefit plans were in practice with varying refund rates for inpatient and outpatient services. Insured patients were free to go to village and township clinics but could only visit county hospitals in emergencies or with transfer of the township health center. This pilot scheme has won widespread support among the rural residents – more than 90 percent of households in the experiment areas voluntarily joined the program, and 95 percent continued their membership after the first year.

The example of Sichuan's experiment demonstrates the attempt of local governments to switch rural medical system from the care to the insurance principle, a necessary response to the dismantling of the communes. Their reform goal aims at balancing financial responsibility between individuals and collective risk pooling. Based on the experience with pilot scheme of cooperative system, a new policy for financing rural healthcare was put forward in 1994, demanding the development of community-based schemes to fund and organize healthcare for the rural residents (World Bank 1997c: 51f.). The new policy stipulated that each community organized its own collective financing for basic healthcare, and funding would be gathered from government, collectives and individuals. It also acknowledged the unequal development of regional economy and required that schemes and benefit catalogs are set in accordance with local conditions and economic capacities. Above all, priority of the community-based scheme should be given to pre-emptive measures which could prevent disease dissemination.

The success of reinstatement of cooperative healthcare services by the central government in the course of the 1990s remained limited, as most provincial and county governments found it difficult to set up community-financed schemes based on individual contributions.⁵¹ For an effective scheme to work, considerably higher contributions would be needed which the villagers either would not or could not

⁵¹ However, residents of well-developed rural regions still enjoy better protection of healthcare, as local governments take initiatives either to rebuild traditional community-based medical care or experiment their own models. For analysis in this respect, see: Huang (2004).

afford. As a result, local governments lacked political motivation and financial capability to establish cooperative healthcare systems due to weak financial support of the central government. This has been acknowledged by the central government, which issued a formal decision on further strengthening rural health work on October 29th, 2002 (Bloom and Fang 2003; Rösner 2004). The 2002 rural health policy guideline envisaged a new type of rural cooperative medical scheme (RCMS) and a program of medical aid for needy households. Based on the experience in local pilot projects, the new RCMS should provide basic hygiene and health protection for all rural residents. From 2003 onward, a system of tripartite funding (central government, village collectives and rural workers) would be set up to offer subsidies to members for medical treatment.

The new RCMS was formally launched in the second half of 2003, making a detailed assessment of its eventual results at this stage impossible. Some scholars have, however, identified difficulties emerging in the implementation the schemes ranging from lack of sufficient funding from the central government to reluctance of many provincial governments to fully cooperate for fear of financial overburden (Liu 2004; Rösner 2004). The voluntary nature of the schemes has also undermined the operation of the healthcare scheme because mostly poor and ill-healthy members are more inclined to join the scheme than richer and healthier ones. Many local governments have no option but to reduce the reimbursement payable to the participating members. Preliminary results reveal that, despite the intention of the central government to shift larger part of organizing and financial responsibility to local governments and individual peasants, the whole scheme would be unable to sustain without the assistance of the central government. Much will depend on the willingness of the central government to overtake the main financial responsibility and provide substantial financial support. After decades of commercialization, it is also high time for a stronger role of the state in the organization of healthcare in rural areas.

Poverty Alleviation

Traditionally, rural areas established poor relief programs to offer in-kind assistance (*wubao*), catastrophic aids or welfare facilities (mostly home for the aged). After the commencement of the economic reforms in 1978, this strategic orientation gradually gave way to promoting regional economic growth as a means of improving income situations of the poor. One of the main goals of economic reforms was to reduce the number of people living in (absolute) poverty. By means of rapid economic growth, the Chinese government hoped to uplift the average income and living standard of poor regions. This strategy worked: the number of people living in absolute poverty has dropped from 250 million in 1978 to merely 30 million in 2002. Yet the reduction of poverty numbers was only one side of the coin. Various studies have pointed out that income disparities among regions were growing at a staunching rate, not least due to diverse developmental paces among them (Knight and Song 1999; Riskin *et al.*

2001; World Bank 1997a, 2001). Among the population living in poverty, 80% were in the western and central provinces. How the wealth was to be distributed among population now became a central problem in China. In the domain of poor relief the central government turned to this issue and tried to balance the increasingly uneven development among regions.

The year 1982 marked the starting point of this developmental approach to poverty alleviation. A comprehensive construction plan for the “Three-West” regions (mainly Gansu, Ningxia) was devised to animate the economy of poor western areas. As large-scale overarching policy packages required better coordination among different governmental departments, the State Council established a Leading Group Office for Poverty Reduction (LGPR) in 1986, which aimed to coordinate various poverty reduction measures at the local level, and to promote economic development in poor areas (Rozelle *et al.* 1998; World Bank 2001). The LGPR administered a new investment program allocating 4 billion Yuan per year to 300 nationally designated poor counties. Its executive agency, the Poor Area Development Office (PADO), has since then acted as the main advocate of rural poor. The administrative model of the State Council was soon adopted by the local governments and similar offices in charge of poverty reduction programs. The year 1986 also marked the start of the central government’s commitment to boosting economic development in poor areas, and most of the government’s subsidized loans were directed to poor households for improving agricultural production. The 8th Five Year Plan (1991-1995) confirmed the status of the LGPR and gave it further authority to manage domestic funding and international aids.

The poverty reduction strategy gained further momentum through the 1994 National Plan for Poverty Reduction (8-7 plan), which set the goal of lifting the bulk of the 80 million poor above the official poverty line in the next seven years to 2000 (World Bank 2001: 41). The plan sought to (a) assist poor households with land improvement; (b) improve local infrastructure such as road construction, electricity provision, drinking water supply for poor villages; (c) extend primary education and provide basic preventive and curative health care; (d) improve management of poverty reduction funding; and (e) include and integrate support from all government ministries, coastal provinces and major municipalities, agencies as well as other organizations.

After launching the 8-7 plan, the central government has mobilized all available agencies and organizations to alleviate the plight of poor regions. In a National Poverty Reduction Conference in September 1996, a new “poverty reduction responsibility system” was established in which the leaders of the western provinces and poor regions were authorized to be responsible for the poverty alleviation work in their jurisdictions. Furthermore, the conference reached the conclusion that assistance should be given directly to poor villages and households (*fupin daohu*), and that supervision of poverty reduction works should be intensified to improve management of funding. Then in 1999 a similar conference was held again to

consolidate the targets and measures of the 8-7 plan (ibid: 42). The central government used this opportunity to declare that increasing domestic investment and capital construction in the western provinces would be a key dimension to poverty reduction. It further confirmed the importance of micro-credits for poor households to improve agricultural production, aquaculture or animal husbandry. To achieve these ends, the central government emphasized the vital task of strengthening financial controls and auditing measure for all poverty funds.

To fulfill the ambitious goal of poverty alleviation, the central government continued raising the amount of poverty funds used for sustaining economies of poor regions. While the overall sum of poverty funds during 1986 and 1993 amounted to 41.93 billion Yuan, it doubled to 87.88 billion Yuan during 1994 and 1999 (You 2000). Yet in real terms total poverty reduction program funding did not grow until the second half of the 1990s. The funding of the central government was supplemented by provincial and lower level poverty funds, which were required to provide matching funds in the amount of 30 – 50 percent of the national loan funds. But in reality the latter were often provided at a much lower scale due to weak fiscal conditions of many poor provinces. Many still depended on the financial support of the central government.

Despite the continuous decline of the absolute number of poor population, the overall policy framework for poverty alleviation still lacks a comprehensive developmental strategy. The experience of the past decade suggests that economic growth of regions alone does not automatically translate into desired poverty reduction. The vital task of the Chinese government is thus to find a fine balance between economic growth and social justice that would eradicate more potential poverty. Even though great efforts are being made to promote economic growth of backward poor regions, the proportion of the rural sector's share in public resources still lags behind, not least in social policy realms such as health care and education which could greatly improve the life chances of the poor population. Lopsided emphasis on the role of economic growth for poor alleviation would not sufficiently make up the gap widened by other imbalanced policies towards different sectors and social groups.

5.4 Prospect of Chinese Social Policy with Respect to Old-Age Security for the Rural Citizens

The above analysis has given a mixed picture of the general development of social policy in China. The unprecedented experience of institutional transition from state socialism to market economy has given China a unique opportunity to consolidate her overall economic strength and improve the lives of people. Now the majority of the Chinese populations do enjoy the fruit of economic growth, albeit at the price of exposing to more risks and contingencies of the market economy. At the same time, many social problems also emerge as a consequence of the large-scale reform

process, manifested in the sharpening social inequality among regions and social groups. Though the Chinese government has embarked on a series of reforms to mitigate conflicts in various issues, the outlook that these may be settled in the near future remains bleak, not least because many social problems are intermingled with one another so that each single reform itself can only partly resolve the issue. But even so, incremental reform patchworks in the last 25 years have already altered the essence of Chinese social policy.

The process of welfare reforms in China will undoubtedly continue its experimental approach towards new policy guidelines for forthcoming social issues. The above analysis of various reform efforts in both urban and rural sectors has manifested the adaptive nature of the political logic. Under the circumstance of regional disparity, each political move of the government towards welfare reforms has to take diversity into account and tends to be tentative. A typical procedure is to implement pilot schemes in chosen regions to assess their feasibility. Often this could last several months or even years, depending on the willingness of top policy-makers and priorities of political agenda. Only when it is deemed urgent and feasible would policy frameworks be formulated and enacted as laws. Otherwise pilot schemes would still operate on the basis of provisional regulation for years. Given the incremental characteristic of Chinese welfare reforms, access to social welfare benefits is bound to remain highly segmented and differentiated according to occupational groups and geographical regions.

The role of the state remains vital despite the fact that it has successively retreated from the responsibility as welfare provider during the pre-reform era. The introduction of social pooling and individual accounts in various social policy realms signals the state's intention to shed more responsibility onto the shoulder of enterprises and individual employees. Yet, a paradoxical phenomenon surfaces that the state is redefining its role in the welfare production to the direction of less involvement precisely in a phase when the contrary position of more public responsibility is badly in need. Market-oriented reforms in China are enforced at the expense of collapse in rural commune-provided safety net and erosion of urban enterprise-based social security. Here the massive task of building an appropriate social security system for all citizens in the market economy is inevitably the state's sole responsibility in the near future.

Against this background, a recent trend shows some encouraging signs. One can observe a continuous shift of the state's policy concern from merely boosting economic growth to demanding more social justice. This is even evident if one takes note of the rhetoric of the central government (Wong 2004). For example, the promotion of the Confucian ideal of a "well-off society" (*xiaokang shehui*) reiterated in the 16th National Congress of the CCP in 2002, or "constructing a harmonious society" (*jiangou yige hexie shehui*) as the blueprint for social development signal the shift of developmental strategy in the minds of the government leaders. In September 2004, the State Council released for the first time a "White Book on

China's Labor and Social Security" (State Council 2004), marking a new milestone in the development of Chinese social policy. As the foreword declares, "The Chinese government regards economic development as the basic prerequisite for improving people's livelihood and effecting social security", which reveals the turn of the strategic thought from development-centered to more balanced approach which would coordinate welfare and work in a more suitable manner. Economic growth is no more the only aim to be achieved; other goals have gained political credit as well.

On the face of it, these declarations sound positive as they indicate a more active role of the state in social security. Yet at the same time, one reads in the same White Book, "Under the influence of China's traditional culture, there is a time-honored tradition of provision by the family, security coming from self-reliance and help from the clan. In accordance with the characteristics of rural socio-economic development, the state's social security measures in rural areas are different from those practiced in cities." In view of the fact that rural residents make up more than a half of the overall population, this political proclamation looks modest. It indicates that the existing unequal political treatment between urban and rural residents may well endure. The development of the rural pension policy exactly reflects this situation. Traditionally, rural citizens are the silent majority whose interests are hardly considered in the Chinese politics. The state has barely devoted itself to the provision of welfare for the rural frail elderly, leaving them dependent on their own farming income or family support. Although the introduction of pension schemes at the beginning of the 1990s has given impulse to the development of rural welfare, it suffered a severe blow in 1998 after the central government decided to suspend nationwide implementation as well as supervise ongoing pilot schemes. Over 20 years have passed since the initiatives of the MOCA, but the overall old-age security for the rural citizens is still in a morass, not least because the central government's thought remains deeply rooted in the traditional view that the rural citizens should be able to stand on their own feet even when they get old. The laggardness of the development in rural social security in general and in rural old-age security in particular is the result of this biased perception towards rural citizens.

Today, whether a unified rural pension scheme should be established for all rural residents is as controversial as 20 years ago, though the overall socio-economic changes have signaled the necessity of rethinking the overall direction. Yet current situation indicates that so long as the central government lacks the determination to give impulse to this issue, old-age security for the rural citizens will remain confined to local government's jurisdiction and subject to their financial capacity. This is the topic of the next chapter, which will analyze more thoroughly the development of the rural pension policy. Special attention will be given to local situations of the field study: Qingdao, Beijing and Shanghai, in order to highlight the institutional diversity of pension schemes among these regions.

6. Institutions: Rural Pension Schemes (1986 - 2005)

Before 1978, care of the elderly was the sole responsibility of the family in rural China, and the state did not introduce any old-age pension schemes. Yet the economic reforms since 1978 have brought about several fundamental changes that have given rise to the necessity for more state involvement in old-age security. The reforms of agricultural economy have brought rural peasants improvement in their income situation and living standard, though to a far lesser extent compared with urban areas. With the extension of average life expectancy and reduction of infant mortality, demographic patterns have gradually changed towards greater percentage of the elderly in the population. The one-child policy since 1978 has further accelerated the speed of demographic aging which, together with migration flow of youth workforce from rural to urban regions, has made old-age security in rural areas more and more a pressing issue the state could no more ignore.

Even before 1978, some wealthier brigades have already established local pension schemes. These sporadic initiatives were funded locally and only limited to local villagers. The programs with regard to eligibility and benefit levels varied from village to village due to different local financial situations. In the late December of 1978, the central government turned its attention to questions concerning agriculture and old-age security in rural areas. It encouraged the brigades and production teams in favorable financial condition to design innovative pension policies for their elderly members. Provincial governments were also delegated to explore the best old-age arrangements for local residents.

In the course of the 1980s, many villages and townships prospered as a result of rapid development of TVEs. Improving fiscal conditions of local governments had laid a basis for designing old-age security schemes tailored to the need of local circumstances. Yet despite spontaneous initiatives of local governments, the overall coverage of these kinds of program remained low. By 1985, about 600,000 peasants enjoyed benefits of such pension schemes created in 22 provinces and municipalities (Zhang and Liu 2000: 36). The benefits provided by these schemes were also much lower than that offered by the labor insurance for urban workers. In some regions the schemes could afford a replacement rate of around 40% of the average male income from collective sources – niggardly low in contrast to the standard of urban workers (roughly 80 percent), but well above the subsistence levels set for the rural destitute or disabled. Nevertheless, local spontaneous policies to better support the elderly people were rather sporadic measures. Nationwide situation of old-age security in rural areas remained unstable and fragmentary. Even these pension programs were fragile as they lacked reliable financial bases. Much depended on the fiscal conditions of local governments: while benefits were dispatched normally in times of agricultural harvest or profitable collective enterprises, pensioners had also to bear the risk of benefit reduction or even deferral if they went badly. Furthermore, the entitlements to receive pension benefit were never guaranteed in the absence of

national statute or state intervention. To be included in local pension schemes was mainly associated with the criterion whether one's own household was registered in economically wealthier villages.

6.1 The Development of the Rural Pension Policy since 1986

In the mid 1980s the central government became more concerned with the aging population in rural areas and started to consider the establishment of a pension insurance program for the rural aged.⁵² The change of attitude was partly motivated by the growing number of policy initiatives taken at the local level. The 7th Five-Year Plan (1986-90) stated that during the same period, an embryonic social security system should be shaped nationwide. This declared the willingness of the central government to strengthen its role in building rural social security. For the first time since 1949, the Chinese government has formally addressed this problem and committed itself to providing institutional frameworks of a rural pension scheme.

The initial phase (1986-92)

Against the background of the 7th Five-Year Plan, in 1987 the State Council approved the Ministry of Civil Affairs (MOCA) to be in charge of the experiments with social security in rural areas. As the main agent responsible for rural affairs, the MOCA was well aware that it was a unique opportunity to establish a rural social security system. Since launching the rural pension policy was an innovative move in the Chinese context, uncertainty prevailed in regard to which model would fit the status quo. The ministry took a cautious step and concluded from previous local experiences that providing comprehensive benefits solely from village collectives eventually would be unsustainable. To render a rural pension scheme viable, it was essential to take economic and financial situations of individual rural areas into account (Cui 1988). This view has since then taken shape and dominated the direction of the rural pension policy in the 1990s.

Based on the reflections, the MOCA suggested the following features to the new rural pension system. 1. The terms of eligibility should be in line with conditions of local peasant transfer from farming work; 2. The benefit standards should be appropriate to the economic capacity of the collective and the villagers; 3. Financial responsibilities should be shared between the collective and the individual beneficiary, and the state would offer proper aid if needed; 4. The system should be managed by specialized institutions with supervision (MOCA 1986).

From 1986 onward, there were several experiments with various pension insurance programs in several provinces under the direction of the MOCA. Most experiments were implemented on the village level by the village CCP branch and

⁵² For a succinct analysis of the rural pension policy development with respect to its ideational turn, see: Shi (2006).

village committee because economic situations among villages even within the same township varied. Villages were basic units for distributing land and other means of production – an institutional equivalence to former production brigade. The other experiments took the township as the unit of implementation for pension programs. In these cases, the township government organized and managed the programs that included all labor with household registration in the towns. This type of experiment worked better than the first one since township government had stable financial resources and administrative structure. However, due to uneven development of the rural economy, generalization of the preferable township-managed pension scheme experiments was impractical.

At the outset of the 1990s, the Chinese Communist Party addressed in its 8th Five-Year Plan (1991-95) the problem of insufficient social security for the peasants. In 1991 the State Council decided to delegate competence of social security affairs for urban and rural residents to the Ministry of Labor (MOL) and the Ministry of Civil Affairs (MOCA) respectively. This move gave the latter authority greater room for innovative policy initiatives. In April 1991, the MOCA launched a preliminary plan in Weihai (2 counties) and Yantai (3 counties), Shandong Province, to provide peasants with basic pension insurance. After a difficult yet successful start in Weihai and Yantai, the MOCA concluded at the end of 1991 that the time was right for further expansion of the pilot scheme.

Major regulations of this original pilot scheme aimed to include all residents with rural residential status between 20 and 60, though participation in the scheme was primarily voluntary (MOCA 1992). Main source of funding was the contributions of individual participants, and in case of economic betterment, the subsidies from employers or local governments. Individuals may contribute between 2 and 10 Yuan per month to be placed in a special bank account. The state granted tax exemption for contributions paid to the scheme. The scheme emphasized individual responsibility, leaving the participants to decide by themselves a proper contribution rate according to their own financial capabilities. The retirement age was set at 60, and participating rural residents arriving this age were eligible to receive annuities based on accumulated contributions and accrued interest in personal accounts. The program is thus in essence a voluntary, defined-contribution, and fully-funded savings plan.

After initial success of policy experiment, the same pilot scheme was introduced to other regions in 1992. In October 1991, 52 counties were approved by the MOCA to carry out the experiment. By the mid 1992, 720 counties stood on the list of the MOCA. Over this period, the experiment was conducted in many localities, particularly in all suburban counties of Wuhan Municipality. Following the Wuhan experiment, the MOCA's pilot scheme was rapidly extended to most counties of Jiangsu Province, where the economy grew and the population was aging rapidly. Other localities in the whole country soon followed suit. By December 1992, 950 counties throughout the country were allowed to carry out the pilot pension

schemes, with more than 26 million farmers participating in the new old-age support system, which had accumulated pension funds of 0.8 billion Yuan.

The expansion phase (1992-97)

In response to the acceleration of nationwide implementation, the MOCA set up a department responsible for enacting draft, developing and enforcing plans for rural pension schemes. Yet despite efforts to promote this scheme in rural regions, the overall progress was slow. With respect to the numbers of participants as well as the accumulated sum of funds the result was not satisfactory at all. As the MOCA (1995) revealed in its report submitted to the State Council, around 5 million farmers were in the pension insurance scheme designed by respective local authorities, and the sum of accumulated funds reached 3.2 billion Yuan.⁵³ Several factors played a role as impediments (Leisering and Gong 2002: 24):

- The competition of commercial insurance companies.
- Resistance of other ministries to the MOCA scheme.
- The Third Plenum of the 14th Party Congress planned to establish a unified administrative authority.
- The administrative costs of the program reduced the willing of local governments to introduce local schemes.

To tackle these practical problems, the MOCA extended the original policy design and added new articles to supplement its insufficiencies. The main goal of the policy reform was to respond to the rising competition from the side of private insurance. All measures made the original design more elastic to adapt to diverse local circumstances, and the benefit level higher to appeal to the interest of the farmers. The incentive for local authorities to cooperate was also made more attractive as they were now permitted to gather 3% more fees for administrative costs. Table 6-1 summarizes the policy changes.

⁵³ The sum of rural population in 1995 was reportedly 859.47 million. In other words, the coverage rate of the scheme in 1995 was less than 6 percent.

Table 6-1: Rural Pension Policy Changes between Original Design and Later Revision

	<i>The 1991 original design</i>	<i>Later Changes</i>
<i>Coverage</i>	<ul style="list-style-type: none"> ◆ All rural citizens with agricultural <i>hukou</i> between 20 and 59 years 	<ul style="list-style-type: none"> • Children are covered • Special groups can be admitted before universal coverage
<i>Funding</i>	<ul style="list-style-type: none"> ◆ Individual Contributions, plus subsidies from employers or local communities; tax exemption for contributions ◆ Choice of contribution rates, depending on individual capacities and desires 	<ul style="list-style-type: none"> • Pre-payment and retro-payment of contributions allowed
<i>Fund investment</i>	<ul style="list-style-type: none"> ◆ Bank deposits and special government bonds ◆ Local interests should also be served ◆ Expected return rate was fixed at 8.8% per year 	<ul style="list-style-type: none"> • Support local economic development only • Return rates set by the MOCA annually, slightly above the interest rate of bank deposits
<i>Retirement age</i>	<ul style="list-style-type: none"> ◆ 60 years (preferentially) 	<ul style="list-style-type: none"> • Reduced to 55 or even 50 years
<i>Benefits</i>	<ul style="list-style-type: none"> ◆ Annuities depending on accumulated funds in individual accounts ◆ Minimum 10-years of payment ◆ Return rate of investment assumed 8.8% per year over the annuization period 	<ul style="list-style-type: none"> • Increased by 10% in 1994
<i>Administrative organizations</i>	<ul style="list-style-type: none"> ◆ MOCA Pensions Department: general guidance and supervision ◆ Provincial or city/county social insurance agencies: administration of funds and individual accounts ◆ Administrative costs up to 3% of current contributions 	<ul style="list-style-type: none"> • At the beginning of a pension scheme in a county, an extra 3% of contribution is allowed for administrative costs

Source: Leisering and Gong (2002): 25

Yet, as the experiment got under way all over the country, the development of rural pension insurance gradually reached a bottleneck. A central problem lay in the lack of a statutory regulation that would have given the rural pension policy a clearer

status and direction. Since local governments were granted the autonomy to implement pilot schemes in accordance with local circumstances, problems such as power abuse by cadres in forcing peasants to join in the scheme or embezzlement of accumulated funds surfaced. This mismanagement has undermined the accountability of the administration. Questions concerning sustainability and practicability of rural pensions arose as some leaders in the central government began to worry about the whole situation and put the policy design itself into question. As early as 1992, the State Council urged the MOCA not to compel farmers to participate in the pension program. Even among peasants there was widespread suspicion regarding its sustainability, thanks to the past experiences of unstable state rural policy.⁵⁴

This context change matters to the policy development because the rural pension policy had yet to struggle for its place on the political agenda. Since the reform of the state-owned enterprises was the core element of the economic reforms, the significance of the urban sector outweighed that of the rural counterpart (You 1995; Wong 1998). The rural pension policy was relegated to a relatively minor niche whose political weight depended on its compatibility with goals like promoting economic reforms or social stability. That was why the MOCA succeeded initially in gaining support for its policy initiatives. But once the rural pension policy was perceived to be contradictive to those primary goals, its significance in the Chinese welfare politics would fade, which made it harder for the MOCA to withstand opponent challenges.

The backlash phase (1997-98)

The financial crisis in East Asia in 1997 was the last straw that triggered policy reversal. For fear that the same shock would similarly damage the booming economic development, the central government began adopting stricter measures to avert financial risks in both rural and urban sectors. In late 1997 a rectification group on insurance industry was set up to review the commercial insurance industry. At the same time, the group also envisaged the insurance schemes initiated by several government bodies, including the rural pension schemes of the MOCA, the enterprise supplementary schemes of the MOL, and the co-operative schemes of the trade unions. Group members came mainly from different departments relevant to the issue, including the then State Planning Commission, the PBC, the MOF, the MOL and the MOCA. In itself, the commission consisted of all the major actors with conflicting ideas in the field of rural pension, but its agenda had already been set: instead of suggesting options to improve the rural pension policy, the group was designated to sort out potential risks associated with the insurance industry and the rural pension schemes. In April 1998 the internal rectification group claimed that

⁵⁴ Retrospective description of an official of the MOLSS in my interview in Beijing, September 2004.

there were several risks associated with the ongoing rural pension schemes (Leisering and Gong 2002).

- Overestimating future benefit payment: The expected return rate was estimated at an unreasonably high level seeing that the interest rate for bank deposit had been reduced several times since May 1996. This would definitely squeeze future return of investing pension funds. The accumulated funds, as a result, were bound to be insufficient for meeting accrued liabilities in the future.
- Risk in the investment of pension funds: According to the regulation of the MOCA, two major ways of investing pension funds were government bonds and preferential bank deposits. Unfortunately, this principle was violated by risky behavior of some localities in misappropriating the accumulated pension funds.
- Misleading information for the farmers: While the scheme was labeled as social insurance by the MOCA, many localities exaggerated their campaigns by claiming that such a scheme would secure the basic living standards of old farmers. Another related problem also emerged in association with the mistaken information provided to the farmers that the scheme would be guaranteed by the state, whereas local cadres managed to convince the central government that the implementation of the scheme at the local level would be self-sufficient without further need for more state involvement.
- Compulsory participation or so-called voluntary membership under guidance could generate discontent among farmers, leading eventually to social instability in the countryside.

These conclusions triggered again internal debates among various ministries in the ensuing months, most of which concentrated on the future of the rural pension schemes as well as their possible alternatives.⁵⁵ Opponents of the MOCA pension schemes advocated for the state's support of private life insurance by means of preferential tax treatment. The government should, in their view, select qualified insurance companies and supervise their insurance products. In contrast, the MOCA and its supporters pointed to the imperfect market circumstances in China and the inevitable responsibility of the state to implement the rural pension schemes. Yet in the aftermath of the Asian financial crisis, the political tide gradually turned against the MOCA as well as the overall idea of establishing a state rural pension system.

In 1998 the State Council decided to reshuffle the functional division among its subordinate ministries. The administrative and supervisory responsibility for rural old-age security was entirely transferred from the MOCA to the newly-established Ministry of Labor and Social Security (MOLSS). This was a heavy blow to the

⁵⁵ Retrospective description of an official of the MOLSS in my interview in Beijing, September 2004.

MOCA, as its decade-long efforts to establish a social insurance scheme for rural old security were now *de facto* discredited. The shift from the MOCA to the MOLSS also meant marginalization of the running rural pension scheme since the forerunner of the MOLSS, the Ministry of Labor, was mainly in charge of labor insurance in the urban area. This political message signaled a downgrade of the rural pension policy on the political agenda.

At the meantime, there were also divergent opinions in the central government as regards whether the establishment of rural pension insurance as such at this stage is appropriate at all (Leisering and Gong 2002: 29ff.). Officials from other ministries (MOF, PBC, etc.) responsible for economic and financial affairs generally raised doubt over the necessity of a state pension scheme for peasants. They argued that traditional means of subsistence (land, family) would suffice to meet the need for old-age security in the rural sector. They further maintained that decreasing agricultural return and family size did not necessarily lead to the declining function of family support. Even if the state was to be involved in the task, it should encourage a multi-pillar approach based on family support, community care as well as commercial life insurance. In short, they insisted that the state should restrict its role as much as possible.

The MOCA and the new MOLSS, both central bodies in charge of social insurance and welfare affairs, insisted, on the contrary, that there were growing demands among peasants for a formal arrangement because of rapidly aging population as well as decreasing family function in the rural area. The MOLSS contended that the necessity for a formal old-age arrangement was eventually inevitable due to the changes in farmers' traditional consciousness to obtain old-age support from their sons as well as the acceleration of rural urbanization. This new idea of the MOCA appealed to the SC initially, as the latter also viewed it as a proper response to the rapid change of rural development. But with the failure of the MOCA to keep policy implementation on track, the fundamentals of this policy idea were gradually eroded. These anomalies opened a window of opportunity for the opposition bureaucrats in the central government to create another category of problem definition.

After one and a half year of fierce debates among various branches and the rectification group, the new State Council under the leadership of the premier Zhu Rongji made in July 1999 the final decision of repealing the rural pension scheme organized by the MOCA in most areas and commercializing it instead in the wealthier areas. The premier himself explained this policy shift with the argument that the overall circumstances in rural areas were far from mature for setting up a universal pension insurance scheme for peasants. In his speech titled "Accelerating the establishment of social security systems and ensuring the stability of the country" in May 2000, Zhu noted,

Social security for peasants should be different from that for urban residents. We have adopted the household responsibility system, of which the land is the basic production tool for the peasants and the basic protection for their lives. The old-age security of the peasants is based mainly on family protection, combined with community support. Wealthier regions can introduce commercial old-age insurance based on voluntary principle and individual savings. The rural pension scheme as it has been implemented in some villages in the past needs to be seriously rectified. (MOLSS 2001: 3)

By “rectification” (*zhengdun guifan*) the new policy guideline denoted an immediate halt to the public pension insurance expansion and an overhaul of the administration of accumulated pension funds. The recalibration of policy direction was immediately interpreted by the subordinate administration in both central and local government as a sign of policy retrenchment in the field of rural pension insurance. Thereafter, the already established pension schemes in many areas suffered severe backlash as local cadres and peasants lost their confidence in the state’s determination to keep the policy on track.⁵⁶ The pension schemes in many rural localities stopped their operation. As a result, both the coverage of insurance and the sum of funds accumulation slumped in the following years, as the following Table 6-2 illustrates.

Only some regions with dynamic economic growth have kept their schemes above water since then.⁵⁷ Coastal provinces with dynamic economic growth outpaced inner western ones in this respect, among them especially the Shandong, Guangdong and Jiangsu Provinces, which had first launched such policy experiments and therefore gathered valuable experiences in their implementation. While Shandong stuck to the original institutional design developed by the MOCA in 1992, Jiangsu and Guangdong elaborated a compound of MOCA regulations with own innovation of community support or enterprise subsidy (Peng and Song 2002). As their economies were bolstered by TVEs or foreign-capital enterprises, Jiangsu and Guangdong were able to collect more funds from the enterprises to finance its pension scheme.

⁵⁶ An official of the Beijing Bureau of Labor and Social Security expressed this view during my interview in June 2005. With the metaphor of “imperial sword” (*shangfang baojian*), she indicated the significance of the resolution of the central government to ensure the feasibility of the rural pension scheme at the local level.

⁵⁷ The most representative pioneer among them is Shanghai city, where a new Township Insurance Program (TIP; *zhenbao*) has been introduced since 2004. It is designed as an interface between the social insurance program for urban residents and the pension scheme for rural residents. Information provided by an official of the Shanghai Bureau of Labor and Social Security, May 2005.

Table 6-2: Development of the MOCA Rural Pension Scheme since 1992

	1992	1995	1996	1997	1998	2000	2001	2002	2003	2004
Number of insured (million)	26.0	51.42	65.94	82.80	80.25	61.72	59.95	54.62	54.28	53.78
Number of pensioners (million)	-	0.27	0.32	0.55	-	0.98	1.08	1.23	1.98	2.05
Contribution collection (billion Yuan)	-	3.67	4.41	4.22	3.14	1.39	1.71	2.52	3.60	-
Pension Expenditure (billion Yuan)	-	0.099	0.18	0.33	0.54	0.41	0.52	0.53	1.50	-
Accumulated funds (billion Yuan)	0.8	5.95	9.95	14.03	16.62	19.55	21.61	23.32	25.93	28.50

Note: Numbers have been rounded for simplicity.

Sources: 1. Labor and Social Security Statistical Bulletin of the Ministry of Labor and Social Security, various years (after 1997), available at: http://www.molss.gov.cn/index_tongji.htm.

2. Civil Affairs Development Statistical Bulletin of the Ministry of Civil Affairs, various years (before 1997), available at: <http://www.mca.gov.cn/wjylzx/index.asp>.

Beyond Rectification (1998 -)

Several years have passed since the decision of the central government to reverse the introduction of the rural pension scheme, yet the overall direction is still vague. The final decision to rectify the ongoing scheme did not give a clear answer to the basic question as regards which role the state should exactly play in the rural pension policy. Since 1998, the MOLSS has submitted, as demanded by the SC, two proposals concerning how the rural pension scheme could be rectified (MOLSS 2001; Zhao 2002). The first one suggested further implementation of current pension schemes only in those rural areas with sufficient conditions. The second one proposed the overall commercialization of the rural pension provision. Both versions envisaged the changing role of the government from provider to regulator, but they encountered diverse responses from different branches in the central government: whereas the MOCA and the National Planning Commission stood on the side of the MOLSS, the MOF and the Insurance Supervision Commission remained firmly opposed to both proposals. The opponents did not agree to set up a new insurance institution, nor did they endorse any support for the institutional transition. The whole issue was set aside without further decision. Given the rectification order of

the SC, the MOLSS could only adopt fragmented policy measures compatible to the guidelines.⁵⁸

In sum, after more than a decade of political engagement, the progress of the rural pension policy in China is still constrained by the dominant idea that land, family, and market provision should remain the chief pillars of rural old-age security. Departing from this premise, many economically-minded bureaucrats argue that the state should play a residual role in rural old-age security. In view of the overall uneven development of rural areas, they deem it impossible to allocate more resources into rural old-age security. The bearers of new ideas, the MOLSS and the MOCA, have been striving to reverse this perception and appealing in vain for more sophisticated state provision in this domain. The internal problem of mismanagement and the external shock of the Asian financial crisis have created a context in favor of the residualist idea because it would incur the least responsibility and risk for the state. Leaders in the central government are cognitively locked to the residualist approach and look set to postpone the whole issue on the political agenda.

6.2 New Pension Schemes for Landless Peasants

The emergence of landless peasants is a recent phenomenon. Initially, the land reform after 1949 has successfully crumbled the monopoly of the landlords and distributed land equally to all peasants. Owning a plot of land has since then become the major means of subsistence for the Chinese peasants. It was also against this background that the Chinese government declined to establish a full-fledged social security system for farmers comparable to that for urban workers. Yet, economic and social reforms since 1978 have invalidated this implicit social contract. Rapid industrialization and urbanization are gradually blurring the traditional borderline of urban and rural areas, thereby attracting new investment and new population flowing into the cities. This process has given rise to a larger demand for land. As a result, local governments in prosperous regions are tempted to seize (or even evict) compulsorily farmers' land for the purpose of industrial construction, green belts on the outskirts of cities or urban infrastructure. Urbanization and the use of farmland for non-agricultural purposes have been under way for some years. From 1990 to 2002, non-agricultural construction for the whole country claimed 473,260,000 *mu* of land. This non-agricultural construction was concentrated on the outskirts of cities and in high population/small land and economically developed areas. Peasants in these areas cultivated on average less than 0.7 *mu* of land per person. According to

⁵⁸ The deputy director of the Department of Rural Social Insurance of the MOLSS, Zhao Dianguo reckons that current strategies of the MOLSS will be concentrated on further implementation of the rural pension scheme only in wealthier villages. Protection for vulnerable groups like landless peasants, migrant workers and rural peasants with only one child or two daughters will also be strengthened. *Zhongguo shehui baozhang (China Social Security)*, (2004), 12: 21.

the calculations of researchers, alone in the 13 years since the 1990s, 66,300,000 farmers employed in agriculture have lost their land.⁵⁹

Landless peasants are facing two difficulties: declining income in combination with rising living costs. As the land is the main source of economic income as well as daily food supply, it plays a crucial role in terms of economic and social protection for farmers. The dispossession of land also means disappearance of these protection functions. In most cases, landless peasants suffer reduction of available income, especially those who depend mainly on this source of income. Available investigations reveal that as many as 46% of landless peasants nationwide bemoan the deterioration of their income situations (Zhang 2004). Meanwhile, living costs are also surging as a result of urbanization. Food can only be purchased in the market now, and the living expenditures are soaring as many landless peasants have to move in modern apartments where various fees (heating, tap water, electricity and administrative expenses) are incurred. As a consequence, landless peasants are becoming one of the vulnerable groups in the process of urbanization.

The problem of land seizure has much to do with the vague land ownership practiced in China. After 1978, China adopted a land use rights tenure system similar to the leasehold tenure system in Western countries. It regards land and buildings upon it as two separate entities (Chan 2003). Under the Land Administration Law, the state owns all urban land, whereas rural collectives own all rural land. Land users may use the land and dispose of the buildings and improvements on it, but the ownership of the land remains in the grip of the state or the rural collectives. In short, the right to use the land is distinguished from the right to own actually the land. To obtain the right to use the land, however, organizations or individuals have to pay the state certain amount of premium. Government agencies or SOEs, in contrast, may procure the land by means of administrative assignment of the government – at zero cost.

While all land in China remains nominally state property, the right to use it has become tradable in urban sector since the early 1990s. The state retains the privilege of compulsory land requisition (*zhengdi*) once it deems that necessary. Yet in spite of the broad principles laid down by relevant regulations, local governments are authorized to make their own details of implementation. This openness in relevant regulations has offered loopholes for local officials and cadres to set their own rules. Generally, compensation for the seizure of farmland consists of the following items: land compensation, settlement subsidy payment, as well as improvements and crop compensation (Chan 2003). Yet the major problem lies in the dearth of clear rules that allow rural peasants obtain compensation in fair terms. “Relocation” compensation, if paid at all, is insufficient to cover the costs of city housing, or even to find a comparable home in the evicted families' original area.

⁵⁹ These figures are based on the Chinese newspaper *Southern Weekend* in its article titled “Significant shift in focus of peasants' rights activism”, September 3rd, 2004.

Problems of rural development and land seizure have been particularly acute in recent years and caught intensive attention during the legislative sessions of the National People's Congress in 2004 and 2005. The emphasis of the legislators has turned from economic growth to social well-being. Delegates also discussed changing land development laws to make it harder for local governments to seize farmland to build factories, apartment compounds.⁶⁰ Policymakers and experts have continuously pondered ways to solve the problem of landless peasants. There were efforts to manage land better, strictly control the eviction of land, raise compensation, and improve the social conditions of landless peasants, etc. Nonetheless, a uniform policy from the central government to cope with the employment and social security of landless peasants remains far from concrete.

Several local governments have begun tackling this problem by introducing various modes of social protection for this vulnerable group. The most common method is a lump-sum payment (usually ranging from 30,000 to 50,000 Yuan) as compensation for land loss and income shortage (*huobi anzhi*). Vocational training and job introduction supplement the compensation package. The status of landless peasants will then be switched from rural to urban resident in *hukou* system, and those who can find jobs will be included in the urban social security system (including pension insurance). But the entitlement to urban social security is tightly coupled with the employment in urban enterprises, which means that those without it remain excluded. As a response to the loss of living basis, many local governments place landless peasants in rural collective units or township enterprises (*zhaogong anzhi*). Yet this measure transfers the responsibility and financial burden to individual enterprises without fundamentally solving the problem of low qualifications of landless peasants. Soon those working units or enterprises are unable to sustain such a heavy burden and compelled to dismiss those peasant workers. Unemployment and old age, again, become landless peasants' own risks.

In some well-off regions the local governments have recognized the shortcoming of lump-sum compensation, and introduced alternative policies to support the settlement and employment of landless peasants. A central idea of the policy is the so-called "land in exchange for social security" (*tudi huan baozhang*), as scholars in the CASS label it (Zhang and Tang 2004; also Lu 2003). The new initiative of the city Shanghai deserves high attention. At the end of 2003 Shanghai launched a new scheme called Township Insurance Program (*xiao chengzhen baoxian*, abbreviated as *zhenbao*) to provide landless peasants with much better protection (see section 6.5.1). This new policy in Shanghai has thus far effectively solved the common problem of landless peasants. While well-off regions like Beijing or Shanghai have taken initiatives to arrange for the old-age security of the landless peasants, the overall nationwide situation remains unclear. Therefore, the development of pension schemes for landless peasants is still taking shape, which makes it difficult to give a

⁶⁰ "China Worries About Economic Surge That Skips the Poor", *The New York Times*, March 4th, 2005.

final appraisal of the overall situation at this stage. However, how the central and local governments deal with this acute phenomenon will undoubtedly affect the (old-age) lives of many rural households.

6.3 The Pension Scheme in Rural Areas of Qingdao

Qingdao followed Yantai's lead and established a pilot pension scheme in 1992. Yet except some regions, the implementation of the scheme was from the start not well planned since the policy was unfamiliar to local officials. Weak legal framework further precluded the progress, causing incoherent implementation of the scheme among regions under the jurisdiction of Qingdao government. In 1997 the Qingdao government issued a provisional regulation over the implementation of the pension insurance for the rural region, which summarized the experiences collected in the past 5 years. The regulation stipulated that the highest competent authority was the Bureau of Labor and Social Protection of Qingdao, which administered the organization of the pension issues for the rural region and oversaw the implementation and financial stability of the scheme. Under its jurisdiction were subordinate authorities in districts and villages respectively, each responsible for promoting the pension scheme among rural residents. In the last decade, around 50,000 (i.e. one tenth of the 5 million-odd rural population) participated in the scheme, with about 1500 among them being pensioners.

The general difficulty of this pilot pension scheme lay in the regulation that individual farmers were to bear the most financial responsibility for their own pensions while the government offered few subsidies. (Lin 2003). This lopsided emphasis on individual responsibility has resulted in insufficient pension benefits for many participants in spite of their long-term contribution record in the scheme, not least because their accumulated capital was too little to accumulate enough pensions for old age. Secondly, the rural pension scheme was not transformed from a pilot scheme to an obligatory scheme that would cover all rural population. Little wonder that more than 90% of the rural population was not included in this scheme at all. The third problem of the scheme lay in its institutional instability since it was essentially a voluntary scheme aimed at promoting individual responsibility in old-age security. Since the amount of subsidy depended largely on the economic wellness of his resident village, the financial sustainability of the pension scheme was thus vulnerable to shortfall of subsidy that could possibly happen in worse-off regions. Also the investment alternatives of collected fund remained very restricted, mostly in the form of bank deposit or government bond, so that their expected yield was unable to sustain the future demand for pension payments in less well-off villages.

6.3.1 A New Model in Chengyang District since 2003

Chengyang is a new administration district set up in 1994.⁶¹ It is located right between urban and rural regions at northern suburb of Qingdao city. Chengyang has more than 430,000 residents, with about 377,000 registered as rural population. The sum of population aged over 60 is 65,000.⁶² The new scheme introduced in Chengyang on July 1st, 2003 was a new attempt launched by the Qingdao government to strengthen old-age support of the farmers by piling up more financial stock in the old-age security. The new scheme was also a response to the land seizure problem arising from the process of urbanization. The disappearance of the traditional support for rural old age has become a compelling issue that needed to be dealt with.⁶³ The official decision to raise governmental share in the new scheme reflected this idea. It was underpinned by the economic prosperity of Qingdao, which has greatly improved the local government's fiscal ability.

The legal framework for the new scheme in Chengyang is built upon six basic principles (Chengyang 2003a, 2003b):

- The monetary compensations for land loss paid to the farmers by the government are to be used as a part of the financial bases of the new scheme. The maxim "land in exchange for security" (*tudi huan baozhang*) elucidates the idea of the new scheme that it is both compensation and substitute for the loss of land as a traditional means of old-age security.
- The main financial burden of the scheme still rests on individual participants. Collective subsidy remains supplementary.
- The scheme is obligatory, including all employees of the collectively-owned and private enterprises. The village collectives are furthermore required to take out a certain proportion of the compensations for land loss they receive from the higher authority. Revenues from economic growth of the villages should be poured into the established funds of the new scheme.
- The scheme maintains the flexibility of financial responsibilities for participants so that villages and their residents are free to determine their own payment ratio and period based on their own economic conditions.
- The principle of individual account remains valid in the new scheme. The pension amount is largely coupled with previous contributions and collective subsidies. The same applies to the proportion of pensions one can expect from the funds financed with collective subsidies.

⁶¹ Information provided in this analysis is based on several interviews with local officials in 2003.

⁶² Qingdao Statistical Yearbook 2003, p. 39 as well as information provided by local officials in interviews. One should deal with the figures of rural population in China with caution because they do not necessarily mean that they are all farmers living on agricultural incomes.

⁶³ The local officials in charge of the new scheme emphasized this point during the interviews.

- The central government shall not share any financial burden of local pension schemes. Rather its policies aim to support them indirectly by means of tax exemption and return guarantee of the pension funds.

The new scheme introduced in Chengyang is coupled with the socio-economic development of the region.⁶⁴ Its main goal is to broaden the coverage rate while keeping the replacement rate low so that the most farmers can benefit from it. Yet the amount of subsidy provided by the village collectives depends largely on their own fiscal viability, which leads to a variety of pension levels between different villages. Basically, villages with the developmental stage of over 650 Yuan of GDP per capita are obliged to render subsidies for participating farmers. The level of subsidies varies according to the fiscal ability of villages, yet it should not be lower than 6% of the calculation basis (4459 Yuan for the year 2003). Revenues stemming from compensation payment for land seizure by the city government as well as rental incomes from land and factory leasing should be used primarily as subsidy for contribution payment. Collective subsidies will be credited automatically to personal accounts of the participating members. Village residents with income below this line are still allowed to join the scheme voluntarily, and subsidies from the village collectives can be paid later when their economic situations turn better.

In order to cover most of the rural residents, the new scheme stipulates that, apart from students and those who have already joined the pension scheme for workers in urban areas, residents aged above 18 are eligible to participate in the scheme.⁶⁵ The payment of contributions is flexible according to personal and collective financial strength. It is calculated in percentage grades (e.g. 6%, 8%, 10% etc.) of the calculation basis (4459 Yuan for the year 2003, defined yearly by the Qingdao Bureau of Labor and Social Security), whereas villages and towns (*jiedao* and *qu*) subsidize certain percentages of the calculation basis. There is no fixed payment period and amount so that participants can adjust their contribution payments to personal economic situations. Even lump-sum payment of contributions for previous periods is allowed. For poor participants the government will overtake the financial responsibility to guarantee their pension entitlements. Collected contributions are either deposited in banks or invested in government bonds. The retirement age is set at the age of 60 for men and 55 for women. The amount of individual pensions is calculated proportional to previous contributions of individual participants. The guaranteed minimum pension is 87 Yuan monthly. For families with only one son or two daughters there is also bonus in the calculation of pension payment, a supplement provision for those pensioners who are unable to

⁶⁴ The following introduction of institutional regulations is based on internal official documents concerning the implementation of the new pension scheme for the farmers as well as interviews with the responsible officials in Chengyang.

⁶⁵ Note, however, that migrant workers who do not own residential status in Chengyang are excluded from the pension scheme.

rely on their children in their old age. Pensioners obtain their pensions directly remitted to their bank accounts.

Since its successful start in 2003, the new scheme has hitherto spread to almost 95% of the overall 230 villages in Chengyang district. Estimated more than 290,000 farmers have participated in this scheme; among them roughly 15,000 have begun receiving pensions. The coverage rate of the new scheme thus reaches 75%. In view of this development, it is widely expected that the model in Chengyang could well be further implemented in other districts as well.

6.4 The Pension Scheme in Rural Areas of Beijing

Similar to Qingdao, Beijing's rural economy has seen rapid development in terms of agricultural production as well as rural industries (TVE). With overall economic reforms under way, many villages and towns were gradually reaching a well-off stage, making them capable of building a basic institution of social security for their villagers. Except traditional poverty relief program like the five-guarantee scheme, better-off villages have begun taking initiative in exploring medical insurance suited for regional need. They also started to provide old-age allowance to their elderly members. The monthly amounts of allowance varied from village to village, depending on their financial capability. A survey in 1987 estimated that already 47.8% of villages and towns around Beijing have begun granting old-age allowance to their residents (Beijing Government 1988: 9). But generally speaking, these policy initiatives were still in their initial phase and thus unable to sustain old-age security.

In the meantime, TVEs located in Beijing rural areas have prospered in the process of rural industrialization, which enabled them to establish their own pension schemes for the employees. According to the same survey of 1987, such schemes in roughly 113 TVEs of Beijing covered about 7100 employees, and accumulated a funding amount of 582.5 thousand Yuan, (ibid: 25). Yet the ability to offer employee-related welfare package was also apparently associated with local economic conditions. Whereas TVEs in well-off rural areas introduced enterprise pension schemes as early as 1978, their counterparts in regions with moderate economic strength could not afford them until the late 1980s. In even poorer areas this remained inconceivable. TVEs that were able to achieve this were mostly scattered in better-off rural regions (Chaoyang, Haidian), which have generally broader coverage and higher benefits for pensioners.

After the beginning of the pilot pension schemes in Shangdong province, the Beijing government decided in 1991 to choose Daxing and Shunyi Districts as starting points for establishing the rural pension scheme, partly as a response to the gradual expansion of the enterprise pensions in TVE as well as public pensions of individual villages. The next year witnessed a further expansion of pension schemes to another 5 districts or counties: Haidian, Shijingshan, Fangshan, Tongxian, and Yanqing. Available data indicate that the development of the schemes has been in due course

since then. In 1995 the Beijing government issued a document (No. 107), in response to the demand of the State Council (document No. 51 of 1995) ordering the acceleration of the implementation. It was the first official document of the Beijing government that aimed to regulate the policy. In the same year, 13 of the total 14 districts, of which 145 towns, 1000 villages and 941 TVEs introduced the scheme.⁶⁶ There were totally 156,000 insured peasants, among them 800 odds have already begun receiving pensions. The development in rural Beijing from 1991 to 1995 roughly corresponded to that of the whole nation.

Even after the decision of the central government to suspend all relevant policies in 1998, Beijing's rural pension scheme still operated without disruption, though it suffered slight backlash in overall progress. Until 1999, all 14 districts, of which 1640 towns and 3651 villages have established the pilot scheme for their residents. The number of participant peasants more than doubled to 344,000, of which 4500 eligible for pension claim (the average pension amount was 59 Yuan monthly). One year later (2000), the overall development of the rural pension scheme in Beijing reached its peak, where it could attract 380,000 peasants in the scheme, of whom around 10,000 were eligible for pension payment (total expense 7 million Yuan). From 2001 onwards, the whole progress stagnated, and the number of the insured peasants slipped to about 340,000 with 7700 pensioners. The next year saw further decline, with roughly 310,000 peasants remaining in the system. The year 2003 marked then a turnaround in the development when the city government decided to strengthen its responsibility and launched a new pilot scheme in districts of Daxing and Tongzhou (see further introduction below). In 2004 the rural pension scheme was expanded to 1860 towns and 3722 villages, where 368,000 of 1.4 million rural labor force participated in the scheme (participation rate at 26.3%) and about 18,000 received pensions (average pension 69 Yuan monthly).

In general, the implementation of the rural pension scheme in Beijing followed the instruction of the MOCA and the SC. The city government of Beijing did not put the old-age security of the rural citizens specifically as a priority on its political agenda unless demanded by the central government. As a result, the rural pension scheme in Beijing faced the same difficulty as other regions: as the system itself has never been nationally institutionalized on a statutory basis, the implementation was very susceptible to political risk and policy instability. The responsible local officials and cadres were prone to check the political sentiment of the central government before taking any innovative initiatives for fear of policy reversal by the higher authority. Nearly 15 years after its start, the coverage of the rural pension scheme in

⁶⁶ Data over the implementation and development of the pilot rural pension scheme in Beijing are incomplete, as is often the case in China where the responsible administration did not pay attention to the collection and compilation of the statistical data. My information source regarding the development of the pilot pension scheme in rural Beijing as provided in this section is the protocol written during my interview with the director of the Division for Rural Insurance in the Bureau of Labor and Social Security in Beijing, on June 1st of 2005.

Beijing is still far from comprehensive and the pensions remain too low to assure economic safety in old age.

The regulatory doldrums are reflected in the low coverage rate of the pension scheme in rural Beijing (average 26.3% in 2004). The implementation of the MOCA pension scheme in rural Beijing manifests a highly fragmented character, depending on local subsidy policies of towns and villages. The Huairou district, for example, has a less generous subsidy policy. The district government makes a subsidy of totally 500,000 Yuan each year, and each town administration tops up a further subsidy of 50,000 Yuan for the pension scheme. On voluntary basis, the coverage rate of the scheme in Huairou district amounted to 21% of the rural labor force in 2004. Only in few localities like *Dazhongfule* village and *Shuli* village, all villagers have participated in the scheme thanks to the comparatively better subsidy of the village collectives (each villager pays 100 Yuan yearly and receives the same amount of subsidy). Yet in remote rural areas the scheme is not even implemented at all.

In the meantime, the urbanization of the Beijing city is accelerating and demanding more land. Land seizure has become a common practice of local officials, causing rural social insecurity and contingency if the loss of land was not properly compensated. How to settle the livelihood of rural landless households has thus become a main concern of the Beijing government. To resolve this pressing issue, partly also as a response to the insufficient provision of the old pilot pension scheme implemented since 1992 and the need to maintain social stability of the capital, the Beijing government conducted an internal survey in 2003 investigating the real need of the rural citizens. This has given rise to a new round of policy offensive of pilot pension schemes launched in 2004.

6.4.1 The New Pilot Pension Schemes since 2004

The political sentiment in the central government has changed in recent years in favor of more policies for peasants. The 16th National Congress of the CCP in 2002 set the goal of “constructing a harmonious society” as the priority of developmental strategy, under which the role of social security, especially that of the rural areas, was deemed as a key factor to achieve that end. The National Congress further suggested that old-age security systems should be explored and established where affordable. This conclusion has given new impulse to the development of social policy in China as it sent a clear signal to the local governments that social security was on top of the political agenda. The Beijing government recognized this political trend towards social security and decided to bring about new momentum in rural old-age security. This has led to the new pilot schemes currently experimented in districts of Daxing and Tongzhou.

The Daxing pilot scheme⁶⁷

Daxing lies in the southern suburb of the Beijing city with a total area of 1030 km². Its administrative jurisdiction covers 14 towns and 539 villages. In recent decades Daxing has profited a lot from the ongoing industrialization, which has sustained its yearly economic growth at a constant rate of 15%. In 2003 the average GDP in Daxing amounted to 10.24 billion Yuan, much to the benefit of the Daxing government, which could collect tax revenue of overall 934.97 million Yuan.⁶⁸ The number of population of the Daxing district was 545,351, of which 348,406 were registered as rural residents (63.9%), whereas 196,945 were listed as non-agricultural residents (i.e. comparable to urban status, 36.1%). The average income of rural residents has reached 6099 Yuan, economically well-off among all rural areas surrounding Beijing. The rapid economic growth has also created new non-agricultural employment chances for rural residents in this district. Many of them either worked for companies located in the region or they made their own livings as self-employed (e.g. taxi driving). To meet the changing nature of employment patterns and the need for public policy support, the Daxing district has established MLSS scheme as well as rural cooperation medical scheme successively.

As for the pilot pension scheme, Daxing introduced the MOCA model in the course of the 1990s. Even though it came to a decline in the last few years, the government has learnt the lesson that it had to bear more responsibility to support old-age security. The reform idea came up in 2003 and took shape in the announcement that the Daxing government planned to subsidize a yearly amount of 15 million Yuan for those who participated in the pilot scheme. In addition, the government established a funded reserve that would ensure a dynamic adjustment of pensions in parallel with increases of per capita incomes or commodity prices. The regulation also stipulated that the minimum contribution would assure a future pension amount of no less than 120% of the rural social assistance (MLSS). By contrary, the maximum contribution would make the expected pension income no higher than the average wage income of the Beijing city in last year. These measures revised the shortcoming of the old MOCA pilot schemes that pensions accumulated on personal accounts were often too low. By setting a minimum pension amount to be accumulated in personal accounts, the Daxing scheme could at least guarantee a certain degree of living standard in old age.

The targeted groups of the Daxing scheme are those rural residents aged between 16-60 and those with urban household status but work in agricultural sector. In its institutional design, the Daxing pilot scheme follows the basic idea of the MOCA scheme that each individual should accumulate his/her contributions in

⁶⁷ The description of the regulations is based on the introduction brochure dispensed to the rural residents as well as the "Provisionary Regulation of Rural Old-Age Insurance of Daxing District" (*Daxing qu nongcun shehui yanglao baoxian banfa*) issued by the district government in March of 2004.

⁶⁸ The following figures refer to the year of 2003. Data based on the information of the "2003 economy and social development" provided by the Daxing district government.

fully-funded personal accounts. The participation is voluntary, but the local administrations and (financially stronger) villages transfer subsidies directly to personal accounts of the insured. To take the instable nature of agricultural economy into account, contribution payment of each individual is collected at a quarter-interval or even once in a year. A lump-sum contribution payment is also allowed if deemed necessary. The retirement age is set at 60 (for both sexes), while that for the disabled is lowered to 50 with lower pension entitlements correspondingly. Pensions are dispensed monthly to the eligible insured until their death, and their payment is calculated on the basis of the total amount of accumulated contributions as well as age. A minimum pension entitlement of 10 years is guaranteed, i.e. even if the insured pass away within 10 years after he/she begins receiving pensions, family members are eligible to claim the rest sum of the remaining pensions. To avoid any fund abuse that would dent the financial viability of the pension scheme, the district administration sets up a committee responsible for supervision of fund operation.

A three-tiered old-age support is thus established, in which the individual bears the main responsibility of his/her own old-age security, whereas villages or towns and districts top up additional financial subsidies if possible. A visible improvement of the new scheme lies in the enlarged share of the financial responsibility of local governments. The district government also assumes its responsibility in regulating and supervising the operation of the insurance fund in order to strengthen the viability of the whole system. A further improvement lies in the installation of the automatic adjustment mechanism regarding minimum/maximum pensions so that a certain level of dynamic old-age income is guaranteed.

The Tongzhou pilot scheme⁶⁹

Similar to Daxing, Tongzhou district (907 m²) has been developing rapidly in recent years. Located in the southeastern side of Beijing, Tongzhou has benefited a great deal from the prosperity of Beijing. Under its administrative jurisdiction are 11 towns and 482 villages. There are 597,500 residents, 438,400 of them are registered as rural population and 182,000 as rural labor force. In 2003 the average GDP in Tongzhou amounted to 10.45 billion Yuan, which brought the district government tax revenue of 840 million Yuan. The average income of the rural residents reached 6445 Yuan, slightly higher than their rural counterpart in Daxing (6099 Yuan). The financial strength of Tongzhou has enabled the district government to establish the MLSS scheme as well as rural cooperation medical scheme successively. As the city government intended to launch a new pilot pension scheme in 2003, the Tongzhou district government decided to take initiative and introduced them in a few selected towns and villages.

⁶⁹ Unless otherwise noted, data in this section are based on the information of the "2003 economy and social development" provided by the Tongzhou district government.

The political move of the Tongzhou district government was partly motivated by the ongoing trend of land seizure as a result of similar trends in recent decade. A current example is the enlargement of the “Beijing Economic and Technology Development Park” (*Beijing jingji jishu kaifaqu*) in Majuqiao town (马驹桥镇), which has claimed the land of five villages, forcing nearly 4000 residents lose their land.⁷⁰ The top issue of the Tongzhou district government was how to settle their lives and offer them new training or employment opportunities, and how to offer them social protection regarding medical care and old-age security. The response in 2004 was the introduction of a pilot scheme in two villages of Majuqiao town targeted at the landless peasants. After a month of policy experiment, the scheme was then expanded throughout the whole town. The Tongzhou district government and all village collectives have dispensed a total subsidy of 215 million to support the financial need of the scheme.

Eligible for participation in the scheme are those rural residents aged between 16-59 for men and 16-49 for women.⁷¹ Landless peasants of these cohorts have to choose either to search for jobs by themselves or accept settlement arrangements by the town and village administration. In the first case, the village collective will subsidize each peasant in the new old-age security scheme, namely 80% of the contribution. Individual participants are to bear the remaining 20%. A lump-sum settlement subsidy of 20,000 Yuan are granted to the beneficiary while another 30,000 Yuan are reserved as social insurance contributions (for old age, medical care). If a villager chooses the alternative option, the town and village administration will offer training programs and arrange suitable jobs. However, job arrangements are guaranteed only twice within the first 6 months. After two unsuccessful arrangements during that period, the candidates will receive the amount of settlement subsidy of 50,000 Yuan, but they are expected to live on their own feet without further cash or in-kind subsidies from the state. In both cases the participating peasants are entitled to receive a fixed amount of 300 Yuan pension monthly once they reach 60 (for men) or 55 (women).

For those over these age limits, each village administration will pay contributions to the scheme so that they can receive 400 Yuan pensions for each month until death. The entitlement for 300 or 400 Yuan pension is guaranteed for at least 10 years, which means that in case of death, the surviving members of the family are still entitled to receive pension payments for the remaining years. Subsidy of the village for the contribution payment stems mainly from the revenues of land leasing to other users. By means of this financial support, the village administration

⁷⁰ Report on the development of the Labor and Social Security of the Majuqiao town by its Bureau of Labor and Social Security.

⁷¹ As the implementation of the new scheme in Tongzhou was just under way during the time of my field work, relevant regulations could only be read from the provisionary regulations of each village. Here the presentation of the regulations is based on the guidelines of the Dabai village in Majuqiao town in 2004 (*Majuqiao Zhen Dabai Cun Shidi Nongmin Anzhi Zhengce Zhinan*).

ensures that landless peasants also share in the revenues from land seizure. In this sense the new scheme in Tongzhou district adopts the idea similar to “land in exchange for security” (*tudi huan baozhang*) proposed by scholars (cf. section 6.2).

In comparison with the pilot scheme in Daxing, the scheme in Tongzhou is limited in terms of its scope and extent. Whereas the former aims to cover more rural residents with public subsidies, the latter is merely set to compensate the land loss of the peasants without a comprehensive plan to provide sufficient social protection. Job training and reallocation program for landless peasants are only supposed to support them for the first 6 months after land loss, thereby constraining policy reach considerably. As my analysis of the interviews with the peasants in chapter 7 and 8 will show, many peasants are de facto left to seek non-farming employment chances by themselves. Especially middle-aged landless peasants are the most vulnerable persons in this process because their past biographical profiles appear unattractive in the labor market.

According to the information of the Beijing Bureau for Labor and Social Security, the pension scheme in Tongzhou has won 4700 new members and collected contributions amounting to 150 million Yuan. Following Tongzhou and Daxing’s suit, other districts in Beijing, such as Pinggu, Shunyi, Changping, are also planning similar plans to increase financial subsidies for individual participants in order to attract more rural residents join in the pension scheme.⁷² The Beijing city government has declared the goal of improving old-age security for the rural elderly in the near future. It remains to be seen whether these new policy initiatives would provide more old-age security for local peasants.

6.5 The Pension Scheme in Rural Areas of Shanghai

Shanghai is a leading figure in the field of Chinese social policy. With her strong economic growth and advantageous fiscal situation, Shanghai is able to explore relatively advanced and large-scale programs aimed at tackling challenges of rapid urbanization and industrialization. Social policy measures implemented in Shanghai often attract much attention from other regions. For instance, the new social assistance scheme, Minimum Living Standard System (MLSS), was initially experimented in Shanghai, and then expanded to all Chinese cities in 1999 upon the demand of the central government (Hussain 2002; Leung and Wong 1999; Shang and Wu 2004; Zheng 2002). This shows that policies experimented in Shanghai are highly significant for the future development of social security in China.⁷³

⁷² However, remote rural districts such as Huairou, Yanqing, and Miyun still suffer weak economic developments due to their geographic locations and strong concentration on agricultural economy. They still have difficulty launching new pilot schemes. Information is based on the protocol written during my interview with the director of the Division for Rural Insurance in the Bureau of Labor and Social Security in Beijing, on June 1st of 2005.

⁷³ I am indebted to Yao Yu for reminding me of this point.

As early as the 1970s, rural communes in Shanghai have already paid pensions to their elderly members, though the allowances remained very low and unstable.⁷⁴ In the course of the 1980s, as the impact of economic reform and demographic policy on the old-age security in the rural areas emerged, Shanghai set out to explore possible policies. After conducting field surveys over the need of the rural residents for old-age security, the Shanghai Bureau of Civil Affairs concluded that Shanghai has already reached the phase of economic development that could sustain a public pension scheme. The city government decided in 1987 to introduce a pilot scheme in the then Jiading County (esp. Nanxiang town and Malu town). The basic idea was to collect contributions from both the TVEs (10% of pre-tax payroll) and their employees (5% of average wages in local town), payable to the authority of rural social security. The contributions of employees were collected into individual accounts, whereas contributions from TVEs were poured into social pooling. 10% of the social pooling funds were used to subsidize individual accounts, while the rest were directed to pay the pensions for old peasants. Entitled to join the pilot scheme were all peasants and employees of the TVEs. In essence, the pilot scheme was a combination of pay-as-you-go and funded account in order to cater to the need of both elderly and younger rural residents. Since its start, almost all eligible persons have joined in the pilot scheme.

This successful start has encouraged the responsible local government. In 1991, Shanghai extended the pilot scheme to the whole Jiading County, then to the whole rural area successively in the following year, with 6 counties and 38 towns or villages embarking on this scheme. The year 1995 saw further progress as a total of 846,300 peasants in 9 counties, 152 towns and villages were covered by the scheme. In 1996, the Shanghai government issued the «Provision of Rural Pension Insurance in Shanghai», which formalized the status of the pilot scheme and gave thrust for further expansion. At the end of 1998, the scheme extended to 10 counties, 200 towns and villages, with 1,240,000 peasants as its members (coverage rate 89%). The accumulated funds have reached 2 billion Yuan, and a total of 0.63 billion Yuan pensions were payable to 310,000 pensioners. The expansion of the scheme accelerated in recent years, leading to a coverage rate of over 90% (1.1 million peasants) in 10 counties and 128 towns or villages.⁷⁵ The overall accumulated funds peaked up to 5 billion Yuan.

Today, the rural pension scheme is well developed in Shanghai. Accumulated funds are centrally administered by the county-level administration and invested in

⁷⁴ Unless otherwise noted, the following description and data are based on the interview with the responsible official of the Bureau of Labor and Social Security in Shanghai, on April 26th of 2005. Further information originates from the campaign pamphlet of the rural old-age insurance issued by the Shanghai Bureau of Civil Affairs (1996).

⁷⁵ The decrease of the absolute number of participants is less the result of regress than the outcome of the introduction of a new township insurance (*zhenbao*, to be introduced below) beginning in 2004. Many of the previous members of the rural pension insurance were switched to the new township insurance scheme.

government bonds or deposited in bank accounts. The contribution administration and pension expenditure of the scheme are under strict supervision of the city government. Fund abuse or corruption as is often the case in other regions is inexistent here. Contributions from enterprises are paid monthly, while peasants are freer to pay them quarterly. Those unable to afford it are classified as poor households, whose contributions will be paid by the social assistance program of the civil affair authority as well as subsidies of the villages. Retirement age begins at 60 for all peasants, whereas rural residents working in non-agricultural sectors are eligible for pensions at the age of 60 for men and 55 for women respectively. In 2004 the average pension income was 86 Yuan.⁷⁶

The basic idea of the rural pension scheme in Shanghai is a multi-pillar protection: the main pillar is based on individual payment (self help), while subsidies by the rural collectives pile up the second pillar of old-age security. In this way, family and social support are interwoven in the institutional framework of the public pension scheme. Despite the fact that the average pension incomes of rural residents remain low, the rural pension scheme implemented in Shanghai has at least achieved the goal of broad coverage. Pensions from public schemes have already become an indispensable part of old-age income sources for the peasants in rural Shanghai.

As the pace of urbanization accelerated in the last decade, the county and township governments were driven to seize farmers' land. These new circumstances have led Shanghai government to rethink whether it still made sense to maintain the urban-rural divide in the field of social security, not least because this traditional institutional design failed to meet the diversified need emerging in changing economic and social contexts. The policy response was the new Township Insurance Program introduced in 2004.

6.5.1 The Introduction of the Township Insurance Program in 2004

The new Township Insurance Program (TIP; *zhenbao*) is designed as an interface between the social insurance program for urban residents and the traditional pension scheme for rural residents.⁷⁷ It seeks to offer a new framework in response to the blurring boundary between urban and rural areas in Shanghai. This initiative is highly significant because it heralds the first move to establish a unified welfare system both for urban and rural residents. The TIP in Shanghai is designed as a smaller-scale urban social insurance program. Major social risks such as old age, sickness, unemployment, work injury and motherhood are covered by this new scheme. Entitled to join this program are enterprises in the suburb towns of Shanghai

⁷⁶ In comparison: the average pension benefit of the urban pension insurance in 2004 ranges around 370 to 555 Yuan. The pension benefit of the rural pension scheme is only equal to 13.5% - 21.6% of the level offered by its urban counterpart.

⁷⁷ Description in this section over the policy details of the Township Insurance Program is based on the "Overview of the Township Insurance Program" issued by the Shanghai Bureau of Labor and Social Security (2004). See also the evaluation report by Zhang (2004).

and their employees as well as persons approved by the city government to join in (such as landless peasants). Enterprises in the rural areas originally covered by the rural pension scheme are encouraged to switch to the new TIP in due time, while urban enterprises and their employees designated for the urban social insurance program should continue their membership without any change. The central idea of the TIP adopts the prevalent thought in current social policy reforms of China, namely a combination of personal account and social pooling. Contributions are paid monthly by enterprises, calculated on the basis of 60% of average pre-tax payroll in Shanghai city (as benchmark, 2033 Yuan in 2004), of which 25% (i.e. 508 Yuan in 2004) are payable to the Bureau of Labor and Social Security and the Bureau of Medical Insurance of the city.⁷⁸ In case of job switches, previous contribution records in the urban social insurance, rural pension scheme or TIP will be recognized and converted commensurably to the new insurance scheme whichever applies (portability). Collected contributions are used to pay insurance benefits, and the remaining revenues will be accumulated and managed by the authority at the city level, which will be further overseen by authorities of labor and social security as well as medical insurance.

With regard to the benefits, the TIP has the following regulations⁷⁹:

1. Pension: Insured persons arriving 60 (men) or 55 (women) with a contribution record of no less than 15 years (monthly contribution payment no less than 5 years) are eligible to receive pensions from the TIP.⁸⁰ Pensions are calculated according to one's own contribution record. Basic pension (with a record of 15) is granted at 20% of the monthly average wages of Shanghai workers. With additional one year of contribution the pension will increase at 0.5%, with a ceiling of maximal 30% of the monthly average wages of workers. Therefore, pensions will be raised annually in proportion to the average wages.
2. Medical Treatment: In principle, the TIP covers only serious diseases of outpatient services as well as hospitalization treatment of inpatient services. Benchmark of benefit approval for the first treatment in one year is fixed at 12% of the monthly average wages of Shanghai workers; for the subsequent treatments it is set at 6%. Once the cost of medical treatment exceeds the benchmark, the TIP will cover 70% of the total charges (for pensioners it is set at 80%). The patient has to shoulder the remaining fees. However, the maximal

⁷⁸ The 25% contribution rate includes 17% for pension insurance, 5% for medical insurance, 2% for unemployment insurance, 0.5% for work injury and another 0.5% for motherhood insurance. See: «Provisional Regulation of TIP in Shanghai» of 18th October 2003 (*Shanghai xiao chengzhen shehui baoxian zhanxing banfa*).

⁷⁹ The following description is based on the information of the «Provisional Regulation of TIP in Shanghai» of 18th October 2003 (*Shanghai xiao chengzhen shehui baoxian zhanxing banfa*).

⁸⁰ Insured persons who have reached the age limit but lack enough contribution records are allowed to pay contributions until the minimum condition is fulfilled.

coverage of the TIP for medical treatment in one year is set at 2.4 times the monthly average wages of workers.

3. Unemployment: Laid-off employees insured in the TIP are entitled to claim unemployment benefits when they have at least a year of previous contribution record for the scheme. Yet different from other branches of the TIP, the entitlement for unemployment benefit is additionally coupled with the status as urban residents. The duration of benefit grants depend on the past contribution record. With only one year of contribution payment, the unemployed can receive one month of benefit. Benefit claims for additional months are subject to longer contribution records. Maximal duration of benefit exceeds, however, no more than 24 months. The amount of unemployment grant is computed in accordance with the duration of contribution payment and the age of the claimant, but its maximal sum is supposed to be as much as the minimal wage standard of Shanghai city.
4. Motherhood: Female insured persons are eligible to claim motherhood benefit after the birth or miscarriage. Those with at least one year of contribution record can receive motherhood benefit commensurable to 60% of the average wages of Shanghai workers of the previous year. Otherwise the benefit is lowered to the level of minimal wages.

In addition, enterprises and employees in sound financial condition can also join in the supplementary social insurance. Whereas calculation basis of the contribution for enterprises is oriented on the total wage sum of their employees of the previous year, individual worker's contribution rate is set according to his/her total wage income of last year. The ratio of contribution payment between enterprises and their employees is regulated on a voluntary basis. All contributions paid by enterprises and employees will be tallied into individual accounts. In this way, supplementary social insurance functions as a second pillar of social protection for individual workers. With the element of supplementary social insurance, the TIP attempts to make basic social protection affordable for all areas of Shanghai while wealthier regions can still render their residents higher benefits with a supplementary social insurance.

The institutional design of the TIP is comparably much better than the rural pension scheme as its pension benefit level grows in tandem with the wage increase in Shanghai. In addition, it covers almost all major risks like the urban social insurance, yet at a lower and therefore more affordable level. It is thus no wonder that the TIP has soon won popularity soon after its start. Alone in the first year since its outset in 2004, the TIP covered 750,000 rural residents, 510,000 of them were landless peasants and the remaining 240,000 employees of township and village enterprises or self-employed. The Shanghai government expected the number to reach 1 million at the end of 2005 and still more in the next few years.⁸¹

⁸¹ Figures are provided by the Bureau of Labor and Social Security in Shanghai.

6.6 The Uneven Development of the Rural Pension Schemes

The rural pension policy in China is characterized by a high degree of instability. In the last 15 years since the introduction of pilot schemes in some regions, the state has been unable to establish a stable institutional framework for rural old-age security. A closer look at the political process reveals that the rise of the rural pension scheme and its eventual failure to make consistent progress towards a comprehensive system is a result of conflicting ideas among bureaucrats with respect to what kind of social welfare the rural elderly really need. This is demonstrated in the wobbly attitude of the central government towards the direction of the rural pension scheme in the political process. Particularly in critical times of external shock (Asian financial crisis) and internal political problem (alleged mismanagement of the rural pension scheme), carriers of new ideas (MOCA, MOLSS) advocating for greater state responsibility in this area failed to persuade the top leaders to favor their standpoint. As a result, the rural pension policy returned again to the dominant paradigm of minimal state provision for the rural old-age security. The fluctuations in this policy realm in the last 15 years vividly illustrate the predominance of the policy idea that peasants can still rely on their land and family, supplemented by the private commercial insurance, in their old age. Given this alleged self-reliance of the rural residents, the state declines to establish a comprehensive rural pension scheme.

This analysis does not intend to judge the normative “correctness” of the arguments in the political debate, nor should it be interpreted as an advocacy for a universal rural pension scheme. While recognizing the plausibility of the argument in favor of the state’s limited role in the rural pension policy, the aim is rather to illuminate the dominance of the residualist idea exhibited in the opinions of oppositional political elites. It is understandable to point out the problems emerging during implementation, yet to conclude that the rural areas are unsuitable for more state involvement discloses the cognitive habit of the Chinese policymakers to downplay the significance of social policy for the rural residents. The failure to establish a sound rural pension system cannot be attributed solely to the insufficient infrastructure of the rural areas, but other causes are equally to blame, among them particularly the dearth of a well-elaborated statutory framework at the outset. But instead of acknowledging that point, the policymakers choose to hold the MOCA and the MOLSS responsible for miscalculating the whole rural circumstances; and for that they decide that the policy should be rolled back.

This cognitive habit of the central government has profound implications for the development of the rural pension policy in China. In times of rising uncertainty triggered by the Asian financial crisis, the policymakers chose to embrace the traditional idea of leaving the rural peasants alone in their old age. Without a clear resolution of the top leaders, the MOLSS has in effect very little leeway for more innovative policies that would eventually expand public responsibility for rural old-age security. Given the proclaimed retreat of the state, old-age security in rural China

hinges, once again, on private insurance market and family support. Only in wealthier regions can the rural elderly expect more financial aids from local governments. The central government endeavors to continue its strategy of rapid economic development, in the hope that this would ultimately uplift rural areas out of poverty and thus improve rural old-age security. Yet in view of the changing nature of family relationship as well as the uneven distribution inherent in economic reforms, averting the risk of old age remains a risky private matter for many residents in rural China.

The weak role of the central state in the implementation of the rural pension policy also implies the significance of regional economic circumstances for the success of local pension schemes. Financial strength of local governments and individual households constrains the extent of contribution collection and benefit expense of the respective pension schemes. In other words, the unequal development between different regions leads to the uneven development of local pension schemes. Even in a region where the rural pension scheme functions relatively well, one can still notice various developments among villages in the same region, not least due to their unequal fiscal conditions. The policy guideline of the state to take local conditions into account in the implementation entails that the development of the rural pension policy in China is bound to be fragmented and residual, as many rural regions are in effect unable to introduce a well-functioning pension scheme for their residents at all. The institutional framework of the rural pension policy results in the *reproduction of economic inequality* in the old age. Existing income cleavages in the work phase continue to persist in the retirement phase. Since there is no endeavor within the rural pension policy to redistribute wealth both among regions and individuals, it reinforces the unequal outcomes of local development in the reform process.

7. Life Course: Paths into the Pension Schemes

This chapter builds ideal types based on the interview data collected during the field work in Qingdao, Beijing and Shanghai. The goal is to depict the manifold paths of the investigated rural households into local pension schemes. As the rural pension policy adopts the principle of voluntary participation and implementation according to local circumstances, one can observe a variety of pension schemes designed for different groups and different conditions. Regulations of the schemes vary from village to village, which have very different implications for the participants. Shanghai and Beijing form an interesting contrast in this respect. As has been analyzed in Chapter 6, the development of the rural pension policy in Shanghai has been a continuous process since its introduction in 1986, whereas that of Beijing has encountered more difficulties that hampered the progress of the whole policy until today. To take this factor into account, a closer look at the life courses of the insured peasants and their diverse passages into rural pension schemes becomes necessary. Because only by making this distinction can we capture the essence of regional diversity and social inequality inherent in the development of the rural pension policy.

The aim here, then, is to highlight these different entry paths on the basis of biographical interviews. A semi-structured interview guideline allows the researcher to ask questions surrounding personal experience and assessments of the rural pension schemes. These previously prepared questions provide a starting point for the interviewees to tell their life stories. During the narrative process the researcher asks spontaneous questions in relation to the themes being told in order to gain a more complete picture of each life story. In such interviews the respondents narrate their previous work experience and current economic situations. To understand their familiar relationships and their implications for the care of the elderly, questions about the composition of their households as well as the activities of the members are also posed to the interviewees. Retrospective narratives about personal experience with the public pension schemes (if any) should help the researcher to trace the interaction between structural changes, institutional regulations and personal choices. In addition to the interest of the researcher on background histories of the interviewees, a central concern penetrates the whole interviews: why and how have the respondents in different cases joined in various pension schemes? Answers to this question should give us a hint on the processes of participation as well as the causes for such decisions. They can also shed light on the influences of structural and institutional factors on the individual entry into the pension schemes.

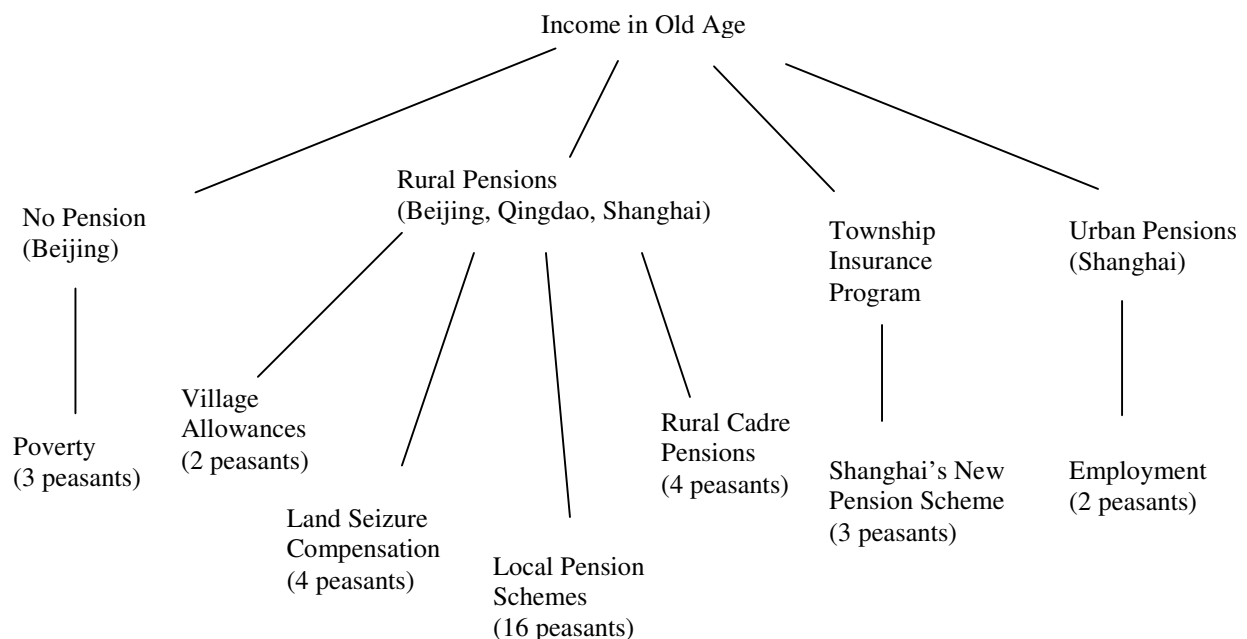
In this light, two analytical dimensions stand out: types of pension scheme and reasons for participation. In view of the versatile pension schemes for different groups of peasants, the researcher needs to sort out first whether the interviewees have participated in any scheme, and if so, in which kind of pension scheme. As local practices vary to a large extent from each other, detailed inquiry about the

institutional framework of local schemes offers information of their actual implementation. In addition to this, many village collectives also grant cash benefits to the elderly or subsidies to the scheme participants. Therefore, the interviews also focus on the collective financial aid which has equal influence on the behavior of risk aversion among the rural residents. Crucial for the researcher is also the timing of the program implementation, namely when the schemes or collective benefits are introduced. Or more exactly: when did the respondent join in the scheme or begin to receive the grants? This information can deliver insight into the manifold development of local practice with regard to the issue of old-age security. It also deepens our understanding of the events that trigger transition in personal life courses.

The inquiry about the current situation of the interviewees' participation in local schemes is accompanied by further questions about the reasons for the participation. The decision to take up the scheme may look simple at first glance, yet by closer examination it is often the result of personal consideration over the financial situation of the household. Deliberation about the priority of individual old-age security is often weighed against other factors such as economic condition of the household or the investment in education of the next generation. Whether to take up the scheme or not reflects an individual's subjective assessment of current situations as well as middle-term goals. At the same time, collective subsidies or benefits matter as well as they provide material incentives for the villagers in assessing whether it pays off to participate in the schemes. Research on the causes and motives of participation will thus shed more light on the process aspect of life transitions.

The following construction of ideal types (Figure 7-1) is oriented on the comparative portrayal of the various participation routes between Shanghai and Beijing. The information offered by cases in Qingdao is limited, as they refer mainly to village cadres. However, they are still incorporated into the type "rural pensions for cadres" to enrich the whole analysis. The types are ranked from "no pension" on the left side, through "rural pension" and "township insurance program" in the middle to "urban pension" on the right. This sequence is set to address the inherently unequal results of various pension schemes. Whereas the insured peasants in the urban pension insurance (interviewed in Shanghai) receive or expect to receive exuberant pensions, one can still find numerous peasants (interviewed in Beijing) excluded from any social protection with respect to old-age security. The middle variants of rural pension and township insurance program refer to different degrees of pension entitlements depending on the institutional design of the respective schemes. But in general, the township insurance program is superior to the rural pension schemes in terms of better pension benefits, yet inferior to the urban pension insurance, which offers even better pensions. By means of this sequence we can gain a deeper insight into the diverse landscape of various pension schemes currently co-existing in rural China.

Figure 7-1: Paths into Old-Age Pension Schemes in Rural China



7.1 Seven Paths to Local Pension Schemes

Type 1: No Pension due to Poverty

Typical for this group of households is their generally lower income status as well as lower economic development of the villages where they live. As the analysis of the rural pension policy (chapter 6) shows, rural pension schemes are still absent in many rural areas or they cover only a small portion of the rural residents. Very few places (e.g. Shanghai) are able to include almost all rural residents in the pension programs. Rural households in poor regions typically work on farms and are beholden to the instable incomes of agricultural activities, as crops and their sales are susceptible to the fluctuations of the agricultural market. The economic situations of the households living on agricultural economy are mostly modest, and their incomes hardly allow them to think much about future plans, not to mention their own old age. In most cases of rural Beijing, the average monthly income is roughly 1000 Yuan - only sufficient for basic living needs. It remains a luxury to secure old age from now on. For the present, the most compelling concern is the risk of sickness, especially when inflicted by serious illness, which would mean financial blackout and economic hardship. Even cooperative medical systems implemented in villages, despite their virtually modest subsidies for the real medical expenses, are still expensive and inaccessible for some households with extremely tight budgets.

Individual households of this type can barely expect any financial subsidy from local villages. In the outskirts of rural Beijing where land seizure has not yet taken place, the general economic growth is still constrained by the predominantly agricultural economy with low return. The average monthly income per capita is

around 600 – 700 Yuan. Agricultural economy generates little income growth for rural households because the market prices of many agricultural products fluctuate frequently, leading even to income loss if they fall sharply under the production cost. As corn, vegetables and wheat are the main crops in northern China, their harvest can hardly bring huge revenues for the households. The average arable land per person is about 1 *mu*, making more efficient land usage by large-scale agriculture impossible. There are generally a few village-owned enterprises producing primary industrial materials such as iron plates or carpentry, yet their products have lower added value, making them unable to generate greater revenues for the villages. As a result of the general difficulty of village economy, rural pension schemes have never taken root. Each household is left alone to care for its elderly families.

The case of Mr. Nie represents the ideal type of this group. The economic situation of his household reflects the basic difficulty of poor rural households in averting the old-age risk.

Case 2: Mr. Nie is the father of 2 children in a 4-person-household in Houjianping village (后尖平村) of Tongzhou district, Beijing. The main income resource is the revenue of farming activities. The Nie family has a farm of around 4 *mu*, where Mr. Nie cultivates wheat and corn. In their backyard Mr. Nie also breeds 2 pigs to supplement the household economy. During his spare time he takes piecework orders and works as a building worker. Yet the income from farming and side job is not always constant, as both are subject to weather conditions. He earns roughly 900 Yuan per month. Since the village he lives in has not introduced the rural pension scheme, he has never heard of it. The only existing protection program is the cooperative medical program, but Mr. Nie still declines to join it owing to his modest economic condition.

The reliance of the Beijing household economy on agricultural profits is the major reason why rural households have been unable to catch up with the rapid economic growth in recent years. Small per capita farm area and declining profitability of agricultural products are accompanied by rising cost of manual labor, chemical fertilizer and pesticide. In many cases of harvest, peasants are even at the risk of making losses because the market prices of crops fall far below the planting costs. The state has begun subsidizing farming since 2003 (100 Yuan per *mu* annually in Beijing), yet that is still too little to have any significant effect on the income improvement of the rural households.

Because both children go to schools, Mr. Nie has to collect money for their tuition fees, a heavy burden for the tight budget of the household. For the second daughter, for instance, Mr. Nie has to pay a tuition fee of 6400 Yuan a year alone, not to mention other costs (meal, traffic, learning materials). The elder daughter is preparing for the entrance examination to universities. In case she gets the entrance admission, Mr. Nie expects that he has to bear more expenses for the tuition fee. For the time being, it is impossible for him to save any money for the future.

... I don't even think about it (saving) now! Why? Because my condition is far behind it, isn't it? Even though I earn so little money, to breed the family for the whole year I still have to work hard. Otherwise I would not be able to achieve it. I cannot do any saving now.
(Case 2, 04/10/04)

The tight financial condition forces Mr. Nie to bear the risk of sickness even though there is a cooperative medical program in the village, which requires an annual participation fee of 60 Yuan for a 4-person-household. Though village cadres have visited him persuading him to take up the scheme, Mr. Nie has made up his mind not to follow their advice. Worrying that the income would not be able to cover expenses of the tuition fees, Mr. Nie has decided not to join in the cooperative medical program in order to save the money for other purposes. At the age of over 40, Mr. Nie thinks he is still healthy enough that he can take the risk of sickness. He would not change his decision until his financial situation has improved.

For their old age, therefore, Mr. Nie thinks that he can only depend on himself or his children. But the basic difficulty is that, even when they do have the spare economic capacity to make additional security arrangements for their old age, the void of any public pension program forces them not to think much about their old age security. This does not mean that old-age security is not important at all. Quite the contrary, even in the minds of those rural households the importance of old-age security has not been ignored, nor do they take the traditional way of dependence on family and children for granted. In the hope of abating the burden of their children to take care of them in their old age, the middle-aged interviewees express their wish to join the public old-age security system whatever available. As Mr. Nie says,

I cannot join the rural social insurance schemes because my (economic) condition has not yet reached that stage, my situation does not allow it at all! Had I the money, I would join in the (social) insurance so that I would be protected when I got old. But without the condition, how can you join in the scheme? ...I would like to exchange my land for social security. First of all, you have the pension offered by the government, and, in addition, subsidies for land seizure. The government means it, it sets standard with regard to how much money for how much land. You can deposit the money in the bank or you can join other insurances, enough for your expenses, right? It is tiring to cultivate one's own land plot without any protection. In the case of public social security you have got the protection. The scale of social security will vary, but rather towards better direction. The society is improving, isn't it? (Case 2, 04/10/04)

Expectation of dependence on the children does not necessarily lead the peasants to wish for more offspring. Aware of the expensive cost associated with raising a child, almost all households in this type prefer having 1-2 children irrespective of sons or daughters. In addition to legal prohibition of more than two children, economic burden is the main argument against bearing more children. But at the same time,

they also express their concern over heavy burden their children would have to bear with respect to caring for their parents in their old age. No household would be happy with the idea that they would have to rely heavily on their children, yet in the absence of sufficient public support, households of this type have no other choice.

I have only two daughters, and they have to fend for me in my old age, otherwise who else? It would be better if the state really sets up a subsidized pension scheme that could support your old-age security...It is good if the children can fend for you, but if not, you cannot expect them to do it because they cannot even take good care of themselves...Everyone wishes that the children would become the elite in society, but what if they do not? Nowadays there are so many jobless youth, so who dares say how the children would become? (Case 2, 04/10/04)

The absence of a public old-age pension scheme has generally given rise to the wish for more state involvement. As the prospect of income improvement by agricultural activity remains dim, households of this type can only hope for more state subsidy to cover the gap needed for their old-age security. Interestingly, the dearth of a state old-age security system has dampened the enthusiasm among the peasants for economic security in old age, yet stirred up the hope that the very same state would eventually take the responsibility to assist rural residents in averting the risk of old age. Disappointment towards the state arises because the peasants are more and more aware of their subordinate status in the public welfare system, either through mass media or increasing contact with the urban life. This has generated a discontent or even resentful feeling among those who have not been able to take a share in the cake of rapid economic growth. But despite the frustration over the current situation, the peasants still have a strong confidence in the ability of the state to establish a stable system. Even peasants of type 1 show the willingness to join public pension schemes (if any). Asked whether commercial insurance would appeal more to their needs than social insurance implemented by the state, Mr. Nie expresses his preference for the latter because he believes the state institution would provide more stability and guarantee. *“The social protection by the government is more reliable than the commercial insurance. The businessman would not make deals that make losses. The public scheme is able to do this.”* (Case 2, 04/10/04)

What characterizes the ideal type of rural households of “no pension”? Poverty and scarcity of financial resources are the key features. As the rural pension policy follows the principle of self-reliance, the participation of poorer rural households in pension schemes is practically out of question. This is especially the case when the overall economic conditions of the villages are so weak that any financial support from them is impossible. Whereas there is no public support for the individual old-age security, these peasants are also unable to join the commercial pension insurance. Households of this type can only hope to escape from poverty and old-age risk with more state involvement that would allocate more public resources into the regions.

Yet the outlook of this aspect remains bleak given the dominant policy direction. Since these households have always been living in poverty, they are rather fatalistic and prone to accept the status quo. Obedient adaptation to adverse circumstances (*nilai shunshou*) is the central idea they hold true in their minds. Past experiences before the economic reforms in 1978 have taught them not to expect much from the state because they know that even complaint would not change much. The difference in the provision of state social security between urban and rural residents is nothing new, but the peasants have learnt to keep silent about that unequal treatment. What one can do is rather to stick to one's own land plot and family, which have always been the main pillars of living maintenance as well as old-age security.

Type 2: Village Pension Allowances

The rural pension described here is different from the original program launched by the MOCA. It is mainly a cash benefit granted by the village administration irrespective of individual contributions. They are exclusively local benefits only restricted to registered villagers. In our case studies, these villages are located in the farther outskirts of Beijing and thus unable to achieve stronger economic growth due to unfavorable location. The financial strength of the village collectives is weaker than those located in the vicinity of downtown Beijing, which benefit from the rapid trend of urbanization. Rural households of this type have generally lower income as most of them still live on agricultural economy. The overall situation has hindered the introduction of the MOCA scheme. Neither has the individual household spare financial capacity for accumulating sufficient old-age pensions in individual accounts, nor are the village collectives able to provide villagers with substantial subsidies. To make up for the institutional vacuum, the village administration focuses the available resources only on those most in need. Rural pensions are thus granted in form of limited cash benefits for the elderly.

As far as the village welfare for local elderly is concerned, there exists among villages a variety of programs and subsidies. The discussion here concentrates on the cases investigated during my field work in Beijing, mainly in Huairou district whose economic strength is relatively weak among rural regions around Beijing city (see chapter 6). In many villages, a common practice is to grant cash or in-kind benefits to the local elderly, conditional on the financial strength of the village collectives. The Miaocheng village (庙城村) in my survey, for example, introduced the MOCA rural pension scheme at the beginning of the 1990s but failed to keep the scheme on track because the village collective was unable to grant sufficient subsidy. Only a few years later the scheme ceased to operate as individual peasants could not afford contribution payment without any village subvention. As an alternative the village collective began granting each elderly above 60 a cash benefit of 100 Yuan monthly in 2003. It was made possible because of the compensation payments by the district government for the policy of land seizure. The village collective also provided each

villager with a yearly quota of in-kind benefits such as rice, wheat flour and salad oil, a program still in practice until today.

These benefits are coupled with personal status as a local villager, and the amount depends on the financial conditions of the villages. In essence, it is equivalent to the subsidies many villages grant to their members in local rural pension schemes. The only difference is that villages in this ideal type make use of the money for direct benefits instead of setting up a pension scheme and granting subsidies. Since pension allowances of this kind are low, they can hardly provide any remarkable protection against poverty in old age. Nor is the provision of such benefits stable as it is conditional upon the financial state of the villages. As a result, elderly recipients in this type still have to rely on their own land and family as main underpinnings.

Case 11: Ms. Li is 60 years old, living with her husband, son and daughter-in-law together in a household in Miaocheng village (庙城村) of Huairou district in Beijing. The old couple gets from the village collective a land plot of 4 *mu* on which economic crops are grown. For the usage of the plot they have to pay 100-odd Yuan yearly to the village. They have planted different sorts of fruit trees such as peach, plum and date, in the hope that the harvest in the next few years would improve the household economy. Since her son cannot find a suitable job with higher wages in downtown Beijing, he moves back to the village, living with his parents and helping them in the husbandry. The daughter-in-law and the granddaughter (15 years old) also live together with the old couple. The daughter-in-law works in a company near the village, and her income is used to support her own parents. She gives Ms. Li only occasionally some allowances for daily use.

In order to make a living, Ms. Li's husband works for the production team and earns a monthly salary of 450 Yuan. The 5-person-household has a total monthly income of 650 Yuan, together with the in-kind benefits granted by the village collective. Not only are savings impossible, but they are also encumbered with debts for the investment in planting fruit trees. For it Ms. Li has already invested more than 100,000 Yuan, in the hope that the future profit of the fruit harvest would outstrip the cost and improve the household economic situation. But until then the family still has to wait for a few years because the growth of a peach tree to ripeness takes at least 3 years. The investment has actually exceeded the financial capacity of the household but Ms. Li deems it as a necessary step to improve future conditions. The whole family lives in a very straitened economic circumstance.

Ms. Li has been receiving a monthly pension allowance of 100 Yuan from the village administration since she reached 60 in 2004. Her husband began claiming the same benefit in 2003. This benefit program was set out in 2003 as the village financial situation had benefited from land seizure in the last few years. The administration decided to distribute the compensation payments from the district government in the form of a monthly pension allowance. To launch the program, the village

administration had propagated this measure with loudspeakers. The villagers were told that this new welfare program envisaged a monthly pension of 100 Yuan for each villager over 60. Each month the entitled claimants were informed to receive pension payments by the administration.

A similar welfare program regarding medical care was also introduced a few years ago. Initially each villager had to pay 30 Yuan of contribution to the cooperative medical program, while the village subsidized 15 Yuan for each contribution payment. Under such a medical program, villagers are entitled to obtain a certain percentage of their previous medical treatment payments rebated. Now the village overtakes the financial responsibility of the cooperative medical care and pays the overall contributions for the villagers. That is, villagers like Ms. Li are exempt from contribution payment but remain entitled to enjoy the refund subsidy of the program in case of sickness and incurred medical treatment. Pension allowance and contribution subsidy of medical care constitute the two programmatic pillars of the Miaocheng village.

Ms. Li is pleased with the pension allowance of the village. After all, 100 Yuan more in income means a lot for the debt-inflicted household. As her son and daughter-in-law are unable to earn much more income for the whole household, Ms. Li is happy that she does not have to ask the young couple for 100 Yuan a month but gets the amount from the village. The more the elderly can obtain from the state, the less they are to ask their children for support. After all, her son and daughter-in-law make little money, which makes them unable to support the old-age security of Ms. Li and her husband.

100 bucks, to be honest, are not enough for your living. Have you seen how much one kilogram of pork costs? If you buy vegetables and fruits additionally, how much would they cost! So it (the pension) is a cost sharing; they let you join in the scheme and take care of you. Without the money, where do you have the income in the village? (Case 11, 31/03/05)

Despite the joy over the receipt of pension allowances, Ms. Li is aware of the obvious policy divide leading to unequal treatment of the elderly between urban and rural areas. Rural elderly are simply unable to access the benefits that many urban retirees enjoy. After all, the village pension allowance of 100 Yuan is not comparable with urban pensions, often at the level of several hundred Yuan. She believes that, even though the family and children should bear the burden of rural old-age security, the state cannot dodge the responsibility for the rural elderly.

...As regards the urban workers, they have occupational pensions when they get old. Shouldn't the peasants also share some of such benefits? Speaking of eliminating (urban-rural) divide, it is not deleted at all! ... Who gives the peasants money? We have no pensions! (Case 11, 31/03/05)

While Ms. Li can practically expect no support from the state, she cannot afford any additional private commercial insurance, either. As the state and market fail to be reliable pillars of old-age security, Ms. Li can only count on her son and daughter-in-law.

... In the rural villages people will not make comparison if they are not your relatives. About his own parents, he (the son) will not forget them when he gets better off. ... My son and daughter-in-law are no lazy bones ... the daughter-in-law goes to work now. If I have no money, she would ask me whether she should give me some money, more or less. (Case 11, 31/03/05)

The children are often the last resort of the rural elderly. But in their minds they would prefer not to become an economic burden for their family. Working even though in one's old age becomes a necessity rather than an option because there is not even sufficient material condition for the living in old age, to say the least of the retirement. As the household economy is still in debt, no additional savings can be made for the future. 100 Yuan of pension benefit helps relieve, but cannot ultimately change the critical situation. Ms. Li is upset with the absence of the state's support because she thinks she has dedicated most of her life-long efforts to the country but gained almost nothing in return. She has sought to appeal to the village or even township administration for more financial assistance, with no avail. They turned their backs on her, saying that the time to arrange a job opportunity for her was gone. After exhausting all possible channels of personal network, Ms. Li hopes that the investment in fruit tree planting would generate enough revenues to help overcome current financial impasse. With 650 Yuan a month and those in-kind benefits, the whole family can still scratch along.

What characterizes the ideal type of pensions as rural welfare? If one compares this type with type 1, the obvious distinction lies in the better financial situation of the village collective in type 2. Whereas the village collective in type 1 is too poor to grant any subsidy to its villagers, the financial strength of the village in type 2 is in a better shape that allows a more generous subsidy measure to benefit the villagers. A pension allowance of 100 Yuan monthly is significant to those rural households with a monthly income of less than 1000 Yuan. The distribution of in-kind benefits also helps ease their financial strains. The case of Ms. Li elucidates this situation. While the general condition of the whole household remains critical, the pension allowance of monthly 200 Yuan (for Ms. Li and her husband) has certainly buttressed the financial basis. Yet despite the positive function of the pension allowance, its weak protection against possible contingencies in old age is still conspicuous. The case of Ms. Li's old-age security stands on fragile basis because the whole household economy depends heavily on the work income of her husband and the village pension allowance. An upward social mobility of the next generation is not in sight as Ms. Li's son still works as a peasant due to his low qualification. The financial

situation is further shadowed by heavy debts incurred by the investment in the planting of the fruit trees. Seen in this light, the economic situation of the whole family is too precarious to be a solid tier of old-age security. Even the receipt of pension allowance from the village cannot averse the economic risk with which rural households of type 2 are confronted.

Type 3: Rural Pensions as Compensation for Land Seizure

This type refers mainly to landless peasants who are included in pension schemes established by local governments as a compensation for the land seizure. Rapid urbanization and urbanization have generated a strong demand for the land, which can only be met by encroachment of arable farmland originally used for agricultural economy. While seizing farmland for other developmental purposes, local governments are under pressure to compensate landless peasants for their loss of subsistence means. Rural pension schemes are one of such policy responses aiming to provide landless peasants with institutional protection against old-age risk.

There is thus far no nationwide unified regulation of how such schemes should be established, which results in very different local policies. For this reason, the analysis here refers to the interview results with the landless peasants in Beijing because these cases still offer a glimpse of current situations. A basic characteristic of such pension schemes is that individual contributions to the schemes are collected from cash compensation benefits landless peasants receive from local governments. In Beijing, for instance, the total sum is fixed at 50,000 Yuan for each villager, including a lump-sum settlement subsidy of 20,000 Yuan and another 30,000 Yuan as social insurance contributions (for old age and medical care). Towns and villages also offer additional subsidies in support of individual contribution payments. Even though the village administration offers training programs and arranges suitable jobs, the service is offered only twice within the first 6 months (for policy details see Chapter 6). The participating peasants are entitled to receive a fixed amount of pensions (300 Yuan monthly) once they reach 60 (men) or 55 (women). But the regulation of the scheme demands a compulsory participation irrespective of personal situations. This has caused misfit between institutional designs and individual needs, as shown in the cases later.

Even though the Beijing government has launched a pension scheme specifically for the landless peasants, the situations of the latter as a whole remain precarious, as many of them only worked on the farm or in low-skilled village sectors before. With the land being seized and all rural residents being forced to make their livings through paid employment, problems of subsistence emerge because they lack suitable qualifications for any new employment. This has resulted in social exclusion in the form of involuntary unemployment and loss of subsistence. Effective social security and labor reintegration policies seem to be the only means which can overcome this bottleneck. But unfortunately, the cases surveyed in rural

Beijing indicate the opposite side: a patchwork of uncoordinated policies provides only petty assistance for those in economic distress.

Case 7: Ms. Sun is 47 years old, lives with her husband and parents-in-law in Beiwu village (北五村), Majuqiao town (马驹桥镇), Tongzhou district (通州区). Her daughter studies mathematics at the Tsing-Hua University in Beijing city. Ms. Sun had not worked on the farm even before the land seizure took place. She made her living mainly by doing small business, with which she could just get along somehow. Now that the parents-in-law are frail and in need of care, she stays at home to keep the house and take care of them. Ms. Sun's husband works in a state-owned coal enterprise in Tongzhou district. With a monthly income of more than 1000 Yuan to cover all expenses, the whole family is under economic strain.

As the household economy mainly depends on the income of her husband, the family has to overcome current financial impasse. Since living in modern apartments incurs extra living expenses for landless peasants, Ms. Sun has practically very little leeway to save any money for other purposes. Her (few) savings stem from her previous work incomes. Fortunately the daughter will soon graduate from the university and look for a job to earn money, which would certainly help the family pass current financial bottleneck. The tight financial situation of the household does not allow Ms. Sun to buy any private commercial insurance for herself or her families despite its advantages.

Before the start of the land seizure, Ms. Sun owned together with her family a farm of less than 1 *mu* area, distributed by the village collective as a means of subsistence. The land plot was taken away by the district and town governments in 2002, which put forward the Tongzhou pension scheme for landless peasants later in 2004. Although Ms. Sun did not live on agricultural incomes, she was also included in the scheme because of her peasant status. Her husband is an urban worker, and enjoys the social protection of the urban social insurance. According to the regulation of the pension scheme for landless peasants, Ms. Sun was entitled to claim a total sum of 50,000 Yuan as a lump-sum compensation benefit. The town government took 9,000 from that benefit away for contribution payment into the new pension scheme. She received 41,000 in the end.

When the scheme was started, the cadres campaigned with loudspeakers that the budget for the scheme had been approved and transferred to the village administration. However, many villagers refused to cooperate at first, viewing the subsidy of the whole scheme as too little. Since the compensation for the land loss as well as the amount of the expected pensions were too low for them to cover the basic living expenses, many worried that signing such an agreement would mean future hardship. But, in the end, they had no choice but to take the offer as there was no sign of further improvement, and it was still better to participate in the scheme than nothing. The overall implementation was rather unscrupulous in terms of policy

explanation and programmatic arrangement. The policy had been put into force well before relevant regulations were formulated. Since the district or town government did not issue documents of regulation details, the village cadres could not exactly answer the questions of the landless peasants. Especially those peasants over the age of 50 were merely asked to sign a declaration that they have received the placement benefit and agreed to seek employment alone.

...In detail they asked us to sign the document. As regards the labor force arrangements, they told us that there were currently no good jobs to be introduced. Nor would they make any arrangements for peasants in our age. So it was just like a deal once and for all: we took directly 41,000 Yuan, filled out an application form of self-reliance, and then we got the cash. After that we received a blank deposit booklet, with that we could receive a pension of 300 Yuan a month when we reach 55. (Case 7, 14/10/04)

Ms. Sun is worried about the future prospect of her old-age security. The fixed pension of 300 Yuan a month after the age of 55 is in fact quite modest, given that living expenses in rural Beijing have sharply risen in recent years. When it comes to social security of the landless peasants, Ms. Sun is disappointed by the fact that the local governments have not coordinated many details at all. Especially for middle-aged or elder persons like her, it is extremely difficult to find any alternative jobs as a source of living subsistence because private employers prefer younger workforce. In the absence of a state policy to integrate elder people into the labor market, a well-designed social security program is of particular importance. But even in this respect, the overall policy framework for landless peasants has not been well elaborated.

When I asked them (cadres) questions about policy details, they said that the policy document has not yet been issued. But this is quite irresponsible to the peasants because many people's future livings are at stake... They said we would join in the pension scheme temporarily, and then participate in social insurance schemes covering old age, medical care and unemployment once concrete policies were made. (Case 7, 14/10/04)

In this circumstance, Ms. Sun hopes that she could have a stable financial situation in her old age, but she is almost unable to afford it. She envies the urban residents for their entitlements to receive pensions in old age. In the case of rural old-age security, this would be only possible when the state took more responsibility for individual peasants. Otherwise rural households under poorer economic conditions can only resort to resources available to them, namely their own families. Unfortunately, as it stands, the pension scheme for landless peasants in Beijing seems to indicate exactly this direction. The state has established a policy framework which is unable to offer real protections for those vulnerable to social risks arising from the process of land seizure. Especially the case of sickness of any members would be a nightmare for the whole family because it would aggravate further the already weak economic

situation. In view of the exorbitant prices of the medical care, many rural residents are unable to seek medical treatment for serious illness. As a result, landless households in rural Beijing are particularly susceptible to life exigencies since the local government fails to establish a safety net that can offset the negative consequences of land appropriation.

This reliance on each household's own ability to manage the whole situation is especially clear if we look at another case, in which the household can better cope with the insufficient support of the public scheme mainly because it has a stable income source out of non-agricultural activities. For such a case, the inadequate policy design of social security for landless peasants matters less.

Case 6: Ms. Zhong is 29 years old, the wife of a car salesman and the mother of a son. The three-person-household lives in Beiwu village (北五村), Majuqiao town (马驹桥镇), Tongzhou district (通州区). As her husband earnings are well above village average, and the son is still young, she stays at home as a housewife. Ms. Zhong never works on the farm, nor does her husband. The parents-in-law are peasants working on the farm. Ms. Zhu has a junior high school degree because she is grown up in a family mainly engaged in doing business. After graduation from the school she helped the family in the business, and worked later for an insurance company for two years until she got married to her husband. Before the pension scheme for landless peasants was introduced in the Beiwu village, Ms. Zhong had never had any experience with the rural pension scheme.

Since Ms. Zhong does not live on agricultural incomes, she has no longer any land plot registered under her or her husband's name. However, they are still included in the new pension scheme for landless peasants because their household is registered in the village. The land seizure was enforced in 2002 with a supplementary regulation issued by the Beijing government regarding how the land and the housing above it was to be compensated. Ms. Zhong revealed that the compensation terms were worse than in other cases, which led to discontent among the villagers of Beiwu village. There were protest attempts, yet the local government soon arrested some protestors and enforced the land seizure without further improvement of the terms. In the end, villagers who lost their land had no choice but to accept the compensation.

As far as the protection function of the current scheme is concerned, Ms. Zhong thinks that the benefits are too low because the fixed monthly amount of 300 Yuan pensions is unable to meet the real need in one's old age at all. The lump-sum payment of totally 50,000 Yuan is also far below the expected daily expenses. She points to the increasing expenses in association with the loss of land since peasants have to buy food instead of obtaining it from farming. Living in modern apartments equipped with central heating and tap water also incurs additional living expenses. Even the reallocation of the landless peasants in local labor market proves flawed, as many middle-aged villagers have difficulty in finding any non-agricultural employment. Higher age, low education and qualification make them unattractive to

most of the employers. The training courses designed by the town and village administration, such as computer course or floriculture, often fail to match the real requirement of the labor market. As a result, middle-aged peasants have become a vulnerable group in the new circumstances because their traditional subsistence basis is deprived without corresponding measures that can make up this loss.

Above all, she is not satisfied at all with the implementation process. The whole process was rather reckless in terms of the policy regulation and implementation. Not only the villagers but the cadre themselves were also not well informed in advance so that the latter could hardly explain exact policy details. In addition, the whole policy framework was laid down and implemented in a top-down way without any previous consultation with the clients in concern. Nor were the villagers allowed to negotiate with the local government about the terms of compensation and social security benefit.

... It was enforced by the government. It enacted a statutory clause, and then the cadres of the five villages put it into force. We have no idea of how the regulations, for example, regarding the division of age groups, were made. You just get there and sign the agreement, that's all. ... I asked the cadres if I could take a look at the regulation document, but they replied that there was none available. They reckoned that this was an order from the higher authority, saying it was time to establish such an insurance scheme. And we were supposed to sign the agreement. (Case 6, 14/10/04)

The whole policy process was enforced without any reference to the opinions of the villagers. What was meant to help the landless peasants turned out to be a coercive measure that they could not resist. Because of this policy insufficiency, many landless peasants in Beijing are in fact left alone to fight for their economic survival. Economically better off than most of her co-villagers, Ms. Zhong is less concerned about how much she can get from the scheme. By and large, she is pleased with the idea of establishing a social security program in care of the landless peasants. After all, a social security scheme of the state would ensure a better protection.

I think it's good to have a (social) protection because without that, you would get no cent when you become old. 50,000 Yuan is, after all, a fixed sum. If you buy this and that, then you'll have no money left. The contribution rate of the scheme is not much, and no matter it is supposed to be deposit or supplement, I think it's OK. Because you receive 300 Yuan monthly after 55, at least you can buy food or breakfast with that. (Case 6, 14/10/04)

In addition the pension scheme for landless peasants, Ms. Zhong and her husband have bought products of private commercial insurance. Both are medical care insurance aiming to prevent the insured from sudden incurrence of large medical cost as a result of severe sickness. Ms. Zhong also bought an insurance product as a preparation for the future education expenses of her son. The parents-in-law receive

pensions from the local scheme because their ages are beyond the retirement age. For this reason they do not purchase any further private insurance. With the combination of public pensions and private insurance, Ms. Zhong hopes to improve the financial situations of the household and secure it against major economic risks.

In sum, the ideal type of the path to the pension scheme for landless peasants is characterized by changes of individual life forms by the state land policy. In the case of Beijing, many landless peasants are compensated merely with a lump-sum payment as well as a social security scheme covering old age and sickness. However, these benefits help little since they have not taken real living expenses into account. With highly insufficient benefits, the disadvantaged peasants have in effect very little leeway for long-term planning after the land seizure. Even measures of labor reintegration prove highly deficient in terms of fragmentary policy coordination as well as insufficient arrangement of job-training courses. As a result, land encroachment has virtually forced the peasants to turn from self-employed to market-dependent workforce with poor skill qualifications. These factors altogether have put many peasants, among them especially the middle-aged, in an extremely precarious situation of permanent exclusion from the labor market. Landless peasants are in fact left in the lurch where they have to manage a way out of difficulty by themselves. The path to joining in the pension scheme is associated with a coercive state policy against which the affected peasants are unable to resist. But they have to bear the negative consequences of land deprivation and possible unemployment.

Type 4: Rural Pensions from Local Pension Schemes

This type of pension scheme participants is the dominant group in the rural pension schemes. It covers all those rural residents who can afford and are willing to join in local schemes. Many of the participants still work on their land and live on incomes from agricultural products. With the rural economy gradually diversifying, many have a sideline (mostly as self-employed) to increase their income. Nonetheless, peasants of this type are generally less well-off than those already working in non-agricultural sectors, though better than the peasants of the type 1. Apart from the maintenance of daily lives, their income situations are normally sufficient for them to pay contributions into the rural pension schemes.

In all cases the paths to joining in the schemes are similar. Cadres make the announcement about the introduction of the schemes in the villages by means of loudspeakers or house visit. Peasants of this type usually take up the schemes once they are convinced of their advantages. The regulation of flexible contribution collection allows the insured peasants to pay their contributions irregularly. In most cases, the participants pay their contributions according to their own economic conditions. They have, therefore, very different records of insurance history. As the regulations vary from village to village, not least on the part of village subsidies, the amount of individual accumulated pensions often differ from one another. In

wealthier villages, insured peasants can expect much higher pensions. The extent of subsidies from village collectives influences participants' behavior and their subjective evaluation towards the local schemes.

The participation in the rural pension schemes does not really warrant economic safety in one's old age. Since the principle is based on voluntary participation, individual saving, and fully-funded method, the level of accumulated pensions is directly related to individual economic ability. In most cases the expected pension income is no more than a tiny allowance for the old age. This means that most of the insured peasants still have to rely on other sources of old-age income, among them not least the support of the family. It is thus little wonder that, in spite of the implementation of the pension schemes, many rural residents still wish to live together with their children in their old age. Living with children is a normal biography for many rural elderly even though they participate in local pension schemes.

In addition to family care, many rural residents also seek other possibilities to ensure a secure old age. Private commercial insurance, for instance, often becomes an alternative to secure oneself against potential life exigencies. Due to lack of a well-organized medical care system, medical insurance or work injury insurance are the most common products bought by the rural peasants. Life insurance is considered mostly in combination with other insurance goals such as medical care or accident compensation. Rural pension, family support, and private insurance constitute the chief pillars of old-age security for this type of peasants.

As differences between regional economic strength directly influence the extent of respective collective subsidies in local pension schemes, a closer look at the cases in rural Beijing and rural Shanghai can elucidate this aspect. Whereas rural Shanghai has a strong tradition of growing collective subvention in the pension schemes, peasants in Beijing have to reckon with the fact that they are expected to pay for the most part of the contributions.

Case 17: Ms. Zhang is 38 years old and works as the accountant in the village administration of the Langfasi village (狼垡四村) in Huangcun town (黄村镇), Daxing district (大兴区), Beijing. As a college graduate, Ms. Zhang has been village accountant since she began to work. Her income amounts to 900 Yuan a month. Her husband works as a mechanic for the Beijing Movie Production Company in the city, with a monthly income of 900 Yuan. The couple has a daughter who goes to a junior high school. Ms. Zhang's father-in-law lives in the household and depends on the support of the children (Ms. Zhang's husband and his sisters). With the total income of monthly 2000 Yuan, the economic condition of the household is not particularly well-off.

The village's economy has been undergoing fundamental changes in recent years. The deterioration of the natural environment (void of underground water) has made agriculture impossible even though the village still possesses of some arable fields.

Since the village administration does not establish any collective enterprises that can utilize the fallow fields effectively, it rents them to private companies or persons for other commercial usages as an alternative. For the same reason, residents of the Langfasi village have to seek employment in other sectors (as migrant workers) or live on self-employment activities (shops, guesthouses or groceries). The average monthly income of the villagers amounts to roughly 1000 Yuan. As a whole, the economic situation of the Langfasi village is not well-off in rural Beijing

The village was affected by the land seizure policy quite early, which began in the 1980s and proceeded throughout the following decade. A series of land appropriation for different usages was enforced: the construction of a military police base in 1985 was followed by urban expansion in 1993, together with the construction of circular superhighway as well as greenbelt zones in 2003. The land seizure was implemented well before any social security programs for the landless peasants have been established. The compensation payment for each *mu* of land in 1985 was merely 5000 Yuan. Even in 2003 landless peasants obtained a compensation payment of over 20,000 Yuan for each *mu*, without any further arrangements or benefits for their future livings. Nor were there any job training courses to assist the landless peasants concerned enter the labor market. They were simply left alone to fend for themselves. These negative experiences have generated discontent among the villagers and their distrust towards the state rural policy.

In the Daxing district, the MOCA pension scheme was once introduced at the beginning of the 1990s, but it ceased to operate further owing to policy reversal of the Beijing government. Ms. Zhang participated in the scheme then and paid 400 Yuan to the scheme, only to realize later that the scheme stalled because the Daxing district government was reluctant to keep the scheme on track. There was no announcement regarding how the policy would further develop, nor did the administration take stock of the accumulated fund and refund collected contribution to individual participants. It was not until 2004 that the district government re-launched a new pension scheme subsidized by the district, town and village administration altogether (see Chapter 6). In addition to the subsidies from the Daxing district and town government, the village collective bears 50% of the payable contributions for the mothers with single child in the village. In this manner, the village corresponds to the policy of the Daxing district of boosting the willingness of the villagers to join in the new scheme. Since Ms. Zhang herself served in the village administration office, she was well informed in advance and has chosen to join in the scheme.

Yet the overall policy progress was sluggish, not least because private commercial insurance also introduced various products to attract rural customers. Thanks to the bumpy implementation of the MOCA pension scheme in the past, private commercial insurance has been gaining ground in recent years. In the face of absence of the public scheme, many villagers concluded contracts with private insurance companies in the course of the 1990s for supplementary support. They also viewed the sustainability of the new public scheme since 2004 with reservation,

seeing that the state policies (land seizure, pensions etc.) in the past wobbled all the time. Wait-and-see turns out to be a common response of the villagers to the new pension scheme. Ms. Zhang explains this hesitant attitude among the villagers.

...It depends on how the social pension insurance will develop in the near future. If there are no further policy changes, the social pension insurance can provide more protection than the commercial insurance. What worries me is future policy changes ... I always feel that the duration of the pension insurance is too long. Even though I am now 40, I will still have to pay 20 years of contributions before I reach 60. With 500 Yuan a year for the contribution, how much am I due to pay! No one can imagine how it would become after 20 years. (Case 17, 12/04/05)

Their unpleasant experiences with the past state policy have made the villagers extremely cautious towards the introduction of any new policies. Especially when it comes to a long-term political promise such as the pension provision, widespread suspicion persists with regard to its policy stability. The general skepticism is directly related to the reckless policy of forced land seizure described above. As for herself, Ms. Zhang prefers the public pension scheme even though she is not sure about its future outcomes. She deems it as an investment in her old age since the village collective also bears a half of the contribution for her participation. She expects to receive a pension of monthly 400 Yuan from the scheme when she retires – a sum actually unable to assure a secure old age. Similar to her co-villagers, Ms. Zhong has also bought a commercial medical insurance tailored for her needs. According to the contract, she is obliged to pay 1000 Yuan annually to the insurance company for a period of 10 years. In case of grave sickness the insurer would pay a lump-sum benefit of 50,000 Yuan. If the insured lives fit and sound until 70, the company would reimburse all the premiums to the insured once and for all. Her husband has signed a similar insurance contract. Their motives for purchasing such commercial insurance were to relieve the burden of her daughter in case of illness.

... If I keep healthy until 70, the insurer will give me all of my premiums back, just for the sake of safety. But if I do fall ill seriously, they will pay me 50,000 Yuan. This could alleviate my child's burden. After all we have now only one child, right? Peasants in rural villages are different from urban workers. The latter have medical insurance but we villagers have not. (Case 17, 12/04/05)

The village administration has endeavored to stimulate the interest of the villagers in the pension scheme, yet its overall financial capacity is limited due to the fact that the regional economy does not lift up. The disposable budget can only allow the village administration to subsidize one member in each household. Therefore, they decide to give priority to the mothers of households with only one child in order to offset the shrinking function of family support. Other households are still welcomed to

participate in the scheme that regulates a fixed rate of subsidy from district and town governments, but they cannot expect any direct subvention from the village collective. In addition to the subvention in the new pension scheme, the village collective grants cash benefits of monthly 200 Yuan to each elderly, together with in-kind benefits to each villager in form of crops and salad oil to ensure their basic subsistence.

The overall modest situation of the state pension policy towards the peasants is perceived by many in the village with discontent. There is a sense of relative deprivation when they learn from the media or personal experience that the state treats the rural residents worse than their urban fellows. Given that the Daxing pension scheme can only provide a proportion of pensions, and the village subsidy is limited to certain villagers, economic security in old age is still a remote dream for many residents in the Langfasi village. Even Ms. Zhong herself is not quite sure about her old-age security.

I participate in this scheme in the hope that I can have some economic security until then, provided that the policy does not change. If it does, there is nothing we can do about it. The main purpose of my participation is for the security in old age and nothing else. The problem is that the pensions are too low. (Case 17, 12/04/05)

The case of Ms. Zhang has demonstrated the general difficulties confronting the residents in rural Beijing. The new pension scheme of the Daxing district aims to address the old-age security of the rural peasants, but its institutional framework still assumes greater individual responsibility. Although the district, town governments and village administration grant a fixed amount of subsidy respectively, their supportive function in the composition of expected pensions remains limited. At least for most of the villagers in the Langfasi village, the public subvention is still too few to offer any incentive for active participation. Distrust towards the new scheme also persists, thanks to the general disappointment of the villagers in the state rural policy in the past. A more widespread acceptance of private commercial insurance well before the introduction of the new public scheme also makes little room for the latter to claim wide credence. These factors altogether have discounted the actual success of the new policy initiative.

As a consequence of these unfavorable conditions, the new pension scheme has in effect done little to buttress old-age security of the rural residents in Daxing district. From this developmental difficulty, one can infer that the situations in other rural regions around Beijing should be even worse, especially those where pension schemes have not been introduced yet. Without a substantial expansion of the state involvement, the rural residents in Beijing remain stuck to their children for their old age. Yet the overall situation may become more fragile in the face of the declining function of the family (one child pro couple) as well as the precarious nature of the labor market. While land and family can no more fulfill the traditional security

function, the local government has just begun taking rudimentary initiatives that can hardly fill the widening gap. Old-age security of the peasants in rural Beijing is thus still vulnerable to life contingencies.

In contrast to Beijing, rural areas in Shanghai can glance back at a continuous history of the pension policy. Solid development of the past two decades in combination with growing financial ability of the local government have paved the way towards broader coverage and better benefits. Peasants in rural Shanghai are generally included in the local pension scheme that grants reasonable pensions for their old age. The future prospect is rosy, too, as many insured peasants are expected to switch to the newly-introduced Township Insurance Program (TIP) as a policy for the landless peasants. Old-age security in rural Shanghai is in good shape, and the rural elderly no longer rely on their children for economic support.

Case 27: Mr. Fan is 58 years old (born in 1947) and works as head of a production team (totally 14) in the Wuxing village (五星村) of the Beicai town (北蔡镇), Pudong New District (浦东新区), Shanghai. Due to economic difficulty of his parents, he began to learn farming skills and worked on the farm at the age of 15. Since then, he has been in charge of various village affairs mainly associated with production teams (bookkeeping, team leader). In addition to these missions, Mr. Fan also worked on the farm all the time. Currently, Mr. Fan lives with his mother, wife, daughter, and son-in-law. The young couple has a five-year-old son. Mr. Fan's wife keeps the house and takes care of the son as well as Mr. Fan's mother so that the young couple can go to work.

Mr. Fan works no more because the village administration has asked him to retire from his position earlier. For that Mr. Fan receives 300 Yuan monthly from the village as a temporary pension, for he has not yet reached the formal retirement age of 60. He also receives a monthly subsidy of 300 Yuan from the village. In addition, he earns an income of about 1000 Yuan monthly from the rental of his apartment because there are strong demands for accommodation by many migrants working in the village. A part of the arable farmland in the village has already been taken away by the local governments for other construction purposes. The production team of Mr. Fan still owns a few fields, but the village leases them to migrants and charges a certain amount of rents because the revenues are much higher than agricultural profits. Each villager is allowed to own a small plot of land on which one can plant agricultural products. Mr. Fan maintains only a small plot of land for planting vegetables or crops for personal use. As a village member, he can take a slice of that collective leasing income, roughly 1300 Yuan a year.

Mr. Fan's wife is luckier as she has already switched to the urban social insurance after the land seizure. Thanks to the rapid development of the whole Shanghai area, many villages have benefited from the compensation payment for the land seizure. Before the introduction of the TIP in 2004, landless peasants were automatically included into the urban social insurance, though it was the discretion

of each village to decide how the compensation benefits were to be distributed among villagers, or who was entitled to join in the urban social insurance. Mr. Fan's daughter and the son-in-law currently work in private companies, with a total monthly income of about 2500 Yuan. As the both have only the degree of junior high school, they are unable to find better jobs. Mr. Fan's mother is 85 years old and receives a pension of 200 Yuan monthly from the rural pension scheme. In addition, the Wuxing village grants a cash benefit of 70 Yuan each month to the elderly villagers. Therefore, the total sum of 270 Yuan is sufficient for her monthly expenses as she lives with the families. As a whole, Mr. Fan thinks that the income situation of his family is not particularly good in comparison to other households in rural Shanghai.

Similar to other villagers in Shanghai, Mr. Fan has a decade-long record of insurance in the local pension scheme. The Wuxing village introduced the scheme in line with the policy guidelines of the Shanghai city government at the beginning of the 1990s. Mr. Fan joined in the scheme together with the vast majority of his fellow villagers after the official announcement. The yearly contribution has risen continuously since then, from 50 Yuan at the outset to 480 Yuan today. Mr. Fan estimates that he can receive a monthly pension of more than 200 Yuan when he reaches 60, plus 70 Yuan of village allowance, which will continuously increase in pace with the growth of local economy. Looking back at the initial decision of participation in the rural pension scheme, Mr. Fan is convinced that this would support his old-age security.

Why did I join in the pension scheme? It is the trend to do so. With the protection of the pension scheme, my later life is secured against economic shortage...Here in the village almost all have joined in the scheme. (Case 27, 12/05/05)

Mr. Fan also expects that the Wuxing village would soon follow the policy of other rural regions in Shanghai and introduce the TIP, which would grant much higher pensions than the current pension scheme. The land seizure policy in Shanghai has it that all landless peasants be included in the new scheme automatically. But for the time being, he has to count on the current scheme for the life after retirement. Mr. Fan's economic condition does not allow him to take up private commercial insurance products, nor is he much interested in that because he believes that pensions from the rural scheme should suffice. His daughter gives him 300 – 400 Yuan each month according to her own financial situation. By and large, Mr. Fan is aware that he may not lead a rich life, but his participation in the rural pension scheme as well as his work income would ensure a stable economic safety in his old age. He does not expect to live merely on pension incomes, but hopes to continue working in order to secure an additional stable income.

In the next few years, I think, I will look for some jobs if my health condition permits. It is hard to find jobs nowadays, you know, so it's better to do some works, if any. With a monthly income of more than 1000 Yuan of both of us (together with wife), we will make it. With that amount, we are able to pay the expenses, and I can begin to enjoy the leisure, that's it. (Case 27, 12/05/05)

In addition to the pension scheme, the rural cooperative medical system also works well. With a contribution payment of 160 Yuan a year, the insured peasants are entitled to apply for the reimbursement of up to 80% of the medical treatment expenses. Mr. Fan points out that this cooperative medical system is even more generous than that in the TIP, which generally provides less percentage of medical cost refund. As a whole, Mr. Fan is satisfied with the public schemes covering medical care and old-age security.

The stable operation of the rural pension scheme and the imminent introduction of the TIP in Shanghai have offered a solid basis of old-age security for the rural population. Even though living with children is still a common option for the rural elderly, they are financially more independent because they can expect a certain amount of rural pensions. Living with the children is a general practice of family solidarity, which can help the elderly better cope with inconveniences in their old age. Yet expectation of financial dependency on the next generation has become an anachronism in rural Shanghai.

The traditional idea of raising children in care of one's old age (*yang'er fanglao*) is of little utility...In Shanghai who is still dependent on the children? Everybody depends on himself, or on public pensions. Saving money now is to prepare for the expenses in one's old age. (Case 27, 12/05/05)

To rely less on children means to rely more on public schemes. It is thus little surprise that the rural residents in Shanghai generally expect a greater responsibility of the state in rural old-age security. No villager in rural Shanghai would come to the idea that old-age security is mainly the responsibility of one's own or of the family. The institutionalization of the rural pension scheme has led to greater trust and expectation among the rural residents towards the role of the state. The robust growth of the regional economy has enabled the village collective to shoulder a larger share of financial responsibility of old-age security for each villager. Rapid regional development has also contributed to more dynamic income growth as individual villagers have more opportunities to find better-paid employment. As a whole, rural residents in Shanghai live in a better economic condition, and with that they have also greater ability to accumulate more financial resources for their old age.

What characterizes the cases of Ms. Zhang and Mr. Fan as an ideal type of entry paths to the rural pension scheme? The most distinctive characteristic is that the

institutional variety among villages has huge influences on the participation behavior of the peasants. In Shanghai, the majority of the rural residents can keep a stable record of contribution payment for more than a decade. With the regional economy continue growing, financial subsidies from the village collectives are playing a greater role in rural old-age security. As a result, rural residents in Shanghai can enjoy higher pensions in their retirement. In Beijing the picture is gloomier because the overall institutional framework is just in its beginning phase. Even in those areas where newly designed schemes have been introduced, the residents still have to assume greater financial responsibility for their old age. Given the relatively weaker regional economy and the still wobbly institutional structures of public old-age schemes, many residents in rural Beijing can rely on nothing but their own toil and the support of their children.

The comparison between cases in Beijing and Shanghai has evidently exhibited the core dilemma of public rural pension schemes. By leaving each region alone for the whole issue, the central government has actually kept regional divide in old-age security intact. Since local governments and individual insured peasants are assumed to bear the most part of the contribution payments, it is little wonder that only those residents in wealthier regions can benefit from the fruit of market reforms and economic growth. In contrast, peasants of poorer regions are destined to rely more on themselves. This is particularly conspicuous in the case of rural Beijing, where many peasants like Ms. Zhang are almost left alone to prepare for their own economic security in their old age. The situation in rural Beijing is astonishing because Beijing is the capital of the PR China, and one would expect that its rural areas should benefit from the special political status and economic advantage. Even rural pension policy in such rural areas comes off so badly that one can expect much worse situations in other still poorer regions. Unless the central government changes its policy track and strengthen its role in the rural pension policy, the cleavage of old-age security between rich and poor regions will persist in the future.

Type 5: Rural Cadre Pensions

Village cadres are local party functionaries delegated to carry out policies made by the higher authorities or the party apparatus. They are central figures in the rural politics. They are the lowest-rank enforcers of state policies but they have also the power to allocate collective resources in relevant village affairs. In the case of rural pension schemes, the distribution of village financial resources is often made to the advantage of cadres. As a result, cadres are often those who are economically better off and politically privileged as party members. They are more capable of bearing the financial burden of contribution payment in the scheme, and therefore more inclined to join it. Often it is also desired by the state that cadres act as an exemplary personality for the state policy. Cadres are thus a special privilege group that merits attention in the rural pension policy.

Since their introduction the pilot pension schemes have seen uneven developments among villages both in Qingdao and Beijing, which reflects the outcome of different economic situations and political implementation among different counties and villages (see chapter 6). This is a phenomenon often observed in the field. Paucity of data precludes detailed information regarding how these differences look like, as local authorities at the township and village level seldom make systematic statistics or reveal detailed information to outsiders. Yet interviews with the involved cadres reveal some traces of the implementation. For instance, in one village in Pingdu (Qingdao) with 649 residents, there are only six persons (four are cadres and the other two relatives of them!) participating in the scheme simply because the economic conditions of the villagers do not allow extra burden of contribution payments. Even the cadre we interviewed in this village expected to obtain pensions of roughly 50-60 Yuan monthly in his old age, whereas in other villages the expected pension income could reach 300 Yuan monthly.

The second marked phenomenon is the privilege cadres enjoy in the scheme. For example, all interviewed cadres in Qingdao initially joined in the pension scheme in different years (1994-1999) because they had the duty to promote policy of the government, and their participation in the scheme was supposed to manifest the advantage to other village residents. Their active membership in the scheme is rewarded with higher subsidy of the villages, which accounts for around 70-80% of the individual contribution paid to the scheme. Yet the amounts of subsidy vary from village to village, depending on the financial situation of each village. In extreme cases, cadres in some villages have to bear the financial responsibility alone without any subsidy from the village collective or the local government.⁸² In Beijing the pension scheme specifically designed for cadres was introduced in 1986. Since then, all cadres have been automatically included in this public scheme. In addition to individual contributions, different levels of the government (central, province, municipal, township and village) also shoulder a proportion of the financial expenses for cadre pension expenses. The retirement age is set at 60. Working as cadres for at least five years in a row is required to be entitled for any pensions. The calculation of the payable pension benefit is based on the individual working record as a village cadre. Maximally 70 percent of the average wages in the last 3 working years before retirement can be paid to those who have a long service history as cadres.

The case of Mr. Zhu in Beijing represents the typical case.

Case 12: Mr. Zhu is a retired cadre at the age of 64. He lives together with his wife and his father in Miaocheng village (庙城村), Huairou district. His wife is a peasant still working on her little land plot (1 *mu*). His daughter works for a company located in the Beijing city.

⁸² It is worth mentioning that the new pension scheme introduced in Chengyang (Qingdao) attempts to tackle this problem and provides that the collective has to bear larger proportion of contribution payment for its residents. Also the privileged status of cadres has been cancelled. For a detailed description, see chapter 6.

As a village cadre, Mr. Zhu has worked at different positions of the village (head of production teams, party secretary) since the 1980s. In 2001 Mr. Zhu retired from his position as a party secretary in the village. He is currently working as a doorkeeper of a computer room in the village administration building.⁸³ The job was offered by the current village administration as an arrangement for the retired cadres. He works daily from 1:30 pm to 10 pm and receives a monthly salary of 450 Yuan from the village office.

Because of his previous career as a cadre in the village, Mr. Zhu's past economic situation was stable thanks to the steady official income. Though he also had to work on the assigned land plot, he could at least earn the wage income and claim other welfare benefits (in kind) only accessible to the village cadres. The overall financial condition of the household during the 1980s and 1990s, though, was not particularly wealthy as the village economy as a whole did not grow very rapidly. Even cadre salaries were set at a very low level. At the beginning of the 1980s they were nominally only a few hundred Yuan monthly, which then continuously rose to the amount of 13,000 Yuan a month. According to Mr. Zhu, a major part of his disposable income at that time was used to finance the education expenses of his daughter who has now got her university degree. During that time, saving money was impossible. Now as the daughter begins working and earning a living income, Mr. Zhu can dispose of his pensions solely for his current living expenses.

Mr. Zhu participated in the cadre pension insurance introduced in 1986. The annual contribution consisted of financial subsidies from the central government, county government, township government, village as well as individual payments. The retirement age was set at 60. After his retirement in 2001, Mr. Zhu receives a monthly pension of approximately 650 Yuan from the cadre pension scheme, which is paid once in the year as an annuity. In April of 2004, for example, he received a lump-sum pension payment of 8000-odd Yuan for that fiscal year. With this sum of pensions, Mr. Zhu lives a lot better off compared with his co-villagers, who can only expect a monthly pension allowance of 100 Yuan from the village pension program. Mr. Zhu is satisfied with the pension income from the cadre pension insurance. For him, 650 Yuan a month can at least cover basic expenses in his old age. He does not have to ask his working daughter for any further support except that she gives him some allowances voluntarily.

I told her (daughter) that when she begins earning money, she should first learn to live on her own feet. The point is to make good preparations for possible expenses so that she doesn't need to ask me for money. ...I don't expect to get money from her. If we (Mr. Zhu, wife and father) live thriftily, we can live well with my pension income. She can dispose of the money she earns by herself. If she wants to give me some, I will take it, too. Actually my daughter has begun doing so since last year. (Case 12, 31/03/05)

⁸³ In Chinese villages, it is quite often that peasants remain at work even though they have "retired".

The only problem with the pension is its fixation at a certain percentage of one's previous wages without annual dynamic adjustment. That is, Mr. Zhu has always been receiving 650 Yuan monthly since his retirement without any rise in nominal terms. The pensions in real terms sink, as a result, because commodity prices rise each year. Another problem is that the total amount of payable pensions for the whole year is transferred to Mr. Zhu's bank account only once in the year, without a clear regulation as to in which month of the year the payment will be made. This irregularity makes Mr. Zhu feel uncertain about the situation because he cannot know exactly in which month he will receive the pensions for the whole year. Mr. Zhu also complains about the stagnation of the pension level at 650 Yuan monthly.

...You see, I have been a cadre for so many years. As regards the pensions, I don't think it should be called pensions (*tuixiujin*) at all. 650 Yuan, once and for all, it has always been the same amount for many years. In my opinion this is quite inadequate for the village. Look at the urban workers, my father is also an urban retiree, and their pensions can be raised little by little. I have read it in today's newspaper; the wages of the urban workers are 28,000 Yuan annually. Look how much I have here! (Case 12, 31/03/05)

Even though Mr. Zhu benefits from the institutional arrangements of the village cadre pension scheme, his pension benefits remain low in comparison with that of urban workers, but still well above the local standard. Even for rural cadres, urban-rural divide still plays a significant role in the calculation of pension benefits for rural cadres.

In addition to the pensions from the cadre pension scheme, Mr. Zhu also receives 100 Yuan monthly from the Miaocheng village, a sort of welfare allowance for all rural elderly over 60 in the village. This allowance program began in 2002 as the village administration decided to spare a part of the village budget for the elderly welfare. This village welfare policy is possible thanks to the compensation payments obtained from a real estate company (*Wantong*) in the last few years, which had reached an agreement with the Huairou district government to encroach farming land in the Miaocheng village. The seizure process began in the early 1990s when Mr. Zhu was still the party secretary in the village. The total 800-odd *mu* arable farms in the village were seized by the Huairou district government successively according to the agreement. Currently, residents of the Miaocheng village are allowed to own a half *mu* of field to plant crops or vegetables for their own meals. However, it is still an open question whether this welfare policy will endure as it depends largely on the fiscal situation of the village and the compensation revenues of the land seizure. But even without the elderly allowance, Mr. Zhu can still do well for his old-age security with the cadre pensions.

Mr. Zhu sees a potential risk for his old-age security in the underdevelopment of the rural medical care. Although the Miaocheng village has long implemented a cooperative medical scheme in which each individual participant pays 30 Yuan a

year into the scheme. In case of illness, 15-20 percent of the medical treatment cost can be refunded by the scheme. Despite this subsidy, Mr. Zhu points to the huge cost incurred by the treatment of serious illness.

... Be honest, if you have cancer or some incurable illness, you cannot afford the medical treatment. Take a simple example: if you got cancer and applied for the partial refund, how much would you get back? 20%, but how much expenses do you have to pay in advance? The peasants are unable to afford it. So this kind of medical insurance is unqualified to be called insurance, it can insure against nothing! (Case 12, 31/03/05)

The increasing medical expenses stand in sharp contrast to the small proportion of cost sharing in the rural cooperative medical scheme. Serious illness has become a poverty trap for many rural households. Many rural elderly living with their children would rather suffer the agony than seek medical care for fear that the latter would cause the household financial situation to collapse. Even for village cadres who can rely on a relatively stable pension income in their old age, falling ill (seriously) would still pull their old-age security to the bottom.

What characterizes the ideal type of the path to rural cadre pension scheme? Two features stand out. The bright side is the better position of cadres in the entitlement to rural old-age security. As early as the 1980s, well before the central government launched the rural pension schemes, rural cadres in Beijing were already allowed to join the cadre pension scheme that guaranteed an income replacement rate of at least 20% to maximal 70% in accordance with the duration of service. A large part of the financial responsibility for this scheme is shared together by different levels of governments. Individual cadres only have to bear a small portion of their contributions. In comparison with his villagers, rural cadres are a lot better positioned for their old-age security. The flip side of the coin is that rural cadres, despite their privileged status, remain vulnerable to other contingencies in their old age because of insufficient institutional frameworks. The fixed income replacement rate of the cadre pension without regular dynamic adjustment to inflation or wage growth also erodes long-term value of the pensions. Given the regional inequality and fragmentary infrastructure of social security, the rural cadre pension scheme is still far from providing solid economic security in old age.

Type 6: Pensions from the Township Insurance Program (*zhenbao*)

This type refers to an increasingly marked trend in rural Shanghai to include more and more peasants in the newly-established Township Insurance Program (TIP; *zhenbao*) after 2004. This new program is designed as an interface between the social insurance program for urban residents and the pension scheme for rural residents. Its implementation is the policy response of Shanghai government to the blurring boundary between urban and rural areas. The new TIP can be seen as the first step to bridge the gap of social protection between urban and rural citizens. This is achieved

by a wide coverage of major risks as well as a relatively generous benefit package in each category (For policy details see Chapter 6). The TIP can thus appeal to many enterprises and individuals as it provides a better protection than the traditional rural social security schemes, while demanding less contribution payments from the enterprises than the urban social insurance scheme. In the context of rapid urbanization, one of the major goals of the TIP is to address the social protection of landless peasants whose land has been seized by Shanghai government for other urban construction purposes. In only a few years following its introduction, the TIP has already covered many landless peasants.

This practice in Shanghai differs a lot from that in Beijing. In the latter the policy towards landless peasants is characterized by insufficient social protection and reckless policy implementation. As a result, loss of land in combination with fragmentary protection has put many landless peasants in a much more precarious position than before. Shanghai is in this respect an opposite example. With the significantly better protection of the TIP, landless peasants' situations are well positioned against the risk of life exigencies. In many cases the switch from the rural pension scheme to the TIP means a fundamental improvement of expected benefits in old age. The case of Mr. Qian is a typical case.

Case 29: Mr. Qian is a 54-year-old peasant in Tanghang village (唐行村) of Jiading district (嘉定区) in Shanghai. He lives currently with his wife and his mother. His daughter, son-in-law and granddaughter live in Jiading town, not far away from their house. All family members except Mr. Qian's mother, wife and his grandchild are employed. Mr. Qian himself works as an assistant at the village administration and earns 800 Yuan a month. His daughter is teacher at an elementary school in Jiading town, whereas the son-in-law works for a police station. As the young couple bought an apartment in Jiading town and moved there not long ago, Mr. Qian's wife also moved to them to help housekeeping.

In addition to the work income of 800 Yuan, Mr. Qian takes advantage of the strong demand of the migrant workers for accommodation and rents out several apartments to earn rental revenues. Mr. Qian says it is a very common commercial activity among the villagers, which brings them hundreds of thousands of extra income, though most of the apartments for rent were built illegally as their construction had not been registered officially. Building such illegal apartments for rental purpose has become a major source of income for many villages in rural Shanghai, thanks to the rapid industrialization and regional development which have attracted enormous numbers of peasants from other regions seeking employment here. Mr. Qian also profits from such a trend and makes additional money from house renting.

Before Mr. Qian's bought the new apartment in Jiading, all family members had lived together. With the real estate market in Shanghai booming and many new houses being built, Mr. Qian decided to buy an apartment for the young couple, partly to help shorten their commutation time between workplaces and home. When

the young couple had saved enough money, they bought a new apartment recently. Buying apartments is a common form of investment in rural Shanghai. Since Mr. Qian lives well with his own income, he never asks his daughter and son-in-law for additional financial support. Instead of giving the father monthly allowance, the young couple gives him some cigarettes or liquors at festivals. The housekeeping assistance of his wife is also voluntary without nominal payments. Among the family members there exists strong solidarity relationship.

Before switching to the TIP, Mr. Qian has been in the traditional rural pension scheme for more than a decade. Just as many rural areas in Shanghai, the Tanghang village launched the pension scheme in 1989 initially for village cadres and employees of TVE. Three years later the scheme was also accessible to all villagers. The scheme was implemented on the basis of individual account and voluntary participation. At the outset, the village cadres campaigned among the villagers for the advantage of the scheme in order to attract their attention. Mr. Qian was persuaded and participated in the scheme in 1992 with an initial contribution of 5 Yuan monthly. It rose in the following years to the current rate of 20 Yuan monthly. Convinced that it was worthy to be in the scheme in order to have an additional source of old-age security, his parents and wife also followed suit and joined in the scheme. The scheme has since then been operating quite well without disruption.

Mr. Qian's participation in the rural pension scheme ended in 2004 with the introduction of the TIP in Tanghang village. When the district and town governments took away a large portion of farmland of the Tanghang village, the production team to which Mr. Qian belonged decided to register all its members to the TIP. The participation in the scheme did not incur further expenses for the peasants because the district and town governments financed their contributions to the scheme. By switching to the TIP, Mr. Qian's resident status has also been changed from peasant to urban resident (*nongzhuanju*). In addition, the production team also received a lump-sum payment for the crops (600 Yuan for each *mu*) as well as a regular payment of rent for the seized land (yearly 1000 Yuan for each *mu*). Mr. Qian notes that this is a good deal for the peasants because the compensation payment is higher than the revenue of agricultural harvest. The benefits of the TIP also outstripped that of the traditional rural pension scheme: whereas the latter grants a monthly pension of 165 Yuan, pensioners of the TIP can receive a monthly pension of more than 500 Yuan. With this sum plus work and rental incomes, Mr. Qian is happy that he does not have to worry about economic shortage in his old age.

Despite the comprehensive protection of the TIP, the risk of sickness remains the biggest problem for the economic situation of the rural residents. The soaring cost of medical treatment could often pull the finance of the whole family downwards to adversity; even for wealthier rural regions such as rural Shanghai this is no rarity. Although the TIP grants a certain percentage of financial subsidies for the incurred medical expenditures, the regulation sets a ceiling for the refund of medical cost.

The medical treatment ... if you are sick, then you're over, the whole family is over. The medical treatments nowadays are horribly expensive, and I don't know why. If you go to see a doctor, either you are ok or you are in trouble with big diseases. Hundreds of thousands of money will be thrown into the gap. Now this is the biggest problem. (Case 29, 16/05/05)

Yet in spite of this regulatory gap, Mr. Qian has no intention to turn to private commercial insurance for additional support. His long experience with the rural pension scheme makes Mr. Qian skeptical about the credence of the private commercial insurance. Although his daughter has bought an insurance product for the granddaughter, Mr. Qian himself refuses to follow suit because he has no confidence in the protection function of the private insurance provision. It is for him a kind of business which ultimately pursues maximal profit out of the premiums of the insured customers. By contrast, social security schemes of the state are not oriented on maximal profit making because their primary goal is to secure the peasants against life contingencies. The distrust towards private commercial insurance is also an expression of his contentment with the overall institutional arrangements that the local governments in rural Shanghai have made for the social protection of rural residents. Institutional continuity of the rural pension scheme and better protection of the TIP have contributed to a positive assessment of the rural residents over the prospect of their old-age lives.

But retirement in the sense of retreat from all work activities is for Mr. Qian only a notional concept rather than a real situation. In rural China the peasants have not changed much in the thought that one should keep on working in old age even though one has abundant savings. Ceaseless toil has become a work ethic for many peasants in rural areas. A common idea is that, after all, one has worked hard on the farm for the whole life, there seems to be no reason to drop that habit even if one does not have to work any more.

If you keep healthy, and you have nothing to do, it would be a trouble just to stay home. When you have no hard work at home, you just drink alcoholics, watch television. That will be very boring. So it depends on individual health condition. If you are more than 60 and still fit, it doesn't matter if you keep working. (Case 29, 16/05/05)

Mr. Qian has bought two houses with his savings to improve the living conditions. In the short run, he plans to buy a car and other consumption goods for growing living standard. Since he no longer needs to look for any formal employment for living purpose, he comes up with the idea of building a stall in order to raise some pigs or chicken for sale. Now at the age of 54, he begins thinking of setting out a breeding business. He is gathering current market information and looking for a suitable site for this business. As he does not need to worry about the condition of his

household's economy, running a breeding business would match his own hobby and deliver additional revenues.

What characterizes the type of pensions from the TIP? The above description shows great satisfaction of the participants with their status quo as well as confidence in their old-age security. General betterment of the village economy offers the villagers many opportunities to raise their incomes, e.g. rental revenues. Stronger financial strength of the village collective also makes it possible to grant more subsidies to the villagers in all aspects of village welfare. So even without the introduction of the TIP, the villagers in this type would still lead a much wealthier life than in many other regions. The process of land seizure by local governments makes the whole situation even better. Although land seizure in this region is a very frequent practice, the compensation terms are often set generously so that landless peasants have in effect nothing to complain about. Even peasants who still work on assigned land plots look forward to taking a share in the compensation of the land seizure policy and hope for the acceleration of the whole process. In contrary to type 3, the villagers welcome land seizure in Shanghai because it can improve rather than impoverish their economic situations. According to the given policy of the Shanghai government, the category divide of rural-urban residents in the household registration system will soon be abolished in the next few years. Until then all residents in rural areas will be included in the TIP and thus entitled to greater social protection.

The participation in the TIP and the change of resident status from rural peasant to urban resident are innovative policies towards landless peasants. The change of resident status is a move towards the legal recognition of social rights of rural residents. It avoids hereby the traditionally discriminating treatment in social protection towards rural residents. The TIP provides the insured residents with a much higher level of social protection than the traditional rural pension scheme. Whereas the latter merely yields relatively low pensions according to one's contribution record, the former covers almost all major risks and grants significantly higher benefits and pensions to the insured residents. With better social protection of the TIP (except for medical care), landless peasants are relieved of economic pressure associated with land seizure. The prospect of more pensions also makes them confident of reliable old-age security. In most cases, insured residents can achieve economic independency without further needs for additional support from their children. Living with children together is to a large extent an emotional tie rather than an economic necessity of the family. With the introduction of the TIP the traditional bond of rural old-age security on family has given way to reliance on public systems.

Type 7: Urban Pensions: Some Lucky Cases

There are a few cases among rural residents who have benefited from the urban pension insurance scheme. Their resident status is still rural peasant, but under some

lucky circumstances they have the chance to join the urban social insurance scheme. This type of peasants is the most fortunate group because they can enjoy the same social protection level as the urban residents. Established in 1951, urban social insurance covers all major risks: old age, work injury, medical care, motherhood and later unemployment (in 1986). Since the late 1980s, the central government has been attempting to “socialize” the whole scheme, i.e. transfer more financial responsibility to enterprises and individual workers. The recalibration of social insurance scheme has generally resulted in declining benefits and entitlements (for detail see Chapter 5). The traditional “iron rice bowl” is undergoing such a fundamental retrenchment that the urban workers are facing rising insecurity. Nonetheless, urban social insurance scheme is, as a whole, still much better than the TIP or other rural schemes in terms of risk coverage and benefit level. Especially for rural residents, the participation in the urban scheme is definitely a plus because of its relatively generous benefits.

However, the participation of the rural residents in the urban social insurance scheme is rather a coincidence than normality. The opportunities emerge mostly in non-agricultural employment patterns: self employment or employment in foreign companies where the participation in the scheme is permitted. This is only possible in regions with prospering economy where cheap rural labor force is strongly demanded. Multi-faceted rural development has contributed to a greater occupational mobility of rural residents. Rural labor force is flowing into new industry sectors in order to seek higher incomes. One can thus identify a variety of paths into different old-age pension schemes, including the urban insurance scheme discussed here. It should be little wonder that these cases are found only in Shanghai during my field work, as the urban-rural divide there is eroding as a consequence of urbanization and industrialization.

Case 22: Ms. Ge is 52 years old and a retired pensioner in Cangchang village (仓场村), Jiading district (嘉定区). Because she did not even graduate from the elementary school she has only worked on her farm (more than 4 *mu* area) in the most part of her work biography. In rural Shanghai, most of the peasants planted cotton, wheat and rice as main crops. At home Ms. Ge also grew mushrooms to earn additional income. At the age of 32, she began her work as a manual labor at a collectively-owned factory, but still kept cultivating crops in her spare time. 10 years later, the factory was sold to a private businessman, so Ms. Ge changed her job to a Japanese factory where she worked another 8 years. Then she retired and stayed home to help housekeeping and take care of the granddaughter until today. As her parents-in-law have passed away, Ms. Ge lives with her husband, son, daughter-in-law and the granddaughter in the household. Ms. Ge’s another daughter is married and lives with her husband in another household. Ms. Ge’s husband used to work together with her on the farm, and took a second job working as a construction worker. Both Ms. Ge’s son and daughter-in-law work for private companies and earn a monthly income of 1100 – 1200 Yuan respectively. In addition to regular work, Ms. Ge also rents out the first floor of her house to a telephone shop

and earns a rental income of 1000 Yuan monthly. As a retired pensioner in the urban social insurance scheme, Ms. Ge receives a pension income of 702 Yuan monthly, well above rural pensions. As a whole, the household is economically well-off because it disposes of different incomes.

Ms. Ge's participation in the urban social insurance was the result of several coincidental factors. Just like other rural peasants, she joined in the rural pension scheme initially introduced in rural Shanghai in 1992. During her employment in the collectively-owned factory, she paid a yearly contribution of 60 Yuan while the employer also paid a subsidy to the scheme. After 2 years of insurance record, Ms. Ge did not continue her contribution payment because the factory refused to grant employer subsidies further. When the factory was privatized 8 years later, Ms. Ge changed her job to a Japanese factory. This time she had the chance to participate in the urban social insurance scheme according to the regulation. Ms. Ge has profited from her 8-year employment in the Japanese factory because she kept paying contributions together with the employer to the urban scheme. In the time during her employment in the Japanese factory, the land of the Cangchang village was gradually taken away by the town and district governments. The latter regulated that the landless peasants be included successively in the newly-established TIP. Both local governments paid for the landless peasants a lump-sum contribution of 25 years to the scheme irrespective of their individual insurance records. Since Ms. Ge has paid 8 years of contribution to the urban insurance scheme, the additional 25-year contribution payments to the TIP were completely converted to her record in the urban scheme. This favorable calculation entitled Ms. Ge to receive a monthly pension of 702 Yuan from the urban scheme, which started in April 2005.

The generous pensions from the urban scheme ensure that Ms. Ge needs no more any financial support from her children. This is a situation she had never thought of before she joined the urban insurance scheme. Before the local governments took her land away, she had worked very hard to maintain the household economy. Besides the job in the factory, she also continued her work on the farm. But now, with a stable rental income, she is optimistic about her old-age security. Retirement is for her a reality rather than dream because she has won the material basis.

No matter how well the children treat you, they are not as good as the state protection. If the children are benevolent, they will give you money. But if they don't have additional money, there would be conflict if you still turned to them for support. With the assistance of the state, I can do it by myself. I am happy with my own money. (Case 22, 28/04/05)

For the same reason, Ms. Ge does not intend to buy products of private commercial insurance. Because of her older age, the insurance premium would be too high for her to get a reasonable return in the future. She came to the idea of buying private insurance when she was young. But the financial burden of raising 2 children at that

time did not permit any additional expenses. Though Ms. Ge is not insured in the private commercial insurance, her children do take advantage of their younger age and purchase various sorts of commercial insurance products for additional support (invalidity and medical care). Private insurance is for rural residents who can afford it always a safeguard against potential risks of economic predicament.

The only potential risk lies in the case of serious illness. With respect to medical care, Ms. Ge is confident in the village scheme. The cooperative medical scheme in the village regulates that each villager has to bear at least 700 Yuan of yearly medical treatment cost in case it incurs. For the expenses over 700, the scheme would bear 90% of the part and refund the money to the villagers. Yet Ms. Ge is aware that, in case of serious illness, the scheme would not undertake the overall incurred cost. In this case Ms. Ge would still have to ask her children for financial support.

If you have no serious illness, the children do not have to pay for the medical treatment. There is no burden if you have no serious illness. But if you do, they have to look after you, they will have burden. (Case 22, 28/04/05)

Irrespective of this potential risk, Ms. Ge is very happy about current situation that she has a regular pension income sufficient for her daily expenses. The children are both working and earning decent incomes. Apart from housekeeping, Ms. Ge thinks she would plant some vegetables on the fields near the river, but rather as a leisure activity than work for living subsistence. In her opinion, the most common leisure activity of the rural elderly is to continue working on the farms because they have done so throughout their lives.

Another case for the urban pension is also found in rural Shanghai. Similar to Ms. Ge, the second case has benefited from the participation in the urban insurance, though its contribution requirement is also higher than the rural scheme. For the rural resident this can be a temporary financial burden. Much depends on the current income composition of the household members.

Case 24: Ms Zhao is 45 years old and lives in Cangchang village (仓场村), Jiading district (嘉定区). After graduating from the senior high school, she has worked for a towel factory for 15 years. Since the wages were low, she decided with her husband in 1993 to open a grocery store at the first floor of their dwelling house. Since then, Ms. Zhao has become an individual self-employed (*geti gongshanghu*). In her household, Ms. Zhao lives with her husband, son and parents-in-law. The latter work no more and live on the support of their children.

Ms. Zhao's husband works in the civil guard of the town and earns a monthly income of 850 Yuan. Her son has found a job as a driver in a factory after his graduation from school, with a monthly income of 1000 Yuan. The business of the grocery store run well before, but is turning worse right now due to increasing

competition from other new stores in the village. The monthly revenue of the store ranges from 700-1000 Yuan a month. In addition to these, Ms. Zhao also rents two apartments to earn monthly rents of 550 Yuan. As a whole, Ms. Zhao thinks that the economic situation of her household is worse than the village average.

The land seizure was enforced a decade ago. Most of the land of the Cangchang village was transferred to private enterprises for the construction of factories. According to the local policy, these companies should pay regular cash compensation to the town and village governments, who then distribute the payment further to villagers with rural resident status (currently 3000 Yuan a year). At the same time, all landless peasants are registered as urban residents. Their employment in the village entitles their participation in the urban insurance scheme, irrespective of their employment types. Both Ms. Zhao's husband and son are therefore included in the urban scheme. Since Ms. Zhao retains her rural resident status, she is the only "peasant" in the household who is entitled to receive the benefits of the urban scheme. She could have chosen to become an urban resident, but declined to do so because it would change little as she was already in the urban scheme.

When Ms. Zhao registered herself as self-employed, the policy still allowed her to join the urban insurance scheme. It changed later, but Ms. Zhao took advantage of the chance and participated in the urban scheme in 1993. Her decision was based on the belief that the overall institutional framework of the urban scheme was much better than that of the rural one.

At that time, I thought my old age would be secured by the urban scheme, definitely better than the rural scheme. In the past, the peasants received only 100 Yuan a month, now their pensions increase 20 Yuan a year. So I thought then that I would come out better with the urban scheme than with the rural one. (Case 24, 29/04/05)

In the urban scheme, Ms. Zhao chose the lowest level of contribution and paid 48 Yuan a month initially, which rose continuously to a current level of 586 Yuan a month. With an income of monthly 1000 Yuan from the business of the grocery store, the contribution burden of 586 Yuan is certainly hard to bear. This is especially true for Ms. Zhao as she is self-employed and has to shoulder the contribution alone. If she were an employee in other economic sectors, she would obtain a certain amount of subsidy from her employer. However, since her husband and son are both working and earning additional incomes, Ms. Zhao feels it still worthwhile keeping her membership in the urban scheme. After all, staying in the urban scheme offers so many economic advantages that other alternatives can hardly outstrip.

With regard to the medical treatment, Ms. Zhao has little to worry about. Since the urban scheme also covers medical treatment, she always goes to Shanghai city to see the doctor. In the scheme the insured are granted 400 Yuan of medical treatment. If the medical cost exceeds 400 Yuan, the patient has to bear it all to the top of 1800 Yuan. Only when the cost rises beyond 1800 will the scheme take up 90% of the

exceeding part of the cost. Even though the insured are expected to bear more cost in case of serious illness, the scheme still helps absorb the most part of the financial burden.

The feeling is that when we get old, the government can help us sustain our old age. We no longer need to worry that we may not have money when we get old. This thought alone is good enough. One day when we get old, we can live on our own feet and do not need to ask money from the children. (Case 24, 29/04/05)

Ms. Zhao's parents-in-law live with them together. Their resident status has also been changed to urban resident in the process of forced land appropriation. Since the town and village have a specific welfare program for the elderly, they receive from that a regular cash benefit of 360 Yuan monthly. Together with the compensation benefit from the land seizure (3000 Yuan a year), the both elderly can live well without further need for financial support of their children. Since Ms. Zhao's son is not yet married, she concentrates all the financial resources on the preparation for his future wedding and career. It is very common practice in rural areas that the primary goal of peasants' savings is to help children's future development, even though they may not need or expect any substantial support of the children in their old age. Family support is understood in the sense of reciprocal assistance between generations. The public pensions have replaced the financial function of the family, yet the latter remains a stronghold for informal care and emotional support.

In sum, the type of path into urban pensions is the best chance that many rural residents can only dream of. Because of its rarity, only 2 cases in Shanghai are identified during my field work. The participation in the urban scheme in both cases is the result of employment in foreign company or self-employed as owner of grocery store. These are rather lucky cases, as the peasants happen to seize the chance opened by the statutory regulation. It is well known that the urban social insurance scheme offers much higher benefits for broad coverage of risks. This is also reflected in the much higher pensions in the two cases of this type. Although the contribution payment to the urban insurance scheme in one case is a heavy burden for the insured peasant, she has no intention to switch to the rural pension scheme because she knows it is an investment in the future. With pensions from the urban scheme, one can enjoy an old-age life free from economic stress and potential conflict with the children. Strong confidence in the prospect of one's retirement as well as financial independence from the children characterizes this type. This stands particularly in contrast to the type 1, in which peasants expect no public pensions at all and look to their futures with uncertainty. Type 7 shows that only in very rare and lucky circumstances can the rural peasants access the benefit of urban social insurance. Most of them still have to rely more or less on their own savings or the support of the children.

7.2 The Manifold Paths into Rural Pension Schemes in Comparison

In this chapter ideal types are constructed to illustrate the life course patterns of rural residents who have (or have not) participated in rural pension schemes. By means of type construction, a clearer picture emerges revealing the current development of pension schemes and their biographical implications for rural peasants. The changing lives of many rural peasants are reflected in the versatile sorts of economic activities in non-agricultural realms. In the face of declining revenues of the agricultural economy, many peasants have sought ways out of farming and looked for other employment with higher incomes.⁸⁴ The rush pace of land seizure enforced by local governments is accelerating or, to put it more precisely, aggravating this process. Those still willing to stay on their farmland are now compelled to seek employment in non-agricultural sectors. Rapid changes of employment patterns among the peasants are putting pressure on the local governments to design new pension schemes in addition to the original one primarily tailored for the need of traditional peasants. As a result, differentiated institutional frameworks of rural pension schemes emerge. This circumstance poses the point of departure for the analysis in this chapter.

Despite the plurality of rural pension schemes, the basic logic of rural pension policy still persists in all variants. The rectification decision of the central government in 1998 has constrained the extent and scale of the overall state involvement, which means that local governments and peasants are to undertake the major share of contribution to the schemes. By keeping itself away from the major responsibility, the central government has virtually reproduced the already existing regional inequality in its rural pension schemes (see the analysis in chapter 6). While peasants in rich regions benefit from growing pension entitlements as a result of the increasing support of local governments, their fellow villagers in poor areas are supposed to arrange all the issues by themselves. The sequence of ideal types (from 1 to 7) in this chapter reflects precisely this inherent inequality.

In this light, peasants of type 1 actually represent the majority of rural population in China since the coverage of current rural pension schemes remains very low. The development of village economy in this type is severely restricted by its dependence on husbandry that yields low revenues. Stagnation of crop prices is compounded with the rise of energy and fertilizer cost in recent years. The reliance on agriculture not only leads the households to a generally modest financial situation, but also results in weaker fiscal strength of the village collective. Both villages and individual peasants are drawn into the bog of poverty from which they can barely escape. Under the unfavorable circumstances, the introduction of any form of pension schemes appears very unlikely, as individual households cannot

⁸⁴ The massive migration currently taking place in China can be grasped against this background, though this category is not included in the analysis of this chapter. Rural migrants generally do not participate in any rural pension schemes because they seldom live in the villages of their origin.

even afford personal contribution payments, nor are the village collectives able to provide substantial aids that could fill this gap. Unrealistic still is the idea of making any arrangements of private commercial insurance when the households are still worrying about where to earn the money for children's tuition fees. Given these generally adverse conditions, averting old-age risk is for the individuals still a matter without urgent priority because they have yet to struggle for basic subsistence. Yet interestingly, the inability to make retirement arrangements does not imply weak awareness of the agents over the issue. By contrast, it indicates their hidden want of old-age security warranted by the state! The latter fails precisely in this respect because it eschews public responsibility where poor peasants badly require. Peasants of type 1 are the greatest group among rural population desolated to fend for their lives in old age.

Type 2 refers to cases in a somewhat better position than type 1. Rural households in this type generally dwell in equally remote and less-developed villages where the process of rural industrialization has just taken off. The fiscal condition of the village collectives has benefited from this process, which enables the village administration to set up rudimentary programs of old-age support. A conventional form is to grant cash benefits to the elderly and in-kind items to almost all villagers. Rural elderly in this category obtain such old-age allowances irrespective of their previous work or contribution records. In spite of the generally low amount, these village allowances avail the local elderly and those households with elderly members. Yet, constrained by the developmental scale of regional economy, most villagers of type 2 still live in poverty since they remain dependent on the agricultural incomes. Even though the village administration can spare additional financial capacity for such local welfare programs, their overall effects on poverty alleviation in old age are pretty limited. Here, one cannot equate capability to grant cash or in-kind benefits with ability for large-scale subsidy as required in most rural pension schemes. Normally, there are no public pension schemes in the villages of type 2, which means that the villagers still have to rely on themselves apart from some benefits of the village. Old-age security is for peasants in type 2 as precarious as in type 1.

Another form of old-age insecurity can be seen in the lives of landless peasants who have become one of the most vulnerable groups in rural China. Without a legal right of their land, peasants are particularly susceptible to the whims of developers and local governments. The negative impact of land seizure policy on the lives of landless peasants is most evident in cases of type 3 observed in rural Beijing. Many peasants are struck by this policy which forces them to give their land up and thereby lose their means of subsistence. Often they are exposed to the risk of unemployment due to the fact that they have never been trained to learn additional skills. The cases in type 3 have shown that lack of generous compensation benefits and policy coordination has offset the goodwill of local governments to give the landless peasants a helping hand. Even the lump-sum compensation benefits and the

promised pensions at a fixed amount prove to be of little help for the already imminent mishap, as living expenses in the region have risen sharply in recent years which cannot be covered with that amount. Without a well-designed framework to meet the demand of landless peasants, their living subsistence is extent subject to the force of labor market where they are disadvantaged. Job-training courses are supposed to give the target group a second chance to learn new skills tailored to the requirement of the labor market. However, half-hearted job introductions as well as incomplete course offers have also undermined the desired policy effect. As a result, landless peasants in type 3 are virtually left in the lurch despite the political euphoria of local governments to settle the problems of landless peasants. Similar to type 2, landless peasants in type 3 can indeed expect a certain amount of old-age pensions from the scheme, yet much depends on whether they or their families can get out of the problem by finding suitable jobs. For many of them this seems to be pretty unlikely.

Type 4 aims to describe the paths of peasants into classical rural pension schemes launched by the MOCA. Since its formal introduction in 1992, the scheme has been modified by local governments in various forms to fit local circumstances. But, as a whole, its basic principles of voluntary participation and individual funded accounts are followed in all local schemes. Since local governments and village collectives assume the part of collective responsibility, their financial states will determine the extent of public support for each participant peasant. Following this logic, one can notice explicit disparity among regional rural pension schemes with regard to the subsidy and benefit levels. Whereas peasants in wealthy regions have more job opportunities to gain higher incomes, their villages and towns also benefit from this prosperous trend and possess of larger collective property and budget. This implies double advantages for the accumulation of personal old-age pensions. For poorer regions it is exactly the opposite situation: both village collective and individual peasant are still plagued by regional underdevelopment, therefore unable to secure pensions at a satisfactory level. What one observes is a polarizing trend that divides rich and poor well onto the old-age security. This inherent inequality has also significantly influenced how local peasants perceive public pension schemes. For instance, while almost all peasants in Shanghai perceive the state as an important safeguard for their old-age security, their fellows in rural Beijing still feel uncertain about this point and prefer individual arrangements such as private commercial insurance or family support. The delineation of type 4 reveals the essential fact that economic development and financial support of local governments play a crucial role in the outcomes of old-age security in rural China.

In Chinese villages there is a group of peasants who are less susceptible to such hardship due to their special status. Type 5 seeks to sketch these cases. As the executive agents at the bottom of the Chinese administration body, village cadres in many areas own certain privileges granted by the state as a reward for their work. In the pension issue, for example, local governments often introduce a pension scheme

especially tailored for the cadres and functionaries at all administration levels. In contrast to the state's reluctance to get involved in the financial burden of other rural pension schemes, it actively bears the most responsibility of the scheme for cadres. Multipartite participation (central government, district and town governments, cadres themselves) in the contribution payment characterizes the operation of the scheme. With the strong support of the state, the pension scheme grants quite generous pension benefits to the participants, including village cadres. Therefore, even in less wealthy villages, cadres still own access to resources or subsidies that uphold their social security in general and old-age pensions in particular. Yet intriguingly, despite the general advantages village cadres claim, their status in the scheme remains subject to the urban-rural-divide inherent in Chinese social policy. Although the income replacement rate of cadre pensions is set at a high level (60-70%), a dynamic adjustment of pensions in pace with economic growth as is practiced in the urban insurance schemes is not existent. In addition, the generally lower incomes of village cadres than their urban colleagues also lead to less pension entitlements. As a whole, village cadres can claim much better pension benefits than their co-villagers but they are still inferior to that of urban cadres.

Type 6 outlines a new group of rural pension beneficiaries who have benefited from vigorous regional economy and generous land seizure policy in rural Shanghai. As the land prices in Shanghai have soared rapidly thanks to booming economy, local governments in Shanghai can demand high compensation payment from private developers. The new scheme TIP (*zhenbao*) came into force in 2004 as a political response to the increasing scale of land seizure as well as the emergence of various employment types in urbanized areas. Since local governments contribute to the new scheme almost exclusively with the compensation premiums, individual peasants are automatically included in the scheme without additional financial burdens. For rural landless peasants, the participation in the TIP is an upgrade of personal old-age security in terms of generous benefit entitlements than the traditional pension scheme. For the first time in China rural peasants in a region can count on the support of a public scheme in their old age. As the urbanization in Shanghai is expanding, the scheme is expected to cover more and more peasants in the near future. With the implementation of the new scheme, Shanghai has undoubtedly outpaced other regions in its social protection for the rural peasants. The prospect of their economic safety in old age looks pretty bright.

Type 7 documents some rare cases in which rural peasants have been able to join the urban social insurance. The luck of the peasants in this type to claim higher pensions from the scheme is rather a personal coincidence than ordinary policy regulation. In the illustrated cases, employment in a factory of a Japanese company or self-employment as a grocery owner have opened the door to the urban social insurance scheme in due time. The peasants in these cases have seized the unique chance and taken up the scheme. For them, the entitlement to draw urban pensions means a guarantee of old-age security because the amount of payable pensions lies

well above that of any other rural pension schemes. Apparently, their choice to join in was also based on this knowledge, as they are sensitive towards the disparities of social security between urban and rural residents. As both interviewees reckoned in the interview, they were quite aware of the far better entitlements in the urban scheme and did not hesitate to join it. With the handsome amount of urban pensions, peasants of this type are confident that they can lead a carefree life in their old age. Yet, this type should be viewed as an exception rather than normality. It reflects the sheer contrast of old-age security between urban and rural residents.

8. Biography and Retirement of Peasants between Passive Obedience and Active Planning

The last chapter has described peasants' diverse paths into the rural pension schemes. These path differences are the result of the policy design by the central government that envisages from the outset the reservation of regional gap. According to this policy idea, many local governments have introduced since 1992 a variety of pension programs according to their local circumstances, which targeted at different categories of rural residents. Manifold institutional frameworks concerning the combination of financial responsibilities among the central government, local governments and individual peasants have led to a huge gap of old-age protection between rich and poor regions. Regional disparities also have a profound impact on the participation paths of the peasants into various schemes. Whereas peasants in rich regions can assume stronger protection from local governments for their old age, their fellows in poor ones still have to worry about the bread for the next meal. Under these circumstances, an important question arises as to how the peasants interpret their situations and, above all, how they react to these situations according to their judgments. The interplay between social structures, political institutions and social actions is one of the major foci of the institutionalist life-course approach.

In this vein, this chapter goes further to analyze the interpretative dimension of social actions of the peasants. The analysis concentrates mainly on their subjective perception of individual situations as well as strategic planning of old-age security. The crucial question here is: how do the peasants interpret and assess the institutional frameworks of the rural pension schemes (if any)? In this context, a further question is: under the (non-)given institutions of old-age security, how do the peasants plan their future lives? And how do they perceive the retirement under the given institutional environment? By means of ideal type construction this chapter seeks to address these research questions. In the construction of the subjective interpretations and strategic responses, the analysis aims to shed more light on the life planning of the peasants. Thus far, except a few studies such as Leisering and Gong (2002), this aspect has not been systematically addressed in current literature on the development of the rural pension policy. Most of the studies only focus on the political processes and outcomes without further exploring the subjective interpretations and action orientations of the rural residents. The exploration of this aspect could further deepen our understanding of the interaction between social policy and individual peasant as well as its implication for the future development of old-age security in rural China.

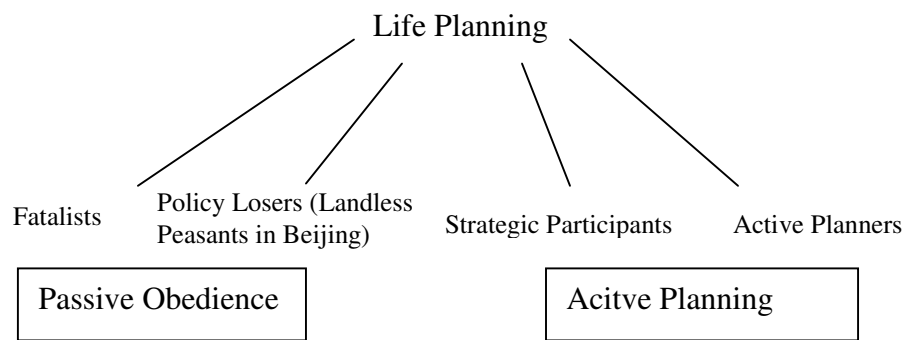
The approach of type construction also seeks to highlight the biographical relevance of social institutions for individual actions. Either institutional underdevelopment (low provision of public pensions) or regional disparity (unequal subsidy of pensions) should be examined in the context of personal life experience. Public pension institutions are a part of the given circumstances which individual

peasants have to take into account while planning their future lives. In the process of subjective interpretation and planning, peasants have to find a matching point, whereby institutional frameworks of public pension schemes can assist personal arrangements of old-age security. Peasants' perceptions of individual situations in relation to public pension institutions shape their action orientations in the field of old-age security. The exploration of biographical significance which the individual peasants assign to existing public pension institutions should give a hint as to how the latter frame individual contexts of the overall arrangements for old-age security.

What elements does the concept of retirement entail? In itself, retirement is strictly defined by formal institutions of old-age security. When the age limit is reached, the individuals are entitled to claim pension benefits from the scheme. Recipients of pensions are supposed to cease his/her employment and live on pension incomes. Institutions define *de jure* the timing of individual's retreat from the work sphere of the society. In addition to this formal definition, however, retirement encompasses another dimension of subjective perception of social agency. Individual evaluations and decisions of the timing to cease work may vary to a large degree from the institutionally demarcated time point. Crucial for our analysis is this subjective dimension that entails the situation interpretations and strategic responses of individual peasants. Retirement implies an active arrangement of individual agency with respect to both definition and management of life situations. How individuals come to terms with the perceived hardship (or complacency) determines what responses they would make and what outcomes these would bring about. In this light, the analytical concept of retirement will be elucidated alongside the exploration of the relationship between institutional and biographical contexts. Here the concept of retirement refers less to institutionally defined age limit than to the patterns of strategic responses to given conditions and subjective planning of individual old-age security. Some peasants have already come to the idea of retirement for a long time, while others may well just begin to think about it or have no plan yet. In all cases retirement is a concept embedded in the construction of ideal types to highlight the developmental process of individual subjective orientations.

To this end, four major types are built, as the figure 8-1 illustrates. The next section will begin analyzing the characteristics of each ideal type with detailed study of some typical cases. After the analysis of all types this chapter goes further with a systematic comparison of them in order to accentuate their theoretical implications. Finally, types of retirement are brought in relation to types of life course presented in chapter 7, with the aim to demonstrate how and to what extent the institutionalization of the life course in current rural China is taking shape.

Figure 8-1: Retirement and Life Planning in Surveyed Rural Areas



8.1 Four Types of Retirement and Life Planning

Type 1: Fatalists

Peasants of this group live in poor regions where neither public rural pension scheme nor village subsidy is in place to help local residents avert the risk of old age. Based on the data collected in the field work, this group refers to poor peasants in remote rural Beijing. As agriculture is the major economic source both for the villages and their residents, the overall development of regional economy grows slowly because agricultural products yield lower revenues. The double weakness (i.e. village and individual) becomes a vicious circle of poverty: whereas individual households are already afflicted with chronic economic shortage, regional and village economy suffer equally from the underdeveloped infrastructure, thereby unable to spurt more growth which would bring about more wealth. These villages are in such a plight that they lack additional capacity to afford any financial subsidy for old-age security of their villagers. The inability of the village collectives to provide financial aid constitutes a poor precondition for the individual villagers to make any arrangements for their future. Without significant support of the central or local governments, peasants in these poor villages must live on their modest farming incomes.

Under these circumstances, a central characteristic of this type is the incapability of the peasants to overcome poverty and life difficulty. Subjective perception tends to be negative towards the given conditions and possibilities of escape from the deadlock, which results in a mixed sense of hopelessness and disappointment. Fatalists describe exactly the case of locked-in poverty: the individual peasants assess the overall situation from a passive perspective, and they also fail to map out a blueprint that could help them escape from the destitution. Subjective inertia has aggravated the existing poverty as no willingness and endeavor are strived to ameliorate the whole situation. As a result, old-age security becomes a remote dream that they can only yearn for but hardly grasp in the hand. Pessimism about the future is part of the traits one can find in this group.

To demonstrate more precisely the core elements of this type, four facets of subjective interpretations and strategic responses are applied here: handling biographical problems, dealing with financial stringency, perception of state policy towards the peasants, the perspective of old-age security.

Mr. Wu, resident of the Houjianping village (后尖平村) in Tongzhou district of Beijing, represents the typical case.

Case 3: Mr. Wu is 51 years old, plants vegetables and pear trees on his 4 *mu* farm. His wife died 2 years ago. Mr. Wu married this year a new wife with urban resident status because she was an urban worker. Now the couple works together on the farm. The two daughters have finished their school education. The elder daughter is newly wed, while the younger one works for a private company. Mr. Wu lives mainly on his income from the agricultural activity, though price fluctuations in the market influence remarkably how much he can earn.

As a peasant, Mr. Wu earns his income from farming. The experience with the instability of agricultural incomes due to cyclical variation of market prices for farm products has made him skeptical about the possibility of life improvement. He also doubts the willingness of the state to assist the life of rural residents. In view of the stagnant income growth in the past years, he questions the possibility of any significant improvement of the household economic situation and the prospect of his personal old-age security. The agricultural income as the main pillar of the household economy has become a biographical problem for Mr. Wu because he is aware of its susceptibility to price instability of agricultural market. With a small farm of 4 *mu* area, there is not much room for doing large-scale farming that would improve the technical efficiency or productivity. In other words, the peasants in rural Beijing are destined to lead a very modest life if they have no other income sources than agriculture. For Mr. Wu it is exactly the situation: as a middle-aged peasant who has been working for his whole life on the fields, there are no other vocational alternatives he could possibly turn to because he has only learned the farming skill. Unlike younger people who can join the mass flow of migrant workers swarming into cities in search of better jobs, the lives of middle-aged peasants are characterized by the inability to improve income situation by having other profitable jobs. With the instable, mostly low income of agricultural economy, peasants' lives are vulnerable to sudden contingencies such as illness or work injury.

In rural villages you are unable to cure serious illness. If you get sick and need to undergo operations, all will cost hundreds of thousands Yuan, and you are simply unable to afford them... Don't even think about it! (Case 3, 04/10/04)

In other words, the fragile household economy is problematic for Mr. Wu because it is actually susceptible to suffering of income shortage (e.g. market price falling) or

unexpected incidents. He manages to cope with such tight financial situations by abstaining from consumption in order to do more savings. Given the lean income source, though, Mr. Wu has a very narrow margin for such savings. For the wedding of his elderly daughter, for example, Mr. Wu has prepared very few articles as her dowry. As Mr. Wu and his wife remain healthy, they can still get by on their incomes. But in case of financial stringency, he will have to borrow money from relatives or close friends in other rural regions. Mr. Wu has a sister and a brother, and they are persons who may help if he really gets into difficulty. But borrowing money would only come into question when he has exhausted all other possibilities. In case of serious illness, Mr. Wu would give in and wait for the outcome of the fate because he knows he would be unable to afford the cost of medical treatment.

The exigency in personal economic condition has negatively influenced the perception of Mr. Wu towards the role of the state in its rural policy. He believes that the state has thus far done very little for the peasants. Even though the local governments have begun granting financial subsidies to rural peasants, their overall proportion in the whole public budget remains very fractional. Despite the rapid growth of nationwide economy, the rural villages have thus far benefited very little from it. For example, the government grants a yearly subsidy of 100 Yuan for one *mu* of farmland, yet this policy has little effect in uplifting peasants' incomes due to the fact that the production cost is rising even more rapidly. Cost increase in fertilizer and other materials has outnumbered the public subsidy, thereby offsetting its original goal to bolster peasants' incomes.

As a peasant, if you merely depend on the government, you cannot survive... Even though you have the land, you have to invest more in it and therefore spend money. You have to use fertilizer on the fields well before they can yield any harvest. When you put your investment in the farming and you get nothing back, then you lose money. (Case 3, 04/10/04)

With regard to the social security for the peasants, Mr. Wu indicates that the state has done almost nothing. This policy misery has worsened their living conditions. Until the interview, Mr. Wu reckons that he has never heard of any public rural pension scheme being planned in the village, nor does he know how such kind of scheme would function. However, as the economic and social reforms have been enforced all over the society, Mr. Wu believes that it is high time for the central government to address the rural problems. After all, as the highest authority, the government has the responsibility to do something for the citizens. But for the time being, he has not the slightest idea about the implementation of any rural social security programs in rural areas.

We don't have any old-age insurance or commercial insurance in this village. Even when we have nothing left, the village cadres will not care about you. You will be offered the five-

guarantees (*wubao*), that's the lowest security. Nowadays whatever sort of social security would not even reach the rural areas. (Case 3, 04/10/04)

The policy vacuum of the state has not, however, undermined the confidence of Mr. Wu in the quality of possible public pension schemes. The current problem lies not in the inability but the reluctance of the central government to do more for the peasants. Once it changes its mind and establishes a public pension scheme, Mr. Wu will definitely favor it over commercial insurance. He believes that the latter is mainly operating towards profit maximization rather than security protection. No commercial company would do profit-losing business, but the government could absorb the loss and keep its scheme operating. After all, the primary goal of public pension schemes is to secure peasants' old age against economic hardship. The skeptical attitude towards the commercial insurance has much to do with the underdevelopment of the insurance market in this area, where private insurance companies have just begun their commercial activities. One reason for the late market development lies in the fact that most weak-income households in the Houjianping village are still unable to afford any kind of commercial insurance. As the private commercial companies have yet to establish their reputation, peasants in the Houjianping village still have more sympathy for the public schemes (if any).

The peasants are quite unfamiliar with the commercial insurance, nor with the public one. But the government will subsidize the public pension insurance. As to the commercial insurance, I cannot comprehend what is exactly inside it, nor do I understand its concept... The public scheme is supervised by the government, for example, by Beijing city government, Tongzhou district government, or town government. But who is in charge of the commercial insurance? You can know nothing! (Case 3, 04/10/04)

In view of the void of all other external resources for the support of the peasants, Mr. Wu recognizes the necessity of self-reliance for his own old age. He belongs to the group of peasants who have no other alternatives than to rely on traditional means of old-age security: land and family. With the revenues from agricultural economy fluctuating or even declining, Mr. Wu knows that his ability to assure a sound basis for old-age security is very limited. Partial dependence on his daughters becomes inevitable, though he hesitates to acknowledge that point.

In my old age I will have to rely on myself. Of course, I have to depend on the support of my children, but I cannot fully rely on them. It is good if they have time to come to see you, but what if they don't? If they have economic resources, then I will get money from them. But if they themselves live in a less comfortable condition, you have to worry about them! (Case 3, 04/10/04)

Retirement is for Mr. Wu an ideal way of elderly life which he would like to enjoy, but he knows quite well that he cannot have it. As his wife receives urban pensions, Mr. Wu comes to realize the urban-rural divide in Chinese social security. The laggard development in rural social protection has generated a sense of resentment and helplessness in the mind of Mr. Wu. But he responds to the preferential treatment of urban workers with silent obedience to the status quo. He does not think that he can change the whole situation alone. Now, in his midlife, he has no desire to take the risk of seeking other employment chances. As his daughters have grown up, he has at least accomplished an important task as a father. He prefers to stick to his own land and live on it as a traditional Chinese peasant.

I would like to retire but I do not know what the government is doing. Who doesn't want to lead a life like urban workers? Having sufficient living allowances, training one's own body, taking care of the grandchildren, taking trips, who doesn't desire for the joy of the socialist family? But you simply can't afford them. It's not just a matter of thinking. (Case 3, 04/10/04)

In sum, Mr. Wu manages to lead a better life but the overall efforts are limited by his reliance on farming as the main economic source. The fluctuating crop prices are compounded by rising production cost, which has led to low yield of agricultural revenues. Meager subsidy from the government helps little to bolster the income of the peasants. For many peasants like Mr. Wu, the overall financial conditions do not allow any generous consumption, let alone preparation for old-age security. The failure of the central and local governments to introduce a public pension scheme has further dampened his hope for any further support of the state. There exists a stark gap between expectation and reality: the want of individual peasant towards more state engagement is frustrated by the sheer absence of any public scheme. The deliberate restraint of the state from rural old-age security has led Mr. Wu to believe that he would have to depend on his own work or children in order to prepare for his own economic safety for his later life phase.

Why has old-age security become a biographical problem for the group of the fatalists? There are both structural and individual reasons. First of all, the general underdevelopment of local economy has provided a weak background for individual households to improve their income situation. As a predominant economic activity in the village, farming can hardly bring about any considerable revenues for these rural households. Low investment of the state for regional development is the second factor responsible for the stagnant situation. Fragmentary village infrastructure, insufficient subsidy for the agriculture, lack of public social security schemes (except five-guarantees and cooperative medical scheme) have contributed to a precarious background for the life course of the peasants in this group. Biological features (age) and marginal qualifications of individual peasants have further constrained the alternatives for any significant improvement of life conditions. The interplay of

structural and personal factors has narrowed the perception horizon of individual peasants with respect to the prospect of their life planning for later phases. Old-age security is still confined to the conventional pillars: land and family. But even the peasants have recognized the declining function of these two sources, knowing that they may not offer any solid backup for old-age security.

The overall unfavorable conditions have led individual peasants to make very modest assessment of the prospect of their current lives and future old-age security. Aware that nothing can be done to alter the adversity, peasants in this group look at everything with skepticism. As Mr. Wu puts it, “turn the face to the yellow earth and the back to the heaven” (*mian chao huangtu bei chao tian*). As a traditional peasant, he can only keep working on his fields, in the hope that the harvest would continue year for year. Peasants in this group are still bound to their land, and they perceive it as the only reliable pillar for the time being. Helplessness and subjective circumscription characterize the passive fatalists because they deem it impossible to challenge the status quo by affirmative actions. What they can do is to hope for better income through agriculture or, in best cases, more state involvement in rural development and social security. As the latter looks unlikely in the near future, fatalist peasants can only continue working hard on their land and live with families, in the faint hope that they can avert their fragile old-age security.

Type 2: Policy Losers

Peasants in this group are forced to change their ways of economic subsistence due to coercive land policies of the local governments. They belong to a growing mass of landless peasants whose land is encroached by local bureaucrats and private investors for other developmental purposes. For these policy losers many things are at stake, especially the livelihood of the family. The problem of land seizure is the result of the ambiguous property rights for the land. This gives local bureaucrats and cadres much room for setting their land policy arbitrarily. In the name of collective welfare the land can be easily taken away without corresponding in-kind compensation or cash payment commensurable with the land's real values. In most situations, landless peasants are inadequately treated as though they could live well without their land. Some local governments, though, have launched new policy initiatives and established new social security schemes for landless farmers. Yet except a few places like rural Shanghai, these schemes remain so ill-designed and poorly implemented that they can barely come up to the need of the farmers concerned. As a result, the well-meant goals of the policy are largely undermined by flawed institutional frameworks and defective policy implementation.

What characterizes a typical case of policy loser? The impact of land seizure on the lives of landless peasants differs depending on the socioeconomic conditions of individual peasants. Younger peasants have better chances to overcome the life severity as they can seek alternative employment to compensate for income loss in farming. A lot of rural residents in the villages adjoining to Beijing city, for example,

have long been working in non-agricultural sectors. For them, how the land policy is enforced matters less. By contrast, elder or middle-aged peasants have the same problem as the case of passive fatalist: difficulty of integration in the labor market owing to their poor qualifications. Their previous long experience in agriculture or low-wage employment helps little to improve their prospect of getting new jobs in non-agricultural sectors. This general problem makes them prone to falling into the poverty trap. Once the compensatory payment or social security scheme fails to meet their real needs, economic insecurity as a result of exclusion from the labor market emerges.

The biographical dimension of life planning is significantly constrained by the given policy frameworks and the individual socioeconomic conditions. In difference to the fatalist in type 1, peasants in type 2 are willing to adopt possible strategies that would help them out of the difficulty. Attending public job-training courses, for instance, could considerably improve the qualifications of the landless peasants. Many of them would like to learn new skills, knowing that this is the best way to find a job. The problem lies, however, in the poor quality of training courses offered by the local governments, which can barely match the demand of the labor market. It is precisely the ill-designed policy frameworks that have considerably constrained the individual capacity to improve their lives. The disjunction between land seizure policy and life planning of landless peasants has become the major cause of mishap for them. Since landless peasants are not allowed to form any interest groups in Chinese politics that could possibly protect their rights, they are bound to lose ground against the reckless devouring of local governments.

Mr. Liu (case 16) represents the typical case of policy loser. As the village is located in the suburb rural area, the Beijing government has begun taking away large acres of land since the mid-1980s. Land seizure at that time was enforced in a fairly reckless way that the interests of the peasants were simply ruled out.

Case 16: Mr. Liu used to be working on his 3 *mu* fields in the Langfasi village (狼垡四村) in Huangcun town (黄村镇), Daxing district (大兴区), Beijing. With the income from husbandry he was able to feed his four-person household. This changed suddenly in 1985 and 1986 when the Beijing government ruled to seize over 100 *mu* of land from the Langfasi village to found a base for military police. Mr. Liu lost the most part of his land (2.9 *mu*).

In the mid-1980s, the state was notionally in control of the land of the whole nation according to the ideology of the communism. As the only landowner, the state saw it legitimate to take any land away for whatever desirable policy aims. Compensation corresponding to the real value of the land never came to the minds of the policymakers until lately. The accelerating urbanization of the late 1980s soon bore on the rising demand for more rural land. In 1993 the Beijing government encroached again on another 100-odd *mu* of arable land for town expansion, followed by the third wave of land seizure in 2003 of over 200 *mu* of land for road construction.

Initially, the Langfasi village owned more than 1000 *mu* of land, only to see it shrink successively to roughly 500 *mu*. Due to shortage of underground water for irrigation, most villagers have given up farming activity and sought to earn their incomes through employment in other economic sectors. The village collective rents the disposable land to private companies or persons in order to finance its administration as well as collective welfare programs.

When Mr. Liu's land was seized in 1986, the Beijing government granted him a lump-sum compensation payment of 60,000 Yuan without any further measures for job assignment. Nor has the government made any effort to offer job-training courses for landless peasants. With his families in need of catering, Mr. Liu had to seek other job opportunities in non-agricultural sectors. With luck the village collective offered him a job as an assistant in the village administration. Together with the collective in-kind benefits of flour and salad oil for every villager, the whole family can still make a living. Nowadays, as the Langfasi village does not belong to any part of the industry parks designated by the Beijing government, most villagers who seek better-paid jobs have to move to the city or other downtown areas. Those staying in the village or adjacent areas can only do small business or similar self-employed economic activities. Without a strong regional and collective economic development, the average income of the villagers is as low as around 1000 Yuan a month. The prospect for income growth depends essentially on whether the village could benefit from the ongoing urbanization in rural Beijing.

The impetuous land seizure is perceived by many villagers, including Mr. Liu, as a negligence of the state's promise to keep its land policy unchanged for decades. Since the introduction of the household responsibility system at the beginning of the 1980s, the Beijing government has given the peasants a pledge to maintain the stability of the land policy. Yet the growing need for the rural land has tempted it to breach the implicit agreement and encroach the land whenever necessary, thereby eroding the confidence of the peasants in the credibility of the state policy. Frequent land seizure at the expense of the peasants has also given rise to increasing disgruntlement among the victims, complaining that no proper placement policy or compensation benefits were planned.

The government said that the land distributed to peasants would remain unchanged for 60 years. But it has changed within only a few years. Therefore, the peasant feels insecure in this respect. I used to have a lot of land, but almost all has been seized. The new fifth circular highway is built on our seized land. (Case 16, 12/04/05)

The lump-sum compensation of 60,000 Yuan Mr. Liu received from the government could only cover the expenses for a few years. Now as he has run out of that money, Mr. Liu can only rely on his own working income. As a peasant, it is extremely difficult for him to find a suitable job in the private economic sector. Without the job at the village administration, he would face the similar fate as his landless co-

villagers who make a living as self-employed such as taxi drivers or grocery owners. Yet these are toilsome jobs which can only maintain a basic income level. The only additional living support comes from the village collective that grants in-kind benefits to each villager and cash allowances to the elderly. The dearth of an overarching policy of the central and local governments towards landless peasants has generally worsened their living conditions.

The state seizes the land on which the village depends. With the land being seized, the village has no land left. Land is the only asset the village disposes of. The state should arrange jobs for all those whose land is seized. But it has done nothing. (Case 16, 12/04/05)

Given the unfavorable circumstance, Mr. Liu feels uncertain about himself and his family. With the job at the village administration, he can still manage to keep the financial situation of the family in balance at the moment. But in the middle and long term, much still depends on the accomplishments of his child. In rural China it is commonplace to emphasize the education of the next generation because all peasants know that this is the only way to escape from the adversity. Only with a higher education degree can one attain higher career achievements and social status – and with them higher incomes. Many rural households, including the Liu family, have put their hope upon their children in the anticipation of a better life in the future. Even under financial difficulty the rural peasants would still invest as much as possible on the children's education.

With regard to his old-age security, Mr. Liu thinks he has no choice but to work longer. As he has to feed his family with his current work, there is little room in his current economic situation to do more savings for his own old age. Retirement is for him the privilege of urban residents who can enjoy generous pension benefits. Even family may not provide sufficient support for his old-age security, seeing that one-child policy in rural areas has directly exacerbated the burden of the children to support their parents. He is well aware that the presupposed caring function of the family is in decline so that his old-age security can barely rely on it.

In rural areas, if both affined households have one child respectively, then the two children will have to fend for four elderly. Generally, the rural elderly have no sources of old-age security. Better-off villages will grant more generous pension benefits but poorer ones cannot afford them. With two children taking care of four elderly, their burden is too heavy. This stands in sharp contrast to urban residents who have pensions. The burden of their children is significantly smaller. (Case 16, 12/04/05)

The new pension scheme introduced in Daxing district since 2004 has provided possible support for the rural elderly. In the eyes of Mr. Liu, the scheme could indeed meet the growing need of the peasants for public pensions. But given the instability of state policies in the past, the question remains as to its sustainability. He also raises

doubt about the expected amount of pensions to be claimed in one's old age since the subsidies from the district, town and village administrations are too few to close the gap needed for a better pension entitlement. With his own financial capability he would be unable to pay so much contribution. The participation in the scheme is for him rather an income supplement than a main source of economic security. "Until then it doesn't work with 200 Yuan a month. Even now 200 Yuan are very few; this sum cannot even be called money. With 200 Yuan, what can you buy now?" (Case 16, 12/04/05) His difficulty reflects the general severity landless peasants face even though new pension schemes in Daxing have been put in practice. The Daxing scheme has indeed envisaged more financial subsidies from different levels of local governments, yet their overall amount still fails to buttress the main burden of contribution payment if an insured peasant is to accumulate enough pensions in his/her individual account.

All in all, landless peasants become policy losers because they are forced to give up their land from which their major income used to stem; and enter a labor market for which they have little preparation. Without a fully-fledged policy framework that could help them bypass the difficult transition phase, landless peasants have become *de facto* an extremely vulnerable group standing on the brink of social exclusion. The core problem lies in the inadequate policy that encroaches on the land without proper compensation or placement measures. Lack of property right over the land and weak position of peasants have further made it harder for peasants to resist the unfavorable condition offered by local bureaucrats who enforce the land policy. The result is that these peasants are bound to lose in the whole process.

The case of Mr. Liu illustrates clearly the pessimistic perception of status quo as well as limited action orientations of landless peasants with respect to individual economic improvement and old-age security. Landless peasants are forced by the state policy to manage a new life form characterized by more employment insecurity and life contingencies. The stringent land seizure policy has considerably constrained the repertoire of possible alternatives which Mr. Liu can turn to for sufficient living maintenance. Under this circumstance, personal relationship network stands out as the decisive factor for the strategic choice of peasants' actions. Relatives, friends and even village cadres are the central figures landless peasants will strategically turn to for help. Whether one can manage well through the policy-induced crisis depends on how he/she takes advantage of personal networks in the search for alternative employment opportunities. For households with children who have already finished their education and begun working, the situation is less dramatic as working children can feed back part of their income to support the family. Yet unless the local governments provide significant institutional underpinning, landless peasants generally have great difficulty finding suitable jobs. This problem hits middle-aged groups especially hard because they are discriminated in the labor market. As a result, low payment and hard work characterize the employment pattern of many landless peasants. They are policy losers because they lose their basic subsistence

means (land) and, correspondingly, the prospect of their current lives and future old-age security.

Type 3: Strategic Participants

Strategic participants refer to those peasants who have participated in local pension schemes in order to secure a part of his/her old-age incomes. In contrast to those poor peasants without any old-age protection (type 1) and landless peasants (type 2), peasants in this group still plow their fields to maintain their living, or work in non-agricultural sectors to earn higher incomes. Their general economic condition allows them to spare a part of their overall budgets to pay contributions into local pension schemes. Even when the general condition is tight, strategic participants still manage to join local pension schemes whenever possible. In this light, strategic participants can be said to be partial winners in rural China who have benefited from public pension schemes. This does not necessarily mean that they can draw sizeable incomes that enable them to lead affluent lives. But unlike peasants in type 1 and type 2 whose capabilities to arrange lives are constrained by socioeconomic status or state policy, strategic participants come off well in that they have, at least under given circumstances, more leeway to decide how they arrange lives and old-age security. Peasants in this group deal with their life planning actively and take advantage of all possible resources to sustain future economic need in old age.

The most distinctive characteristic of this peasant group is a clear definition of the biographical dimension as well as a priority of individual interests. Local pension schemes are perceived by strategic participants as one of such resources to improve the prospect of their old-age security. Even though peasants in this type are well aware that the expected pensions from these schemes will not cover a great slice of future need, participation is still regarded as an additional safeguard against possible shortfall in later income sources. In these cases, retirement is deemed as a phase of invalidity, whereby one has to rely on existing resources to lead decent lives. Public pension schemes have become a supplement to existing sources such as children or private commercial insurance. To achieve this end, strategic participants manage their current economic activities with a view on the preparation for the phase of late life.

Case 14: Ms. Dong is a farmer of a four-person household in the Er village (二村), Qingyundian town (青云店镇), Daxing district (大兴区), Beijing. She represents the ideal type of strategic participation. She takes up the pension scheme partly because it is a state policy, but mainly because she perceives it as a supplementary pillar for her old-age security. Drawing a sum of expected pensions from the scheme becomes her partial strategy to avert the economic risk of old age.

Ms. Dong plows on the land plot of more than 3 *mu* assigned by the village collective. The main crops are wheat and rice, but Mr. Dong reckons that peasants can hardly

make high profits with these agricultural products. Crops are for her household the main source of food, and only when they have remaining crops will they sell them to earn cash income. At current market price the average income of the villagers amounts to roughly 4700 Yuan a year. Ms. Dong's husband works as a doorman for a private enterprise in the village and earns additionally 500 Yuan a month. The elder daughter has graduated from school and got a job as a car saleswoman from a private company. She earns 2000 Yuan a month, which has significantly improved the financial situation of the household. But as the daughter is going to get married, Ms. Dong realizes that she can no longer depend on the income of the daughter after her wedding. Ms. Dong's son still goes to school but she expects that he would soon graduate and starts to work.

Under current financial conditions, Ms. Dong is doing some savings mainly for the wedding expenses of her son in the future. In villages it still costs a few thousand Yuan for the wedding ceremony of a son. In traditional villages Ms. Dong believes that the elderly still have to depend on their children because the local governments do not dispose of sufficient financial capability to shore up all the necessary costs for rural old-age security. In her view, the current initiative of the Daxing district government to introduce a new pension scheme is a positive step, seeing that the children have to bear more and more caring burden in the future. In her view, family and public schemes should jointly bear the increasing responsibility because only so can rural old-age security stand on solid grounds. "... Without social insurance, two children would have to take care of four elderly in the future... How many elderly a young man would have to feed! We still have to join in the insurance."(Case 14, 14/04/05)

Her willingness to participate in the pension scheme traces back to her observation long ago of the urban-rural divide. Seeing that urban residents can enjoy full protection by public social insurance schemes, she has wondered for a long time why rural peasants should be excluded from the public welfare provision. She noted that the development of public rural pensions could not keep pace with the peasants' real demands. Although the existing urban-rural gap has drawn her attention, there was nothing she could do except waiting for the introduction of a rural pension scheme. Now that the Daxing district government has finally taken this step, she takes up the scheme without any hesitation.

I thought of that before. At that time, I was wondering why we didn't have any social insurance comparable to the urban one. ... You see that urban elderly madams retire at 60 and receive 800 to 1000 Yuan of pensions. There are a few of them who have bought houses in our village. They retire from the urban enterprises and live well with monthly pensions of over 1000 Yuan. In villages we don't have high expectations, 900 Yuan a month would suffice absolutely, right? What we desire is this modest benefit. (Case 14, 14/04/05)

Despite the positive progress in this policy field, Ms. Dong is well aware that the existing urban-rural divide will not disappear in short time. Compared with the

growing incomes of urban residents in the course of the reforms, peasants like her still have to work hard on their fields in order to make a basic living. *“You see that it is not new for urban residents to draw a monthly pension of more than 1000 Yuan. Here we cannot even earn that sum with one mu of land in one year. There is a great gap between their lives and ours!”* (Case 14, 14/04/05) However, she notices that the central government has adopted a series of policies in favor of the rural peasants, such as the abolition of the agricultural tax as well as the extension of agricultural subsidies. As a peasant, Ms. Dong is grateful that the state has at least set out to improve the lives of rural residents. In spite of the gap between urban and rural residents, peasants have learned to cherish any policy improvement in recent years. Ms. Dong believes that more rural policies will be introduced to improve the overall conditions of the village in the near future.

The faith in the state’s ability to uplift rural development also motivates her to prefer public pensions to private commercial insurance. For her, the state introduces the scheme primarily for the welfare of peasants, whereas commercial schemes aim instead at profit making. This difference is also reflected in the institutional design, as the state’s scheme allows more flexible contribution payment according to insured peasants’ own financial situations. Commercial insurance requests, by contrast, regular contribution payment as a prerequisite for ongoing insurance protection.

After you join in the commercial insurance, your contributions will not be refunded. If you have paid the contribution for this year, then you are not allowed to defer the same payment next year. In social insurance you can do this. If I have money this year, I can pay contributions for three years once. Even if I have no money later, I can still continue my membership. Besides, the social insurance does not charge the administration fee, nor does it discount any benefits. (Case 14, 14/04/05)

Yet, despite the steadiness of the state pension scheme, its overall protection function remains feeble, seeing that local governments only bear a small slice of overall financial responsibility. For rural peasants, then, the only way out of the economic bottleneck is to put the hope upon their next generation. Providing their children with all possible support to receive higher education has become a common practice of rural households. Preparing the children for a better future is also a strategy to assure the quality of one’s old-age security. To help children attain higher socioeconomic status is seen as an effective way to escape from the poverty of rural society. Even for strategic participants, the introduction of local pension schemes has not changed this fact at all; it has just offered another strategy for the aversion of old-age risk.

As regards my two children, no matter how bad their school records are, they should attain the highest degree whatever possible. Don’t stay in villages because you have no future here. The work here is arduous and dirty, and you cannot make much money. (Case 14, 14/04/05)

Ms. Dong has thought of retirement but she knows that this is impossible under current situations. The expected pension payment of the Daxing pension scheme is too low to cover the expected expenses for life in old age. She plans to improve her pension entitlement to a higher level by paying more contributions into the scheme when her economic condition allows it. By doing this she hopes to live as much independently as possible in her old age. Although she expects to live with her son when she gets old, she admits that if he earns a higher income, he might buy a house and move out. In addition, she is not absolutely sure that her children would support her old age when she really gets old. But living with her son is still the most preferable alternative form of old-age security. *"If I receive enough pensions for my own need, I don't have to ask my children for additional money. But I would still live with them."* (Case 14, 14/04/05) In other words, drawing public pensions and living with children are two main pillars of her retirement. The Daxing pension scheme weighs much as a strategic choice in her planning of later life.

Another case, Mr. Xu in Wuxing village (五星村), Beicai town (北蔡镇), Pudong New District (浦东新区) of Shanghai, reflects similar thoughts among strategic participants. As Shanghai has long introduced the rural pension scheme, almost all peasants are nowadays included in the scheme. The scheme came to the Wuxing village in 1996 when the Pudong New District government decided to implement it throughout all rural areas in the whole district. The payable contribution for one year has risen from initially 300 to 480 Yuan now. As Mr. Xu was the leader of a production team, he was delegated by the village collective to campaign for the scheme. Therefore, he learned a lot about the advantage of the scheme and decided to join it. Now at the age of 50 he expects to claim pensions from the scheme in 10 years. With the rapid development of the Pudong New District, all rural areas in the district are scheduled to transform their ongoing pension schemes to the Township Insurance Program (TIP) in 2007. In view of that given policy, Mr. Xu thinks that his pensions will surely be raised to a higher level in the near future.

The Wuxing village has benefited from the prosperity of Shanghai in recent decades. With income from the leasing of collective land, the village can afford to grant 270 Yuan allowance to each elderly villager, and is set to raise it in the next few years. Together with the rural pension scheme, Mr. Xu believes that he can at least receive a pension amounting to 400-500 Yuan a month when he retires. That does not suffice, however, for the real living expenses in rural Shanghai, but it can cover a large part. For Mr. Xu, this provides at least a basic subsistence. The rural pension scheme of the state is, in his eyes, a useful alternative to secure his old-age security. *"No matter how much I can get in the future, I am sure to receive a fixed amount of payment when I retire. Whether this amount can really secure my basic living, well, having it is better than having not."* (Case 28, 12/05/05) Participation in the scheme is clearly a convenient strategy to prepare for his later life phase. Aware that the protection level still ranks lower in comparison with other schemes such as urban social insurance, Mr. Xu is nonetheless satisfied with it given that peasants enjoyed much less social

protection in the past. In addition, if one takes account of the regional disparity, there is little to complain about the pension entitlements in rural Shanghai.

Yet, the only snag is the insufficient support for medical treatment. Although the cooperative medical system operates well in rural Shanghai, a fully-fledged medical care system for rural residents remains far from complete. In view of the increasing probability of illness in one's old age, relying on public pensions alone would be too risky. For that reason, Mr. Xu is still plowing together with his wife on the fields of more than 1 *mu*, in the hope to save more money for their later lives. In addition to the monthly income of 1000 Yuan that Mr. Xu earns, his wife also works in a small shop and earns 800 Yuan a month. More savings should make up for the possible income shortage in his old age. For Mr. Xu, private commercial insurance also comes into question, but his financial capacity does not allow it given that he has to prepare for the dowry expenses of his daughter's impending wedding. Though she works for a foreign enterprise and earns 3000 Yuan a month, her imminent marriage would mean that Mr. Xu can no longer ask her to give them her salary for family support. Once married, his daughter would have to lead her own household independently from her parents'.

The relatively strong public support of the local pension scheme has generally aroused higher expectations among the peasants towards the role of the state. Although children are deemed to have the moral responsibility of taking care of their parents, their reliability in this respect is gradually put into question. Recognizing the growing instability of employment in the labor market, Mr. Xu believes it would be more difficult to put the responsibility of elderly care solely on the shoulders of the children. The decline of family care should be compensated by the strength of the state support. The latter is perceived as indispensable for the rural elderly and should play a greater role in this area.

The state is very important, and rural old-age security is important, too. Firstly, the state has put forward a series of protection policy. You know, we have already entered the aging phase; this is a big social problem. Therefore, the state completes this respect of policy because it has already taken into account many problems in the future... People like our generation are a bit wealthier, but have fewer children, so we may not do well when we get old. (Case 28, 12/05/05)

In his planning, his old-age security would be mainly based on two pillars: public support and individual savings, though the former should bear a larger portion than the latter. Accumulation of individual wealth is indispensable if one is to lead a comfortable life in his old age. *"Elderly people have a common thought that one should earn money when one is healthy. Most people save the earned money as old-age allowance... Although the pensions from the rural scheme are a bit too few, you have at least some from it. When falling short of pensions you draw some money from your own bank deposit."* (Case 28, 12/05/05) Children and private commercial insurance could be possible resources

but Mr. Xu would not count on them. His daughter still lives in his household, which he regards as positive for mutual care. But when it comes to the future, he does not expect her to take care of the parents once she gets married.

In comparison with rural Beijing, peasants in rural Shanghai are better positioned against the problem of old-age security, thanks to the stronger economic strength in Shanghai and more financial commitment of village collectives. Given the existing pension schemes for rural residents in Shanghai, Mr. Xu thinks he has less to fret about the overall public support. When everything keeps its track, he expects to have a sound financial condition when he retires. Support of the pension scheme and the village welfare benefit has substantiated his biographical perception of stable old-age security. Here institutional frameworks correspond well with individual orientations. In this respect, institutional support has facilitated a positive evaluation of the public scheme as well as an active planning of the life course. Though the protection level offered by the public pension schemes is below the real need, Mr. Xu deems it as a resource with which he can better organize his later life. It is in this sense that Mr. Xu has strategically taken advantage of the public pension schemes to assure a more secure circumstance for his old age.

In sum, what characterizes strategic participants with regard to their dealing with institutional support and biographical planning? Peasants of this group identify the constraint of local socioeconomic development for the economic situations of their households. They also recognize the modesty of rural pension schemes in providing adequate pensions for their old age. But for all the given unfavorable limitation, strategic participants differ crucially from fatalistic and landless peasants in that they perceive the status quo not as a worsening trend but as a process to a better outcome. In conjunction with the positive outlook is their long-term planning for later life phases. A part of the reasons lies in the better conditions under which strategic planners have more room for the arrangement of current life and later retirement. Growing regional economy and strong willingness of local governments to introduce pension schemes have offered local peasants opportunities to prepare more for their futures. Strategic participants treat the pension schemes as an option that would supplement their existing arrangements for old age or even become a main pillar eventually. It is in this point that strategic participants come off particularly well. They have recognized the limits of various sources for old-age security: the growing burden of children, the modest benefits of rural pension schemes as well as the selectiveness of commercial insurance. Yet instead of sitting around in despair, strategic participants take advantage of all possible options in order to secure a better life in the future. In this sense one can speak of *welfare mix* strategy which this group of peasants is practicing in their planning.

Type 4: Active Planners

Active planners are those peasants who have benefited a lot from the rapid economic growth of rural regions and, consequently, the generous benefits of local pension

schemes. Strong local economy has raised the financial capacity of villages as well as the average incomes of local peasants. This structural strength has offered habitants in these regions a variety of employment opportunities with better salaries. This advantage is further flanked by comparatively better welfare programs of local governments with sound financial bases. Peasants in these prospering regions can thus count on solid pensions granted by local schemes in their retirement. Since public pensions can already cover the economic expenses in old age, living with the families to gain support has become a custom rather than a necessity. Retirement, then, turns out to be a concrete life phase one can previously plan with ease, as there is no need to work longer for basic subsistence. In some cases, peasants of this group may still intend to work as long as they can, but they do it mainly as a hobby in late life instead of working for living maintenance. By means of the fully-fledged protection of local pension scheme, active planners have succeeded in making optimal arrangements for his current phase and later old-age security.

Given the regional disparity in rural China, the precondition of strong regional economy and local financial strength can only be found in wealthy rural regions. In the case of rural pensions this existing structural factor is particularly significant. It is thus little wonder that cases illustrated in the following analysis stem exclusively from rural Shanghai, where the per capita incomes of peasants outnumber that in other regions of field survey. Active planners in rural Shanghai live in a carefree condition as they have little to worry about the prospect of their household economy. Problems from local pension schemes are rare since they operate in a sound financial shape. The introduction of the TIP adds further advantage to peasants who are entitled to claim still higher pension benefits. Against the backdrop of strong collective support, many peasants in rural Shanghai look with confidence to their current livings as well as future old-age security. Biographical dimension of life planning is perceived in a positive light. Old-age security has become a concrete goal rather than an inaccessible vision.

Mr. Qian (case 29) in Tanghang village (唐行村), Huating town (华亭镇), Jiading district (嘉定区) in Shanghai, represents the typical case. Like the majority of the peasants in rural Shanghai, he joined the scheme in 1992 with an initial premium of 5 Yuan monthly. Soon his parents and wife also became members of the scheme. For Mr. Qian, the participation in the scheme was initially an idea to find a source in addition to land plowing and family care for his old-age security. *"I say it is worthy. It means letting them use my money first, doesn't it? Because we are still young, and paying contributions into the scheme to pay for the expenses of the elderly members. When we ourselves get old, the money of the younger will be used by us. That's the same. I think it's worthwhile."* (Case 29, 16/05/05) Similar to strategic participants of type 3, Mr. Qian's initial motivation was to assure an additional pillar that could bolster his economic need in later life phase. Though the monthly contribution rate has continued rising from 5 to 20 Yuan, the prospect of obtaining more pensions also kept pace with that

progress. This makes the scheme attractive to the peasants who plan to make more preparations for old-age security.

Mr. Qian's membership in the rural pension scheme was replaced by his participation in the TIP in 2004. When the district and town governments took away large areas of farmland, the production team Mr. Qian belonged to decided to register all its members to the TIP.⁸⁵ By switching to the TIP, Mr. Qian's resident status has also been changed to urban resident (*nongzhuanju*). The main benefits the production team has received since then is a lump-sum compensation for the crops (600 Yuan for each *mu*), as well as a regular rental payment for the seized land (yearly 1000 Yuan for each *mu*). Since the compensation payments fall better than the revenues of agricultural harvest, the villagers even welcome large-scale land seizure. At the same time, the benefits of the TIP also outstrip that of the traditional rural pension scheme: whereas the latter grants a monthly pension of 165 Yuan, pensioners of the TIP already receive a monthly pension of more than 500 Yuan. With this sum plus the work and rental incomes, Mr. Qian is confident that he does not have to worry about any adversity in his old age.

I have already enough money. Honestly speaking, there remain 4 to 5 years before I become 60 years old. In these 4 to 5 years the average wages in Shanghai are sure to rise continuously. Now they (TIP) grant 500 Yuan of pensions for one month, they will certainly rise to 600 to 700 Yuan after 5 years. With pensions together with rental income, I think I have already enough money. (Case 29, 16/05/05)

Despite the generosity of the TIP, Mr. Qian asks his daughter and son-in-law to live in the nearby. For him, reciprocal support between parents and children remains an ideal way of family solidarity, which can hardly be replaced by institutional arrangements of the state. In consideration of the numerous rural populations, Mr. Qian still believes that the dependence of all rural elderly entirely on the state would be financially unsustainable. He prefers, therefore, a mixed form of old-age security: whereas the TIP should bear the major part of financial responsibility, cohabitation of parents and children would bridge the gulf of emotional support and daily care. To facilitate the young couple to be able to work full-time, Mr. Qian sends his wife to live with them in order to look after the granddaughter and maintain their household. In return he expects the young couple to take care of them when they get old. In this manner, the family plays a considerable function in raising offspring and catering for elderly. Public pensions and family care complement each other in Mr. Qian's life planning of the retirement. It is for this reason that Mr. Qian sees no imperative to take up private commercial insurance products as a supplementary protection. The stable operation of the public pension scheme has made commercial insurance less appealing to him.

⁸⁵ See also the analysis of Mr. Qian's case in Chapter 7.

In other words, the membership change from the rural pension scheme to the new TIP has contributed a lot to the financial stability of Mr. Qian's future old age. The biographical significance of old-age security is corroborated by the strong support of the TIP and supplemented by solid family bond. Mr. Qian reckons that he can now enjoy retirement in the sense of ceasing to work and depending solely on pensions, just as the urban residents do.

I have never dreamt of this. Never! The peasants are expected to plow his fields until their old age, always on the fields. But now we are not called peasants, we are also urban residents. We can raise our heads. I have never dreamt of this. (Case 29, 16/05/05)

The bright prospect has motivated Mr. Qian to organize his plan of improving the economic condition of the household further. Buying real estate is the first step he took in recent years to ensure a comfortable living condition. And next he plans to breed pigs or chickens in stalls for sale. He wants to do this business well beyond his retirement – as a hobby rather than a subsistence necessity. *“If you are 60 and remain fit to work, then I think you should continue working when somebody needs you for the work.”* (Case 29, 16/05/05) Retirement means for him a phase of secure economic condition in which he can do whatever he wants without any need to worry about any contingency. The public pensions are a prerequisite for a reliable retirement that makes active planning possible. Here Mr. Qian has developed a concrete biographical perspective as regards the order of work and retirement in his life.

For active planners, a solid pension is the precondition for economic safety in old age. Without this financial guarantee from the state scheme, planning activities for the old-age phase would be futile since one still has to work even after 60. Another case (case 22), Ms. Ge in Cangchang village (仓场村) of Jiading district (嘉定区) in rural Shanghai, makes this correlation even clearer. Among the interviewed persons in the survey, Ms. Ge's case ranks among the luckiest ones due to her participation in the urban pension scheme. Originally, as a member of the rural pension scheme in Shanghai since 1992, Ms. Ge changed her job from a collective enterprise where she had worked for 8 years to a private Japanese factory. The employment in the Japanese company was a watershed for her social protection since she was allowed to switch to the urban social insurance scheme. The co-payment of contribution by the employer has further improved Ms. Ge's entitlement for more pensions. This record was recognized by the local government when the village implemented the TIP. According to the calculation of the responsible agency over her insurance record in the previous schemes (rural and urban), Ms. Ge has accumulated sufficient pension entitlements in the urban scheme, amounting to 702 Yuan a month.

When the pension scheme was introduced in 1992, Ms. Ge was working for a collectively-owned factory. She was convinced by the campaign of the factory and decided to participate in the scheme. Her decision was motivated by the idea of accumulating an amount of pensions. *“... I was living in this village when it introduced*

the pension scheme. The contribution payment began in 1992...just like the current pension scheme - individuals paid a proportion of the contribution while the village collective also bore a proportion." (Case 22, 28/04/05) The introduction of the pension scheme came to a time when she was wondering how to accumulate her pensions. Similar to Mr. Qian, the first thought of Ms. Ge was to make preparations for her retirement, a moment that she began to pay attention to this problem. By participation in the local pension scheme, she came to terms with the biographical dimension of old age.

In the past we didn't have much money in the village; life was very hard. When you got old and failed to work any more, your son and daughter-in-law would give you something to eat, but you had no additional money for your disposal. (Case 22, 28/04/05)

On this account, Ms. Ge made up her mind to do as many preparations for her old age as possible. Analog to many rural residents, part of her incentives was also to relieve the future caring burden of her children. Although cohabitation of generations in the family remained the norm in rural Shanghai, she realized that, in order to win more sympathy of her children, she needed to retain her financial independency. After all, asking children for financial support would definitely aggravate their economic conditions, as they also have to raise their children and accumulate their own wealth. *"You will be happy when you have money in the hand. Then I would not come into conflict with my children."* (Case 22, 28/04/05) Taking the children's financial capacity into consideration was for Ms. Ge a crucial way to mitigate generational conflict as well as enhance family harmony. Only when the elderly lived well with their own pensions could they become a buttress rather than a burden of the children.

The wish not to rely on children for old-age support came true when she changed her job to the Japanese company, where she had the opportunity to switch to urban insurance scheme. The introduction of the TIP later in 2004 advanced the progress as the town government remunerated landless villagers with a lump-sum payment of contributions to the scheme. The accumulation of overall entitlements made it possible for Ms. Ge to claim the pension benefit when she became 50 years old. Benefiting from the quantitative improvement of pension entitlements through the combination of membership in different pension schemes, Ms. Ge admires the function of public pension schemes. *"You don't have to worry anymore. My son and daughter-in-law said happily to me, 'Mom, you do not need any support from us!' The daughter-in-law is very happy because they don't have to bear the responsibility."* (Case 22, 28/04/05) The experience with the administration in charge of the TIP was also positive. The previous Japanese employer and the town government responsible for the TIP have actively made the best arrangements for her to achieve optimal pension entitlements.

From her perspective, the TIP itself represents a significant progress towards comprehensive social protection of the peasants. Whereas the initial rural pension scheme merely provides a saving account based on individual financial ability, the TIP envisages more collective responsibility through a larger share of public subsidies financed by local governments. For her life planning, the combination of entitlements from the urban scheme and the TIP has contributed a lot to her financial independence in the retirement. Without the underpinnings of public pensions, she would not be able to lead a decent life in old age. In Ms. Ge's case, the rural pension policy has effectively changed the way she perceives her life course in terms of the division between work and retirement. Public pensions have also facilitated and corroborated the generational relationship in her household. They have replaced the economic function of land and family but kept the emotional support of the latter intact.

Now with a pension of over 700 Yuan a month, Ms. Ge has begun enjoying a leisured life phase without the pressure to continue working for livelihood. Retirement now means an independent living free from economic hardship. At the age of 51, Ms. Ge thinks even if she intended to search for a job in non-agricultural sectors, it would be extremely difficult since middle-aged workforce is generally discriminated due to their age. For this reason, the retirement age set by the TIP is an ideal time point to her because she would otherwise have difficulty finding a suitable job at the moment. Given this external limitation, however, she has not actually given up the idea of working to earn more money whenever possible. The thought of disburdening her children is so deeply anchored in her mind that she manages to seize every available opportunity. For example, she rents the first floor of her house to a telephone shop, and charges 1000 Yuan monthly. She also plants some vegetables on her own land plot, though the motivation is not for commercial purpose but to keep in exercise.

Rural residents like us would like to work further (after retirement) unless we cannot do it anymore. It depends on your health. When someone is less fit then he works less. Anyway, in our generation no one likes idleness. Unless you're weak, then you stay home and do the chores for your children, just like housemaid in the cities. (Case 22, 28/04/05)

In sum, rural pensioners like Ms. Ge who receive ample pensions tend to work further beyond their retirement age even though the employment itself does not entail any economic function. For them, retirement denotes the freedom to choose whether to work or not. And in most cases the rural elderly or middle-aged would choose working simply because they have got accustomed to the work habit (or ethic), and feel uneasy with the thought of ceasing to earn money. Against the backdrop of the strong support from public pension schemes, an elementary characteristic of this type is a clear notion of life planning and strong confidence in the prospect of one's old-age security. In this sense, how they perceive the retirement

phase and arrange retirement activity does not differ much from the urban pensioners. Active planners take advantage of all available resources (public and private support) to organize their present and future activities, though in most cases these plans aim less at making themselves comfortable in retirement phase than assisting their children or grandchildren in financial terms. With their active planning of work and retirement, peasants in this type succeed in attaching biographical significance to their decisions to join local pension schemes and work incessantly even beyond “retirement”.

8.2 Individual Retirement Strategies Compared

The above illustration of retirement types has addressed the dimension of biographical orientations of the peasants. By unfolding aspects of their subjective perception of individual situations as well as strategic planning of old-age security, the analysis has sought to explore the mutual interaction between institutional frameworks of local pension schemes and subjective definition of situations. The central research question was: how do rural peasants define their situations with respect to old-age security in the presence or even absence of local pension schemes? The analysis has demonstrated that, while tackling the problem of economic insecurity in one’s old age, the peasants are confronted with two tasks. On the one hand, peasants need to define and cope with their current situations in the biographical sense; on the other hand, they have to pay attention to diverse regulations of local pension schemes in order to devise an optimal solution to the problem of old-age security. The way in which they come to terms with these tasks has been explored above by means of type building, which exemplified the settling of biographical, institutional and socioeconomic problems. Four types regarding individual retirement strategies were constructed to represent patterns of situation definition and problem solving of peasants in rural China. Within the scope of the institutionalist life-course approach, the analysis has sought to trace the temporal process in which individual peasants cope with the problem of old-age security under certain institutional frameworks.

Fatalists fail to find a proper solution to solve the problem of old-age security. Under poverty-stricken circumstances, both in village economy as well as individual households, they remain tightly stuck to the conventional production means that yield meager profits. Unfavorable economic conditions coupled with poor individual qualifications have created an impasse from which peasants in this type can hardly escape. In these rural households, there exists almost no possibility to improve the status quo with different strategies. Fatalists find themselves locked in a vicious circle of poverty trap. The problem of current financial shortage leads to another problem of insufficiency in old-age security. Individuals in this type attempt to define situations and develop coping strategies in respect to retirement arrangements, but end up without success because of external structural constraint and institutional

vacuum. Lack of public support in this policy domain adds oil to the flame. As the central government leaves local governments solely responsible for their regional economy, the already poor regions are suffering continuous underdevelopment that further limits the local governments' financial capacities to offer any significant subsidies to the villagers. The establishment of a local rural pension scheme is out of question. Given the reluctance of the central government and the incapability of the local governments to provide efficient and collective support, rural peasants in this type are susceptible to the risk of life contingencies that could easily aggravate the already destitute household economy. The laggardness of village infrastructure and public investment is perceived by local peasants as a failure of the state to close the growing developmental gap between urban and rural residents. Resentment arises from individual observation that the state has little interest in making even the slightest effort to address these problems. These negative factors altogether have dampened subjective expectations of the villagers towards effective aversion of old-age risk. Retirement is for fatalists a goal they can never reach no matter how hard they work for it. Both situation interpretations of retirement and strategic responses to old-age risk fail to bring significant biographical meaning in individual life courses.

Policy losers have much in common with fatalists in that they stand in similarly difficult situations generated by the coercive land seizure of the state. Attempts to find a proper location of their lives after land loss and efforts to develop personal strategies of individual life planning are frustrated by insufficient policy frameworks. Directly related to the predicament of policy losers is the fact that they are bluntly put into a dead end by the state policy where they have little leeway to work out a new map for action orientation. Often landless peasants have little time to prepare for the life without land after the announcement and implementation of the new land policy. Policy impact leads to biographical and socioeconomic problems confronting landless peasants. Especially for middle-aged peasants, land encroachment by local governments blows most heavily when no other appropriate compensations or job placements are in order. Whereas young peasants can respond to this change more flexibly by switching to employment opportunities in non-agricultural sectors, elder villagers possess of no other qualifications suitable for jobs beyond the husbandry. The policy impact on individual households depends on the composition of their existing income sources. In some cases the peasants do well because they have long found employment in other economic sectors well before land seizure takes place. But in most cases the land is taken away from those who remain clinging to it as a major means of life subsistence. Temporal stringency compounded with resource scarcity has constrained the cognitive horizon of the peasants in search of alternative ways. Consequently, policy losers define the overall situation from a pessimistic perspective since they have lost the most important pillar of income without corresponding substitutes to make up the damage. Peasants view the land loss as a serious rupture in their biographical dimension.

Even though social security schemes for landless peasants are envisaged or established as a buffer to mitigate the pounding of land seizure, they are often too ill-designed to provide essential protection (Shanghai is rather an exception). For that reason, the problem of old-age security weighs heavy in the life planning of policy losers since the prospect looks particularly bleak. Many landless peasants endeavor to mobilize all possible resources in order to stabilize current economic conditions and secure future old-age security. Personal networks often play a crucial role in this process. Yet for all the efforts they have made to escape from the policy-induced plight, many landless peasants still have to face greater financial risks as a result of land loss and incomplete compensation policy. Retirement remains a weak point where individual strategies can hardly mend. The circumstances shaped by land seizure substantially constrain individual perception of status quo that narrows their response strategies to arrange for old-age security in the life course.

Strategic participants refer to those peasants who can find a compromise solution out of a generally moderate circumstance. In this type, peasants define their problems of old-age security according to their own village and household situations: heavy burden for children's education, modest collective subsidy or narrow margin of household finance. Similar to the first two types of peasants, strategic participants also face biographical and socioeconomic problems. However, strategic participants differ crucially in that they still own fields on which they can live. Also, their villages have introduced local pension schemes (in line with the MOCA guidelines) as an option for old-age security. Strategic participants weigh available resources against existing constraints in order to seek an optimal solution. Institutional frameworks of local pension schemes come into their consideration because these allow flexible membership and contribution payment. The participation in local pension schemes becomes a strategic response not only to the pension policy of the state but also to individual need of securing economic safety in old age. In this sense, strategic participants are active social actors taking advantage of all possible social resources for their life planning. Aware of the scarcity of existing resources (individual household and public pension scheme alike), peasants in this group still perceive the whole situation as manageable and expect the overall development to be ameliorating in the middle- or long term. The introduction of rural pension schemes is viewed by strategic participants as a buttress to brace the weakening capacity of land and family in rural old-age security, even though the function of the institution remains limited. Despite general skepticism among peasants in this group over the given urban-rural divide in the state pension policy, they view the pension schemes as a positive political move towards more protection for the rural residents. Modest collective subsidy as envisaged in the institutional framework is still perceived with delight because it marks a progress in the long-neglected area of public pension policy. With their mixed strategy based on different underpinnings, strategic peasants mobilize all available means in personal networks in order to overcome

given socioeconomic and institutional hurdles, and achieve by this means the biographical planning of their retirement.

Active planners find the best strategy to secure their retirement life. Socioeconomic and biographical problems in the initial stage are successfully solved with a combination of employment strategy, structural change and personal luck. Often active planners begin, in very early life phases, contemplating the issue of old-age security and seize any opportunity to improve their pension entitlements. It is thus little wonder that active planners seldom stay on their fields as pure farmers alone, but turn to employment chances in non-agricultural sectors where they can achieve better income and social security. In regions with high economic growth, active planners attempt to avail themselves of employment vacancies in booming industries. At the same time, socioeconomic progress in these regions provides an ideal chance for local governments to invest more budgets in infrastructure as well as local benefit programs. They also design a fully-fledged social security system to meet the need of rural peasants in diversifying local structures. With the assistance of upgrading public pension schemes, peasants in these regions (including active planners) can take part in the accumulated collective wealth and enjoy much better social protection. These favorable circumstances help active planners accomplish their own goals of old-age security much easily, though the process may not go very smoothly. But even in case of transitions, active planners manage to react flexibly to situational changes. In spite of contingencies like drop out of the rural pension scheme, change of jobs and pension schemes, active peasants learn or adopt new strategies in order to weather the storms. With their active strategies and flexible adaptations, active planners are able to benefit from the fruit of local economic development and pension policy. Their actions are oriented from the outset on the biographical significance of the retirement phase, and stick to this goal throughout their life courses.

In sum, these four types illustrate different patterns of situation perception and life planning among Chinese peasants under diverse institutional constraints. The construction of the four types demonstrates a strong correlation between institutional frameworks and individual abilities in the issue of rural old-age security. Generally, the idea of retirement and the willingness to make active arrangements for it depend largely on the availability of institutional support of the public schemes and individual economic conditions. The institutionalization of the life course, i.e. the emergence of a clear demarcation between work and retirement, is directly influenced by these two factors. In the cases of *fatalist* and *policy loser*, frail institutional underpinnings and weak individual resource structures tend to have a negative effect on the biographical significance of retirement. Out of poverty, peasants in these two types are compelled to squeeze available resources for old-age security and shift them to more urgent usage. Crucial for the persistence of the status quo are the submissive attitudes of the peasants that tend to accept the outcomes as

their own fate. Accordingly, we can label these two types with the concept “*passive obedience*” to characterize their situations.

By contrast, the cases of *strategic participant* and *active planner* exhibit a distinctive zeal for arrangements of old-age security, thanks to a strong network of institutional support and family economy. Generous subventions of village collectives and improving household economy have laid favorable grounds for conscious planning for old-age security. Under sufficient material conditions, retirement has become a tangible concept in the biographical horizon of individual peasants, motivated further by the idea that the elderly should not rely solely on the children. Correspondingly, we can characterize these types as “*active planning*”, as expressed in the vigorous planning of individual peasants for their lives after retirement. The institutionalization of the life course is taking substantial shape in these cases.

8.3 Conceptual Integration: A Typology of Life Course and Retirement

The above analysis has presented, together with chapter 7, the results of typology alongside the two overarching dimensions of the study: life course and retirement. While analysis of the first dimension illustrates a variety of pathways into local pension schemes, evaluation of the second one explores and categorizes the participants’ perceptions of the overall situations of their old-age security as well as their strategic responses to cope with biographical problems. The concept of *life course* describes individual experience of the peasants before and after their participation in the local pension schemes. The analysis of the interview results in chapter 7 has built 7 types in association with different sorts of local pension schemes, showing how various local pension institutions have led to very different personal experiences with them. Although the benefits and subsidies in pension schemes among localities vary with one another, the construction of the 7 types still illustrates a *scale* of benefit levels among them: whereas the type “no pension” refers to those cases with no institutional support for old-age security, the type “urban pension” stands on the opposite side, as recipients of this pension sort benefit most from the public schemes. As the presentation of the interview materials in chapter 7 shows, the generosity of the benefit levels and collective subsidy in local pension schemes have direct influences on the life course especially when rural households are unable to pay the contributions alone. They further determine the outcomes of old-age security for the respective scheme participants.

Nonetheless, the institutional characteristics of the local pension schemes can only partially affect the participation experience. Equally essential is the fact whether individual peasants are aware of the institutional support and take advantage of it in personal life planning. The concept of *retirement* thus refers to the subjective biographical dimension of the peasants with respect to their evaluation of the local pension schemes as well as their own life planning for old-age security. The analysis

of the interview results in this chapter has constructed 4 types regarding how social agents define their circumstances of (future) old-age security and how they respond to these biographical problems. Here the types demonstrate a clear distinction between two patterns of strategic responses. Types of “fatalist” and “policy loser” are characterized by their docile acceptance of the existing fragmentary local safety net for the elderly, either caused by paucity of local scheme or implementation of land seizure. By contrary, “strategic participant” and “active planner” obviously demonstrate a strong willingness to arrange their old-age security with the support of public pension schemes. In addition to the better entitlements in the schemes, individual peasants attach great importance to the issue of old-age security in their whole biographical horizon.

The discussion of the types as constructed in the dimensions of *life course* and *retirement* brings us to a crucial point concerning the relationship between them. After all, life courses before and after the participation in the local pension schemes are closely associated with the subjective evaluations and biographical orientations of the peasants. Connecting types between these two dimensions can offer a clear picture of the link between institutional arrangements of pension schemes and individual organization of (later) life plans. The above discussion suggests that there is such a tight link. The following table 8-1 illustrates this relationship.

Table 8-1: Relationship between Life Course and Retirement Planning of Peasants

		<i>Retirement</i>			
		<u>Passive Obedience</u>		<u>Active Planning</u>	
<i>Life Course</i>		Fatalist	Policy Loser	Strategic Participant	Active Planner
		No Pension	X		
Village Allowances	X				
Land Seizure Compensation			X		
		<i>Rudimentary Institutionalization</i>			
Local Pension Schemes				X	
Rural Cadre Pensions				X	
Township Insurance				X	
Urban Pensions				X	
				<i>Consolidated Institutionalization</i>	

Source: Author’s own account

The “X” symbol denotes a close relationship between the constructed types of the dimensions *life course* and *retirement*. That is, it is ticked when interview cases are

attributed to both corresponding types. For instance, all three cases in the type “no pension” are also allocated to the type “fatalist” because their overall views of the retirement manifest similar pessimistic opinions about any further betterment in the near future. The same relation can be found between “land seizure compensation” and “policy loser” as most of the 4 cases express discontentment with the undemocratic procedure and insufficient compensation in the process of land seizure by local governments. Altogether we can identify the first cluster between “passive obedience” and the first three types of *life course*. In a similar manner, another cluster relating “active planning” and the four types of life course emerges since all cases in the types “local pension schemes”, “rural cadre pensions”, “township insurance” and “urban pensions” are allocated to the types “strategic participant” and “active planner”.

With respect to the core theoretical theme of this study, i.e. the institutionalization of the life course, these two clusters reveal some interesting aspects. From the discussions in chapter 7 and this chapter, we can infer that the financial scopes of peasants in the first cluster are substantially constrained by fragmentary institutions of local pension schemes. Incomplete infrastructure, weak economic development and financial strength plague those villages in the types “no pension” and “village allowances”, and, consequently, the livelihood of their villagers. Under these unfavorable circumstances, it is extremely hard for a village administration to introduce any kind of generous pension schemes mainly financed by the village collective. By the same token, individual peasants in these villages are likewise unable to accumulate sufficient pensions for their old age. The vicious circle is difficult to break if the household lives only on agriculture incomes because they grow very slowly. Only in those cases where peasants find employment in non-agricultural sectors can they improve their general financial situations. Yet, despite the diversification of the employment patterns in rural China, agriculture remains the major source of income for many rural households. For them, poverty impedes their active engagement with the issue of old-age security even though this lingers in their minds. Indeed, many cases show that the individuals do come up with the idea of retirement but have to put it aside due to economic hardship. Without the institutional support of public pension schemes, many villagers must work further in their old age or rely on their family. The idea of retirement is burgeoning yet unaffordable under severe circumstances. We can thus characterize this group as “*rudimentary institutionalization*”, in the sense that the life course is moving towards a modern form of temporal partition between work and retirement but constrained by insufficient provision of the state pension policy.

By contrary, the situations look better in wealthier regions where villages are able to improve their overall economic and financial conditions mostly by industrial development. The latter creates not only employment opportunities but also gives rise to growing demand for land usage. With land leased to private enterprises, the villages benefit from continuous tax revenues and leasing incomes, which enable

them to embark on local welfare programs covering all villagers. Meanwhile, prosperity of local economy also provides diverse employment opportunities for the peasants to increase their incomes. Better economic situations of rural households are further bolstered by strong financial strength of village collectives, which lay solid grounds for the introduction of generous public pension schemes. Though benefit or subsidy levels vary from village to village, better-off villages stand in an advantageous position to support their residents in local pension schemes. In contrast to their poor fellows, peasants in richer villages benefit both from improving individual incomes as well as sound village finances when it comes to preparation for old-age security. Little wonder that we encounter “strategic participant” and “active planner” in pension schemes with better terms, such as TIP or even urban pensions. What emerges in the minds of the participants in these types is a clear awareness of what the life after retirement should be and how it is to be financed. Contrary to the type of *rudimentary institutionalization*, we can characterize these peasant groups as “*consolidated institutionalization*” to denote the concrete contour of work and retirement in the biographical horizon of the peasants. Institutionalization of the life course is taking root and framing the action orientation of social agents. In this process, the introduction of public pension schemes has undoubtedly contributed to guiding the consciousness of the peasants towards voluntary preparation for old-age security because they realize the advantage of living upon public pensions instead of family support.

The institutional conditions of local pension schemes as well as individual financial capability also affect the manner how retirement age is defined and experienced by individual agency. Among peasants in the type *rudimentary institutionalization*, skepticism about the outlook of old-age security prevails, breeding the notion that age limits set by local pension schemes make no real difference between work and retirement. Without substantial material basis, the quest for leisure activities in one’s old age would be futile. Age limits are at best taken as the beginning time for pension benefits. On the contrary, peasants in the type *consolidated institutionalization* appear more optimistic about economic safety in their old age, encouraged by the bright local economy and solid pension schemes. For them, formal age limits do mark a threshold from hard work to leisure phase, whereby they are free to choose recreational activities. Even the decision to continue working after retirement is made out of voluntary engagement rather than economic necessity. In the horizon of their subjective consciousness, retirement age already comes very close to the notion of a demarcation that divides two distinctive life phases.

Given the close link between institutional support of pension schemes and biographical orientation of individual peasants, it is important to note that the distinction of *rudimentary institutionalization* and *consolidated institutionalization* is by no means a description of two static situations. The typology is rather of a heuristic nature and seeks to emphasize the *dynamic* interaction between institutional

arrangements and individual actions that may change in the course of time. The demarcation between the two types is thus fluid, subject to the constellation of structural, institutional and individual contexts. For example, peasants in the type *rudimentary institutionalization* may soon actively deal with the idea of retirement once they gain additional support, be it through improvement of individual economic situations or through generous subvention of local governments. In such cases *consolidated institutionalization* is a more appropriate term to describe the new situations because individual retirement planning is taking root, thereby driving the life course towards a more institutionalized form.

Despite the essential distinction between *rudimentary institutionalization* and *consolidated institutionalization*, there is a commonality among them with respect to the generational relationship. While one may suspect that the importance of family care may decline as a consequence of the introduction of public pension schemes, the empirical finding of this study suggests that the opposite may fit in with the reality. Among peasants of these two types, the significance of family solidarity does not fade away in view of the increasing institutional underpinnings of public pensions. What really divides the two types is less the functional aspect than the contribution *ratio* of family care in the overall old-age security. Whereas the family and children in *rudimentary institutionalization* remain the chief bearers of welfare responsibility, pensioners in *consolidated institutionalization* are able to get along well without the support of their families. Nonetheless, co-habitation of two or three generations remains prevalent even in the latter cases. Abundant pensions are seen rather as a part of the household incomes than as personal budgets of the elderly. Thus, many recipients of handsome pensions express in the interviews their joy with the fact that they are no more financial burdens for their children, but active givers. What we are currently observing in rural old-age security is a reconfiguration process in which the family's economic function has gradually given way to other aspects such as emotional support and daily care. This is especially evident in the type *consolidated institutionalization*. In contrast, peasants in the type *Rudimentary institutionalization* are more inclined to view the family as the chief pillar of old-age security in view of the feeble public support.

In sum, the typology of *rudimentary institutionalization* and *consolidated institutionalization* offers a deeper insight into the relationship between the rural pension institutions and the life course. It echoes the theoretical theme of this study that the state social policy has a dominant impact on the individual life course, and that the latter is the interface between institutional arrangements and individual actions. Given institutional circumstances set by public pension schemes often shape the perception and orientation of individual agency when it comes to the issue of old-age security. Equally essential are the financial situations and socioeconomic status of individual peasants, which benefit or constrain their abilities to prepare for their old age. The typology of *rudimentary institutionalization* and *consolidated institutionalization* enables us to conceptualize the trace of changes in the life-course

structures. Taken together, these findings enlighten an important aspect of the life course with regard to work and retirement, indicating the emergence of the modern life course in rural China.

9. Conclusions and Further Perspectives

From a life-course perspective, individual actors and institutions need each other in order to adapt to the restructuring or transformation of society. (Heinz and Krüger 2001: 40)

Social policy and life course are the two main themes of this study. The whole work has sought to highlight an important but little noticed dimension of the Chinese society in its modernization process: the link between institutional regulation of social policy and life planning of individual agency. In Western welfare state research, the molding effects of state social policy on the life course of its citizens have been well analyzed. An intriguing insight of the research points to the institutionalization of the life course through state intervention and social organization, which has become one of the defining characteristics of modern Western societies (Leisering 2003; Mayer and Müller 1986; Mayer and Schöpflin 1989). In current China studies, in contrast, although scholars have made valuable contributions to our understanding of the development of Chinese social policy in the reform process, the policy's impacts on the life course of individuals remain largely unheeded (but see Zhou 2004; Zhou *et al.* 1996, 1997; Zhou and Moen 2001). This study has attempted to fill this gap by focusing on an important realm of rural social policy: pension policy. As social policy for rural China is underdeveloped, any innovative steps in this area are an ideal opportunity for scholars to examine the institution-building processes as well as their effects on the individuals. Rural pension policy is precisely such a case that comes to the fore of this study. From the theoretical perspective of this work, the formal start of the rural pension policy in 1992 gains prominence, as it marks the intervention of the state into the sphere of rural old-age security. With the establishment of local pension schemes, work and retirement are becoming two essential segments of individual life courses in rural China. How the rural pension policy shapes the lives of peasants is the main question of the inquiry.

In terms of the theoretical contribution, this study has made an innovative attempt to apply the institutionalist life-course approach to the field of rural China. Departing from the assumption that the welfare state institutions shape the features of the life course, this study has attempted to explore the link between social policy and individual life courses in rural China. The study has developed a theoretical framework of the institutionalist life-course approach emphasizing the crucial impact of state welfare institutions on individual life courses. As such, this study has made contributions both to life-course studies and (rural) China studies. While advancing the applicability of life-course theories, which have so far only been used to explain dynamics in developed industrial societies, this work has also cast new light on the study of Chinese rural social (pension) policy. On the one hand, the theoretical theme of the life-course institutionalization stands as the analytical framework in focus. On

the other, social policy and life course, as two essential institutional elements in the modernization of rural China, gain theoretical and empirical relevance as well.

With regard to the methodological aspect, this study has also made several contributions. The application of qualitative methods has enabled this research to explore in depth both the institutional development of the rural pension policy, and its conjuncture with the institutionalization of the life course in rural China. Applying the methods of document analysis and expert interview, this study has shown that the development of rural pension policy manifested a strong residualist character. It has highlighted the ideational turn in the course of the 1990s that has led to sluggish policy implementation as well as uneven development among rich and poor regions. Furthermore, by means of biographical interview and type building, this study has constructed 7 descriptive types depicting the diverse pathways of participation in local pension schemes, and another 4 retirement types illustrating the subjective perception and orientation of the participants with regard to their retirement arrangements. By connecting the 7 types of participation paths with the 4 types of retirement arrangements, this study has further built two types, *rudimentary institutionalization* and *consolidated institutionalization*, to characterize the differences of life-courses institutionalization among peasants under diverse institutional circumstances. The analytical results of this study show that, in terms of the pathways into local pension schemes as well as the subjective retirement planning and arrangement, the rural pension policy of the state has a profound impact on the life course of the peasants. This is demonstrated in the nascent awareness of the retirement and old-age security among the peasants. Although the socioeconomic status of rural households affects the outcomes of individual retirement arrangements, the idea of retirement is undoubtedly burgeoning at different rates among the various configurations of local pension institutions and individual households.

In order to summarize these themes, the following two sections provide further accounts of the main findings of this study with regard to the rural pension policy and life course in rural China. The final section discusses some theoretical and methodological limits inherent in this study, followed by an overall appraisal of this study and a sketch of possible directions for future research.

9.1 Prospect of the Rural Pension Policy

One of the central questions this study has dealt with concerns the development of the rural pension policy in China. The institutional analysis has drawn our attention to the ideational conflicts among bureaucrats in the central government. Incongruity of opinions with respect to the role of the state in the issue has retarded the whole policy progress (Gong 2003; Leisering and Gong 2002; Shi 2006). Whereas advocates of more state involvement in the rural pension policy point to the necessity of a pension scheme with a greater share of public responsibility, opponents still stick to

the idea that traditional means of security (land, family) should remain the main bearers of old-age security. The latter opinion is warranted by the belief that self-reliance is an established tradition of rural welfare. Indeed, on the political agenda of Chinese social policy, rural peasants have always had a secondary status inferior to that of urban workers, and this political logic has not changed much since the economic reforms in 1978. While the state attaches much importance to welfare reforms in the urban sector, the development of rural social policy is at best a patchwork of fragmentary policy initiatives.

The slow development of the rural pension policy is an example *par excellence* of this traditional difference. In view of the situation that many localities had already built up pension schemes voluntarily, the central government decided to join this trend and introduced the policy in 1992. However, the basic idea was that local governments and individual peasants should bear the greater part of the financial burden. This guideline has since then dominated the developmental direction of the rural pension policy – with direct consequences for the whole rural population. Since the outset of the policy reform, rural pension schemes in different localities have developed at very diverse paces, with wealthier regions outperforming their poor counterparts. The analysis of local pension policies in Beijing, Qingdao and Shanghai in chapter 6 has shown the uneven development among them in terms of coverage, entitlement and benefit levels. Shanghai is the pioneer in this policy realm as they have devoted much to the expansion of local pension schemes since 1986. Contrarily, developments in Beijing and Qingdao fall behind due to fragmentary institutional frameworks and policy instability. Qingdao's laggardness appears a bit awkward. After all, Shandong province was the first region that launched an experimental scheme in 1991. Apparently, policy progress has less to do with the timing of the introduction than with regional economic development, financial strength and political continuity. The analysis of local pension policies in chapter 6 has supported this impression. The analysis has further shown that, in Beijing, Qingdao, and Shanghai likewise, economic development and financial strength among towns and villages vary a lot. These have affected the scope and extent of local pension institutions. Even within these regions, the conditions of participation for peasants in local pension schemes may differ as well, determined directly by the range of subsidies by local governments (district, township, and village).

The policy principle of self-reliance according to the financial strength of local governments has corroborated the existing uneven regional development in the issue of rural old-age security. This result precisely manifests the ambivalent character of social policy in China. While it is usually assumed to have a positive role in mitigating social maladies resulting from the market mechanism, the alleged protective function of social policy can soon turn out to be doing the opposite and thereby consolidating social inequality. Social policy can both eliminate *and* produce social inequality, depending on its institutional design (Leisering 2003; Settersten

2003).⁸⁶ The rural pension policy in China is exactly such a case: it is not designed to moderate the unequal effect of wealth distribution as a result of the economic and social reforms. Quite the contrary, it substantiates the status quo with the principles of local self-reliance and self-administration. Both in terms of interpersonal and intertemporal aspects of wealth distribution, the rural pension policy is far from fulfilling any target of social justice, as neither subsidies for poorer regions nor wealth redistribution are envisaged in the policy guidelines. Policy outcomes thus largely depend on the willingness and capabilities of local governments to fill the vacuum left by the central government. Little wonder that wealthier regions, which are better-off both in terms of local subsidy and individual household wealth, outpace their poorer counterparts in establishing a safety net for the rural elderly. In a nutshell: the rural pension policy reproduces existing social inequality between rural regions and households.

Because there is little sign of active political endeavor on the side of the central government to deal with this issue seriously, the outlook of the rural pension policy in the near future appears bleak. As chapter 6 has shown, the current policy situation can at best be described as stagnation, if not retrenchment. Dissent remains among responsible bureaucrats in the central government regarding in which direction the whole policy should go. Progress is also thwarted by the irresolution of the top leaders, who simply put the issue aside without further directives. In Chinese welfare politics, this implies that it could take long before any significant political move is taken. In view of the fact that the existing policy guidelines benefit wealthy regions and disadvantage poor ones, it is predictable that the disparities of old-age security among regions are likely to persist or even worsen. As long as the state hesitates to take any corrective measures in the rural pension policy to redistribute wealth among individuals or regions, old-age security will remain a privilege for well-off peasants.

9.2 The Emergence of Retirement in Rural China: Unequal Institutionalization of the Life Course

This study has sought to answer the second central question regarding the scope and extent of biographical orientations of individual agency in respect to his/her life planning and retirement notions. This question is related to the theme of the institutionalist life-course approach that state social policy has framing effects on the temporal course of individual lives, which contributes to a clear chronological partition between different phases (institutionalization). Using the biographical method and type building, this study has distinguished two major categories of the life course in rural China, i.e. *rudimentary institutionalization* and *consolidated*

⁸⁶ That is why Esping-Andersen (1990) chooses the stratification effect as a measurement dimension in his comparative study of advanced welfare states. He has shown that different welfare regimes can measure quite different stratification effects in their social policy.

institutionalization. The concept “institutionalization” used in this work denotes the substantiating temporal division of the life course both in terms of institutional regulation and the subjective orientation of individual biography. From the perspective of the institutionalist life-course approach, it is the result of the interplay between social policy institutions and individual biographical orientations. On the one hand, institutions regulate the temporal sequence of the life course by specifying the age at which individuals are entitled to claim their legal benefits. On the other hand, individual experiences span different institutional and social structures, and individual choice differentiates the life course, too. Institutional structuring of age norm is perceived and weighed by individual agency against other factors in his/her biographical orientation, thereby forming individual trajectories of the life course. Essential at this moment is the normalization of the temporal partition of the life course, both in terms of institutional settings and individual consciousness.

Seen in this light, life-course institutionalization encompasses two analytical dimensions: the individual pathways into local pension schemes and the subjective perception of retirement in the personal biography. These have constituted the two analytical axes of this study. In the first dimension, the analysis of diverse pathways into pension schemes seeks to investigate individual experiences with (non-)participation in public pension institutions. In view of the variety of local institutional regulations, the analysis has made a close examination of institutional and personal factors that have shaped peculiar trajectories of individual life courses. In the second dimension, this work explores the subjective views of agency in respect to the retirement notion and biographical planning. This inquiry discloses the conjunction between institutional regulation of pension schemes and individual management of old-age security. In the light of these two analytical axes, two categories of the life course, *rudimentary institutionalization* and *consolidated institutionalization*, come into view. These denote the degree of temporal division of the life course in rural China, particularly in relation to the introduction of pension schemes in the rural localities and their impact on the old-age arrangements of the peasants.

Among the investigated cases, *rudimentary institutionalization* refers to the life-course pattern of two types of peasants: those with a vague consciousness of the biographical significance of retirement in relation to work; as well as those aware of its importance yet unable to achieve substantial economic safety under destitute circumstances. While there are various causes for the misery, the field work has identified two major factors: backwardness in local economic development and inadequate implementation of land seizure. Economic weakness is a common problem plaguing many rural regions, resulting mainly from the developmental strategy of the central government to let few regions grow and get rich first. As the analysis of the interview materials has shown, lack of financial resources is for many rural peasants the major cause responsible for their non-participation or low contribution payment to local pension schemes. In types such as “no pension” or

“village allowance”, the dearth of liquid funds has made poor rural peasants unable to make any middle- or long-term preparations for old-age security. Worse still, an improvement in the general circumstances can hardly be expected because those villages are similarly afflicted with sluggish economic development and feeble financial strength – the crucial cause for the underdevelopment of local pension schemes.

Land seizure is of a different nature, emerging as a policy response to the rapid industrialization and urbanization that demand more space for expansion. In itself, the policy is conducive to rural development because faster urbanization would ultimately uplift the prosperity of the outskirt rural regions. Unfortunately, reckless policy practice has instead left many peasants in calamity. Often the culprits are local governments who have taken the land away without appropriate compensation or reallocation programs for the victims. The loss of land has put many peasants in an awkward living situation in which they are deprived of the most vital means of subsistence. Without sufficient cash compensation or in-kind reallocation assistance, landless peasants are virtually destined to live in adversity because their poor qualifications are hardly suitable for any other non-agricultural employment. This problem hits those middle-aged landless peasants particularly hard as their chances of finding new jobs are de facto hindered by their age. In effect, ill-designed local policies for land seizure have severely disadvantaged the lives of many peasants, making them a new group of vulnerable policy losers in rural China. In view of such drastic transitions, landless peasants face the same poverty problem as their fellow villagers in the types of “no pension” or “village allowance”. Individual poverty is generated and aggravated by the paucity or insufficiency of public support by local governments. The overall circumstances have overshadowed the prospect of old-age security since these peasant groups have no alternative capacities to avert the risk of old age. More exigent for them is to improve current financial situations in order to cover daily living expenses.

The term *rudimentary institutionalization* characterizes exactly the severe situation of the poverty-stricken peasants when it comes to the idea of retirement in their minds. These refer mainly to those living solely on agricultural incomes or landless peasants. In some cases, the economic situations will only improve considerably if members in the households migrate to better-off regions and find better jobs in industrial or service sectors. Otherwise the prospect of improving their living standard hinges predominantly on the overall regional economic development. Generally, peasants in this category have already thought of retirement at certain points of time: for some a vague idea, for others a more concrete vision. Aware of the mounting burden of their children as a result of the one-child policy, peasants in poor villages have become increasingly alert to the necessity of living on their own pensions or savings in old age. Yet, they lack all necessary financial resources to attain that goal. Without public support and sufficient individual abilities, old-age security can only stand on the traditional pillars: land and family. Working in old age

is often the only way to sustain the household under constant financial strain. In other words, the idea of retirement in the minds of the peasants remains nebulous, as it is almost impossible to practice it under current circumstances. By and large, peasants in *rudimentary institutionalization* are ill-equipped to avert the risk of old age – a situation virtually in favor of active state involvement in order to underpin the fragile pillars of traditional old-age security. Unfortunately, as the policy analysis of this study has indicated, the rural pension policy in China is very unlikely to develop in this direction. Rather, social inequality will persist well into old-age security, with gloomy implications for the afflicted peasants.

The whole situation looks completely different for the type *consolidated institutionalization*, which refers to the life-course pattern of peasants participating in local pension schemes. Common among these cases are the much better development of local economies and the salutary financial state of local governments. Although benefit levels among local pension schemes still vary a lot, they have generally reached a standard that can make up for a certain share of expenses for old-age security. In the case of urban pension, cadre pension or Township Insurance Program (TIP), participants can even receive or expect handsome pensions. Participation in the urban pension scheme or cadre pension scheme is a matter of personal luck, depending on the status of village cadres or the regulations relating to certain job categories (such as employment in foreign companies). Contrarily, participation in the TIP or other local pension schemes in Shanghai or Beijing is a common practice because villagers benefit considerably from subsidies of township and village administrations. With strong public support, participants of these pension schemes are able to claim substantive pensions when they retire.

These circumstances have availed the peasants in their preparation for old-age security. Public pensions have now become the major source of old-age incomes. Compared with the cases in *rudimentary institutionalization*, peasants in *consolidated institutionalization* have a more distinctive consciousness of the biographical significance of retirement in their life spans. The generally favorable conditions of rural pension schemes have enabled them to plan concrete plans for their life phase after work. And, as the interview data have shown, they do. Once the subjective anticipation of a carefree old-age phase is fulfilled, the peasants begin to mull over more concrete plans in the later life phase. Though many of them tend to choose working longer, the rationale behind the decision is rather to maintain social connections or assist the family. Many of them think of staying at home in order to take care of the grandchildren or do the chores, mainly with the intention to support their grown-up children whenever they can. In other words, a manifest *long-term* perspective has emerged in the minds of those peasants with stronger public support for their old-age security. Retirement has gained considerable significance in their biographical horizon, both in material and psychological terms. While it may be disputable to attribute this development solely to the merit of rural pensions, it is at

least adequate to say that the institutional support of public pensions has extensively contributed to the emergence of long-term biographical views.

Consolidated institutionalization denotes exactly the situation that state pension institutions have framed the way in which Chinese peasants think of and plan for their old age – and consequently, direct their life courses towards a clear temporal division between work and retirement. For peasants of *consolidated institutionalization*, a stronger role of public rural pensions has also changed the intergenerational relationship. In economic terms, public pensions have substituted the family in its traditional role both as provider and caregiver of old-age security. Indeed, as the interview cases in the TIP and urban pensions have demonstrated, the peasants are pleased by the fact that pensioners can live on the income maintenance of public schemes without additional need for family support. In the meantime, however, mutual help and co-habitation of generations remain the predominant forms of support for many rural families – despite the greater financial independence of the elderly. Counter to the conventional form of rural old-age security in which children support their elderly parents, what we are currently witnessing is an income transfer in the reverse direction, that is, elderly pensioners now offer financial support to their children. Pensioners of *consolidated institutionalization* have attained a new status as financial contributors rather than recipients in the family. In this respect, we can say that the rising significance of rural pensions has indeed replaced the economic function of family care provision in rural old-age security, although the fundamental basis of family solidarity in emotional and social aspects remains solid.

It is important to stress that the typology of *rudimentary institutionalization* and *consolidated institutionalization* is of an explorative nature, which intends to characterize the dynamic interaction between structural, institutional and individual contexts. In this sense the central thesis of life-course institutionalization is in essence a concept which refers to an ongoing process rather than a given result in rural China. Crucial in this process is whether the structural background of villages and institutional frameworks of their pension schemes can underpin the local old-age security. Equally important is the subjective perception of individual peasants towards life planning and retirement, as well as their ability to take advantage of the available institutional support to achieve this end. Conceiving of the two types discussed here merely as a static outcome of social policy development would miss this vital point and gain a partial picture.

In sum, against the theoretical background of the institutionalization of the life course, the distinction between *rudimentary institutionalization* and *consolidated institutionalization* has drawn our attention to both the institutional and biographical aspects of individual agency in rural China. By characterizing different types of life courses and retirement arrangements, the empirical results of this study have echoed and upheld the central idea of the institutionalist life-course approach that social policy institutions have a profound impact on the dynamics of the life course, especially in respect to the temporal division of different phases. Above all, the state

pension institutions play a pivotal role in regulating exit from work through statutory age limit, thereby setting a norm for the orientation of human actions in biographical planning (institutional time). Meanwhile, human agency is responsible for decisions in the context of individual, institutional and social settings, which shape individual's life-course trajectories (individual time). The institutionalization of the life course, as investigated in this study, is taking root through the interplay of institutional rules and individual life planning. In this process, the extent of state pensions gains particular importance when the individual peasant falls short of personal network resources (family, neighborhood) for old-age security. Precisely this point draws a clear distinction between *rudimentary institutionalization* and *consolidated institutionalization*, as peasants in the latter category are better positioned for their retirement, thanks to the stronger underpinning of local pension schemes. The disparity of pension policy development among regions has left its traces in the contours of the life course as expressed by the different perception patterns of the peasants with respect to their retirement prospects and life planning. The unequal institutionalization of the rural life course parallels the uneven development of the rural pension policy.

9.3 Perspectives for Future Research

The above conclusion has elucidated the main contributions of this study both in policy analysis and in life-course research. To be sure, one academic research project can hardly explore all aspects of the social world exhaustively, and this study is no exception. Despite the new findings of this study, it also reveals some important aspects that have not been investigated thoroughly. In the first part of the empirical analysis, the detailed presentation of the development of the rural pension policy excludes the *politics* of the rural pension policy. With the exception of a few works such as Gong (2003) or Leisering and Gong (2002), particularly the role of interest constellations in Chinese pension politics falls short. During the field work of this study it was impracticable to gather such information mainly due to the opaqueness of Chinese politics. The reluctance of Chinese officials to deliver more insight into the political process makes a detailed academic inquiry into the political black box almost impossible. The paucity of reliable statistical data further precludes a deeper investigation.

For the same reasons, this study has provided few answers to the question regarding the *relationship* between urban and rural pension policy. This aspect would be of particular interest for research in Chinese social policy in view of the sheer contrast of political significance between the two policy realms. Many scholars have indeed explored the dualistic nature of Chinese social policy in detail, pointing to the developmental strategies of the CCP to develop urban industrialization first (e.g. Chu 1996; Dixon 1981; Wong 1998; You 1995). But in the realm of pension policy, there have thus far been few attempts to discuss the urban and rural sectors from any

integrated perspectives (but see again: Gong 2003). While the state has been keenly embarking on a series of major pension reforms in the urban sector, the rural pension policy has in fact come to a standstill, if not retrenchment. A further exploration of the political relationships between these two interrelating fields could prove vital to the explanation of the pension policy development as a whole.

As for the second part of the empirical analysis, this study has consciously left out the field work on an important group of rural residents: migrant workers. Indeed, the desire to improve one's economic situation has driven millions of young or middle-aged peasants to migrate to the cities or well-off rural regions in pursuit of better-paid jobs (Solinger 1999; Zhang 2003; Wu 2000). The phenomenon has become so acute in recent years that even the legislative body, the People's Congress, has repeatedly pleaded the central authority to take more protective measures for the vulnerable mass (see chapter 6). Despite their significance among the rural population, attempts to capture their life forms in the empirical study could prove complex due to their moving to different cities. A migrant worker from rural Beijing could travel to Jiangsu or Zhejiang and stay there working year-round. For practical reason, therefore, the study has left this group of rural population out of consideration, however, without claiming that it has no impact on the explaining power of the whole work. Taking proper account of the migrant workers in future research would definitely contribute to a better understanding of the changing lives of Chinese peasants.

In addition, this study has also been confronted with some methodological challenges, too. The first one has to do with the selection of field sites, which has been elaborated in chapter 4. Limited access to fields was further compounded by restricted freedom to achieve better sampling for biographical interviews. The presence of local cadres and the arrangement of interviews through them have also made the process of data collection susceptible to methodological criticism. However, as noted in chapter 4, this is a common problem that perplexes social scientists doing research in China. Under the strained circumstance of limited access to data, the research could be improved through the development of flexible work plans at the field sites in order to better respond to any possible interruptions. Longer residence in selected rural areas in order to make frequent contact with the local villagers and cadres could prove fruitful. Better acquaintances with the villagers would facilitate the field work. Further case studies in the field of rural pension policy and life course would shed more new light on this topic.

Furthermore, studying the rural pension policy and its impact on the lives of the peasants would certainly benefit from the use of the quantitative methods developed in the tradition of life-course approaches (Giele and Elder 1998). Event history method, for example, has been widely applied to measure the relationship between variables and offer a more precise explanation of the whole issue. Its explaining power lies in its ability to process longitudinal data to trace the dynamic changes of life events and trajectories. Yet, the strength of using statistical methods in the case of

China research would be partly restricted by the difficulty of data collection. Reliable data either do not exist at all or they are hard to acquire from the hands of the responsible officials. The collection of longitudinal data in the area of Chinese social policy would be a difficult yet fruitful task. Future field works would have to take pains to obtain valuable data to enrich the scope and extent of the research in this topic.

This relates to an open question with respect to the dynamic interrelation between the institutional evolution especially in local pension schemes and changes in individual life courses (see also Elder 1985, 1994; Heinz and Krüger 2001). This study has indeed made a preliminary attempt to highlight the institutional impact of the state pension policy on the lives of Chinese peasants. Taking advantage of the explorative character of the qualitative research methods, this work has entered a new research field in the life-course study. Through the lens of the life-course approach, this study has unfolded an interesting link between macro (social transformation), meso (institutional innovation), and micro (life course) levels against the background of the modernization process. But theoretically elaborating and empirically examining the link between structures, institutions and agents have not yet taken full account of their dynamism (cf. Zhou 2000; 2004; Zhou *et al.* 1996, 1997; Zhou and Moen 2001). For instance, the patterns of the life course could well change as the life forms of Chinese peasants are pluralized in the context of rapid transformation in rural society. Institutionalization of the life course may be accompanied by its simultaneous diversification, which in turn questions the suitability of the rural pension policy. This also demands the establishment of longitudinal data which can reveal more about the dynamic changes of institution and agency. The theme regarding mutual congruency of institutions and life courses in rural China merits more consideration in future studies. This shows that the potential of life-course research in China research has not yet been fully unfolded in terms of its theoretical explanation and methodological application, although this study has heralded the analytical power of this research approach and pushed the whole research agenda ahead.

To conclude, this study has extended the scope of the life-course approaches traditionally applied to Western societies to describe and explore a vital dimension in the modernization process of the Chinese society. Through the analytical framework of the institutionalist life-course approach, this work has manifested both the power of social policy institutions in shaping individual life courses *and* the biographical significance of the institutionalized life course for individual life planning. In the Chinese context, the institutionalization process has been shaped largely by diverse local economic strength, policy conditions, the local insurance market, and the financial capacities of individual households. The interplay of the state (central and local), market and family has proven to be a dominant factor for the individual retirement arrangements as well as for the generational relationship in the family. In this process, the implementation of social policy (rural pension policy) is embedded

in local contexts, which also takes effect on how individual agents perceive the given policy circumstances and respond to them. The result is an unequal institutionalization of the life course as a vivid expression of the interaction between state social policies and individual life planning. The fragmentary development of the rural pension policy has reinforced the existing social inequality between urban and rural sectors that stretches well beyond the work phase of Chinese peasants. In view of the potential issues associated with the state and life course in (rural) China, this study has made a start in a new agenda which requires more research in the future.

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Appendices

Appendix 1: Topic Guides for Expert Interview with Government Officials

A. Introduction of research project

Interview background: Dissertation project.

Aim: understand the development of the rural pension policy introduced since 1991 as well as the development of local pension scheme

- Method of the interview: open interview following guiding questions, no questionnaire. Interviewees are encouraged to say what they think relevant, short or long answers are equally welcome. We want to know what they think.
- Interview data will be only used in scientific analysis of the research project. They will be kept anonymous, and names will not appear in any published articles. Inquiring the permission to analyze the interview data for the purpose of publication
- Inquiring the permission for recording of the interview process

B. Basic data (national or local)

- Population (elderly population) ; number of towns and villages
- Age structure and sex composition
- Employment structure of the locality
- Basic economic data: GDP, per capita income
- Number of children per woman

C. Rural pension scheme

The rural pension scheme is the first experiment of the public pension policy. I would like to know much more about its implementation

- Please tell me shortly its history and current implementation
- If a rural pension scheme is implemented here, is it based on the guidelines by the MOCA in 1991, or is it a new system? When did you start this scheme and why?

D. Implementation details of the scheme

- How many peasants have participated in the new scheme? And how many remain in the old one?
- Who can participate in the scheme? Can migrant workers participate? Do you have any statistics about the sex composition and age structure of the participants?

- What consists of the contribution? How is the burden distributed among township, village and individuals? How is contribution calculated? How long should one pay the contribution?
- Is the benefit related to the paid contribution? Is the scheme financed by any other sources? How long can the pensioner receive the pensions?
- At what age can the peasant claim pension benefit? Is there a minimum for pension benefit? What is the minimum age for participation?
- Which administration is in charge of contribution collection? Will any invoice be issued for receipt of contribution? Is there any difficulty with contribution collection?
- Which level of local administration is in charge of fund administration? How is the fund invested? What is the interest rate for deposit? How much is the administration cost?
- How did you campaign for the scheme? Is there any consultancy service for the scheme participants?

E. Personal evaluation of policy implementation

- What does this policy imply for the peasants? Do they really retire or continue working?
- In comparison with private insurance or bank deposit, what is the advantage of the rural pension scheme? Where do the problems lie?
- Are there any policy changes or new policies in this realm?
- Do you think if there should be a unified pension system for urban and rural residents? If yes, what do you think should be done in order to achieve this?
- What do you think are the ideal ways of old-age security?

F. Private commercial insurance

- What commercial insurance companies are active in this area?
- Are there any migrant workers or peasants participating in private insurance? What are the reasons for participation?
- How are the contributions calculated and collected? Is there any subsidy from the local government?
- What is the amount of the pension benefit? Is it paid in lump-sum or annuity?
- Is there any competition between public and private pension insurance?
- How do these private insurance companies advertise their products? Is the business expanding or shrinking?
- Do you think that private pension insurance is a reliable way? Can it replace the function of public pension schemes?
- What role do you think the government should play in this area? Administration, subsidy or supervision?

G. Remaining topics

We have already asked questions we had prepared. Are there any other aspects you would like to mention which have not yet been talked about?

H. Short questions to personal data

Personal data (function in the administration, age)

Appendix 2: Topic Guides for Biographical Interview with Peasants

A. Introduction of research project

Interview background: Dissertation project.

Aim: assess the impact of the pilot pension scheme introduced since 1991 on the old-age security of the clients, as well as their personal experiences of life planning. It is thus vital to inquire the life experiences before 1991 as points of reference

- Method of the interview: open interview following guiding questions, no questionnaire. Interviewees are encouraged to say what they think relevant, short or long answers are equally welcome. We want to know what they think
- Interview data will be only used in scientific analysis of the research project. They will be kept anonymous, names will not appear in any published articles. Inquiring the permission to analyze the interview data for the purpose of publication
- Inquiring the permission for recording of the interview process

B. Sources of living in old age

Before talking about the pension scheme, we would like first to ask about your (expected) sources of living in old age. This information helps us know your life background better.

- What kinds of support do you have (or expect to have) for the old-age security?
<specify all sorts of support>
- Could you specify how much you obtain from these sources?
<N.B. land> What is the size of the land, if any?
How much revenue? Also for commercial sale?
What taxes and charges are there?
- Which part plays a greater role?

C. Biography before, in and after the pilot scheme

The pension scheme is the first public scheme for the peasants in rural China. Thus we would like to know more about its effects. Since you are one of the members in it, we are curious about your experiences with it.

- When have you been participating in the pilot scheme directed toward peasants?
- What has motivated you to join it? In what situation have you decided to join it?
- How much contribution do you pay or have paid until now?
Why this amount?
Why in such payment intervals?
- How much pension do you receive now (expect to receive when you retire)?

- What is your personal impression of the pilot scheme since you have participated in it?
- Do you think the state has the obligation to establish schemes to secure your old-age security or rather it is a matter of family responsibility?
Why do you think so?
- If you think that old-age security belongs to the family responsibility, what aspects do you think the state should take care of your life?

D. Constitution of retirement

The pension scheme is designed for the old-age security. Since you are already a member of the scheme, we are interested to know how you think about the old age.

- What activities should one do in his later life?
What activities are you doing (will you do in this phase)?
Even when you are already receiving (will receive) pensions, are (will) you still working (work) to earn for a living until you can't anymore?
Why or why not?
- What age do you consider to be appropriate time for not working anymore?
Why that age threshold?
What do you think about the age threshold set by the pilot scheme? Is it too early or too late in one's life?
- If you compare the time before your entry into the pension scheme with today, what has changed since then?
Have you become economically better off with the pension you receive?
(Do you expect to become better off with your pension later?)
- If you see no differences, why do you still stay in this scheme then?

E. Economic rationalization and the Emergence of a "normal employment biography"

After talking about your view of the old age, we are interested to know how you think about work and your later life.

- Under what conditions have (would) you ceased (cease) working in your later life?
Please describe the experiences in detail if you are already pensioner. (Why would you cease working?)
- In your opinion, how should one finance his own later life? (e.g. work, fortune, family etc.)
Do you think that old age is the time of rest and dependence on the others or one should continue working?
Why do you think so?
- When older people cease working and obtain supports from various sides, do you think that is OK? Why or why not?

If young people did the same thing, e.g. they acquired enough fortune from parents. Do you think that is OK?

Why or why not?

- When you cease working, have (would) you given (give) younger generations more opportunities and responsibilities?

Why or why not?

- After joining the public pension scheme, have you changed your mind about working or not working in your later life?

Any change in your thought about giving younger generations more opportunities and responsibilities?

- Why or why not?

F. Retirement as a normative order: Models of a good life

Now we would like to know more about your general attitude towards life as a whole.

- What do you think is a good life? (for example school, work, marriage and retirement) Why?

- What activities or experiences should one have in his life? Why?

Should all the people live in this way?

- What about women? What kind of life do you think is normal for women? Why?

What kinds of old-age support should a woman obtain if she is to stay at home and take care of household?

And what kinds of old-age support if she goes out for work?

- Do you think your children (or parents) will share your view of life?

If not, why?

Have you ever disputed about this?

- If you are receiving (to receive) pensions, are your children still willing to support your old age?

- If not, has anything changed between you and your children since your entry of the pension scheme?

(If not, why don't you expect your children to support your old age?)

- Have you ever disputed about this?

G. Retirement as social control (Questions especially for younger people)

Now we would like to ask your thoughts about the future. It is important for us to know how you plan your future as well.

- Do you consider your future life at times?

- Do you plan sometimes certain things for your future life?

For how many years do you plan things in the future? <long view or temporary view?>

Since when have you had these thoughts in mind?

What events or experiences had moved you to think so?

- What kinds of phases do you expect for your life span? And why? (e.g. school, work, child rearing etc.)
- What does the membership in the pilot pension scheme mean for your life planning?

Has the scheme helped you better organize this transition process? (e.g. from work to non-work)

- Have you made economic preparations for other purposes in life?

Please specify what preparations for what purposes.

Why have (do) you made (make) these preparations?

If not, why haven't (don't) you made (make) preparations at all?

H. Remaining topics

We have already asked questions we had prepared. Are there any other aspects you would like to mention which have not yet been talked about?

I. Short questions to personal data

Personal data and brief life histories of the informant (family, job, marriage)

Appendix 3: Short Note of the Interviewer after the Interview

A. Short description of the interview

B. Specific circumstances in the interview

Length of the Interview

Presence of the third person(s)

Quality of the interview

Living conditions

C. Evaluation of the interviewee

General impression

Communication skill and willingness

D. Self evaluation

Overall process of the interview (any interruption?)

Difficulty in the interview situation

Appendix 4: List of Interviews with Officials in Central and Local Governments

A. Central government

1. Ministry of Labor and Social Security: 2 officials in charge of rural pension insurance. Conducted 21st September, 2004.

B. Local Government

1. Beijing Bureau of Labor and Social Security: 1 official in charge of rural pension insurance. Conducted 1st June, 2005.
 - 1.1 Daxing District: 1 official in charge of local rural pension insurance. Conducted 12th April, 2005.
 - 1.2 Pinggu District: 2 officials in charge of local rural pension insurance (group interview). Conducted 25th March, 2005.
2. Qingdao Bureau of Old-Age Security: 1 official in charge of rural pension insurance
 - 2.1 Chengyang District: officials in charge of local rural pension insurance (group interview). Conducted 22nd September, 2003.
 - 2.2 Pingdu District: officials in charge of local rural pension insurance (group interview). Conducted 23rd September, 2003.
 - 2.3 Jiaonan District: officials in charge of local rural pension insurance (group interview). Conducted 24th September, 2003.
3. Shanghai Bureau of Labor and Social Security: 1 official in charge of rural pension insurance. Conducted 26th April, 2005.
 - 3.1 Jiading District: 1 official in charge of local rural pension insurance. Conducted 10th May, 2005.
 - 3.2 Pudong New District: 2 officials in charge of local rural pension insurance. Conducted 9th May, 2005.

Appendix 5: List of Biographical Interviews with Peasants

1. Village Houjianping, Tongzhou District, Beijing. Conducted 4th October, 2004.
2. Village Houjianping, Tongzhou District, Beijing. Conducted 4th October, 2004.
3. Village Houjianping, Tongzhou District, Beijing. Conducted 4th October, 2004.
4. Village Beiwu, Tongzhou District, Beijing. Conducted 13th October, 2004.
5. Village Beiwu, Tongzhou District, Beijing. Conducted 14th October, 2004.
6. Village Beiwu, Tongzhou District, Beijing. Conducted 14th October, 2004.
7. Village Beiwu, Tongzhou District, Beijing. Conducted 14th October, 2004.
8. Village Gongyefen, Pinggu District, Beijing. Conducted 25th March, 2005.
9. Village Baigezuang, Pinggu District, Beijing. Conducted 25th March, 2005.
10. Village Miaocheng, Huairou District, Beijing. Conducted 31st March, 2005.
11. Village Miaocheng, Huairou District, Beijing. Conducted 31st March, 2005.
12. Village Miaocheng, Huairou District, Beijing. Conducted 31st March, 2005.
13. Village Haijiaozi, Daxing District, Beijing. Conducted 7th April, 2005.
14. Village Haijiaozi, Daxing District, Beijing. Conducted 7th April, 2005.
15. Village Liming, Daxing District, Beijing. Conducted 7th April, 2005.
16. Village Liming, Daxing District, Beijing. Conducted 7th April, 2005.
17. Village Langfasi, Daxing District, Beijing. Conducted 12th April, 2005.
18. Village Langfasi, Daxing District, Beijing. Conducted 12th April, 2005.
19. Village Langfasi, Daxing District, Beijing. Conducted 12th April, 2005.
20. Village Er, Daxing District, Beijing. Conducted 14th April, 2005.
21. Village Dongxintun, Daxing District, Beijing. Conducted 14th April, 2005.
22. Village Cangchang, Jiading District, Shanghai, Conducted 28th April, 2005.
23. Village Cangchang, Jiading District, Shanghai, Conducted 28th April, 2005.
24. Village Cangchang, Jiading District, Shanghai, Conducted 29th April, 2005.
25. Village Tanghang, Jiading District, Shanghai, Conducted 10th May, 2005.
26. Village Tanghang, Jiading District, Shanghai, Conducted 10th May, 2005.
27. Village Wuxing, Pudong New District, Shanghai, Conducted 12th May, 2005.
28. Village Wuxing, Pudong New District, Shanghai, Conducted 12th May, 2005.
29. Village Tanghang, Jiading District, Shanghai, Conducted 16th May, 2005.
30. Village Tanghang, Jiading District, Shanghai, Conducted 16th May, 2005.
31. Village Tanghang, Jiading District, Shanghai, Conducted 16th May, 2005.
32. Village Gongyi, Pudong New District, Shanghai, Conducted 19th May, 2005.
33. Village Gongyi, Pudong New District, Shanghai, Conducted 19th May, 2005.
34. Village Shanqian, Jiaonan District, Qingdao, Conducted 27th September, 2003.
35. Village Dongxinzhuang, Jiaonan District, Qingdao, Conducted 27th September, 2003.
36. Village Xingjiatun, Pingdu District, Qingdao, Conducted 28th September, 2003.