

THE SOCIAL SECURITY SYSTEM IN CHINA

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Contents

1. Basic approaches of social security system
 - 1.1. Basic definition of social security system
 - 1.2. Essence and basic attributes of the social security system
 - 1.3. Historical development of social security system
 - 1.4. Basic contents of social security system
 2. Basic characteristics and development process of China's social security system
 - 2.1. Basic characteristics of China's social security system
 - 2.2. Development course of China's social security system
 3. Old-age social security system
 - 3.1. Development of the old-age social security system
 - 3.2. The current conditions of China's old-age insurance system
 - 3.3. Main problems existing with China's old-age insurance system
 - 3.4. Necessary steps in the reform of China's old-age insurance system
 4. China's social medical insurance system
 - 4.1. The general situation of China's social medical and health insurance system
 - 4.2. Achievements of China's medical insurance system
 - 4.3. Main problems existing with China's social medical insurance system
 - 4.4. Reform of China's social medical insurance system
 5. China's social unemployment insurance system
 - 5.1. The basic features and models of employment in China
 - 5.2. View of China's unemployment insurance system
- Glossary
Bibliography
Biographical Sketch

Summary

A social security system is a form of social engineering that involves all members of the society. This social safety net can reduce or eliminate the destabilizing factors and consequent social shocks resulting from competition in society, thus providing the last safety line for sustainable development of the life support system. This article compares the definitions and approaches of China and other nations, describes the dynamic history of the social security system, and focuses on the contribution of China's social security system, especially in analysis of the transition of China's security system from being disregarded to becoming crucial, and from a planned economy to a market economy. Three main items in China's security system are discussed: China's old-age

insurance system, China's social medical insurance system and China's social unemployment insurance system.

China's social security system did not arouse universal concern until 1978 when the process of reform and opening up reached some depth and people suddenly found that the original social security system had seriously hampered the progress of economic restructuring. The social security system had to be reformed; otherwise, reforms in other areas would be unable to continue. But at the same time, the reform of the social security system met with many difficulties, became unable to move forward, as there were gaping financial holes. China's social security system has two major features. One is that it has a small coverage, with only workers of state-owned enterprises and institutions, who make up 20% of the total population, enjoying the benefits. The other is that it is a solely a matter of state responsibility. Individual workers do not make any contributions. The result is that the people have a very weak sense of social security. Most people think that it is a welfare that everybody should enjoy and the state is duty-bound to provide the benefits. The following is a discussion about China's social security system, which will give the reader a comprehensive knowledge and understanding.

1. Basic approaches of social security system

China's social security system does not cover all citizens. But what is the social security system all about, after all? How China does approach it? All these problems have been considered. As countries vary in their national conditions, there are vast differences in their understanding of social security systems, in their practices and specific processes of implementation.

1.1. Basic definition of social security system

The definition given by "The Encyclopedia Americana" is as follows: Social Security, in the general sense of the term, means safety and freedom from fear and want, applied to a society as a group of interrelated and interdependent people. Although the term can be employed in conjunction with diverse frames of reference—psychological or sociological, for example—in USA it is used primarily in the economic sense. Social security there has particular reference to the policies and programs embodied in the Social Security Act of 1935 and its subsequent amendments.

The definition given by "Concise Encyclopaedia Britannica "is: public programs designed to protect individuals and their families from income losses due to unemployment, old age, sickness, or death, and to improve their welfare through public services (e.g. medical care) and economic assistance in the task of raising a family. The term may include social insurance programs, health and welfare services, and various income maintenance programs.

The definition given by the China Encyclopaedia is: a social security system by which the state and society ensure by law the basic living of the members of the society. Laborers, who are unable to maintain their minimum standards of living due to loss or termination of their working abilities and sudden irresistible natural factors, enjoy the

right to get material aid from the state and society. It is the bounden-duty of the state and society to ensure the lives of the members of the society. China's social security system covers social insurance, social relief, and social welfare, as well as special cases such as disabled servicemen and family members of revolutionary martyrs and servicemen. It also includes provision of jobs to demobilized soldiers, social mutual assistance and individual savings. According to this definition, China's social security system is a matter of state responsibility. Enjoying the benefits of the security system is the basic right of the laborers.

1.2. Essence and basic attributes of the social security system

In China, it is not long since the problems relating to the social security system aroused the attention of the people. The long-standing planned economy system had weakened the people's sense of social security. Even dimmer was their understanding of the essence and attributes of the social security system. The current basic points of common understanding can be summed up as follows:

- Social security system is the basis for realizing the people's right to subsistence. People are the core of the life support system. Without humans, the discussion of life support system would have lost all its meanings. A human has dual attributes, biological and social. The biological attribute means that people cannot escape from the inevitable life process of birth, growth, old age, sickness and death, which are characteristic of nature. This is a universal law, a truth. The social attribute of the people is determined by the social conditions and social foundation. When a person cannot enjoy a minimum standard of living due to losses caused by irresistible external factors, he is entitled to social assistance and the society is obliged to give him necessary assistance to help him tide over the difficulties. This is the people's right to subsistence or a manifestation of human rights. In this sense, a social security system is an essential step toward realizing the right to subsistence.
- Social security system is the basis of the life support system, the last safety net or valve in the life support system. The functions of a social security system are determined by the essential attributes mentioned above. The social security system is a kind of support to the weaker social group. It is re-distribution of social wealth. To a certain extent, it regulates the gaps between the poor and the rich and ensures normal and healthy life for the weaker social groups. This last safety net has provided the basic guarantee for sustainable development of the life support system. It is a cornerstone for social stability.
- Social security system promotes social and economic development. First of all, the social security system can create a stable social environment for economic growth and promote rational and orderly movement of labor. The system transfers the traditional obligations for supporting the aged from families to the society, thus alleviating the difficulties for supporting the aged and releasing labor from the bondage of family support. Secondly, the social security system stimulates domestic demand for consumption. As the state provides allowances to low-income people, it enables the weaker social groups to have greater consumption capabilities, thus increasing home demand and consequently job opportunities, forming a positive feedback cycle. The social security system can change the traditional ideas about

birth, thus freeing people from worries after retirement and undermining the traditional ideas of "raising children to provide for old age" and "the more children one has, the greater happiness he enjoys".

- Social security system regulates, to a certain extent, the distribution of income among different social groups. It should have the functions of regulating the disparities between the rich and the poor, doing as much as possible to narrow the gaps. It is necessary, in raising money for social insurance fund, to establish a social insurance network in multiple forms and with non-uniform standards so that the income gaps among the people under the umbrella will not be too big.

The social insurance system should also have the functions of regulating the regional income gaps. China's regional economic development is uneven, resulting in income gaps among different regions. With the continuation of reform and opening up, it has become a very important problem to narrow the gaps. Here, the social insurance system should do its part.

The social insurance system should have the functions of regulating the income gaps between town and country. China is a dual-structured society, with cities and the countryside separated, thus resulting in large income gaps between town and country. The regulatory and the redistribution of wealth functions of the social insurance system should be used effectively so as to narrow or even eliminate the gaps. This is one of the objectives of the system in China.

Of course, we must be soberly aware of the fact that the social insurance system is limited and conditional in its role to regulate personal incomes. It plays a supplementary role at most. Wise use of the system will give promote sustainable development of the life supporting system.

E. The social security system is, in essence, social behavior of mutual assistance. The money for the social security system comes from the populace and should be put into service. This embodies the social spirit of mutual assistance and elevates the level of social ethics, thus providing a guarantee for the construction of a healthy society. Social security originated from the socialization of mutual assistance among different social groups. According to studies, the contributions made by laborers are not necessarily used for the laborers themselves. If a laborer uses only what he pays, the social security system would have lost of the reason for its existence. The use of social security funds has a generation lag or time lag. For instance, the majority of the retirement pensions comes from the contributions made by on-the-job workers who have not reached their retirement age.

In a word, a social security system is a system of social engineering that involves all members of the society. The social safety net can reduce or eliminate the destabilizing factors and the consequent social shocks resulting from the operation of competition in society, thus providing the last safety line for sustainable development of the life support system. The socialized security is indispensable in maintaining socialized mass production and in promoting the development of productivity. It is also a stabilizing and regulating factor in social stability and unity that brings social development onto a healthy path.

1.3. Historical development of social security system

The social security system was born out of modernization and industrialization. Only with the social security system, is it possible to build a complete life support system and to have a foundation for realizing sustainable development.

Before the emergence of the social security system, welfare in all countries was a matter of family or communal responsibility. There was no complete system, let alone socialization.

The birth of a modern and socialized security system was marked by the enactment of a sickness and maternity law, a work-injury law and an old-age, invalidity and death law in Germany at the time of Chancellor Otto von Bismarck. With this as a starting point, the development of social security has experienced the following four stages:

A. The stage of formation (1883-1935). A social security system began to be established in Europe step by step, and a fairly complete theoretical framework was developed. In 1891, Britain introduced the unemployment insurance system.

In 1932, France introduced the birth insurance system. In 1934, President Franklin D. Roosevelt set up a committee on economic security to consider the old-age pension system and the following year the Congress enacted the Social Security Act.

The act officially introduced the basic concept of social security, summed up the development of the system and developed the theories of coded social security system. This is a comprehensive summary of the social security system. The Act is generally believed to mark the maturity of the theories and practice of the social security system.

B. The stage of development (1935-1948). The social security system was extensively introduced in South and North America. Governments of Western countries intensified intervention in the social security system and the theories of social security were reinforced and improved.

C. The stage of maturity (1948-1979). After World War II, many Western countries introduced the concept of "welfare state", extending the scope of coverage and raising the level of provisions.

Countries in Asia, Africa and Latin America also established social security systems one after another, with the coverage extended to cover all workers and even to all members of society.

D. The stage of reform (from 1979 to the present). The 1973 "oil crisis" shocked many of the developed countries in the West, making it difficult financially to maintain the "high welfare" policies. From 1979, led by Britain, "welfare states" began an overhaul of the social security system. They adopted effective measures to increase revenue to cover social security and cut spending, lowering standards and even revoking some items.

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Biographical Sketch

LIU Yanpeng, is an Associate Professor, MS, secretary and member of China's National Conditions Investigation Group, Chinese Academy of Sciences. He was awarded the first degree of science and technology progress by Chinese Academy of Sciences in 1997. Also, he is one of the staff of the Institute of Geographic Sciences and Natural Resources Research, in the Chinese Academy of Sciences. His working field is natural resources analysis. He is currently mainly studying China's natural resources and economic development (the Eighth National Conditions Report).

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