

## Labor Employment and Social Security in China's First Village of Reforming and Anhui Province

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After the Chinese Government launched market-oriented economic reforms in 1978, China has in less than four decades grown into the second largest economy in the world. China's social security system has undergone a series of transitions as the economic reform deepened. Prior to the economic reform China's social security system was incomplete, providing retirement plans, medical coverage, and employment for urban residents only; no social security existed at all for the rural Chinese. After four decades of reforms, China has developed a modest rural social security system. Focusing on the experience of Anhui, a populous agricultural province in Central China, a new book titled *Labor Employment and Social Security in China's First Village of Reforming and Anhui Province* (Ganquan Chen, Lijian Qin, Guohai Zhang, Yongfang Guo, Hefei University of Technology Publishing House, year 2016), brings to life the history and present of the development of China's rural social security system. The book marks a significant contribution to the emerging literature of rural social security in China.

The book begins with an in-depth review of the history and status of socio-economic development of Xiaogang Village. Xiaogang village is an important place in modern Chinese History. It is the birthplace of China's rural economic reform and a successful model of rural social development. Xiaogang village is situated 25 kilometers north of the seat city of Anhui's Fengyang County. Before 1978, Xiaogang was a poverty-stricken place; a majority of the villagers lived on begging. In 1978, 18 villagers of Xiaogang leased the collective farmlands for private production, at that time an illegal activity exposing them to the risk of being prisoned. Fortunately the villagers' entrepreneurial endeavor was appreciated by the central government. Xiaogang Village turned overnight from a poor village few have heard of into the frontrunner of a national wave of economic reform, later known as the household responsibility system reform. The lease contract greatly incentivized labor effort and creativity, and raised the village above the subsistence level in just a year. The year of 1978 is a landmark in China's modern economic history, and the 18 entrepreneurs in Xiaogang village were

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the heroes of the year. A memorial was later erected by the Chinese Government in remembrance of the Xiaogang spirit.

In the past 30 years Xiaogang village has experienced remarkable social and economic development. The village now is composed of 946 households with 3,970 residents and 2.25 mu of farmland. In 2015, the income per capita in Xiaogang reached RMB 12,100 yuan (RMB yuan is Chinese currency, \$1 = 6.48 RMB yuan in year 2015), the total industrial output was valued at yuan 380 million, and the collective entities generated yuan 5.75 million of income. The dynamic local economy has produced about 500 jobs for the villagers in a diverse range of businesses such as *nongjiale* (restaurants featured with locally grown and homemade food), sustainable agriculture, and tourism. The village government has adopted liberal approaches to economic development, receiving capital from outside the village in exchange for employment opportunities. Over a dozen of Xiaogang's local businesses received infusion of capital from outside the village.

The village government has developed its social security services from scratch into a well-functioning system. The village government has purchased various types of insurance for villagers. Up to 2015, it has spent yuan 662,000 to purchase New Rural Cooperative Medical Insurance, New Rural Retirement Insurance Benefits, and crop insurance for every villager. Supplementary assistance funds have also been made available in addition to insurance reimbursement for villagers who have undergone medical treatment. In 2015, the village government provided yuan 89,000 of supplementary assistance funds for an average villager. As an effort to care for elder villagers, the village government has designated a commission managing the village's nursing home. The commission is in charge of facility maintenance and replacement, setting service standards, and implementing quality control. In addition to the top-down supports, the village government has initiated a volunteering network of elderly care. A group of 31 households with low-income elder people was identified and announced to the public, inviting volunteering assistance of poverty reduction from within and outside the village.

The authors note a number of challenges facing Xiaogang village in the coming years. The majority of the villagers are now working on low-skilled agricultural and industrial jobs; high-skilled service jobs account for a small portion of labor force. The villagers are uncompetitive in the labor market due to lack of professional training programs. Although the village government has provided excellent medical insurance programs for the villagers, the quality of healthcare facility and service needs improving. The authors point out that further socio-economic development demands improvements in the areas of labor training, local entrepreneurship, and healthcare quality.

The book offers some interesting insight into the role land has played in the development of rural social security system. Because farming remains the most important source of income for Anhui province's rural residents, land is a resource of paramount importance for developing Xiaogang village's social security system. When land tenure provides powerful incentives, land provides rural residents with stable income and asset growth, as well as additional social security functions such as food security, employment creation, and risk reduction. Because land is a principal productive factor in rural Anhui, strong demand exists for institutions supporting free land transactions and land usage. The authors point out that land market reforms lack a sound, long-term plan. Land use remains inefficient, land transfers are not well regulated, and land market needs improving. The authors hence point out that deepening land market reform, improving land market

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regulations, and improving land use efficiency can help improve Anhui province's rural security system.

After the narrative of the Xiaogang experience, the book then zooms out to look at the overall employment in Anhui province. Labor employment depends on the level of economic development, as well as the labor quality and quantity. The population of Anhui province will keep growing, and the labor force will reach 55 million in 2020. The overall level of education will improve as well. The population is aging rapidly. At present, the economy is slowing down and unemployment pressure mounts. In 2015, the province has 1.35 million people are seeking for a job in the labor market, but only 0.91 million positions were newly created; the shortage of 440,000 cannot be resolved in the short run. The situation is worse within individual cohorts of labor markets; the shortage is greater in skilled and highly educated labor. The third problem is both labor demand and supply are shrinking. In light of the harsh situations in Anhui province's labor market, the authors propose a number of policy measures: speeding up urbanization, facilitating the development of modern service industries, creating jobs in the agricultural sector, encouraging placement of farm labor in labor intensive, small and mid-sized businesses, and developing rural education, especially vocational training programs enhancing professional skills of farm laborers.

The Anhui province's social security system has made great improvements in retirement benefits. The government-provided pension plan includes the basic coverage for urban workers and residents, and newly launched retirement programs for rural residents. And the pension plan for urban residents and rural residents has been merged into a national pension plan. In recent years, the number of people choosing the urban employee's pension plan has been slightly increasing, and the pension substitution rate – defined as the ratio of the monthly funds drawn from the pension after retirement to the monthly income before retirement – fluctuates with a decreasing trend. The retirement benefits for workers have improved in recent years, with the substitution rate above 40 percent. Increasing numbers of people are choosing institutional care in all regions of the province. The size and growth rate of the pension's balance each ranks high among similar provinces in the region of Middle China. The merged pension for urban and rural residents have achieved full coverage, but the benefits are very limited and indeed quite far from an average elderly's living expenses. The authors propose that the government keeps adjusting retirement benefits in accordance to the inflation rate and the overall level of the society's living standard.

The book provides an in-depth analysis of the development status of the government stated medical insurance, which includes the three medical insurance programs for urban employees, for urban residents, and for rural residents. The Urban Employees Medical Insurance is designed for working urban residents, the Urban Residents Medical Insurance is for unemployed urban residents, and the New Rural Cooperative Medical Scheme is for rural residents. The number of participants and the total amount of funds of the Urban Employees Medical Insurance and Urban Residents Medical Insurance has each increased from the previous year's level; the New Rural Cooperative Medical Scheme has achieved full participation of all rural residents across the province. The occupancy rate of hospital beds and the number of healthcare employees have increased from the previous year's level. Although these achievements are commendable, the authors pointing out, there remain problems to be resolved. The yearend balance of the Urban Employees Medical Insurance funds remains high and varies significantly across cities and towns.

The high balance indicates the actual benefits received by the insured are low, and a large regional gap in the yearend balance indicates inequality in medical benefits across China's towns and cities. Another concern is that the healthcare facility and labor quality in small towns are much poorer than those in the metropolitan areas. The authors propose that all involved insurance providers and governmental entities should closely monitor and regulate the balance of the Urban Employees Medical Insurance funds, strive for regional balance in the development of Urban Residents Medical Insurance benefits, improve the benefits of the New Rural Cooperative Medical Scheme, and enhance the healthcare facility and labor quality in small towns.

The authors make an interesting comparison of Chinese and western social security systems. China's social security system is more complicated and contains more government-led programs than its counterpart in western countries. Multiple government agencies are governing the complex social security system including government-led social security institutions, philanthropic donations, and private commercial insurance underwriters. For example, the treasure department makes the accounting and auditing policy and monitors the balance sheet of social security funds; the department of human resources is in charge of affairs related to retirement, unemployment, and medical insurance; the department of health is in charge of the new rural cooperative insurance program; the civil affairs department is in charge of social aids, social welfare, veteran pension, and philanthropic enterprises. The complex governing system creates confusion and inefficiency. Although the regulation and laws of social aids and welfare have been established, they are far less mature than those in western nations. The overall expenditures on social aids and welfare have increased but per capita benefits have changed little; the urban-rural inequality in terms of social security benefits per capita has not been reduced much; the coverage of social aids and welfare is limited and the level of aids low. In face of these problems the authors propose the following reforms: the mentality that social aids and welfare are "favors" offered by the government needs changing; provision of social aids and welfare should be taken as the obligations of the government; the form of organization should be reformed to reduce governmental directives and encourage contractual agreements that bring real benefits to those that need aids; the government should embrace and experiment alternative forms of social aids and welfare.

Last but not least, the book raises a number of interesting topics for future research. The authors argue that the development of nursing homes requires more research. Population aging is faster in Anhui than the national average, which implies a greater demand for nursing homes. These businesses should be targeted at the market of the disabled elderly, the older elderly, and the "Empty Nest" elderly. Because of the large size of the three groups, the demand for nursing homes should remain strong for a long time. The government should reduce bureaucratic barriers to the development of this new industry. On the other hand, the government should regulate the quality of service provided by nursing homes and provide professional training programs to assist the development of this new industry. Another area of research demanding more research is the rural low-income social security program. With increasing numbers of participants into that program and improved benefits, the majority of the low-income people in rural Anhui have been accepted into the program. But there are a few challenging issues: it is questionable whether the benefits are set at a reasonable level; the benefits are too limited for the low-income

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families; great regional variations, especially between urban and rural regions, exist in terms of the benefits received by the insured. More reforms are called for to improve the low-income social security program.

Book review

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