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To my dear parents,

Hong Yeon Hwang and Soon Hwa Jeong,

and to my beloved Suk Hyun Choi
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The writing of this dissertation has been a demanding, painful, yet amazing experience that would not have been possible without the many people to whom I owe a debt of gratitude.

First and foremost, I would like to express my sincere gratitude to my advisor Professor Dali Yang, for his guidance and encouragement throughout the course of this project. I have been extremely lucky to have an advisor who not only cared much about my work, but also provided various means to help materialize my research. It was through Professor Yang that I had been able to acquire the necessary funds and networks critical in conducting politically sensitive fieldwork in China.

I would also like to thank the rest of my committee members, Professor Cheol-Sung Lee and Professor Michael Albertus. Professor Lee has always given me close feedback both in Chicago and in Seoul, pushing me to continuously revise and rewrite. Each updated draft is indebted to his sharp comments, hard questions, and inspiring ideas. I am thankful to Professor Albertus for his advice on the methodology of this project, as well as his leadership in helping me navigate the literature on authoritarian redistribution and survival.

There are also the institutions and other professors who have supported me since the beginning of my PhD program. I thank the Kwanjeong Educational Foundation for funding the first four years of my program; Professors Michael Kim and Jongryn Mo, for their warm encouragement as well as practical advice on how to pilot post-PhD life; Kathy Anderson, for hand-holding me whenever I felt like I was lost in managing my work; and Professor Yul Sohn for allowing me access to the resources at Yonsei University so that I would be able to
focus on my work away from Chicago.

I extend my gratitude to my colleagues at the University of Chicago: Haena Lee, Yewon Kim, Yeonju Lee, Yoseop Yoon, Jongyoon Baik, and Minju Lee. Had it not been for their constant support and the countless coffee sessions at the Regenstein Library, Plein Air Cafe, and the Booth School of Business, I would not have been able to complete this journey. Also to my friends at Church, Choah Kim, Juha Lee, and Sangwook Lim, for surviving the Chicago winters with me.

Those people who have provided me with the aim and motivation necessary to continue my studies overseas also deserve my thanks. To Semee Yoon, who has always been an inspiration for me to approach my research with a sense of purpose as a Christian; and to Minhyun Lee, who has spent countless nights with me in her office, working on our respective dissertations long after most buildings at Yonsei University have closed their doors. I also thank my closest friends since college, Shinyang Lee, Sara Yang, and Nayoung Song, for their prayers and friendship from different parts of the world.

Finally, I am eternally grateful for my family for their unbelievable support. To my father Hong Yeon Hwang, mother Soon Hwan Jeong, and Inseong Hwang for sharing my burden and bearing with me through the extreme lows of PhD life; and to my family in Beijing—aunt Youngjin Jung, uncle Jeongseok Park, Judy Park, and Jane Park—who have helped me go through this experience in faith. Last but not least, to my fiancé, Suk Hyun Choi, thank you for your unconditional love and support, as well as your communal sense of frustration on whether this thesis will ever end—you have been my rock throughout this whole process.
Abstract

China has experienced an unprecedented expansion of social welfare benefits in the absence of substantive political reform. Despite the expansion of welfare benefits, access to such benefits varies widely between and within provinces in China. What explains the disparity in the provision of welfare benefits? What is the political mechanism behind the selective distribution of benefits in China?

Building upon theories of authoritarian survival and redistribution, this dissertation argues that in non-competitive authoritarian regimes such as China, selective provision of welfare benefits is closely associated with the need to secure regime survival. In other words, the selective distribution of benefits is used to target and buy-off individuals perceived to be potential opponents to the regime for the purposes of maintaining regime stability. Contrary to the conventional view that stability maintenance is most threatened by incidents of collective action in China, I provide a more nuanced argument that demonstrates how the threat to regime stability may take different forms in different contexts. This dissertation shows how China’s welfare regime has developed with the political motive to secure regime survival against sources of social discontent brought by rapid economic growth and the subsequent commodification of labor.

Focusing on the interaction among globalization, domestic politics, and social welfare, I first argue that at the subnational level, the effect of globalization on welfare expansion is conditioned by levels of social unrest. Governments expand social insurance in order to preempt insurgencies that may arise from increased exposure to the international economy.
I contend that the political incentives behind welfare expansion in open economies with higher levels of social unrest are twofold: first, increased labor unrest creates industrial relations problems, increasing the risk of capital flight; and second, higher levels of labor unrest threaten regime stability, which may negatively affect cadres’ career advancement.

At the individual level, I argue that specific attributes of collective incidents or unrest provide a signaling mechanism for threat to regime stability, prompting government concessions in the form of welfare benefits. In the context of land requisition, I find that the institution of compensation makes the formation of collective action difficult, leading farmers to resort to individual tactics to acquire higher compensation packages. Therefore, contrary to conventional wisdom of “big disturbance, big resolution,” individuals who target collective claims to higher-level officials may pose a higher threat to stability than those who participate in claim-making with a bigger crowd, and thus more likely to receive welfare benefits.

Finally, I offer an argument about how the process of setting up these welfare institutions to combat social discontent has affected the generation of social capital. I argue that selective and non-selective welfare institutions have disparate effects on social trust. Generating and securing social trust is critical for the Chinese Communist Party to induce citizens’ voluntary compliance, which in turn affects the regime’s ability to maintain social stability.

I use quantitative and qualitative analyses to provide support for my argument. I rely on an unbalanced panel dataset on 31 provinces in China from 2000 to 2015, a 2008 individual-level survey data on land expropriation and compensation, and a 2012 China Family Panel Studies Survey. For the purposes of this dissertation, I also draw upon in-depth interviews of village cadres, farmers, and entrepreneurs during my fieldwork in China.
Chapter 1

Introduction

One of the most interesting changes conducted by the Chinese government during the past
decade is the expansion of social welfare benefits without substantive political reform. As
can be seen in Figure 1.1, local government expenditure on social spending has increased by
roughly 60% for the past five years in 2012.

Figure 1.1: Local Govt. Social Spending

Aside from the dramatic increase in social spending, reforms of social policies have also
translated into expanded coverage. The number of participants in the Basic Pension Insur-
ance for urban employees has steadily risen since its introduction in 1989; recipients of the
pension reached 74 million people, an 8.3% increase since 2011 and a 41% increase since
the year 2005. Since the introduction of the New Rural Social Pension Scheme in 2009, 89
million people have started receiving pension payments (HelpAge International, 2013).

![Figure 1.2: Total Participants in Old-Age Pension for Urban Employees](image)

With rapid acceleration in coverage rates achieved between 2009 and 2012, the Social
Insurance Law, passed in 2010, aims to guide future reforms and tackle some of the existing
challenges within the system with a focus on strengthening incentives to save and improve
portability of funds between administrative areas (HelpAge International, 2013). Welfare
programs have also been developed in rural areas as well. According to the 12th Five Year
Plan (2011-2015), the new social pension fund system should cover all rural areas nationally,
and the number of people in urban areas participating in the basic pension fund systems
should reach 357 million (Fan and He, 2013). As can be seen in Figure 1.3, the number of
participants in the New Rural Social Pension Scheme increased dramatically within a year
of the policy’s introduction.

Recent trends in China’s social expenditure and pension coverage demonstrate the un-
precedent expansion of social policies in the absence of political reform. The patterns presented above provide the impetus to examine this dissertation’s research question. China’s current substantive social welfare reform in the absence of organized civil society prior to democratic transition requires the politics of welfare in East Asian non-democracies be re-examined. Specifically, what are the causes behind social welfare expansion in China? When and why do we observe expanded provision of benefits in the absence of electoral pressure?

1.1 Existing Explanations of Welfare State Development in China

Political studies on welfare state development have brought to attention the effects of industrialism (Pampel and Williamson, 1992; Wilensky, 1975), democratization (Haggard and Kaufman, 2008), institutions (Heclo, 1974; Weir et al., 1988), and the struggle between political classes on the growth of welfare policies (Esping-Andersen, 1990; Hicks, 1999). Recent studies have also examined the role of employers and capital in the types of welfare regimes (Estevez-Abe et al., 2001; Hall and Soskice, 2001).

The industrialist school sees economic development as a precondition for redistribution,
arguing that the real source of social policy growth lies in industrialism, urbanization, and population change (Wilensky, 1975). A contemporary version of the industrialist explanation of the welfare state is globalization theory (Huang, 2013). Studying the relationship between globalization and social expenditure, the efficiency argument states that increasing international interaction pressures national economies to cut social expenditure to stay competitive on the world market (Swank, 2002), whereas the compensation school argues that such international pressure leads national governments to provide social compensation to those affected by internationalization (Garrett, 1998; Rodrik, 1997). The convergence theory states that countries’ domestic politics converge and become more similar as increased international interaction leads to market integration, thus pushing national political actors to assimilate their policies to that of other countries (Hays, 2003).

While the industrialist approach emphasizes the economic logic behind welfare state development, the institutionalists argue for the effects of institutions on social welfare change. Weir et al. (1988) study the role of institutional-political processes: patterns of state formation, the institutional leverage of social groups and political coalitions, and the political effects of pre-existing public policies are determinants of welfare state development. The effect of bureaucrats has also been examined in other studies. Heclo (1974) finds that in cases of Britain and Sweden, variables such as socioeconomic development, electoral process, or party/interest group influence are insufficient to explain social policy development. Rather, the bureaucracies of Britain and Sweden seem to be most consistently important in formulating social policy (Heclo, 1974).

One of the most influential theories of the institutionalist approach is political regimes, most notably democracies (Haggard and Kaufman, 2008). Democratization is a necessary process to ensure the demands of the public for redistribution and a social safety net. Though the policy outcomes were strongly affected by different economic conditions and organizational structures, democracy had created a new politics of welfare reform for Latin America,
Asia, and Eastern Europe (Haggard and Kaufman, 2008).

Though institutions may be necessary for welfare state development, the power resource theory school argues that they are insufficient to explain the welfare state. The impact of politics and the distribution of political power among parties with different ideological positions and worldviews, particularly regarding the various measures of welfare state efforts, support power resources theory regarding the development of welfare state (Huber et al., 1993). Esping-Andersen (1990) further finds the history of political class coalitions as the most decisive cause of welfare-state variations. It is the structuration of power that is important; patterns of political coalition-formations and the structuration of labor movements, especially that of unions and parties are crucial in driving social reform.

However, existing theories of welfare state development fail to explain the current social development trajectories in non-democratic regimes, most notably that of China. In China, as in many newly independent and socialist societies, workers achieved welfare entitlements prior to industrialization and economic growth and prior to demographic transition associated with urbanization (Selden and You, 1997). Leftist parties and labor organizations are either weak or strictly controlled by the government in many developing countries. In addition, research studying the effects of different types of skills on different types of social protection largely ignores the role of the state in developmental economies.

1.1.1 An East Asian Welfare State?

Moreover, previous theories of welfare state development have largely focused on Western developed countries, which has led to a lack of systemic understanding of social policy expansion in East Asia. Existing studies conducted by comparative policy analysts have neglected East Asian countries, either treating them as developing societies which fall outside their scope of analysis or contending that these countries will sooner or later be like the industrialized countries in all respects (Tang, 2015).

Interestingly though, theories that focus on building a framework for East Asia have
often excluded China from regional analyses. Cultural explanations focusing on the effects of Confucianism (Jones, 1993) on East Asian welfare development as well as debates on developmental state (Goodman et al., 1998; Holliday, 2000) focus on the conventional “East Asian Tigers.” Indeed, the “productivist world of welfare capitalism” (Holliday, 2000) has been theorized in regard to the five capitalist states of East Asia in which social policy is strictly subordinate to the overriding policy objective of economic growth.

Thus, efforts to explain the recent social policy expansion in China has turned towards borrowing such theories of East Asia and examining their applicability to the Chinese case. Building from the productivist welfare state theory, China’s welfare development has been argued to be a consequence of economic reforms (Cai, 2002; Hurst and O’Brien, 2002; Lee, 2000b). Nevertheless, explanations of social policy as subordinate to economic growth fail to account for not only post-reform social development trajectory, but also the political dynamics that are specific to social policy development.

1.1.2 Authoritarian Survival and Redistribution

A new line of literature, however, focuses on the politics behind authoritarian distribution and regime survival. Such studies have highlighted the role of a “winning coalition” (Bueno de Mesquita et al., 2004), government incentives and institutional constraints that may be conducive to large-scale distribution (Albertus, 2015), the logic of buying off opponents to the regime via providing benefits (Gandhi and Przeworski, 2006; Svolik, 2009; Wallace, 2014) or punishing such opponents by withholding resources (Magaloni, 2006). The overarching assumption of most authoritarian distribution studies is that distribution occurs in order to secure or prolong authoritarian survival. Magaloni (2008) argues that dictators can minimize the risks of being overthrown if they are able to co-opt potential rivals by offering credible power-sharing deals, while Mo and Weingast (2013) show how a state may distribute rents to groups with violence potential in order to provide incentives to cooperate and refrain from violence. More recently, Knutsen and Rasmussen (2017) study the use of old-age pensions in
autocracies as a form of credible promises for future distribution in order to secure political survival.

However, extant theories on authoritarian survival and distribution are inadequate to fully address non-competitive authoritarian regimes like China. Previous research best explains competitive authoritarian regimes involving authoritarian elections and competing political parties. An understanding of distribution in single-party authoritarian regimes holding not only despotic but also infrastructural power (Mann, 1986; Slater and Wong, 2013) remains limited.

The inadequacy of existing theories of welfare state development to fully capture the causes behind China’s recent prioritization of social development and subsequent expansion of social policies has pushed a rising group of scholars for more systematic studies. These scholars have begun to identify structural dimensions associated with social policy expansion such as decentralized authoritarianism (Lee, 2007), specifically the role of local governments in providing pensions as a solution to the political conflict over uneven growth (Frazier, 2010). For example, Huang (2015) explains the regional variation in the distribution of health insurance benefits through the effects of fiscal resources and social risk. Social cleavages derived from different societal groups’ preferences on social policy reform (Huang, 2013, 2014) as well as the redistributive effects of social policy divided along urban-rural lines have also been studied (Gao et al., 2013). Discussions on the minimum livelihood guarantee system have focused on the economic causes of allocation (Solinger, 2013) and the systemic marginalization of urban indigents (Solinger, 2008).

While these explanations are promising initiations, they are in their early stages of development, with much more precision and nuance to be added. Realizing the lack of explanatory power in accounting for the political causes behind welfare expansion, this dissertation aims to delineate the political factors that motivate the government to expand social welfare policy to the public. By identifying the mechanism through which the government responds to so-
cietal demands, this dissertation will provide a more nuanced explanation to the question of when and why the Chinese government expands social policy. After examining the political mechanism behind selective distribution and expansion of welfare benefits, the sociopolitical effects of different welfare institutions are also examined in this dissertation.

Given that the theoretical expectations are at odds with the observed status of China’s recent welfare expansion, this dissertation project seeks to develop a new framework that delineates the political causes of social welfare development in China. I argue that the Chinese state has selectively provided welfare benefits in response to threats to social stability. I focus mainly on the basic old-age pension scheme for urban employees and rural residents, and study the political causes behind their subnational variation. Through quantitative and qualitative analyses, I find that collective action may act as an information-gathering mechanism of the local governments in which they are able to target and buy-off potential opponents to the regime via welfare benefits.

Explaining the politics of social policy development in China will contribute to important debates in welfare state development in the following ways. First, this study will bring much needed attention to the under-theorized dynamics surrounding social policy development in newly independent countries or non-democratic regimes. Given that the welfare state literature focuses largely on the Scandinavian and European cases, this dissertation will further contribute to the theorizing of social welfare development in non-democracies that lack an institutionalized left and electoral competition. Second, this study will better account for the emerging studies on authoritarian resilience and autocratic survival via redistributive mechanisms. Finally, this study will contribute to the growing body of theoretical and empirical literature examining the role of distribution as a form of authoritarian response.

1.2 Main Outcome of Interest

The overarching empirical pattern to be explained is the expansion of social welfare policy in the absence of substantive political change. Haggard and Kaufman (2008) categorize two
broad areas of social policy: 1) social insurance as a protection against the full range of life cycle and market risks; and 2) the provision of basic social services such as access to primary education and basic health care.

China’s social security system currently stands on three pillars, composed of social assistance (poverty relief), social insurance (pensions, medical insurance, work-injury insurance, unemployment insurance, and maternity insurance), and welfare services (Ringen and Ngok, 2013). In order to examine the expansion of welfare benefits in the context of China’s rapid economic growth, I focus on the development of social insurance schemes in China’s overall social security system.

1.2.1 Areas of Social Policy

It is important to understand the process of China’s commodification of labor (Polanyi, 1957) when studying the development of social policies. With the launch of the open-door policy in 1978, China began to experience unprecedented growth, which drastically restructured the economy and the workforce. With industrialization, the challenges that the CCP faced in maintaining its power and legitimacy increasingly involved governance and providing public goods (Shambaugh, 2009). The industrial restructuring and its subsequent commodification have dealt a severe blow to permanent state workers’ entitlements, shattering their prized employment and livelihood security, known colloquially as the “iron rice bowl” (Lee, 2007). In order to protect labor from such market insecurities as well as an effort to de-commodify labor to some extent, the government had focused on developing social policies.

Among such policies, I specifically look at the old-age pension insurance system to critically analyze the evolution of social policies in the perspective of government incentives. The pension system is not only the single most important welfare-state program, but also a central link between work and leisure, earned income and redistribution, individualism and solidarity, and the cash nexus and social rights (Esping-Andersen, 1990). Public pensions are usually the costliest component of any welfare regime because they provide retirement
income for some or all of the elderly population; as is the case, the provision of pensions is the most expensive function of the Chinese government, including central and local levels (Frazier, 2010).

Moreover, as the responsibility for distributing pensions was transferred from firms to local government agencies (Frazier, 2010), focusing on old-age pensions allows me to better study the politics of social welfare expansion in the perspective of local government incentives. After studying the political mechanism behind welfare expansion and selective distribution through old-age pensions, I further examine the effect of other major social welfare institutions such as health insurance and the minimum livelihood subsistence system on general trust and regime support in China.

1.2.2 Coverage of Social Policies

Rather than examining the size of public expenditure on social security, I focus on the coverage or the actual reception of social insurance in order to examine the institutional expansion the policy. As in Lee (2012a), the effects of a universal social policy, such as pensions, on a spending measure are realized over a long span of time; a significant policy change as an outcome of political struggles or economic conditions does not lead to an immediate increase in the spending measure. Coverage represents the share of the population that actually has access to the benefits provided (Huang, 2015). Thus, in order to better understand the expansion of social policies as a qualitative outcome, this study focuses on their coverage their expenditure.

1.3 Theory

In this section, I examine the key independent variables that could affect social policy development and expansion. I argue that local governments develop and expand social policies dependent on the threat to social stability in order to secure regime survival.
1.3.1 Regime Survival

Studies on welfare in authoritarian regimes have focused on the effect of a coaltional split on the magnitude of redistribution (Albertus, 2015), the political utility of urban bias (Wallace, 2014), and redistribution as a mechanism to buy electoral support (Albertus and Menaldo, 2012). Building upon existing theories on redistribution to secure political survival, I argue that the Chinese state expands and provides welfare benefits in response to threats to social stability.

In the aftermath of the Tiananmen Crisis, stability maintenance has become the overriding political task for the whole Party and the entire people (Yang, 2017a). Furthermore, the crackdown of the Falungong and crime in 2001 as well as government initiatives to alleviate rural tensions have allowed Chinese authorities to justify their use of repression and reforms according to the doctrine of “clear and present danger” (Yang, 2002). According to a statement made at the Central Economic Work Conference in December 2011, stability means maintaining steady macroeconomic policy, relatively fast economic growth, stable consumer prices, and social stability (Reuters, 2011).

The CCP’s emphasis on social stability can also be seen in local cadre evaluations wherein social stability is set as a priority target with veto power. Local officials who fail in securing social order in their jurisdictions are likely to fail in promotion no matter how well they perform in other policy areas (Huang, 2015). For this reason, local officials who by design would become the immediate victims of labor unrest are very cautious and pay close attention to social welfare policies (Huang, 2013).

1.3.2 Provision of Welfare

The CCP thus now faces an entirely new set of challenges that depart from issues of international isolation or a mass anti-regime movement led by the intelligentsia. Instead, it faces a greatly expanded and active middle class that have become more active in civic affairs (Pei, 2012). Activists today challenge the CCP on issues that can connect them with ordinary
people, such as labor rights, forced evictions, land disputes, environmental protection, and public health (Pei, 2012). In short, with industrialization, the challenges that the CCP faces in maintaining its power and legitimacy increasingly involve governance and providing public goods (Shambaugh, 2009).

According to the social movement perspective, economically disenfranchised groups create pressure for social policy expansion by creating social disturbances (Steensland, 2006). In response, political elites seek to restore stability by offering concessions that extend social provision along lines that are prefigured by existing programs (Piven and Cloward, 1977). Based on this discussion, I expect that social policy expansion and the provision of welfare benefits may be used as a means to alleviate public discontent and thereby secure social stability, and that provision is higher in provinces or counties with higher likelihood of social unrest/collective incidents. The expansion of welfare benefits may be an effective tool to dampen political insurgencies, as extending coverage to those who were formerly not eligible to receive pension benefits may work as a powerful tool for authoritarian leaders to retain social control (Li, 2013) and further resort to “credit claiming” by enacting policies of welfare state expansion (Pierson, 1996).

1.3.3 Alternative Explanations

Availability of Fiscal Resources

One of the arguments for a state-centric approach for welfare state development is that government bureaucrats will promote the expansion of social provision if they have the autonomy and administrative capacity that enables them to do so (Orloff and Skocpol, 1984; Evans et al., 1985). The conditions for such action include the availability of fiscal resources, organizational infrastructure, and a professional class of civil bureaucrats insulated from ties to economic actors located outside the state (Orloff and Skocpol, 1984). Thus, state bureaucrats have the potential to advance policy proposals according to their own agendas rather than solely reflecting the interest groups outside government, such as social movements
or economic elites (Steensland, 2006). Such emphasis on the role of state bureaucrats based on availability of fiscal resources may provide alternative explanation to a broader provision of benefits.

**Skill Specificity**

Contrary to the power-resource perspective that emphasizes the balance of power between working-class parties and bourgeois or conservative political forces, the varieties of capitalism approach study the role played by employers in the development of the modern welfare state (Mares, 2003). It can be argued that social policy depends on the capacity of employers and firms in coordinating their actions and preferences based on the composition of skills (Estevez-Abe et al., 2001). Employers who rely on specific skills to compete effectively in international markets need to institutionalize some sort of guarantee to insure workers against potential risk in the labor market, as exposure to risk is inversely related to the portability of skills (Estevez-Abe et al., 2001; Hall and Soskice, 2001; Iversen and Soskice, 2001). Labor market risks are therefore generated across the interfaces between economic sectors requiring very different types of skills (Iversen and Cusack, 2000). However, as employers’ implicit agreements for long-term employment and real wage stability may be sufficiently credible by themselves, social protection as governmental policy becomes critical (Hall and Soskice, 2001).

Skills that are firm-specific or industry-specific are less portable and marketable only in one sector, whereas general skills are portable across all firms and thus more marketable in all sectors of the economy (Iversen and Soskice, 2001). Thus, employers in need of firm-specific or industry-specific skills would demand higher social spending to protect against longer spells of unemployment or possible loss of income when forced to move between jobs with different skill requirements (Estevez-Abe et al., 2001). The implications from this logic suggest that provision of welfare benefits is more likely to be higher in regions with higher skill specificity as social insurance makes it possible for workers to move across sectors without
1.4 Research Design and Methods

In order to answer this research question, I employ a multi-method research approach combining quantitative and qualitative methods. After studying the subnational variation within China, I examine the effects of welfare institutions on the general public. I first use an originally compiled dataset in order to study the broader effects of threats to social stability on the subnational variation in pension coverage in urban China. I then rely on individual-level survey data and fieldwork to examine the specific characteristics of collective action to understand the role of the threat to social stability on the selective distribution of pension benefits in contentious rural China. After studying the political mechanism behind selective distribution of welfare benefits in urban and rural China, I use a publicly available longitudinal dataset in order to look at the effects of different welfare institutions on general social trust among the public.

1.5 Plan of the Dissertation

Chapter 2: The History of Welfare Development in China Chapter 2 provides an overview of the history of welfare development in China to further our understanding of the political issues that are addressed in the forthcoming chapters. The chapter first examines the welfare systems before and after the Maoist period, and proceeds to discuss welfare development trajectories in old-age pensions, medical insurance, and social assistance (minimum livelihood subsistence system). The welfare system during the Maoist era, characterized as the “iron-bowl system” or “cradle-to-grave” system of welfare, was dismantled with the economic reforms spearheaded by Deng Xiaoping. The emphasis on economic growth, productivity, and efficiency may have built a stronger nation state, but has led to a plethora of social issues of urban-rural inequality, poverty, and regional disparities. The chapter demonstrates how the major social insurance schemes have developed in response to such rising
social discontent. Because welfare reform has been implemented with the political motive of eliciting regime support from different sectors of the public, the current welfare system is characterized as fragmented and stratified. Chapter 2 provides the context of economic transition and welfare development that has led to current irregularities, including issues of selective provision and variation in coverage.

Chapter 3: Globalization and Welfare State Expansion in Urban China Based on the context of economic reform, this chapter explores the question of how economic integration affected the welfare state in urban China. Previous studies on globalization and welfare state development have focused on the role of social organizations, partisan politics, and leftist parties to explain welfare state development as a response to economic integration. However, China has experienced a rapid expansion of welfare benefits in the absence of such societal and leftist forces. In this chapter, I investigate the interaction among globalization, domestic politics, and social welfare in China. I argue that the effect of globalization on welfare expansion is conditioned by levels of social unrest; governments expand social insurance in order to preempt insurgencies that may arise from increased exposure to the international economy. The political incentives behind welfare expansion in open economies with higher levels of social unrest are twofold: first, increased labor unrest creates industrial relations problems, increasing the risk of capital flight; and second, higher levels of labor unrest threaten regime stability, which may negatively affect cadres’ career advancement. I test this argument using an unbalanced panel dataset on 31 provinces in China from 2000 to 2015. I find that increases in social insurance coverage are a function of more exposure to global market activity and high levels of threat to social stability. The findings suggest that the combination of economic openness and threat to social stability speeds up the expansion of welfare coverage.

Chapter 4: Collective Incidents and Welfare Distribution in Rural China If pension coverage varies according to provincial levels of social unrest, what are the attributes
of social unrest that affect selective provision of benefits at the individual-level? Who receives welfare benefits, and why? Chapter 4 addresses these questions based on a study of land expropriation and pension compensation in rural China. I use in-depth interviews and a 2008 individual-level survey data on land expropriation to elucidate the mechanism behind the selective provision of welfare benefits in contentious rural areas. My findings show that certain attributes of collective demands may serve as a signaling mechanism of threat to regime stability, prompting government concessions in the form of welfare benefits. In the context of land requisition, the institution of compensation makes collective action difficult, leading farmers to resort to individual tactics to acquire higher compensation packages. Therefore, farmers who have made collective claims to higher-level officials were found to be more likely to receive pension benefits than those who have participated in claim-making with a bigger crowd. These findings contribute not only to the literature on welfare state development, but also to recent discussions on contentious politics in China.

Chapter 5: Welfare Institutions and Social Trust
This chapter examines the sociopolitical effects of the development of different welfare institutions. While the previous chapters have studied the political incentives and motives behind the decision to selectively provide benefits to the public, this chapter looks at the aftermath of such institutions. According to the World Values Survey, China has consistently reported levels of social trust that are among the highest worldwide. Such high levels of social trust in China goes against expectations that social trust would be largely absent or limited only to families or personal social networks in authoritarian regimes. This chapter aims to analyze the institutional sources of social trust, and further examine the politics behind generating and maintaining high levels of generalized trust in China. I argue that selective and non-selective welfare institutions have disparate effects on social trust. Evidence from multivariate analysis of the 2012 China Family Panel Studies Survey based on 28 administrative divisions support my argument that selective welfare policies such as the Minimum Living Standard Scheme
(dibao) have a negative effect on interpersonal trust, while non-selective policies result in higher social trust. I further find that generating and securing social trust is critical for the Chinese Communist Party to induce citizens’ voluntary compliance, and thereby maintain regime stability.

Chapter 6: Conclusion The final chapter of the dissertation summarizes the argument, the findings of each empirical chapter, and their contribution to the broader literature. The analysis of economic openness and social unrest on provincial levels of pension coverage demonstrates the effect of securing social stability to battle public discontent brought by rapid economic development. The study on rural pension benefits as compensation to land requisition provides a unique setting to understand the specific characteristics that constitute “threats to social stability,” and how local officials respond to such threats with selective distribution. Lastly, the development of a fragmented and stratified welfare system points to how specific social institutions may affect social trust, and why generalized trust may be important for the regime to secure political survival. I close the dissertation with a discussion of its limitations and directions for future research building on the current study.
Chapter 2

The History of Welfare Development in China

2.1 Introduction

On February of 2017, hundreds of Chinese military veterans demonstrated in central Beijing for two days, demanding unpaid retirement benefits (Wen and Blanchard, 2017). While multiple news sources have covered the protest, one news outlet cites a veteran protester addressing his fellow protesters:

We have suffered injustice in our country for the past 20 or 30 years. We are non-people, and now are being targeted for stability maintenance. We are the tragedy of the People’s Republic, and a shameful entry in its history (Long and Mudie, 2017).

Protests regarding social security benefits such as unpaid pensions have been on the rise since the 1990s. According to a past survey of Chinese and foreign newspapers from 1996 to April 2001, virtually all of the 62 working-class protests reported in various news sources concerned benefits for laid-off workers (29%), wages (34%), or pensions (42%) (Hurst and O’Brien, 2002). Such rising discontent of the working class has often been attributed to a common nostalgia for the Maoist era (Lee, 2000a; Cai, 2002; Hurst and O’Brien, 2002). Gao (2013) argues that the nostalgia for the Mao era stems from the past experience of the “iron rice bowl” system, in which a state-owned enterprise or government agency guaranteed job security from “cradle-to-grave.”
As can be seen in the public nostalgia for the Maoist period and rising public discontent, Chinese social policy has experienced immense changes during the transition from a highly centralized communist “iron rice bowl” regime into a socialist market economy (Sander et al., 2012). After the market reforms headed by Deng Xiaoping that drastically changed the nation’s economic landscape, China had to undergo massive birth pains to deal with emerging issues such as poverty, unemployment, and social inequalities. Issues of social security and welfare have become increasingly contentious as China continues to expose its economy to intense international competition. According to Figure 2.1, the total number of labor disputes has increased drastically between the years 2007 and 2008. Among the recorded disputes, those that were caused by issues of social insurance and welfare have steadily increased, experiencing slight hikes between the years 2003-2004 and 2007-2008. In 2014, social security issues were one of the major causes of labor disputes: social insurance and welfare related disputes accounted for 22.51% of the total number of cases, whereas work injury insurance-related disputes accounted for 13.72%.

Figure 2.1: Total Labor Disputes on Social Insurance/Welfare

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In order to address the rising trend of discontent regarding social security in response to the transition towards a market economy, President Hu Jintao departed from the former leadership’s emphasis on economic growth and advanced the “scientific development theory.” The main components of this ideology include sustainable development, social welfare expansion, and the creation of a “people-oriented” and “harmonious” society (Zuo, 2015). Ever since the shift from a growth-oriented to a people-oriented ideology, the Chinese Communist Party has introduced various welfare reforms to provide and expand social insurance to its public.

How has China’s welfare regime transformed to address public demands? What kind of welfare institutions have been set in place in order to secure political legitimacy and regime survival? What was the underlying rationale when implementing new welfare reforms? In order to understand the sociopolitical issues of China’s emerging welfare regime such as the subnational variation in provision or urban-rural segregation, it is imperative to grasp the complex history of China’s welfare development. In this chapter, I provide a brief historical overview of the welfare development in China to further our understanding of the political issues that are addressed in the forthcoming chapters. I first examine the welfare systems before and after the Maoist period, and then discuss welfare developments in old-age pensions, health care, and social assistance. Finally, I identify the current sociopolitical issues characterizing the new welfare regime.

### 2.2 The Maoist Era

The first historical phase of social welfare development since the establishment of the People’s Republic of China (PRC) is known as the Maoist period. The Maoist period refers to the time between the founding of the PRC until the beginning of economic reforms initiated by Deng Xiaoping in 1979 (Sander et al., 2012). Social security during the planned economy introduced by Mao Zedong was described as the “iron rice bowl,” which reflected egalitarian and collective values (Leung, 1994). In October 1950, the Government Administrative
Council announced the Labor Insurance Regulations (LIR), the centerpiece of a nationwide welfare system that covered benefits for sick and disabled workers as well as providing retirement benefits (Selden and You, 1997). The LIR, or Labor Insurance Law was promulgated in 1951 and initially covered employees in state-operated, joint state-private, cooperative and private factories and mines with 100 or more workers and staff, which was under 10% of the total industrial labor force (Selden and You, 1997). Social security included benefits for sickness, maternity, work injury, invalidity and death, and old age (pensions) (Leung, 1994). According to the LIR in 1951, pensions were to be provided to male worker or staff member who has reached the age of 60, with 25 working years and the standing in his own enterprise of 10 working years (Article 15). Pensions were also provided to female workers who reached the age of 50, with 20 working years and the standing in her own enterprise of 10 working years (Article 15). Female workers were also entitled to 56 days of paid maternity leave (Article 16).

As the eligibility for newly introduced welfare schemes demonstrate, the LIR reflected the intention of the government to elicit regime support from urban employees during a period of nation building and economic recovery (Leung, 1994). Though the idea was to fulfill societal needs from “cradle to grave” for all, the social security system has introduced differing welfare policies to the urban and rural population due to the Household Registration System. For example, the urban social security system followed a subsistence principle: people would rely first on the family, second on the work unit (danwei), third on neighborhood organizations, and fourth on the state (Müller, 2016). In short, work units in SOEs were mainly responsible for providing comprehensive, non-contributory, and cradle-to-grave services to their urban employees (Stepan and Quan, 2016). For the few individuals without working ability in urban areas, the government provided minimal levels of material relief in the form of cash payments targeted at the “three no’s”: households with no dependents, no source of income, and no working ability (Leung, 2006).
On the other hand, in rural areas, rural collectives or communities replaced the responsibilities and roles of the work unit and neighborhood organizations; the role of the state was limited (Müller, 2016). Specifically, land plot and family support were regarded as ideal pillars of welfare provision for the peasants in rural areas (Shi, 2006). Based on the rural residents’ dependency on their economic co-operatives for social security, the government introduced the “Five Guarantee System” in 1958 to provide care for the elderly, disabled, and young orphans who do not have family support (Leung, 1994). The five guarantees consisted of food, fuel, clothing, education, and funeral expenses (Wong, 1998).

Despite the discrepancy in the institutions that provided employment and social security between urban and rural areas, social welfare during the Maoist era aimed to establish the iron rice bowl framework through the workplace. Each work unit thus functioned as a self-sufficient welfare society wherein individuals received employment and income protection as well as heavily subsidized benefits such as housing, food, and education (Leung, 1994, 2006). These “mini welfare states,” either communes or work units, were essentially based on the ideas of lifelong job tenure, egalitarian wage, and social security (Ringen and Ngok, 2013).

2.3 Economic Reforms and Transition

The iron rice bowl was dismantled after the economic reforms initiated by Deng Xiaoping in 1979. The official line of the Third Plenum of the Central Committee of the 11th CCP Congress, held in 1978, emphasized economic construction, replacing the previous priority of class struggle and political movement (Leung, 1994). The Third Plenary Session in December 1978 was thus a defining moment in China’s economy; the annual average growth rate that was at 6% between 1953-1978 had increased to 9.4% post-1978 to 2012 (Cheremukhin et al., 2015).

However, such economic growth and liberalization had an immense impact on the existing structures of welfare and social security provision. Implicit lifetime employment was replaced by massive layoffs, widespread unemployment, forced early retirements, and fre-
quent failure to provide wage, pension, and health-care benefits (Giles et al., 2006). Figure 2.3 shows the percentage of registered unemployment in urban areas, which has increased from 1.8% to 4.2% between 1985 and 2005. Noting that this data only accounts for *registered* unemployment in urban areas, actual unemployment rate may be higher when including the unregistered and unemployed in rural areas.
From 1998 to 2003, the accumulative total number of employees laid off from SOEs was 29.19 million; those laid off were mainly around 40-50 years old, poorly educated, low skilled, and mostly female (Leung, 2006).

In the midst of rising demand for welfare in China, it was gradually accepted by the leadership that a market economy cannot function without the support of some kind of social provision, and that an alternative system that could function with a market economy had to be put in place instead of the old provisions (Ringen and Ngok, 2013). Furthermore, work units in SOEs and agricultural communes that were expected to provide cradle-to-grave services proved to be incompatible with a competition-based, market-oriented economy (Sander et al., 2012).

In the urban areas, efforts to address the social consequences of economic reform began with expanding employment via two channels: first, by expanding commercial and service sectors; and second, by establishing more job channels such as developing labor service companies and encouraging individuals to create their own jobs/businesses (White, 1987). By 1986, however, the labor-contract system was introduced to facilitate labor productivity and work incentives; in other words, the policy of full employment was dismantled and replaced with a system of individual contracts as an effort to develop a “conservative welfare system” (Leung, 1994; Ringen and Ngok, 2013; Huang and Guo, 2016). In short, the government adopted an approach that was characterized by a clear priority on economic growth and a strengthening of flexibility and competitiveness, which further implied a state withdrawal from welfare provision (Sander et al., 2012).

In the case of rural areas, a decollectivization movement was followed by a disbandment of the commune system in 1983, which pushed households to become the basic economic unit of production (Leung, 1994). The individual family therefore was expected to bear the brunt of responsibility for protection against contingencies. During her fieldwork, Croll (1999) finds that extended families, lineages, and clans have re-appropriated their roles as local organizers.
of services and social assistance in the villages, and that it is still the immediate family which is expected to provide main support and care for the individuals.

The contrast regarding the burden of welfare provision falling on the family versus the SOEs demonstrates how the state thought of urban and rural areas in the context of economic growth. The number of recommendations set up by the Ministry of Civil Affairs in 1992 regarding the future development of retirement insurance in rural areas provide further insight (Leung, 1994, p. 355):

(a) Rural residents should not have a pension system similar to employees in cities;
(b) The notion of retirement should not be strictly enforced in the rural areas; peasants should be encouraged to continue working after reaching the official retirement age for city employees;
(c) The insurance scheme should be primarily based on individual contributions supplemented by assistance from the collectives and supported by state policies;
(d) Self-reliance and family care should be emphasized;
(e) The state should not be a provider of resources;
(f) The level of protection should be basic and minimal;
(g) Regional variations in provision are acceptable.

As can be seen in the official recommendations when designing pension policies for rural residents, state emphasis on economic growth led it to contain welfare costs at the expense of those who did not benefit from increased economic integration. During the early stages of economic reform, the official policy was “Let some people become rich first” (Cheng, 2007). Such focus on economic primacy as well as disparate practices on addressing welfare needs of the rural and urban public eventually led to massive social discontent.

2.4 A Harmonious Society (hexie shehui)

The overemphasis on economic development and efficiency contributed to widening income gap and greater urban inequality that influenced Chinese society’s social order and stability
By 1978, urban per capita incomes were already growing at more than double the rate of rural farm incomes, and the post-1978 reforms have further widened this gap (See Figure 2.4). By 2000, urban per capita incomes were three times higher than the rate of rural net incomes; urban incomes experienced a drastic increase from 1990 onwards, while rural incomes increased slightly around 1995.

![Figure 2.4: Per Capita Annual Net Income](image)

In addition to rising rural-urban inequalities, a hierarchical distribution of the quality and quantity of welfare benefits could also be seen. Davis (1989) finds that in the case of primary education in the 1970s, children of military officers attended elite schools with small classes, specially trained teachers, and enjoyed menus enriched with eggs and milk at no (or low) cost to their parents; children of workers in urban collective went to neighborhood schools, while children of the peasants (rural farmers) had the lowest quality schools at a higher relative cost to the parents. Despite substantial local differences, as a rule of thumb, the urban population remained entitled to much better public services and more diverse and effective social protections than the rural population (Mueller, 2016).

Starting in the late 1990s, the Chinese government increasingly came to realize the destabilizing potentials of the severe income disparities and highly unequal distribution of aggre-
gate welfare gains from growth (Sander et al., 2012). After all, the seeds of widespread social unrest are sown as most of the farming population cannot share in the benefits from the country’s growing economy (Cheng, 2007). As Figure 2.1 demonstrates, the number of total labor disputes nationwide has been steadily increasing since 2000, experiencing a massive hike between 2007 and 2008. The number of labor disputes caused by issues of social insurance and welfare has also increased steadily since 2000, with small peaks between 2003-2004 and 2007-2008.

In response to the threat of social instability and unrest due to rising social inequalities, the government shifted its growth-oriented strategy to that which emphasized the building of a “harmonious society” after President Hu Jintao’s assumption of office in 2003 (Sander et al., 2012). According to President Hu Jintao’s speech to the Seminar of the Political Bureau of the CPC Central Committee on February 23rd, 2005, “harmonious society” is defined as building a society based on the development of democracy, the rule of law, justice, sincerity, amity, vitality, and fostering better relationships between people and government as well as between men and nature (Cheng, 2007). Though the Chinese definition of the above concepts may differ from conventional notions of democracies and their characteristics, the state has since took major steps toward building a harmonious society via the expansion of welfare programs.

By the end of the 1990s, urban social assistance, health insurance, and pensions were available for the traditionally privileged groups, namely the public sector and urban formal sector workers (Ringen and Ngok, 2013). There have been additional efforts to provide adequate welfare services to the rural areas as well. Experimentation with rural pension insurance and rural medical insurance was intensified in 2002 and 2003; agricultural taxes were abolished in 2006; in 2007, free compulsory education was introduced to rural children and the Minimum Living Standard Scheme (MLSS, dibao) was pledged to be extended to rural China (Ringen and Ngok, 2013).
Some of these efforts have been a part of the 11th Five Year Plan’s new slogan for the rural areas, titled “building a new socialist countryside (shehui zhuyi xin nongcun jianshe)” (Naughton, 2005). Under the New Countryside program, emphasis is placed on four aspects: reducing the farmer’s burden through the exemption from agricultural tax; improving rural infrastructure; promoting education and social security; and allocating more funds to rural development (Cheng, 2007). The main initiative underpinning the New Countryside program is to increase the national budget allocation to address “the three farming (sannong) issues,” referring to the problems in rural areas, agriculture, and peasants (Zheng, 2010).

Through expanding welfare services in both rural and urban areas, President Hu and his administration aimed to deflect any potential mobilization of the masses against the process of China’s economic reform by emphasizing “putting people first” (Xing, 2009). In summary, with this newly launched concept of “harmonious society,” “scientific development,” and “putting people first,” the Chinese government under President Hu has strived to achieve a balance between adequate social security and labor market flexibility (Sander et al., 2012). Before examining the emerging controversies surrounding a new welfare state in China, I provide a brief overview of some of the key social policy areas that have been developed during this period.

2.4.1 Old-Age Pension

China’s first formal pension scheme, the Basic Old-Age Insurance System for Employees (BOISE) was initiated in 1951, targeting urban employees, which was soon followed by the Basic Old-Age Pension System for Civil Servants (BOPSCS) for civil and military servants in 1952 (HelpAge International, 2013). During this phase, it was considered that income security would be provided by state-owned enterprises in which statutory responsibility did not extend to those outside state employment.

State-owned firms in the planned economy had ample profits to pay for a wide range of social services; in a market-based economy, however, these firms not only lacked sufficient
profits but were often extremely unprofitable (Freedman and Yanxia, 2016). In 1991, the State Council announced a nationwide policy to entail: a basic pension for retired state enterprise workers; an individual account to which workers would contribute during their active work years and draw upon in their retirement; and optional supplemental pension insurance which enterprises and individuals could purchase for additional retirement income (State Council Document No. 33) (Frazier, 2004). The development of the urban pension system in the late 1990s and early 2000s was thus characterized by a gradual transformation from a purely SOE-focused system into an increasingly universal scheme (Sander et al., 2012). This 1991 Decision to establish a Unified Basic Old-Age Insurance for Enterprise Employees (BOISEE) was introduced in 1995, which was extended to the private sector in 1997 (HelpAge International, 2013). The basic structure of the revised system is a mandatory two-pillar pension comprising a defined benefit “social pension” plus defined contribution “individual accounts” (Dunaway and Arora, 2007).

Compared to the urban old-age insurance system, the rural pension program is still underdeveloped. Originally, traditional thinking did not endorse the creation of a rural old-age insurance program, as Confucian values supported old-age protection through members of the extended family (Liu and Sun, 2016). However, such notions were unsustainable with the economic transformation during the 1980s. The government took initial steps to introduce county-level pilots in a limited number of provinces, which led to the introduction of the rural pension schemes at the county level in 1992. However, this basic scheme suffered from issues of coverage and financial sustainability, as wealthier areas were able to participate and contribute more while poorer areas lagged behind (HelpAge International, 2013). Rural programs remained piecemeal and voluntary until reforms in the latter part of the first decade of the 21st century refocused efforts on building a more comprehensive rural social insurance system (Freedman and Yanxia, 2016).

Through the trials and errors of the pilot programs on rural pension schemes, the central
government issued the New Rural Pension Scheme (NRPS) in 2009, which demonstrated a wider government commitment to build a “new socialist countryside” (Quan, 2012). The NRPS is a two-pillar system based on a contingent non-contributory social pension pillar and a voluntary funded defined contribution pillar; working age rural residents are eligible for a social pension benefit after they have contributed to the defined contribution for at least 15 years and have reached retirement age (60 years old for both genders) (Calvo et al., 2016). Since its introduction in 2009, the pace at which coverage of the NRSPS has increased has been unprecedented.

2.4.2 Medical Insurance

In terms of health care, the pre-reform stage was characterized by a highly unified system of government-run health care provision that covered nearly the entire population, both in urban and rural areas (Sander et al., 2012). The Free Medical Service program in 1952 provided health care for civil servants; the Labor Medical Service program in 1951 covered employees in industrial enterprises; and the rural Co-operative Medical System (CMS), based on communes and production brigades, provided health care to rural China (Dong, 2009; Duckett, 2011).

However, the CMS collapsed in the 1980s due to not only economic decollectivization after 1978, but also a 1981 reversal in the Ministry of Health policy (Duckett, 2011). Duckett (2011) argues that the collapse of the CMS occurred largely after the policy had been abandoned after being branded as a “leftist product,” and moreover lacked funding. The virtual absence of a healthcare system in rural China meant that rural residents would be more exposed to health risks, which may lead to surging appeals and criticism against the government. Urban health insurance schemes were also crippled by the rapid rise of medical costs and the inefficiency of SOEs (Meng and Tang, 2010).

In order to address the looming issues of health service, the central government implemented various policies on health care that now characterize the basic social medical
insurance system in China. The current Basic Social Medical Insurance (BSMI) consists of three schemes: basic social medical insurance scheme for urban employees initiated in 1998; New Rural Cooperative Medical Insurance for Rural Residents program officially established in 2003; and the basic social medical insurance for urban residents program which has been piloted in 79 cities since 2007 (Dong, 2009). The medical insurance for enterprise employees (also available to the self-employed who pay all contributions) is obligatory for the employing enterprises and employees, with contributions paid by both parties; on the other hand, the non-enterprise medical insurances pool contributions by the individuals and the state (Ringen and Ngok, 2013). Enrollment in the medical insurance for urban residents is voluntary at the household level. In 2007, the penetration ratio of the basic medical insurance system for urban employees increased to 64.6% of the total urban population from 5% in 1998; the new rural cooperative medical insurance scheme was implemented in 85.6% of the counties in China, in which 86.2% peasants enrolled; and the basic social medical insurance for urban residents covered 42.91 million people (Dong, 2009).

2.4.3 Unemployment Insurance

Unemployment insurance was first introduced in 1986 in order to help facilitate economic reforms that would increase productivity and competitiveness by giving SOEs autonomy in recruitment, adoption of labor contracts for all staff, and downsizing of redundant or unproductive staff (Vodopivec and Tong, 2008). However, the unemployment schemes set up in 1986 were under-utilized in the late 1980s, largely due to their restricted eligibility and narrow coverage (Leung, 2006). It only covered the SOE sector and was financed by enterprise contributions and without any contributions from workers. Those receiving assistance from the program were mainly workers whose contracts have been terminated and laid-off employees who have spent three years in the re-employment service centers but still could not find a job (Leung, 2006). The program offered basic living allowance to the unemployed for a maximum of two years. In 1993, new provisions expanded the unemployment insur-
ance coverage from four to seven categories of SOE workers and changed the basis on which benefits were determined; after the adoption of the new Labor Law in 1994 which specified minimum wage, unemployment insurance benefits were calculated based on 70-80% of the regional minimum wage (Vodopivec and Tong, 2008).

The “Regulations on Unemployment Insurance,” promulgated by Decree No.258 of the State Council in 1999, established the foundation of the current unemployment insurance scheme in China. Contrary to previous policies, the new regulations require contributions from both enterprises and individual workers; enterprises pay unemployment insurance premium at a rate of 2% on the basis of their total amount of salaries, while workers pay a rate of 1% on the basis of their own salaries (Article 6). Another significant change was the expansion of the unemployment insurance coverage beyond SOEs to include all urban workers, with the exception of civil servants (Vodopivec and Tong, 2008).

Finally, the regulations also enhance decentralization in which each province is allowed to determine the logistics such as benefit levels or duration in its implementation of the program. The overall planning for unemployment insurance funds as well as the standard for compensation are to be set by the people’s governments of provinces, autonomous regions, and municipalities directly under the central government (Articles 7, 8, 18). In the case of compensation, workers receive benefits that are lower than the local minimum wage but higher than the minimum living security standard for urban residents. According to the China Labor Bulletin, 173 million workers, including just 42 million rural migrant workers, had unemployment insurance at the end of 2015.2

2.4.4 Minimum Living Standard Scheme

The Minimum Living Standard Scheme (MLSS, dibao) provides access to a locally determined minimum subsistence level of cash support, conditional on family income (Ringen and

Politically instituted to handle the people most severely affected by economic restructuring, in the hopes of rendering them quiescent, the MLSS provided support to urban households that fell below a predefined poverty threshold (Sander et al., 2012; Solinger and Hu, 2012). This means-tested program is based on a budget-standard approach, in which the assistance line is calculated according to the minimum standard of living, based on expenditure surveys of low-income households and the financial capacity of local governments (Leung, 2006). However, as there is no national urban poverty line in China, the standard varies across cities as localities are allowed to peg their own poverty lines (Solinger and Hu, 2012). Though the logic underlying the poverty line to be set below both the minimum wage and unemployment insurance benefits was to encourage recipients to accept employment whenever possible, this also had the effect of disincentivizing employment efforts as a recipient’s acquisition of even a tiny increment in income through occasional labor could lead to a drastic reduction of her household’s dibao disbursement (Solinger, 2008).

Controversy regarding the eligibility and coverage of the initial MLSS also surfaced. According to the opening circular issued in 1997, the three conditions for eligibility were (Solinger, 2013, p. 3):

a) A person without a source of income, have no work ability, and be without a legal supporter;

b) A person whose term for drawing unemployment relief had ended but who had not been able to get reemployed, and whose family’s average income was lower than the local minimum standard for poverty;

c) A person either still at work or laid-off whose wages or basic livelihood allowance—or a retired person whose pension—did not bring the person’s household average income up to the poverty line.

Excluded from these entitlements were migrant workers and rural residents. The decision to extend the MLSS to the countryside for rural residents was announced in 2006. Implemented nationwide in early 2007, the motivation was to standardize the program and absorb
or complement several pre-existing programs that had provided subsidies for poor households, such as the five-guarantee program and the subsidy program for destitute households (tekun jiuzhu) (Sicular, 2015). According to official statistics, the rural MLSS program grew quickly after becoming nationwide policy: in 2007, the rural MLSS program provided transfers to 36 million rural individuals (4.9% of the rural population) and accounted for 3/4 of the rural recipients of social relief; by 2011, the program covered 53 million individuals (8% of the rural population), which was more than double the size of the urban MLSS program (Sicular, 2015).

2.5 Conclusion

China has undergone drastic reform not only in its political economy, but also in its welfare system as well. From the iron rice bowl system to the social welfare system of today, the central government has introduced and implemented various social policies in an ad hoc fashion to address increasing public discontent after the transition to market economy. As can be seen in the trajectory of welfare expansion, welfare reform has been spearheaded with the political motive of eliciting regime support from different sectors (i.e. urban, rural, civil servants, SOE workers) of the public.

During the Maoist era, social policy has been provided through the workplace, wherein SOEs provided lifelong job tenure to urban employees and communes provided social security via land and family support to rural residents. However, after 1978, Chinese social policy has turned away from the logic of class struggle and “one pot” to that characterized by efficiency and economic output (Sander et al., 2012). The open market reform has radically changed the logic as well as distribution of welfare.

The overemphasis on economic growth and industrialization, thereby building a stronger nation state, has led to the neglect of achieving working class equality and justified the notion that some have to get rich sooner than others (Sander et al., 2012). With the introduction of the labor-contract system in 1986 to increase productivity and efficiency, the “iron rice
bowl” system as well as the “cradle-to-grave” framework was dismantled. Urban employees were exposed to increasing international competition and were forced to experience a commodification of labor, while rural residents were pushed to rely heavily on individual families and clans for social support after the disbandment of the commune system. During this period, the state prioritized economic development above all, largely retreating from the responsibilities of welfare provision.

With increasing urban inequality and urban-rural gap becoming a source of massive social discontent, the Chinese government shifted its policy of economic primacy to that of pursuing a harmonious society. Since then, China has unleashed a series of reforms to construct today’s welfare system that stands on the three pillars of social assistance (poverty relief), social insurance (pensions, medical insurance, work-injury insurance, unemployment insurance, and maternity insurance), and welfare services (Ringen and Ngok, 2013). Local governments have also become the main providers and sponsors of social welfare (Huang, 2015).

The current welfare system, despite its evolution and expansion of coverage, is not without its limits. One of the biggest problems and the main motivation behind the subsequent chapters is the fragmented welfare system characterized by an unequal distribution of benefits. There are different insurance schemes targeting largely four main groups of people: civil servants/public institutions employees, urban workers, urban non-employed residents, and rural residents. Each insurance scheme varies in its generosity and coverage according to eligibility. The plurality of social insurance programs in which each social group enjoys different welfare benefits inevitably leads to a fragmentation and stratification of the social security system. Huang (2015) finds that the stratified social welfare system ultimately weakens social groups’ capabilities for horizontal mobilization, which in turn enables the regime to maintain social stability. The highly decentralized and fragmented system has also been found to aggravate problems of effective pooling of funds, inducing compliance of
contribution from firms, and portability (Frazier, 2004; Dunaway and Arora, 2007; Dong, 2009).

Moreover, though social welfare has expanded, its distribution was and remains extremely unequal. In other words, while China has achieved near universal *access* to the basic components of social protection, the actual *provision* of protection is still varied and unequal (Ringen and Ngok, 2013). Despite the agrarian character of China’s revolutionary movement, it was urban workers and not farmers who reaped major welfare gains in the decades after 1949 (Selden and You, 1997).

In the case of old-age pensions, theoretically, each Chinese citizen is entitled to participate in the pension arrangement as of 2014. However, the level of benefits available to each citizen varies significantly: in 2011, the average monthly pension of civil servants and most public institution retirees was 2914 yuan, 1558 yuan for enterprise retirees, 78 yuan for urban elderly residents, and 57.5 yuan for rural elderly residents (Wang et al., 2014). Benefit levels vary widely within and between provinces as well. For example, in Kunming, pensioners receive 84 yuan per month, while those in Shanghai receive 540 yuan per month, which is five times higher than the standard in Kunming (Liu and Sun, 2016). In the case of health insurance, Huang (2014) finds that people with urban household registration, retirees, and incumbent employees are covered by social health insurance programs with generally higher levels of benefit, which implies a stratification occurring along three lines: urban versus rural, labor market insiders versus outsiders, and state versus non-state actors. The threshold for receiving MLSS also varies substantially among provinces and counties depending on the practices used to determine the local poverty line (Sicular, 2015).

Nonetheless, there have been efforts to flatten stratification and incomplete universalism. For instance, the “Ordinance Establishing a Unified Basic Pension Insurance System for Urban and Rural Residents” adopted in 2014 attempts to merge the two pension schemes in urban and rural China into a universal program. More importantly, in 2015, the State
Council issued the “Decision Concerning Pension Reform in the Government and Public Institutions” that brings approximately 40 million civil servants and public-sector employees (i.e. teachers, doctors, and science researchers) under the same pension rules as urban enterprise employees, wherein the former group must also make pension contributions as well (Liu and Sun, 2016). This can be seen as an effort to decrease the “privileges” enjoyed by civil servants and public-sector employees and thereby reduce the systemic inequities between them and the other social groups.

Such policies signal a positive development of the welfare system that is more sustainable and fair. Though reform may be on its way, it may take longer to be able to assess the flattening-out effects of the more recent policies as they need time to be implemented through the decentralized political system. It is important to understand that despite recent efforts to design an integrated program of social welfare, stratification still exists among different social classes and the welfare system is still rife with many irregularities. The following empirical chapters explore the different causes of such irregularities including issues of selective provision and variation in coverage, and further explores their social implications on regime survival.
Chapter 3

Globalization and Welfare State Expansion in Urban China

3.1 Introduction

The rise of globalization has inspired much debate on issues of economic inequality, social dislocations, and redistribution. The rapid economic growth brought about by market reform in China has also sparked discussion on the commodification of labor and its effect in contentious politics (Lee, 2007). As a means to de-commodify labor and alleviate potential sources of instability, previous studies on globalization and welfare state development have argued that the rise of the welfare state serves to compensate for the social costs of globalization (Cameron, 1978; Avelino et al., 2005).

China has indeed experienced an unprecedented expansion of welfare benefits during the past decade. Programs such as the Basic Pension Insurance for Enterprise Employees (qiye zhigong jiben yanglao baoxian), New Rural Old-Age Insurance (xinxing nongcun shehui yanglao baoxian), or the Urban Residents’ Old-Age Social Insurance Pension (chengzhen ju-min shehui yanglao baoxian) provide old-age pension insurance for the working population as well as both urban and rural household registration holders. The coverage of these pension programs has increased dramatically as well (see Figure 3.1). The percentage of people par-
lapping in the Basic Insurance for Urban Employees to the urban population has increased from 32.2% in 2006 to approximately 46% in 2015. In the case of the New Rural Old-Age Insurance, the number of contributors increased substantially over a 1-year period; approximately 50% of the rural population was contributing to the New Rural Old-Age Insurance program in 2011, a 35% increase since the previous year (see Figure 3.2).

Figure 3.1: Coverage of Basic Insurance for Urban Employees (% of Urban Population)

Government spending on social safety net and employment effort has also increased from 5447.16 million yuan in 2007 to 19018.69 million yuan in 2015; such drastic increase in spending has occurred during China’s rapid growth that relied heavily on exports (Guo and N’Diaye, 2009). Despite such rapid expansion of welfare programs in line with China’s economic growth, the developmental trajectory of welfare in relation to globalization has not received much scholarly attention. Existing scholarship on the relationship between globalization and welfare state development has mainly focused on the role of leftist institutions and social organizations in OECD countries (Garrett, 1998; Rodrik, 1997). However, China has experienced welfare state expansion without a strong labor organization or party orientation comparable to that of Western Europe. Welfare state development in the absence of substantive political reform further defies conventional expectations that democracies are likely
to experience larger increases in the public economy due to electoral competition (Cameron, 1978).

**Figure 3.2: Contribution to New Rural Pension Insurance (% of Rural Population)**

The discrepancy between existing literature and the case of China leads to the main puzzle of this research: how was China able to achieve welfare state expansion during economic integration despite the lack of an institutionalized left, electoral participation, or political reform? To further our understanding on the effect of international economic integration on social policy development in China, I identify and test an updated model of the compensation theory. I argue that the effect of globalization on the expansion of welfare is conditioned by social instability. Economic openness shapes the size of the public sector conditional on the threat to social stability. In other words, I test the idea that governments expand social insurance in order to alleviate potential discontent that may arise from increased exposure to the international market. Using a time-series, cross-sectional provincial-level dataset of China, I examine the subnational variation of social insurance coverage on the interaction between trade openness and levels of social unrest. Coverage will be high in provinces that are more open to trade and experience higher levels of threat to social stability.

I argue that the political incentives behind welfare expansion in open economies with
higher levels of social unrest is twofold, both based on local officials career prospects: first, increased labor unrest creates industrial relations problems, which may pose the threat of capital flight; second, higher levels of labor unrest threaten social stability, which is emphasized as the overriding principle of the Chinese Communist Party. Local officials who fail in securing social order are unlikely to receive promotion, which incentivizes them to preempt mass incidents that threaten regime stability by expanding social protection for those negatively affected by globalization.

I expect that my analysis of the Chinese case will address limitations in the study of globalization and welfare state development by providing a new framework that highlights political survival as a strong incentive for politicians to expand social protection in non-democracies. This chapter will further provide insight to the expansion of the public sector in authoritarian regimes that do not support an institutionalized left or social organizations that are conventionally seen as main casual factors behind welfare state development.

This chapter begins with a discussion of existing studies on globalization and the welfare state as well as previous scholarship on Chinese social welfare. It then continues by developing a theoretical framework to explain the logic and the incentive structure behind welfare provision in response to increased economic integration, and formulates two hypotheses for empirical testing. The remaining sections test the proposed hypotheses using an originally constructed dataset drawn from statistical yearbooks in China, covering 15 years from 2000 to 2015.

3.2 Globalization and the Welfare State

The international integration of markets for goods and services has inspired research on the interaction among globalization, domestic politics, and social welfare (Cameron, 1978; Esping-Andersen, 1990; Adserà and Boix, 2002). However, there has been a lack of agreement on whether governments respond to globalization with social policies by protecting people’s welfare against the vagaries of the international economy or by cutting costs for international
The compensation hypothesis argues that governments use a variety of policy instruments to protect their economies from the competitive risks of the international economy (Cameron, 1978). Increased exposure to the international market are likely to experience social instability and discontent, which creates electoral pressure to government officials to protect domestic interests by strengthening social insurance mechanisms (Avelino et al., 2005). The welfare state is thus a mechanism for compensating the social costs of globalization, wherein social spending acts as a risk-reducing instrument in open economies (Rodrik, 1998).

On the other hand, proponents of the efficiency hypothesis argue that governments will cut costs on social spending in order to secure competitiveness in the international market. High levels of social spending may be reflected in the costs of labor, which in turn will affect domestic firms’ ability to compete in the international market (Kaufman and Segura-Ubiergo, 2001). Increased capital mobility adds on to the pressure to cut costs as international investors normally avoid investing in countries that spend beyond their means and also pose a higher risk of capital flight. Kaufman and Segura-Ubiergo (2001) finds that social security transfers, mainly pensions, are more vulnerable to the negative effects of international economic integration, while Rudra (2002) argues that social welfare in developing countries highly endowed with low-skilled labor is also more likely to be adversely affected by globalization.

When evaluating the compensation-efficiency debate, studies have often examined the intervening role of regime type on social spending (Adserà and Boix, 2002; Avelino et al., 2005; Haggard and Kaufman, 2008; Wibbels and Ahlquist, 2011). Economic integration is more likely to lead to public sector expansion in democracies that are subject to electoral competition and interest group pressures (Avelino et al., 2005). In an open economy, authoritarian regimes were more likely to retrench on social programs compared to their democratic coun-
terparts (Adserà and Boix, 2002; Huber et al., 2008). Rudra and Haggard (2005) similarly find that trade openness has an adverse impact on social security and welfare spending of non-democracies. On the contrary, research that focus on postwar economic strategies find that protectionist countries, not democracies, pursuing import substitution industrialization developed extensive systems of social insurance (Wibbels and Ahlquist, 2011).

Unfortunately, the unprecedented expansion of welfare in China during the last decade has largely been neglected from the ongoing debate on the relationship among regime type, economic integration, and the public sector. The political mechanism of the compensation argument also has limitations in explaining the increases in social spending in China. More open economies tend to strengthen left-labor movements, which in turn result in larger demands for government transfers (Cameron, 1978; Garrett, 1998; Swank, 2002). Moreover, developing countries in which labor lack bargaining power due to collective action problems are expected to contract social spending, as such countries tend to emphasize competitiveness by taking advantage of surplus labor (Rudra, 2002). However, such theories are not apt to explain the Chinese case, as labor has very little bargaining power in China despite having the highest union density in the developing world (Chan and Senser, 1997).

3.2.1 Welfare Development in China

The lack of theorizing on the relationship between international economic integration and its effects on welfare development in China has triggered research on the Chinese case and its implications to welfare expansion in authoritarian regimes. Subnational inequalities in the provision of various social policies have been commonly identified as a major problem in the current social welfare system in China, and often used as a starting point of discussion in existing scholarship. Huang (2014) identifies the fragmented social health insurance system which serves the authoritarian leaders’ interests in maintaining regime stability through the consolidation of societal divisions and prevention of horizontal mobilization. Selective provision of old-age pension along the lines of urban versus rural residents, state-owned enterprises
and non-state enterprises, and permanent versus migrant workers have also been examined (Frazier, 2004; Freedman and Yanxia, 2016). However, the main causes behind such fragmentation have been attributed to different political and economic factors. One such explanation of the subnational variation in welfare provision concentrates on the economic calculus of welfare allocation. Frazier (2010) examines the historical background behind the development of public pensions as a response to uneven growth and examines local governments’ revenue-raising and expenditure assignments as key in understanding the development of pensions. Huang (2004) finds that rural leaders in developing industrial sectors are more likely to provide better health care, while Solinger and Hu (2012) argue that wealthier locales provide more assistance to those viewed as unsightly or incompetent to incentivize them to stay at home, keeping them away from the regular labor market and thereby achieving a modern city appearance.

Contrary to the economic incentives regarding welfare provision, other studies have focused on the political incentives of local officials. Social welfare expansion as a main component of the sustainable development ideology set forth by the Party (Zuo, 2015), or the role of career trajectories and the struggle for political survival on the level and distribution of education spending (Lü and Liu, 2013) have been studied as incentives for local officials to target social welfare growth. Another perspective focuses on expanding welfare to maintain regime stability. Wallace (2014) attributes China’s successful maintenance of stability to redistributive policies targeted toward the countryside, along with the household registration system that effectively manages urbanization. Chen et al. (2016) find that local officials were most responsive to public requests regarding the Minimum Livelihood Guarantee (dibao) that were made with the threat of collective action. Huang (2015) examines the interaction between central and local incentives, in which central leaders, due to their emphasis on regime survival and stability, delegate discretionary authority to design the coverage and generosity of social health insurance to local leaders.
Based on this recent scholarship on local incentives to expand social welfare, I present a theoretical mechanism of welfare expansion that is conditioned by levels of social instability in the next section. I further propose a local incentive structure based on the mechanism of political survival and career advancement, and formulate hypotheses for empirical testing.

3.3 Theoretical Discussions: Political Incentives for Social Policy Expansion

In this section, I present a theoretical mechanism to explain the subnational variation of social policy development in China. This mechanism relies on the political survival and career advancement of local officials as the main motivations behind their provision of social protection. Globalization, labor unrest, and social policy affect local officials career concerns in two ways: first, labor unrest poses the threat of capital flight, which might negatively affect economic development of the province; second, labor unrest threatens social stability, which may also lead to a negative evaluation of cadre performance.

Previous studies on the compensation hypothesis have relied on the implicit effect of social instability to explain governments that expand commitments to social spending. Countries that increase exposure to international markets are likely to experience social dislocations, uncertainty, and unequal distributive effects (Kaufman and Segura-Ubiergo, 2001). This in turn creates a potential for political instability and may ultimately endanger politicians positions in government (Avelino et al., 2005; Kaufman and Segura-Ubiergo, 2001). Therefore, in order to keep instability at bay and dampen potential insurgencies, governments will be more willing to provide social protection for dislocated and aggrieved sectors from globalization.

However, the translation of the political demand to public policy should depend on the risk of instability, which is clearly a variable. By excluding the political variable that captures instability from empirical analysis, proponents of the compensation hypothesis have assumed
that a sizeable public sector is a routine and functional requirement of a free trade regime (Adserà and Boix, 2002), and/or that political instability is an automatic and constant factor that is linked with trade openness. Excluding the effects of political instability from the model fails to effectively explain the subnational variation in the generosity and coverage of social insurance schemes: provinces or states may experience varying levels of social unrest, which may in turn lead to differing levels of social policies within a country.

By interacting labor unrest with globalization, I argue that the effect of globalization on welfare expansion depends on the threat to social stability. Openness to trade shapes the size of the public sector conditional on the level of political instability in place. This also refers to previous work that studies the effect of threat to social stability and/or prospects for political survival on the distribution of welfare benefits in authoritarian regimes (Albertus et al., 2016; Gandhi and Przeworski, 2006; Svolik, 2009; Wallace, 2013). Based on this discussion, I formulate the following hypotheses for empirical testing:

**Hypothesis 1-1:** Provinces with higher economic openness will be associated with welfare expansion.

**Hypothesis 1-2:** Provinces in open economies with higher levels of social instability will be associated with welfare expansion.

The model I develop in this chapter thus builds on the compensation hypothesis that globalization leads to increased levels in welfare benefits, which is conditioned by levels of social instability. The political mechanism by which social instability affects the relationship between economic integration and welfare expansion lies on the career prospects of local officials. Social instability threatens local officials’ career advancement by obstructing the achievement of prescribed “targets”: maintaining social order and economic development (a schematic representation the model appears in Figure 3.3.)
3.3.1 Maintaining Social Order

How does increased labor unrest incentivize local leaders to provide social insurance in the absence of electoral pressure? Maintaining stability and strengthening political and legal work in order to safeguard social stability have been the most prioritized political task for the CCP since the Tiananmen Crisis (Yang, 2017b). The tendency to localize responsibility for stability maintenance and strengthen the implementation of an integrated public security management have become increasingly codified by the 2000s (Lee and Zhang, 2013). As is the case, maintaining social order has become one of the priority targets of the “Target Responsibility System” that affects local leaders’ political careers (Chou, 2005; Edin, 2003). Local officials who fail to meet priority targets, family planning and social order, are likely to be vetoed in future appointments regardless of their work performance (Chou, 2005; Edin, 2003; Huang, 2013).

The cadre evaluation system is one of the most important components of government personnel management in China, as its results influence decisions about career appointment, promotion, transfer, and removal (Wang, 2013). Evaluation results reflect not only the scores
for performance targets discussed previously, but also that of public opinion (minyi diaocha) (Zuo, 2015). One of the most interesting developments of the cadre evaluation system beginning in the late 1990s was the introduction of citizen participation in performance measurement. The rate of resident satisfaction was listed in the evaluation framework and its weight was increased. For example, in Qingdao city, the relative weight of public satisfaction rate in performance measurement increased from 8% in 2006 to 14% in 2007 (Burns and Zhiren, 2010).

The nature of the cadre evaluation system thus leads local officials to achieve government mandated targets without compromising public opinion. The increasing weight of public opinion surveys on evaluation pressures local cadres to use non-repressive methods to mitigate social tensions. In such circumstances, selectively providing social insurance to aggrieved workers negatively affected by exposure to international competition emerges as an attractive tool to not only dampen potential insurgencies, but also secure favorable resident opinion. As enacting policies of the welfare state allows officials to resort to credit-claiming (Pierson, 1996), expansion of social protection to those who were formerly not eligible may work as a powerful tool for leaders to retain social control (Li, 2013). Local officials who wish to survive under the top-down evaluation system will aim to prevent social unrest from breaking out in their jurisdictions by proactively designing and providing social welfare benefits (Huang, 2015).

As is the case, efforts to curb labor unrest are important for maintaining social order, which will also increase the likelihood of receiving positive reviews on local officials’ evaluations. This provides the basis for the following hypothesis:

3.3.2 The Threat of Capital Flight

Labor unrest also poses the threat of capital flight, which may affect economic performance at the provincial level. Empirical studies on political turnover find that economic and fiscal performance enhances the promotional prospects of local leaders (Li and Zhou, 2005; Guo,
Economic performance has been assigned heavy importance in the target responsibility system (Tsui and Wang, 2004). High levels of labor unrest, however, may be adversary for attracting and retaining FDI. Government stability as well as ensuring law and order have been found to be highly relevant for investment decisions of multinationals (Busse and Hefeker, 2005). Busse and Hefeker (2005) also find that the absence of internal conflict, measuring political violence within the country and its potential impact on governance, is also a significant determinant of foreign investment inflows. Considering that motives such as low-cost labor or being close to export markets largely drove the investment decisions of transnational corporations during the 1980s and 1990s (Busse, 2004), China has long been a prime location for investment (Robertson and Teitelbaum, 2011). However, the advantages of securing access to low-resources in countries with repressive regimes have to be weighed against the possibility of protests by activist groups, involving negative publicity and the costs of public relations and consumer protests in the form of boycotts (Busse, 2004). Previous studies support this argument, finding that increased political instability has a significant impact on the likelihood of capital flight (Le and Zak, 2001; Lensink et al., 2000).

Integration into capital markets provides increased exit opportunities for international investors, who usually perceive contentiousness and noisiness of worker grievances as negative for investment (Robertson and Teitelbaum, 2011). Increased and prolonged episodes of labor unrest may thereby not only deter FDI, but also encourage capital flight, which may obstruct economic growth. The emphasis on economic performance for cadre evaluation further creates a political incentive for local officials to focus on coopting and preempting labor unrest through providing expanded social protection, especially for those exposed to greater economic volatility. The preceding discussion provides the basis for the following hypotheses:

*Hypothesis 2-1*: Provinces with higher social instability will lead to lower government
performance ratings.

Hypothesis 2.2: Provinces with lower performance ratings of local officials’ will expand welfare benefits.

3.4 Data and Methodology

3.4.1 Dependent Variable

The dependent variable in the analysis is the coverage of old-age pension for urban employees. The data is drawn from statistical yearbooks of 31 provinces in China, covering 15 years from 2000 to 2015. The outcome of interest is measured as the percentage of the number of people participated in the basic pension program to the total urban population of the province.

Studies on the effects of globalization on the size of the public sector have relied on government social spending as the outcome of interest (Rodrik, 1998; Avelino et al., 2005; Rudra, 2008). However, all types of spending measures are imperfect proxies for the actual payoffs that citizens receive (Kaufman and Segura-Ubiergo, 2001). Changes in social spending may be an effect of general changes in government expenditure, as trends in central government spending may have an impact on welfare spending for lower-level governments (Kaufman and Segura-Ubiergo, 2001).

I therefore rely on coverage of old-age pensions as it reflects the share of the population that actually has access to the benefits provided (Huang, 2015). The effects of a universal social policy, such as pensions, on a spending measure are realized over a long span of time; a significant policy change as an outcome of political struggles or economic conditions does not lead to an immediate increase in the spending measure (Lee, 2012a). Thus, in order to better understand the expansion of social policies as a qualitative outcome, this study focuses on the coverage of old-age pension for urban employees rather than social expenditure.
3.4.2 Independent Variables

Globalization The key explanatory variable is globalization, which is measured by trade openness (Adserà and Boix, 2002; Avelino et al., 2005; Huber et al., 2008; Krishna et al., 2014). Following conventional practices in most of the literature on globalization, trade integration is calculated as the ratio of the sum of imports and exports to Gross Regional Product (GRP).

Social Instability At the heart of my argument is the idea that the effect of globalization on welfare expansion depends on the level of social instability in China. I therefore examine the number of labor disputes as a moderating variable, interacting it with measures of globalization. Labor disputes are defined as controversies between employers and employees, including collective negotiations, strikes, or even violent unrests (Li, 2014). Taking into account the lack of reliable data on the number of protests or petitions, labor disputes are the most important form of collective actions in China, listed as the “troika” for social unrest along with land disputes and protests over pollution (Li, 2014).

I assume these measures will largely capture the openness of the economy and the level of social unrest at the province level. To correct for a highly skewed distribution, both measures were logged.

Cadre Evaluation The implicit mechanism behind the effect of social instability and welfare expansion is that higher levels of social instability will negatively affect cadre performance, which in turn creates the pressure for local officials to expand on the provision of welfare benefits. By doing so, local officials aim to compensate for the negative effect of instability on their evaluations.

However, recent studies on the cadre evaluation system have focused on the criterion by which cadres are evaluated for (Wang, 2013), the determinants of political promotion (Zuo, 2015), or the political implications of the target responsibility system (Edin, 2003). Quantitative analysis on how cadres are actually scored in their evaluations has been difficult.
due to limited data; internal Party documents governing cadre evaluation policies may be sensitive, thus difficult for systematic data collection (Minzner, 2014).

To shed light on the mechanism behind the incentive structure of welfare expansion, I thus draw from a 2012 individual-level survey data of the China Family Panel Studies (CFPS). I use a measure of performance rating as a proxy for cadre evaluation, which is constructed from the respondents’ answers to the question: “How would you rate the performance of county/district government last year?” The variable is coded categorically, taking the values from (1) worse than before to (5) good achievement. Though this is not a direct measure of top-down cadre evaluation, it allows for the indirect testing of the effect of local officials’ performance from the perspective of the public and how such public perceptions affect the provision of welfare benefits. Moreover, this measure also partially reflects the public opinion portion that factors into the evaluation results.

3.4.3 Control Variables

Several control variables will help isolate this main relationship and check for other influences on welfare coverage. I control for two factors of labor force composition: gender ratio and dependency ratio. Gender ratio is calculated as the ratio of male to female population of the province. Gender ratio is expected to increase with coverage as women may demand more protection than men in comparable jobs because of maternity leave (Estevez-Abe et al., 2001). Contrary to Estevez-Abe et al. (2001), however, I expect that gender ratio will affect coverage positively; provinces with more male population compared to female population will have higher levels of coverage, as the working population in China is still heavily male dominant.

Dependency ratio is measured by the number of people over 60 years old (aged population) divided by the number of people aged 20 to 59 (working population) (Rudra, 2002; Huang, 2015). Dependency ratio is expected to increase with old-age pension coverage, as a larger aged population facing the risk of losing or retiring from their jobs creates pressure for more
social protection.

I also control for several economic factors as higher levels of economic development or stronger fiscal capacity may allow local governments with enough resources to expand welfare (Orloff and Skocpol, 1984; Evans et al., 1985). Economic development is measured by the logarithm of GRP per capita and government fiscal capacity by the ratio of budget expenditure to revenue (Lorentzen et al., 2014). Developed provinces or provinces with stronger fiscal capacities are expected to be associated with higher levels of coverage.

Lastly, I control for urbanization, which may either reduce or increase pension coverage. Some scholars argue that an increased urban population may not necessarily lead to increased levels of coverage due to the strict household registration system that prevents migrant workers without urban hukou from having access to social insurance (Huang, 2015). Others argue that urban bias induces larger transfers to cities because the “squeaky wheel gets the grease,” and that the regime is more likely to hear complaints from areas of political strength (Wallace, 2014). Urbanization is measured as the share of urban population of the total population in the province.

3.4.4 Methods

To explore the relationship between globalization, social unrest, and welfare coverage, I constructed an unbalanced panel data set of 31 Chinese provinces observed from 2000 to 2015 from the Chinese Statistical Yearbook. The data provides approximately 500 data points in China. This unbalanced, panel data structure poses the risk of correlated errors due to the presence of unmeasured unit-specific, time-invariant factors present in observations within the same unit (Lee, 2005; Lee et al., 2011). Such unobserved components, if transferred to the error term, will generate heterogeneity bias and biased coefficients (Stimson, 1985).

Random effects model (REM) and the fixed effects model (FEM) are the two approaches most widely used to correct for such unobserved, time-invariant effects. There are several reasons why the REM is preferred over the FEM. First, REM can accommodate time-
invariant and slowly time-varying institutional factors by systematizing the random error terms (Lee et al., 2011). The REM also accounts for respondent-specific characteristics that are unobserved and not captured by the independent variable (Western and Beckett, 1999). As even slowly time-varying factors may lose their level of statistical significance in the FEM model, REM would provide a better context to incorporate time-invariant covariates such as geographic regions, political institutions, and regime type.

Second, the FEM does not effectively address all between-unit variation present in the data (Nielsen and Alderson, 1995). Though the FEM has the advantage of avoiding spurious relationships in cross-national data, this might lead to insignificant coefficients despite the theoretically explanatory power of the variables if substantial variation exists between units of observation (Lee, 2005). As the model in this study hypothesizes that levels of economic integration interacting with social unrest explain the different levels of coverage between provinces, my substantive logic primarily depends on between-unit variations rather than within-unit variations. As can be seen in the descriptive statistics below, the variation of the explanatory variables in the model is substantial across provinces rather than over time. Because the statistics from the Hausman (1978) test also suggest using the REM instead of FEM, I report results from the REM in the text and the results from the FEM in the appendix. The results in the FEM model show the robustness of the main model of analysis.

3.5 Results

3.5.1 Descriptive Statistics

Figure 3.4 shows the trajectories of pension coverage for urban employees, globalization, and levels of social unrest. Globalization and levels of social unrest are measured identically with the empirical model trade openness and number of labor disputes, both logged. I display the patterns of each variable from the years 2008 to 2014, as the data for these specific years is a balanced panel dataset; coverage data as well as the number of labor disputes are available
When looking at provincial levels of pension coverage, we can see that urban pension coverage patterns do not always coincide with that of the number of labor disputes, as compared to the trajectories of globalization and levels of social unrest. According to the top portion of Figure 3.4, old-age pension coverage was highest in Beijing and Liaoning in 2008, which continued to increase throughout. East, Northeast, and South Central regions tend to maintain relatively higher levels of coverage, in which provinces including Guangdong, Zhejiang, Beijing, and Liaoning record the highest levels of coverage. In general, the trajectory of pension coverage seems to increase from the coastal provinces and inwards; the average level of coverage increased from 33.4% in 2008 to approximately 42% in 2014.

Levels of social unrest, however, have remained relatively constant. As can be seen in the middle portion of Figure 3.4, Qinghai had the lowest number of labor disputes in 2008, which increased slightly by 2014. With the exceptions of Hubei, Jiangsu, and Beijing wherein the number of labor disputes became stronger with time, the other provinces maintained similar levels of labor disputes from 2008 to 2014. The comparatively static levels of social unrest are in contrast to conventional notions regarding the strong positive effect of the threat to social stability on social welfare. This lends support to my argument that social unrest may not be the main explanatory variable of the subnational variation in pension coverage.

On the other hand, the bottom portion of Figure 3.4 demonstrates the increasing trend in economic openness in each province. The coastal areas in China, including provinces such as Guangdong, Zhejiang, and Jiangsu show consistently high levels of trade openness. Though provinces with open economies are relatively spotty in 2008, by 2014, all provinces in China, with the exception of Qinghai, achieve average openness levels between 2 to 3 and higher. In general, the Eastern part of China shows higher levels of openness and the Central and Northern parts experience increasing levels of openness.

Table 3.1 shows descriptive statistics for the key variables by region. The northeast region
Figure 3.4: Provincial Levels of Pension Coverage, Globalization, Labor Unrest
of China has maintained comparably high levels of pension coverage, despite a slight decline in both trade openness and labor disputes in the beginning of 2011. Taking into account that northeast China constitutes only three provinces, the southwest region has experienced higher levels of expansion rate in pension coverage, characterized by consistent increases in trade openness and number of labor dispute cases.

<table>
<thead>
<tr>
<th>Region</th>
<th>'00-'05</th>
<th>'06-'10</th>
<th>'11-'15</th>
<th>'00-'05</th>
<th>'06-'10</th>
<th>'11-'15</th>
<th>'00-'05</th>
<th>'06-'10</th>
<th>'11-'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>31.74%</td>
<td>36.91%</td>
<td>42.03%</td>
<td>3.73</td>
<td>3.89</td>
<td>3.80</td>
<td>11.96</td>
<td>12.91</td>
<td>12.96</td>
</tr>
<tr>
<td>Northeast</td>
<td>40.78%</td>
<td>46.94%</td>
<td>51.49%</td>
<td>2.99</td>
<td>3.14</td>
<td>3.04</td>
<td>11.42</td>
<td>12.00</td>
<td>11.94</td>
</tr>
<tr>
<td>East</td>
<td>29.72%</td>
<td>38.31%</td>
<td>46.39%</td>
<td>3.87</td>
<td>4.11</td>
<td>3.99</td>
<td>13.20</td>
<td>13.82</td>
<td>13.78</td>
</tr>
<tr>
<td>South Central</td>
<td>27.94%</td>
<td>35.16%</td>
<td>43.31%</td>
<td>4.02</td>
<td>4.04</td>
<td>3.91</td>
<td>12.72</td>
<td>13.52</td>
<td>13.40</td>
</tr>
<tr>
<td>Southwest</td>
<td>17.64%</td>
<td>30.15%</td>
<td>37.06%</td>
<td>1.89</td>
<td>2.32</td>
<td>2.89</td>
<td>11.51</td>
<td>12.41</td>
<td>12.64</td>
</tr>
<tr>
<td>Northwest</td>
<td>25.18%</td>
<td>31.61%</td>
<td>36.18%</td>
<td>2.25</td>
<td>2.54</td>
<td>2.46</td>
<td>10.82</td>
<td>11.29</td>
<td>11.48</td>
</tr>
</tbody>
</table>

Pension coverage calculated only for available data points.
Trade Openness and Labor Disputes in log form.

In general, descriptive statistics for different regions in China suggest that in some of these provinces, levels of trade openness may have interacted with levels of labor disputes. Descriptive statistics also suggest the close relationship between trade openness and labor disputes. As can be seen in Table 3.1, the two variables have experienced similar patterns of increase and slight decrease over the years with the exception of provinces in the north and northwest regions. I test whether this interaction effect contributes to the subnational variation in pension coverage through multivariate regression analyses in the next section.

### 3.5.2 Multivariate Analysis

#### Globalization and Welfare Expansion

In Model 1 of Table 3.2, I introduce a simple model testing the relationship between globalization and pension coverage. Model 1 shows that, as expected, trade openness has a positive and significant effect on pension coverage. This suggests that higher levels of integration with the international market is generally effective in increasing actual reception of
old-age pension for urban employees.

Table 3.2: Regression Table for Pension Coverage (2000-2015), Random Effects

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1.119)</td>
<td>(0.979)</td>
<td>(1.073)</td>
<td>(4.863)</td>
<td>(4.710)</td>
</tr>
<tr>
<td><strong>Social Unrest</strong></td>
<td>-2.333</td>
<td>-7.905***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.738)</td>
<td>(1.733)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Trade Openness × Social Unrest</strong></td>
<td>1.866***</td>
<td>3.074***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.514)</td>
<td>(0.500)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Political Covariates**

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender Ratio</td>
<td>73.624***</td>
<td>54.702***</td>
<td>74.923***</td>
<td>53.600***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(12.202)</td>
<td>(11.255)</td>
<td>(11.386)</td>
<td>(10.270)</td>
<td></td>
</tr>
<tr>
<td>Dependency Ratio</td>
<td>-90.904***</td>
<td>-41.901**</td>
<td>-72.051***</td>
<td>-38.504**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(11.662)</td>
<td>(13.149)</td>
<td>(11.618)</td>
<td>(12.240)</td>
<td></td>
</tr>
</tbody>
</table>

**Economic Covariates**

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Log (grp/capita)</td>
<td>6.364***</td>
<td></td>
<td>8.509***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.319)</td>
<td></td>
<td>(1.302)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscal Capacity</td>
<td>-0.514</td>
<td>-1.242**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.469)</td>
<td>(0.463)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urbanization</td>
<td>10.136</td>
<td>-15.193</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(11.704)</td>
<td></td>
<td>(11.676)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| R²                     | 0.44   | 0.64   | 0.70   | 0.68   | 0.67   |
| Observations           | 206    | 206    | 206    | 206    | 206    |
| Number of Provinces    | 31     | 31     | 31     | 31     | 31     |

Standard errors in parentheses
+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

Models 2 and 3 tell a different story. I separately tested the effect of trade openness when controlling for economic and non-economic factors. In Model 2, trade openness still has a very strong positive effect on pension coverage, but the effect becomes statistically insignificant in Model 3 when economic variables are also controlled for. However, this does not necessarily lead to a discounting of the effect of globalization on coverage because the economic variables, especially urbanization and log (grp/capita), are highly correlated with trade openness (see Table 3.3). When I exclude the variable that is most highly correlated to the rest of the explanatory variables and has a high VIF value that may lead to poorly estimated coefficients (Montgomery et al., 2001), urbanization, the effect of trade openness becomes statistically significant. However, I do not exclude urbanization in the full model.
as I believe that the effect of urbanization, either in regards to its role as restricting social insurance to urban hukou holders or as capturing urban bias, needs to be controlled for. Moreover, the statistical significance of the interaction term in the next model is still strong with the urbanization variable included. I therefore report the results in the full model with this variable included; I expect the statistical significance in this model would improve with additional data and information that may alleviate issues of multicollinearity.

Table 3.3: Correlation Table for Economic Variables

<table>
<thead>
<tr>
<th></th>
<th>Trade Openness</th>
<th>Log (grp/capita)</th>
<th>Fiscal Capacity</th>
<th>Urbanization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Openness</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log (grp/capita)</td>
<td>0.60</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscal Capacity</td>
<td>-0.38</td>
<td>-0.34</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Urbanization</td>
<td>0.76</td>
<td>0.82</td>
<td>-0.53</td>
<td>1</td>
</tr>
</tbody>
</table>

Model 4 introduces the interaction term between trade openness and labor disputes while controlling for non-economic factors. The interaction term, which centers the two variables, turns out to be positive and significant. The negative coefficients on labor disputes and trade openness, when entered alone, show that trade openness has a positive effect on pension coverage in provinces with higher levels of social unrest. This relationship becomes stronger with the inclusion of all control variables in Model 5.

Results in Model 5 lend credence to my theoretical prediction that social unrest should be seen as an intervening variable to explain the relationship between globalization and social welfare expansion. The size of the coefficient for the interaction term (3.07) in Model 5 increases from that of the former model (1.87) and still statistically significant.

Figure 3.5 is a graphical representation of the interaction term of the full model based on the results reported in Model 5. As can be seen, the strong negative effect of trade openness on pension coverage is significantly moderated for at the average number of logged labor disputes (8.78) and onwards. It is important to note that according to summary statistics and descriptive statistics by region (as can be seen in Table 3.1), provinces with
the minimum number of logged labor disputes below 7 are considered relatively peripheral provinces that include Inner Mongolia, Jiangxi, Hainan, Tibet, and Qinghai. In other words, major provinces in China in which the number of logged labor disputes is below 8 are extremely rare. The positive coefficient of the globalization interaction term thus confirms that urban pension coverage is indeed a function of more exposure to global market activity and high levels of threat to social stability. In other words, the combination of economic openness and threat to social stability speeds up the expansion of welfare coverage.

Figure 3.5: Graphing the Interaction Variable of Regression Results of Table 3.2

Implicit Mechanism of Social Instability

In order to understand the implicit mechanism of how social instability conditions the relationship between globalization and welfare expansion, I test for the effects of social instability and cadre performance on welfare expansion. This is an effort to unravel the mechanism behind higher numbers of labor disputes moderating the effect of trade openness on pension
coverage as seen in Figure 3.5. Because the average of cadre performance of each province has a relatively small variation that ranges from 3.0 to 3.9, I merge the provincial-level dataset to the CFPS individual-level survey data that reports individual ratings of local officials’ performance.

Table 3.4 shows multivariate results for cadre performance and pension coverage, respectively. Models 1 to 3 first test the relationship between social unrest and cadre performance through ordered logistic regressions. Social unrest is negatively and significantly associated with cadre performance ratings in all three models. Individual ratings of local officials’ performances decrease as the number of labor disputes increases, which is as expected. Higher levels of social unrest thus negatively affect public evaluation of government performance.

Models 4 to 6 display the relationship between social unrest and pension coverage. Levels of social instability have a positive and significant effect on provincial levels of pension coverage with the inclusion of both provincial and individual-level covariates. Lastly, I check for the effects of both social instability and cadre performance on pension coverage. The effect of both variables on pension coverage are consistent and statistically significant. The overall consistent effect of social unrest (0.075) with and without the negative effect of cadre performance on pension coverage implies a weak moderating effect of cadre performance. However, the full model suggests a working mechanism that may be strengthened with more data in the future: the negative performance evaluation due to high levels of social instability pressures local officials to compensate for the loss in ratings by expanding welfare benefits to the public.

3.6 Conclusion

This study examines the political economy behind welfare expansion trends in China. By focusing on the interaction of economic integration and levels of social unrest, I argue that increasing levels of social unrest affect the positive relationship between economic openness and social insurance coverage. In summary, my findings demonstrate that the interaction
Table 3.4: Regression Results for Social Instability, Cadre Performance, and Welfare Expansion

<table>
<thead>
<tr>
<th></th>
<th>Cadre Performance</th>
<th>Pension Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Social Unrest</td>
<td>-0.098***</td>
<td>-0.053*</td>
</tr>
<tr>
<td></td>
<td>(0.010)</td>
<td>(0.022)</td>
</tr>
<tr>
<td>Cadre Performance</td>
<td>-0.003***</td>
<td>-0.000*</td>
</tr>
<tr>
<td>Provincial Covariates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log(grp/capita)</td>
<td>0.363***</td>
<td>0.397***</td>
</tr>
<tr>
<td></td>
<td>(0.089)</td>
<td>(0.090)</td>
</tr>
<tr>
<td>Urbanization</td>
<td>-1.752***</td>
<td>-1.936***</td>
</tr>
<tr>
<td></td>
<td>(0.260)</td>
<td>(0.263)</td>
</tr>
<tr>
<td>Dependency Ratio</td>
<td>-0.656+</td>
<td>-0.667+</td>
</tr>
<tr>
<td></td>
<td>(0.363)</td>
<td>(0.363)</td>
</tr>
<tr>
<td>Individual Covariates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender Ratio</td>
<td>0.021</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.022)</td>
<td></td>
</tr>
<tr>
<td>Household Registration</td>
<td>0.070**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.026)</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>-0.023*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.010)</td>
<td></td>
</tr>
<tr>
<td>Marital Status</td>
<td>-0.083**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.027)</td>
<td></td>
</tr>
<tr>
<td>Party member</td>
<td>0.554***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.039)</td>
<td></td>
</tr>
<tr>
<td>(R^2)</td>
<td>0.587</td>
<td>0.934</td>
</tr>
<tr>
<td>Pseudo (R^2)</td>
<td>0.001</td>
<td>0.002</td>
</tr>
<tr>
<td>Observations</td>
<td>30257</td>
<td>30257</td>
</tr>
</tbody>
</table>

Standard errors in parentheses
+ \(p < 0.1\), * \(p < 0.05\), ** \(p < 0.01\), *** \(p < 0.001\)
between economic openness and levels of social unrest accounts for the subnational variation in old-age pension coverage in China over the past decade.

I proposed two important political incentives behind the expansion of social insurance coverage. As the implementation and design of social insurance policies are largely up to the discretion of local officials (Huang, 2015), local officials are interested in increasing coverage for purposes of career advancement. First, maintaining social stability in their jurisdictions is key to securing their positions. Since the early 1990s, the Chinese government has adopted the policy of having local officials be responsible for the occurrence of events that threaten social and political stability; local officials who mishandle collective action incidents may also be punished (Cai, 2002). Maintaining stability is a “single-item veto” measure for local leaders, and therefore pressures the local officials to maintain social stability and minimize levels of social unrest in their own jurisdictions (Yang, 2017b).

Cadre evaluation also includes public involvement via resident satisfaction scores or “public assessments” conducted by members of the Municipal People’s Congress, Political People’s Consultative Conference, and resident representatives (Burns and Zhiren, 2010). The combination of the emphasis on stability maintenance and the incorporation of public involvement therefore incentivizes local officials to address social unrest with cooptation and concessions via social welfare. As increased economic openness leads to a commodification of labor and exposes workers to international competition, local governments would be keen to preempt potential sources of unrest and dissatisfaction by expanding social protection.

Second, increased levels of social unrest not only threaten stability, but also pose the risk of capital flight. One of the features of globalization, other than increased competition, is increased capital mobility (Alesina and Tabellini, 1989; Moller et al., 2003; Avelino et al., 2005). International investors may be incentivized to shift their capital to other countries as an insurance against the risk of future taxation (Svensson, 1998; Rudra, 2002; Moller et al., 2003). However, capital flight may also occur under political instability due to increased
levels of protest and collective action (Lensink et al., 2000; Chen et al., 2016). Industrial unrests as well as political uncertainty may lead to capital flight as industrial instability not only compromises productivity, but if escalated to the level that threatens regime stability, endangers the credibility of the commitment made with the incumbent government.

Economic performance is another major criterion of cadre evaluation that determines local officials’ career advancement. Economic evaluation has been incorporated into the formal process of personnel decision making during the post-Mao reform era; the economic and fiscal decentralization have moreover clarified the assignment of responsibility for local economic outcomes to local governments (Guo, 2007). Inability to curb industrial unrest may therefore pose the risk of capital flight and/or deter future FDI, which may in turn jeopardize cadres’ career prospects. This further incentivizes local governments to pay attention to welfare growth in their jurisdictions.

Based on these two major political incentives, I argued that expansion of welfare will rest upon not only the levels of exposure to international markets, measured by trade openness, but also the levels of social unrest in the province, measured by the number of labor disputes. The need to dampen social unrest for career advancement is key to understanding the motive behind expanding coverage in respective provinces. Therefore, levels of social unrest provide an important intervening theoretical link between increased economic integration and social welfare development.

This chapter contributes to the literature on welfare state development in China in the following aspects: first, this study emphasizes the interaction of both economic and political incentives that local leaders face in their jurisdictions. Previous studies have focused on either the political or economic interest, or have examined them separately from the perspective of the central versus local government. Second, I identify the main external cause behind the rise of labor unrests and expansion of social insurance as globalization. China has experienced a commodification of labor with its market reform that brought about rapid economic growth;
this commodification process led to increases in labor unrests as well as demands for social protection against increased market competition (C. K. Lee 2007). However, extant studies have looked at economic integration, or globalization, as a control variable rather than the main explanatory variable. I explicitly study international economic integration as an independent variable to social welfare development. Lastly, this study theorizes the interplay between globalization and social unrest on the expansion of social insurance coverage. I argue that the threat to regime stability acts as a conditional factor between economic openness and welfare expansion. As incidents of social unrest are not always met with government concessions via increased welfare, levels of social unrest should be examined as a moderating variable that transforms the effect of economic openness on welfare expansion. This is in contrast to existing research that emphasizes the threat of collective action, or the threat to regime stability as the main driving force behind government decisions to redistribute.

In a sense, my findings are consonant with the compensation hypothesis that globalization leads to an increase in social spending as governments need to compensate for those negatively affected by the vagaries of the international economy. The implicit mechanism behind the compensation hypothesis focuses on the risk that social instability resulting from increased exposure to the international market on incumbency and furthermore regime survival. My findings on the strong and positive effect of the interaction between economic openness and social unrest lend central support to this underlying explanation.

This study on the effect of globalization and social unrest on welfare expansion suggests important directions for the future studies in the area of welfare state scholarship in non-democratic regimes. By interacting social unrest to economic openness, I attempted to disentangle the mechanism behind globalization and compensation through social welfare development. In my model, levels of globalization and social unrest were respectively measured by trade openness and the number of labor disputes due to limitations in data availability. I further aimed to elucidate the implicit mechanism behind the conditional effect of social
instability by testing for the effects of cadre performance ratings on welfare expansion. More refined and comparable data on subnational measures of financial openness, the coverage and generosity of other social insurance schemes, and cadre evaluations in China may deepen our understanding of the development of welfare in authoritarian-capitalist countries.

Another avenue for future research concerns the role of firms and investors in welfare development. Though I have provided a state-centered approach to welfare provision, social policy as a result of strategic interactions of firms in China remains unexplored. Accounting for the responsibility of firms to contribute to old-age pension schemes for urban employees, a detailed analysis on the exposure to risk and its subsequent effect on firm incentives to invest in social policies will reveal new perspectives on the role of state, business, and labor in welfare development.

In conclusion, this chapter shows that provinces with open economies and higher levels of social instability provide more access to old-age pension benefits. Expansion of coverage relies on the interaction between globalization and social unrest; securing economic growth and maintaining social stability present strong incentives to local officials to widen coverage for those negatively affected by international economic integration. This compensation for possible sources of discontent after market reform provides further insight to the adaptability and resilience of the Chinese authoritarian regime.
Chapter 4

Collective Incidents and Welfare Distribution in Rural China

4.1 Introduction

Since the open-door policy led by Deng Xiaoping that unleashed a series of market reforms, China has sustained a remarkably high rate of economic development and industrialization for more than two decades. Such rapid economic growth has changed the sociopolitical landscape in China. While increasing access to international markets, China has also exposed its import-oriented sectors to more intense competition at a time of rising unemployment and underemployment in both urban and rural areas (Yang, 2002). Trade openness has benefited social groups and regions unevenly, creating disparities along urban, rural, and regional divisions (Zheng, 2010). Residents of interior China earned 50% as much as their coastal counterparts in 1995, whereas the rural-urban income gap explained one-third of total inequality in 1995 and one-half of the increase in inequality since 1985 (The World Bank, 1997). Urban-rural disparities still remain as one of the most severe sources of income inequality in today’s China (Xie and Zhou, 2014).

Realizing the destabilizing potentials of social inequalities, the Chinese government began to shift its growth-oriented growth strategy to a more sustainable approach to growth that
would pay more attention to the welfare needs of social groups that had been marginalized by the process of rapid economic liberalization (Sander et al., 2012). This shift has been increasingly formalized since 2003, with the launch of the “harmonious society” program aimed at constructing a well-off (xiaokang) society and reducing socioeconomic inequalities (Im and Meng, 2015).

As a result, the Chinese government has dramatically expanded welfare policies and increased social spending. According to the 2012 Chinese Statistical Yearbook, local government expenditure on social spending has increased by roughly 60% since 2007. Reforms of social policies have moreover translated into expanded coverage, in which the number of participants in the Basic Pension Insurance for Urban Employees (qiye zhigong jiben yanglao baoxian) increased by approximately 41% since 2005. Despite such increases in social policies and coverage, the distribution of welfare benefits in China has been commonly identified to be fragmented and unequal, creating sharp regulatory divides between urban and rural areas (Frazier, 2004; Huang, 2014, 2015).

What explains the fragmented distribution of welfare benefits in China? What are the political determinants behind such selective provision of benefits? This chapter addresses these questions by examining the distribution of rural old-age pension insurance benefits in the context of contentious politics involving land requisition. I argue that the provision of rural pension benefits is closely associated with local governments’ drive for stability maintenance and the attributes of contention. In other words, the variation in the reception of pension benefits depend on the characteristics of contention. Through in-depth interviews complemented by survey data, I find that the target of the collective action matters more than its magnitude; to whom (e.g. village cadre, local government official, central government official) public demands were made affects government concessions via pension benefits more than the number of participants in collective incidents. Thus, collective demands targeted toward higher-level officials were more likely to induce pension compensation than that
involving a larger crowd.

I expect that my analysis of rural China will contribute to the studies of authoritarian survival and welfare state development by providing a new framework that highlights the effect of contentious politics on authoritarian response to social needs. This chapter will further provide insight to the specific characteristics of threat to regime stability in China, which have been under-theorized due to issues of data and political sensitivity.

The chapter begins with a discussion of existing studies on authoritarian survival and the welfare state as well as previous scholarship on contentious politics and welfare development in China. I then develop a theoretical framework to explain the logic behind selective provision in response to different attributes of contention, and formulate two main hypotheses for empirical testing. The remaining sections discuss the “land for security” scheme, the context in which the interviews and data are situated in, and proceeds to qualitatively and quantitatively test the hypotheses.

4.2 Authoritarian Survival and Welfare Development

Studies on welfare development in non-democratic regimes have focused on political survival as the driving force behind authoritarian redistribution. However, previous scholarship in this line of literature identifies different mechanisms behind the logic of employing redistribution as a means to secure regime survival.

The selectorate theory argues that regimes distribute to the “winning coalition,” the subgroup of the selectorate who maintain incumbents in office and in exchange receive special privileges (Bueno de Mesquita et al., 2004). According to Bueno de Mesquita et al. (2004), the amount and scale of distribution depends on the size of the winning coalition within the set of people who have the authority to choose leaders. In autocracies where the winning coalition tends to be small, distribution will thus most likely be limited as private goods, provided only to a small and select few number of people.

On the other hand, some scholars argue that the logic of distribution differs between
provision to political supporters and that to political opponents. Providing rents or benefits to opponents may be an effective way of “buying off” their support to secure political survival. Wallace (2014) posits that “the squeaky wheel gets the grease,” in that dictatorships are more likely to distribute to areas of political strength that launch complaints on public resources to maintain stability. Autocrats may also provide political rents, such as legislative seats, to groups that threaten to rebel (Gandhi and Przeworski, 2006). Knutsen and Rasmussen (2017) study the use of old-age pensions in autocracies as a form of credible promises for future distribution to regime supporters in order to secure political survival. Contrary to rewarding political supporters, autocratic rulers may also withhold resources as a means to punish political opponents and thereby create a market for political loyalty (Magaloni, 2006). Dictatorships employ elections as a key instrument in obtaining information and screening voters according to their political loyalties. Elections and their subsequent information also provide opportunities for the regime to selectively target and coopt opponents, which further prevents political opponents from forming horizontal alliances (Magaloni, 2006).

Unfortunately, extant theories on authoritarian survival and distribution best explain competitive authoritarian regimes involving authoritarian elections and competing political parties. An understanding of distribution in single-party authoritarian regimes holding not only despotic but also infrastructural power (Mann, 1986; Slater and Wong, 2013), such as the Chinese authoritarian regime, remains limited. Competitive elections are not held in China wherein the role of elections as an information-gathering mechanism to target political opponents (Magaloni, 2006) or the role of coalitions (Bueno de Mesquita et al., 2004) do not comfortably apply to the Chinese case. How does the Chinese regime differentiate between political supporters and opponents in the absence of electoral competition? What are the political determinants that affect the selective distribution of resources?
4.2.1 Existing Explanations: Welfare Development in China

Earlier studies on welfare development in China have focused on the social consequences of market reform that first led to the expansion of welfare policies. The rapid expansion of welfare after market reforms has been seen as a response to the naturally escalating welfare demand in response to increasing social inequalities (Leung, 1994). Lee (2007) demonstrates that the development of welfare policies was necessary in order to bear the social costs associated with rapid industrialization and economic development. Various social programs such as the unemployment insurance program or the minimum living standard program have been implemented in to ease the pain of subsequent labor force adjustment (Giles et al., 2006).

However, though economic reform has had an enormous impact on the emergence of post-1978 social policies, it does not sufficiently explain the subnational variation in the provision of social welfare. To address the political mechanism behind the fragmentation of China’s social welfare system, recent studies have focused on the political incentives of local leaders.

As the central leaders have higher information costs and less expertise to distribute benefits to various social groups (Huang, 2015), the discretionary power to make and implement social welfare policy has been delegated to local state agents (Tsai, 2007). The political motivation behind local officials’ decision to distribute is closely associated with their career prospects (Lü and Liu, 2013). Zuo (2015) also finds that performance in social policy areas affect the political advancement of lower-level officials, specifically city mayors.

The literature on economic reform and the political incentives of local officials are closely associated as they both rely on the implicit mechanism of social unrest. Specifically, the importance of stability maintenance is key to understanding the motivation behind social welfare provision. The “stability maintenance regime,” or “preservation regime,” in China refers to the state’s hybrid approach to suppress undesirable elements in the social order (Yang, 2017a). In the aftermath of the Tiananmen Crisis, the Chinese leadership had be-
come preoccupied with regime stability, stating that “maintaining stability is the overriding political task for the whole Party and the entire people. Strengthening political and legal work plays an important role in safeguarding social stability” (Yang, 2017a, 3). A downward transfer of responsibility for stability maintenance had also begun; the tendency to localize the responsibility for maintaining social stability has become increasingly codified by the 2000s with the 2005 National Petition Regulation and the 2008 CCP decision on strengthening the implementation of integrated public security management (Lee and Zhang, 2013). Stability maintenance has thus become one of the main features affecting local officials’ prospects for promotions. Maintaining stability and upholding social order are priority goals that are emphasized by the center and furthermore affect local cadre evaluations (Edin, 2003). As is the case, local officials will face sanctions by the central government if they fail to effectively monitor or confine protest organizers (Chen, 2014).

Therefore, provision of social insurance becomes a means to respond to the increasing societal demands for welfare and to alleviate potential collective resistance (Cai, 2002). Local officials proactively design and implement local social policies to prevent social unrest that may arise in their jurisdictions, which may harm their career prospects (Huang, 2015). Frazier (2010) also notes that one of the main incentives for local governments in China to redistribute is to address the threat of social unrest, which may further threaten regime legitimacy. Thus, according to both approaches, welfare benefits will be positively associated with provinces or individuals with higher incidents and/or the possibility of social unrest.

However, when examining the effect of the threat of social unrest that essentially incentivizes the regime to provide benefits, efforts to unpack the specific attributes of the threat to regime survival remain lacking. Does the threat to regime stability depend on the form or language of collective action? As the Chinese state employs various strategies to cope with contention (Chen, 2014), incidents of social unrest are not always met with concessions in the form of welfare benefits. In other words, the question of how and what the state
perceives as a credible threat to regime stability that leads to welfare distribution has not been fully addressed in previous scholarship.

To address these limitations in the literature, this chapter presents an analysis of the factors that constitute social unrest and affect the subsequent expansion of pension benefits to the public. Previous studies discussing the threat to regime stability in China have measured threat by employing indicators such as the total number of collective petitions or labor disputes (Cai, 2002; Lee, 2007; Tong and Lei, 2013). Other studies have introduced new concepts associated with the threat to regime survival such as “social risk” (Mares, 2003; Mares and Carnes, 2009; Huang, 2015) or “urban concentration” (Wallace, 2013). Overall, such measures of threat are essentially linked to social unrest—social risk as well as urban concentration increase the likelihood of social unrest—which in turn incentivizes the government to distribute. Therefore, by disaggregating the characteristics that constitute social unrest, this chapter finds that contrary to conventional expectations of contentious politics, the target of collective action affects the provision of benefits more than the size of collective action.

4.3 Research Design

In order to disaggregate the attributes of collective incidents that affect the selective provision of welfare benefits, I formulate my main argument based on preliminary analysis. I rely on interviews conducted in the suburban and rural villages of Beijing and Qingdao from July 2016 to January 2017. My most important source was a series of in-depth interviews with village cadres, farmers, and land developers, most of which were conducted in November and December of 2016.

I analyze the contentious interaction between land-requisitioned farmers and village cadres because issues of land requisition have become one of the most contentious areas in China. By 2006 the total number of landless people in China had reached 40 million, with an annual increase of 2.65 million due to land acquisitions (Zhao et al., 2014). In 2010,
more than 65 percent of the 187,000 mass incidents in China were due to issues involving land expropriation and unfair compensation (Landesa, 2012). Such growing demand on land and the increasing number of land expropriations can largely be attributed to three factors: urbanization, industrialization, and municipal governments’ increasing reliance on revenues generated from leasing land use rights (Wang et al., 2016).

However, land-requisitioned farmers’ conflicts with the government are not triggered by land requisition itself, but by the amount of compensation (Cai, 2016). Low amounts of compensation paid to farmers and the lack of transparency and accountability in acquisition processes have been the core issues driving land disputes (Zhao, 2011). The tension between farmers and relevant officials stemming from varying levels of compensation provides a unique setting to understand the various tactics of contention farmers use in order to secure higher benefits.

I further limit my scope of analysis to rural China naturally because issues of land requisition and strategies to induce better bargains are mainly a rural phenomenon due to the dual land-tenure system. According to the 1998 Land Management Law, all urban land is owned by the state while rural land is owned by rural collectives (Ho and Lin, 2003). Despite measures to improve the security of rural land tenure, local authorities have been able to seize land from farmers mainly due to two institutional designs: 1) rural land must first be acquired by the state in order to be legally transferrable in the primary land market, in which the state monopolizes the supply of land and leases out land use rights; and 2) according to the Property Rights Law of 2007, the state has the authority to override individual land use rights for the sake of “public interest” (Cai, 2016).

Land expropriation and compensation in rural China also provides an optimal context to study the political mechanism behind the selective provision of welfare benefits due to the “land for social security” scheme.
4.3.1 Welfare Distribution in Rural China: “Land for Social Security”

Regulations on compensation for land expropriation were first stipulated in the 1982 Land Acquisition Measures for National Construction, which states that land acquisition compensation packages are to include land compensation fees, crop compensation fees, ancillary item compensation, and household resettlement allowances (Qian, 2015). The 1998 revision of the 1982 Land Management Law significantly improved compensation rates for the farmers (Qian, 2015). Compensation packages for land expropriation have been mainly focused on providing a sufficient amount of monetary compensation. However, the limitations of providing monetary compensation are that land requisition payments and compensation may not be implemented in a timely manner, or some peasants squander their cash payments only to return back to poverty in a short period of time (Liu et al., 2014).

The need to design a compensation plan for land expropriation that takes into account such long-term livelihoods of the farmers was necessary (Cai, 2016). According Article 42 of the Property Law of the People’s Republic of China, which came into effect in 2007, compensation for expropriation of collectively-owned land is to include “the premiums for the social security of the farmers whose land is expropriated in order to guarantee their normal lives and safeguard their lawful rights and interests” (NPC, 2007). The Ministry of Labor and Social Security in 2006 permitted local governments to pay for social security by using resettlement subsidies and compensation payments owed to dispossessed farmers (The World Bank, 2014). The Ministry also released a notice to local governments emphasizing the need to improve employment training and social security work for landless farmers (Liang et al., 2014).

Local governments being the main providers of social welfare, the “land for social security” scheme was quickly adopted as an instrument to lower the cost of rural land expropriation and accelerate urbanization (The World Bank, 2014). For example, Wen Jiang County of Chengdu Prefecture has allowed farmers to enter the urban pension system under the “two
give-ups” approach, whereby farmers forgo the management rights on their land and the use of the land on which they dwell (Cai et al., 2012). In Hangzhou, financial contribution from the local government, rural collective, and affected villagers provides benefits including pension insurance, unemployment insurance, basic health insurance, and basic living security for those whose income is below the lowest living standard set by the municipality (Qian, 2015). The Wuxi Municipal People’s Government has recently passed the “Wuxi Land Expropriation Statute” in 2015, which provides pension insurance for land-requisitioned farmers depending on the age bracket they fall into (Government, 2015).

Implementation and distribution of pension benefits for land requisition depend on the discretion of the local governments, and thus are often subject to negotiation. Pension insurance is one of the main topics covered in land requisition negotiations, along with issues of compensation rate and relocation assistance (Wang et al., 2016). Such pension benefits can be secured not only when villagers find employment at an enterprise after requisition, but also when pension benefits are included in the compensation package of the land requisition settlement (Peimin, 2007). As is the case, land-requisitioned farmers tend to resort to various tactics such as refusing to relocate or petitioning collectively in order to procure better compensation packages from their respective local governments.

Therefore, contemporary rural China provides an ideal setting to specifically examine the factors that affect the distribution of welfare benefits in response to the threat of collective incidents that may arise due to varying compensation packages.

In the next section, I examine the institution of land-requisition and compensation that creates a collective action problem. This leads farmers to resort to individual, rather than collective, tactics to secure better compensation packages for themselves. Based on qualitative analysis, I argue that the target of collective demands matter more than the size of such claims in inducing welfare benefits.
4.4 Qualitative Evidence: Attributes of Collective Incidents and Selective Provision of Benefits

In 2016, I conducted in-depth interviews among farmers and village cadres who have experienced land expropriation in two Chinese cities, Beijing and Qingdao, and their suburban areas. I focused particularly on the dynamics between farmers and village cadres in resolving discontent on compensation issues regarding land requisition. The fieldwork sites covered approximately six different types of villages, and interviewees included government officials, village cadres, villagers, land developers, and entrepreneurs.¹

While a study of two cities cannot claim statistical representativeness of all of China, Beijing and Qingdao are theoretically significant cases for understanding the land for social policy scheme at work. Shandong province was one of the first few provinces to have been granted experimental status under the “Unified Management of Urban and Rural Areas (UMURA, chengxiang tongchou).” Under the UMURA program, local governments need to provide rural social welfare benefits to signal to the central government that the welfare of rural residents are taken care of after land requisition (Cai, 2016). On the other hand, Beijing, as the capital, is the leading destination of many aggrieved citizens seeking official redress to a plethora of injustices and conflicts, and the location of intense housing and property conflicts (Lee and Zhang, 2013). Both cities provide significant cases to examine the relationship between aggrieved citizens and government response through distribution of pension benefits.

4.4.1 Compensation Issues

The implementation of providing old-age pension for land requisition varies widely at the village level. Specific standards for compensation on land are lacking; compensation packages

¹ I do not disclose the specific location of the villages as all interview subjects requested anonymity regarding personal information, considering the sensitivity of the questions.
not only differ across provinces, but also varies depending on the circumstances of each village.\textsuperscript{2}

For example, in Beijing, regulations to provide land-requisitioned farmers with social security have been stipulated in Order No. 148, effective since 2004. According to Article 33 of the Order, the rural collective or village committee must register “those no longer in the labor force (\textit{zhuanfeilaodongli})” to their appropriate household registration and proceed with the social insurance registration with the appropriate institution. The institution that expropriated land should furthermore transfer the insurance fee from the compensation to the insurance institution.

However, according to a village cadre, this insurance fee was not given to the insurance institution by the land developer or local officials, but was rather given as a lump-sum payment to the village collective. A portion of the compensation was used by the village committee to pay for old-age pensions for those above 60 years old; another portion was distributed evenly to the farmers as monetary compensation; and the remainder was put into the village committee savings account for future use.\textsuperscript{3}

A similar situation happened in Village Q, District B in Qingdao. In this village, demolition occurred in 2006 and the village collective began providing old-age pensions from 2008. The collective paid the lump-sum contribution for those who were above 60 years of age in 2008, while people above 18 years old during that time had to contribute to the pension fund for 15 years or more through their own pockets.

Our compensation standards tend to be higher than other villages. We provide kindergarten and elementary education for free, and a one-time stipend for those who go to college. We were able to provide such services after experiencing development, when factories came in and created jobs after expropriation and demolition.\textsuperscript{4}

\textsuperscript{2} Interview subjects 2016-AP7, 2016-BR17 conducted on Nov. 18, 2016 and Dec. 4, 2016.

\textsuperscript{3} Interview subject 2016-AP9, conducted on Nov. 18, 2016.

\textsuperscript{4} Interview subject 2016-BQ12, conducted on Nov. 30, 2016.
The ability of villages to pay pension contributions for their people depend on the villages’ relative affluence or the level of compensation received after land requisition. The provision of old-age pension is not a “hard provision (yingxing guiding)” that must be kept, and thus depends on the economic circumstances of each village. Nonetheless, villages that do provide old-age pension for free are able to do so because they have most likely experienced economic growth with land requisition, followed by urbanization. As a cadre in village R puts it, “we are able to pay for our villagers’ pension contributions because our village became wealthy after the clothing factory came in after our land had been taken away.”

In other words, the provision of welfare benefits within the collective is made possible by either direct use of collective compensation money, or by achieving a certain level of economic growth through urbanization, in which land expropriation plays a vital role. According to an elderly lady who first came to the village in 1970,

The village was only able to pay for those who had not reached 60 years of age in 2010. I was already over 60 years old by then, so I had to pay 11 years-worth of pension fees so that I could receive pension as if I had contributed to the fund for a consecutive 15 years. However, because my farmland was demolished for the factory, I received a lot of money and the lump-sum payment did not affect me as much.

However, because there is not a set standard for compensation, land requisition and compensation tend to be one of the most contentious issues in modern day China. Levels of compensation varies among and within districts, which is why land-requisitioned farmers tend to use various means to procure higher levels of compensation.

4.4.2 Size of Collective Claims

One of the most often cited methods of inducing higher levels of compensation was to become a “nail household (dingzihu),” which refers to a household or person who refuses to vacate

5. Interview subject 2016-BR17, conducted on Dec. 1, 2016.

their home to make way for real estate development. It is translated as “nail house” because “they stick out like nails in an otherwise modernized environment” Goldkorn (2007). By refusing to vacate their homes for as long as possible, nail households are able to pressure investors and businesses who face time constraints in developing the relevant land. By becoming nail households, farmers are able to receive 20 times of what they would have earned during their lifetime working. In order to prevent such individual nail households from forming a collective organization, land developers usually provide different offers and require contracts of confidentiality for each successful negotiation: “every household is essentially given a different amount of compensation.”

According to previous scholarship, collective incidents involving a higher number of people have been studied to be more effective in inducing concessions. Chen (2014) has documented that a large crowd is not only more capable of disruption than a small one, but also carries significant symbolic value; a large turnout at a protest usually signifies more justifiable demands. Lee and Zhang (2013) narrate the popular saying amongst the public: “big disturbance, big resolution; small disturbance, small resolution; no disturbance, no resolution.”

However, in this particular case, land-requisitioned farmers tend to resort to individual-level tactics of becoming “nail households” in order to secure higher compensation packages for themselves. Because land developers negotiate different compensation packages depending on the demands of each nail household, it systematically incentivizes each requisitioned household to seek its unique interest of acquiring higher compensation for itself. In other words, although land-requisitioned farmers have a common interest of higher compensation, each farmer has a unique interest in her personal compensation, which in turn creates a collective action problem (Olson, 1965a).

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7. Interview subject 2016-AO1, conducted on Nov. 16, 2016.
8. Interview subject 2016-AO2, conducted on Nov. 20, 2016.
Moreover, preventive measures and tactics to make difficult the formation of collective alliances adds to the collective action problem that farmers face. For example, when such nail household farmers try to unite, land developers refuse all proceeding negotiations. A prominent land developer explained that,

We have methods to deal with individual nail households. However, if there are 10 of them refusing to vacate collectively, we cannot catch and tie all of them up. Even if we do, the situation will get too messy. In such cases, I tell the local government that if these people continue to make things difficult, do not even dream of developing your region! There will not be a position for you to keep in the future! Also, if there are too many nail households, we use special measures. For example, we will cut their water and electricity, or hold up their family members or take them to a city nearby while our people demolish their houses. After demolition, we will give them a big payout.\(^9\)

According to his experience, local government officials will then intervene and persuade the farmers to meet the land developers in the middle. In other cases, community members or friends will undertake “thought work (sixiang gongzuo)” to dissuade neighboring nail households from taking further action.\(^{10}\)

This is illustrative of the use of what Deng and O’Brien (2013) identify as “relational repression,” which refers to the use of social ties to demobilize protesters. Offering different compensation packages to each household in confidence may also be a form of “divide-and-rule” to prevent the formation of horizontal alliances and thereby demobilize potential social unrest. In such cases where institutions of demobilization aggravate the collective action problem, farmers may find it more strategic to address their problems to the right person rather than trying to aggregate collectively.

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\(^9\) Interview subject 2016-AO1, conducted on Nov. 16, 2016.  
\(^{10}\) Interview subject 2016-BD28, conducted on Nov. 30, 2016.
4.4.3 Target of Collective Claims

As compensation varies depending on individual situations, villagers often face a collective action problem in demanding higher rates of compensation. Because every household is essentially given a different amount of compensation, and there is no policy to regulate such behavior, most farmers try to inform upper-level government and demand resolution. Land developers also note that the probability of receiving a better compensation increases if the farmer has a good relationship with upper-level officials.

Let’s assume that a farmer has a 100 m$^2$ house and a 300 m$^2$ garden. If only the house is demolished, he would be able to receive the monetary compensation for the value of the 100 m$^2$ land. However, if he has a good relationship with the right local official, we might even give him money for the garden area, which would be equivalent to the worth of 3-4 houses.

The need to build relationships with upper-level government officials was also shared by an entrepreneur in Qingdao, whose land had been expropriated in both city C and city D over the past two years. The market price of his land in city C was evaluated as 26 million yuan. However, the district officials did not agree with the price and through their own evaluation institution, marked it as 12 million yuan for demolition. Because the compensation offered was far below the fair market price, he refused to vacate his house.

Negotiations prolonged for two months, and the Beijing real estate company that wanted the land visited the local government to pressure the district office to speed things along. The district officials then came to my land in the middle of the night while I was away on a business trip and just demolished everything. When I came back to my land, I immediately called a reporter at Peoples’ Daily (renmin ribao) and the police blocked me from reporting. They as well as district officials threatened me and made me rescind the report myself to avoid any

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11. Interview subject 2016-AO1, conducted on Nov. 16, 2016.
12. Interview subject 2016-AO2, conducted on Nov. 20, 2016.
trouble. I could not but agree to the 12 million yuan. But if I know a higher-
level official, he could put in a good word for me for a fair compensation and I
would indeed receive a better and timely compensation.\textsuperscript{13}

A village accountant whose village had been designated as one of the four pilot sites
for the “old-age pension for land-requisitioned farmers (\textit{beizhengdi yanglaobaoxian})” in 2015
further attributed the motivation behind the pilot-site selection to higher-level officials. She
argues that her village was able to be chosen as the pilot site for this pension compensation
plan because upper-level government officials are highly interested in developing this area.\textsuperscript{14}

The village is located within the “Blue Silicon Valley (\textit{lanseguigu}),” a project in Qingdao
with the desire to become China’s oceanographic research and commercialization center.
Expected to finish construction by 2020, the Blue Silicon Valley boasts 70 projects with
initial investment estimated at approximately 6.55 billion USD (Swanson and Droege, 2016).
Having been promoted to a national strategy, the project, if successful, will undoubtedly
provide local leadership with opportunities for promotion. As land requisition is inevitable
to proceed with such a project, the local government is more likely to be incentivized to
provide welfare benefits to preempt any possibility of social unrest that might arise in the
process. As an employee in one of the village pilot sites puts it, “the better the welfare, the
better the village is able to console its people and manage levels of discontent.”\textsuperscript{15}

In short, the attention of upper-level officials, either on the success of a certain project
or on a situation that may escalate to social unrest, is more likely to lead to higher levels
of compensation. Slater and Wong (2013) have pointed out that the effect of contentious
politics on ruling party’s decline rests upon not simply the size of public protests, but its
type. A signal of party decline is especially strong and clear if protests not only target the
ruling party’s policies, but also question its right to rule (Slater and Wong, 2013). Chen

\textsuperscript{13} Interview Subject 2016-BD29, conducted on Dec, 2. 2016.
\textsuperscript{14} Interview subject 2016-BT27, conducted on Dec, 3. 2016.
\textsuperscript{15} Interview subject 2016-BT25, conducted on Dec, 3. 2016.
et al. (2016) also find that threats of collective action and oversight (tattling to upper levels of government) make county government officials more publicly responsive. Based on the preceding discussion, I provide an empirical probe into the effects of the size and target of collective claims to complement my qualitative findings.

4.5 Data and Measures

I present results from a unique individual-level survey that allows us to measure for specific characteristics regarding collective demands at the individual level. The survey data used for this paper was conducted by Renmin University in 2009 includes a total of 1,195 observations. The data covers 12 cities and suburban areas that report higher levels of land-related tensions. The sample respondents were selected through stratified sampling within China’s four major urbanizing areas: the Yangtze River Delta (Shanghai, Jiangsu, and Zhejiang); the Pearl River Delta in Guangdong Province; the Chengdu-Chongqing region (Sichuan and Chongqing); and the Bohai Bay area (Hebei, Shandong, and Tianjin) (Cui et al., 2015a). The survey questions of interest to this paper, as will be discussed below, cover seven provinces (Chongqing, Guangdong, Hebei, Jiangsu, Shandong, Sichuan, and Zhejiang), six of which were designated as experimental sites to provide social welfare benefits to rural residents after land requisition (Cai, 2016). All respondents in the survey have experienced land expropriation prior to 2008.

One of the limitations of this data is the low response rate for questions pertaining to collective incidents and the details of collective petitions, as the main variables of interest may be of sensitive issue to the respondents. Of the total 1,195 observations covered by the survey, only 332 respondents have received pension compensation in addition to monetary compensation (See Table 4.3). Among these 332 respondents, 120 people responded to the specific questions on their past petition experience. The low response rate is most likely the

16. For details on the sampling methods of the survey, please refer to the data described in Cui et al. (2015a).
case that respondents refused or avoided to answer for fear of backlash or “being tracked down.” However, as such information is not easily available in Chinese public datasets that either focus on provincial-level data or refrain from asking politically sensitive questions, this analysis aims to provide insight to the mechanism through which the threat of collective action influences distributional patterns of pension compensation at the individual level. Moreover, considering the scarcely available public data recording the empirical details of collective demands, I believe this analysis not only provides one of the first empirical efforts to explore the effect of the attributes of contention, but also presents a baseline and exploratory research for future studies.

4.5.1 Dependent Variable

The dependent variable is binary, constructed from respondent’s answer to the question: “have you received pension compensation for land expropriation?” on the survey questionnaire. This is a follow-up question to whether the respondent has received monetary compensation for her requisitioned land prior to 2008. In other words, the question intends to capture whether the respondent has received pension benefits in addition to the standard monetary compensation, as per the “land for social security” policy.

4.5.2 Independent Variables

In order to test the effect of size and target of collective claims on the reception of pension benefits, I examine the details of collective petitions that respondents have participated in. The size of petition is constructed from the respondent’s answer to the question: “what was the average number of people that participated in your petition (shangfang) prior to land expropriation?” I specifically do not use respondents who answered “1” for this question as one person in a petition should be considered as an individual petition rather than a collective petition.

17. Interview subject 2016-BD29, conducted on Dec, 2. 2016.
The target of petition is binary, coded as (1) for *provincial government and Party Central Committee*, and (0) as *township to city-level government* to the following question: “in collective petitions with average number of participants, to whom did they petition?”

Both questions are preceded by the question of whether or not the respondent has participated in collective petitions from 2005 to 2008. The size and target variables are constructed from those who have answered “yes” to having participated in collective petitions. I assume these measures will largely capture the association with collective action and the details regarding actual participation in collective petitions, specifically their size and target.

### 4.5.3 Control Variables

Socioeconomic and political control variables at the individual level include gender, years of education, household registration status (*hukou*), indicator of communist party membership, and whether or not the respondent had made a formal objection specifically regarding her compensation. This is to see whether or not objection to compensation matters at the individual level matters to the reception of welfare benefits. I also include provincial-level control variables in the regression: level of economic development measured by the logarithm of local GDP per capita, government fiscal capacity measured by the ratio of budget expenditure to revenue (Lorentzen, 2013), and the level of urban concentration measured by the share of the urban population in the province (Wallace, 2013).

### 4.6 Results

#### 4.6.1 Descriptive Statistics

As land is most often the main source of livelihoods for people in the rural area, the sense of injustice and violation tend to create the need for something more than a one-time cash payment. “Even when everyone is satisfied with their compensations, not giving them pensions is unthinkable.”\(^{18}\) Pension compensation is a way of replacing land as a source of old-age

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security and alleviating potential sources of social discontent.

Table 4.2: Agreement Scale on Old-Age Pension

<table>
<thead>
<tr>
<th>Response</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>262</td>
<td>22.00%</td>
</tr>
<tr>
<td>Agree</td>
<td>419</td>
<td>35.18%</td>
</tr>
<tr>
<td>Neutral</td>
<td>98</td>
<td>8.23%</td>
</tr>
<tr>
<td>Disagree</td>
<td>304</td>
<td>25.52%</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>108</td>
<td>9.07%</td>
</tr>
<tr>
<td>Total</td>
<td>1191</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Such perspectives on the necessity of providing pension benefits are also seen in the survey responses. According to Table 4.2, the strong public opinion on the necessity of old-age pension as compensation implies the utility of providing welfare benefits to dampen potential sources of unrest. More than 50% of the respondents agree that land expropriation is not a big worry as long as old-age pension is provided. Such public opinion may imply two aspects: first, rural land is considered a source of old-age security for the farmers; and second, providing welfare benefits in addition to a one-time cash payment may thereby decrease the
sense of injustice and insecurity of the affected farmers.

However, whether the welfare benefits are provided to land-requisitioned farmers equally is unclear. Table 4.3 shows the percentage of farmers who received old-age pension in addition to monetary compensation when their lands were requisitioned. According to the table, the number of respondents who have not received pension benefits as compensation for land requisition is higher than those who have. Old-age pension compensation, despite being implemented as local policy, seems to be ineffectively practiced to cover the population of those who were affected by land expropriation. In short, there is a disparity in the reception of welfare benefits among the land-requisitioned farmers; some receive additional compensational while others do not. The political determinants affecting the varied provision of benefits are explored in the next section.

<table>
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<tr>
<th>Response</th>
<th>Total</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Yes</td>
<td>332</td>
<td>41.5%</td>
</tr>
<tr>
<td>No</td>
<td>468</td>
<td>58.5%</td>
</tr>
</tbody>
</table>

Total 800 100%

4.6.2 Multivariate Analysis

The first model in Table 4.4 presents the results of the baseline model of the relationship with the key explanatory variables being size and target of collective petition, while the second and third models include individual-level and provincial-level covariates.

According to the logistic regression results, however, the average size of collective petitions has no significant effect on receiving pension compensation. On the other hand, the target of the collective petitions has a significant relationship throughout each model. Throughout the models, with every other variable held constant, individuals who have participated in collective petitions that target higher-level officials consistently have five times higher odds
Table 4.4: Logistic Regression Results for Target and Size of Collective Petitions

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>1.634*</td>
<td>1.645*</td>
<td>1.674*</td>
</tr>
<tr>
<td></td>
<td>(0.641)</td>
<td>(0.643)</td>
<td>(0.756)</td>
</tr>
<tr>
<td>Size</td>
<td>0.002</td>
<td>-0.001</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td>(0.008)</td>
<td></td>
</tr>
</tbody>
</table>

**Individual-level Covariates**

<table>
<thead>
<tr>
<th>Covariate</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>1.564</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.226)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household Registration</td>
<td>-0.252</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.659)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years of Education</td>
<td>-0.090</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.085)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Party Member</td>
<td>0.119</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.603)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual Objection</td>
<td>-0.047</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.563)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Provincial-level Covariates**

<table>
<thead>
<tr>
<th>Covariate</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Log (grp/capita)</td>
<td>-2.480</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2.861)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscal Capacity</td>
<td>0.143</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.880)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urbanization</td>
<td>0.081</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.098)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pseudo $R^2$</td>
<td>0.069</td>
<td>0.070</td>
<td>0.133</td>
</tr>
<tr>
<td>Observations</td>
<td>78</td>
<td>78</td>
<td>78</td>
</tr>
</tbody>
</table>

Standard errors in parentheses

$^+$ $p < 0.1$, $^*$ $p < 0.05$, $^{**}$ $p < 0.01$, $^{***}$ $p < 0.001$

of receiving pension compensation. This implies that when making collective demands, the target (i.e. to whom the demands are being made to) matters more than its size in inducing government response.

The relative importance of target compared to the size of collective incidents may be specific to rural politics in which villagers share high levels of personal connections with their village committees. In a setting where everyone knows everyone else, it may be easier for village cadres to take preventative measures when villagers show indications of uniting to make collective demands. Therefore, making demands to higher-level officials directly may be a more effective method to prevent the collective from being detected and dissolved.
Invoking higher level officials may put more pressure on city-level officials and village cadres to properly address demands.

To provide a better substantive understanding of how the threat of oversight affects an individual’s probability of receiving pension compensation for land expropriation, I use Monte Carlo simulation to convert the raw output of Table 4.4 (King et al., 2000). Model 1 in Table 4.5 sets the predicted probability for a baseline individual who is male, has agricultural household registration, is not a party member, and has not made individual objections regarding compensation issues in the past. The values for these individual characteristics were set to describe the majority of the villagers based on summary statistics. All provincial level statistics as well as years of education have been set to the mean. According to Model 1, the baseline individual is 47% more likely to receive pension compensation.

<table>
<thead>
<tr>
<th>Model (1) Baseline Individual</th>
<th>Mean</th>
<th>Std. Error</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Received</td>
<td>0.53</td>
<td>0.11</td>
<td>0.32 0.76</td>
</tr>
<tr>
<td>Received</td>
<td>0.47</td>
<td>0.11</td>
<td>0.24 0.68</td>
</tr>
</tbody>
</table>

First Differences

<table>
<thead>
<tr>
<th>Model (2) Baseline Individual: Change in Target (Low→High)</th>
<th>Mean</th>
<th>Std. Error</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Received</td>
<td>-0.35</td>
<td>0.14</td>
<td>-0.59 -0.02</td>
</tr>
<tr>
<td>Received</td>
<td>0.35</td>
<td>0.14</td>
<td>0.02 0.59</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Model (3-1) Baseline Individual, Low Target: Change in Size (Low→High)</th>
<th>Mean</th>
<th>Std. Error</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Received</td>
<td>-0.02</td>
<td>0.31</td>
<td>-0.62 0.49</td>
</tr>
<tr>
<td>Received</td>
<td>0.02</td>
<td>0.31</td>
<td>-0.49 0.62</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Model (3-2) Baseline Individual, High Target: Change in Size (Low→High)</th>
<th>Mean</th>
<th>Std. Error</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Received</td>
<td>0.06</td>
<td>0.27</td>
<td>-0.40 0.67</td>
</tr>
<tr>
<td>Received</td>
<td>-0.06</td>
<td>0.27</td>
<td>-0.67 0.40</td>
</tr>
</tbody>
</table>

Model 2 shows the first differences of when an individual with baseline characteristics
changes the target of collective petition from a lower-level government official (township, city, county) to a higher-level government official (provincial govt. or Party Central Committee). According to Model 2, an individual with baseline characteristics increases the likelihood of receiving pension compensation by 35% when she participates in public claim-making at higher-level officials. In rural areas, the threat of oversight may be perceived as a bigger threat than the threat of a sizable crowd. This implies that the target of collective demands may have a relatively bigger effect on triggering local officials' perceptions of threat than the size of such demands. Models 3-1 and 3-2 show the first differences of change in the size of collective petitions that target different level officials. Nonetheless, the size of collective demands is statistically insignificant as the confidence intervals for both cases include 0.

4.7 Conclusion

The main question posed by this chapter is what political factors affect the distribution of welfare benefits most significantly in rural China. In short, this study finds that certain attributes of collective demands affect local governments’ decisions to provide pension benefits as compensation for land requisition. Stability maintenance is a major area of concern for the central government, which also serves as one of the priority targets that should be met for local officials’ political advancement. Thus, local officials are more prone to provide pension benefits, in addition to monetary compensation, to landless farmers who are perceived as more threatening to regime stability.

Utilizing fieldwork data and individual-level survey data to identify patterns of pension distribution associated with land expropriation, this chapter presents the first empirical effort that measures the specific characteristics of collective demands that individuals have made, and how that affects their probabilities of receiving public goods. This chapter finds that in rural areas, the reception of welfare benefits depends more on the target of collective action rather than its size. In close-knit village societies, those who have participated in collective petitions that targeted higher-level officials were more likely to receive pension benefits.
My findings of pension distribution patterns in rural China advance our understanding of authoritarian survival and distribution in two ways. First, the findings show that the state is more likely to provide welfare benefits to individuals or communities that are perceived to be more threatening to regime stability. By disaggregating the threat of collective action by two factors, size and target, I find that the target of collective claims instigates government response more than size of the crowd. This may also have further implications on local governments’ perceptions of threat. In other words, collective claims or actions that target higher-level officials may be perceived as more threatening to social order, which create a stronger incentive for local officials to provide welfare benefits to contain and alleviate social discontent. This provides insight to the political mechanism of threat perception and distribution, contributing to the wealth of China studies that often focus on the aggregate effect of collective incidents on government behavior.

Second, this study of the characteristics of collective claims and distribution provides insight to collective incidents as an alternative tool for gathering information in non-competitive authoritarian regimes. Earlier works on authoritarian redistribution typically focus on competitive authoritarian states, and anticipate that autocrats will target benefits to certain groups they need support from for electoral purposes and political survival (Bueno de Mesquita et al., 2004; Knutsen and Rasmussen, 2017; Magaloni, 2006). However, my research also demonstrates that in non-competitive authoritarian regimes such as China wherein elections cannot be relied upon for gathering information on political supporters/opponents (Magaloni, 2006), collective demands may serve such purpose (Lorentzen, 2017). Collective, public demands that target higher-level officials may work as signaling device for threat that may prompt concessions by the local officials. Through the relationship between the characteristics of collective demands and distribution that is revealed in this chapter, the form of collective action becomes an important factor in understanding the mechanism underlying government response in the form of distribution.
This study on the attributes of collective incidents and welfare provision suggests important directions for future studies in the area of welfare state scholarship in non-democratic regimes. Referring to the emphasis on “stability maintenance” in China (Lee and Zhang, 2013; Tong and Lei, 2013; Yang, 2017a), and measuring for the target and size of collective petitions and the subsequent reception of pension benefits at the individual level, I disentangle the concept of “threat to regime survival” in the process of distribution. In this perspective, the selective distribution of pension benefits in rural China is not to target critical supporters (Knutsen and Rasmussen, 2017), but rather to target and buy-off individuals perceived to be potential opponents to the regime. In my model, the attributes of collective incidents were based on two measures due to limitations in data availability. However, the discussion of social unrest as a signaling, information-gathering device can benefit from an exploration of other various factors such as the method or language of collective claims, socioeconomic or political status of the challengers, and level of public awareness or issue saliency. Further research on the size, configuration, and subsequent signaling effects of threat on regime survival will deepen our understanding of the political mechanisms affecting welfare provision in authoritarian contexts.

Furthermore, my work uncovers the communication channels between the public and the Chinese bureaucracy that may contribute to ongoing studies on authoritarian responsiveness. My findings show that welfare distribution is not an exclusively top-down or bottom-up process. Indeed, in the Chinese case, welfare provision is top-down in the sense that the authority to introduce welfare programs lies solely with the central government. The central government then delegates responsibility to implement and execute such welfare programs, including decisions involving distribution, to local officials. However, as the findings show, welfare development is also a bottom-up process in that the local officials do consider and respond to public demand for welfare when it threatens social stability. In this sense, this study on the interaction between local officials and aggrieved citizens through the provision
of welfare benefits may provide a case that may bridge theories of welfare development and recent studies on authoritarian response in China (Manion, 2014; Chen et al., 2016; Truex, 2017).

This chapter shows that welfare benefits have been selectively distributed to those who have made public claims to upper-level officials over those who have created a larger crowd. Certain characteristics of social unrest thus serve as a threshold for welfare provision; collective claims that invoke upper-level government create a signaling mechanism for threat to social order, which in turn incentivizes respective local officials to provide welfare benefits. Securing political survival is one of the key motives for authoritarian regimes, and combating bridling threat with the distribution of welfare benefits appears to be one explanation in understanding China’s authoritarian resilience.
Chapter 5

Welfare Institutions and Social Trust

5.1 Introduction

What affects social trust in authoritarian regimes? What is the relationship between social trust and political trust in the absence of electoral competition? There has been abundant research on the sources and effects of social and political trust at the societal level. Studies on the effects of social trust have focused on its role in the building and maintenance of a more democratic regime (Paxton, 2002; Inglehart, 1999), effective institutions (Putnam, 1993), and economic growth (Knack and Keefer, 1997; Fukuyama, 1995). In other words, social trust has been known to be the main component of social capital, and a necessary condition for social integration, economic efficiency, and democratic stability (Putnam, 1993; Fukuyama, 1995; Coleman, 1988; Newton, 2001).

However, scholars have yet to come to an agreement on the sources of social trust. The social capital approach has emphasized the role of formal and informal associations and voluntary networks (Putnam, 1993). Dense networks of voluntary associations and citizen organizations generate trust and discourage malfeasance (Granovetter, 1985), leading to high levels of civic engagement and participation (Newton, 2001). The causal direction between social capital and social trust remains unclear, as other studies find that civic engagement and interpersonal trust have a reciprocal relationship (Kwak et al., 2004; Brehm and Rahn, 1997;
Nevertheless, according to social capital theorists, increasing social trust is attributable to the expansion of civic engagement at the societal level.

On the other hand, studies that focus on cultural factors have argued that social trust is determined by the role of families, religion, or ethnic homogeneity (Delhey and Newton, 2005; Uslaner, 2003; Fukuyama, 2001). Delhey and Newton (2005) find that more high trust societies are characterized by ethnic homogeneity and Protestant traditions, while Uslaner (2003) argues that generalized trust is a learned concept in which parenting as well as home environment affect individual levels of trust. Apart from religion, social capital may also be seen as a by-product of tradition and shared historical experience (Fukuyama, 2001).

Finally, the institutional approach argues that social trust is generated by different types of institutions and institutional performance (Rothstein, 2004, 2005). Government policies and political institutions create, channel, and influence the amount and type of social capital (Rothstein and Stolle, 2002). Social trust may also be increased by educational institutions or through the provision of necessary public goods, such as property rights and public safety (Fukuyama, 2001). Rothstein and Uslaner (2005) moreover argue that universal social policies are more effective than selective ones in creating social trust, while Lee (2012b) finds that active labor market policies encourage different labor market actors to build higher levels of social trust.

Branching off from the institutional approach on social trust, another line of research has studied the reverse effect, namely that of generalized trust on institutional performance (Putnam, 1993; Fukuyama, 1995; Newton, 2001; Levi and Stoker, 2000). According to Putnam (1993), regional government performance depends on the strength of regional civic communities. Similarly, countries with higher levels of social trust have been found to be less corrupt, have better institutions, and more redistribution of wealth from the rich to the poor (Uslaner, 2003). Such better performing public services will lead to increased satisfaction among their users, which will then lead to more trust in the government (Walle and
Bouckaert, 2003). Likewise, people in societies with high levels of social trust are more inclined to have a positive view of their democratic institutions, to participate more in politics, and to be more active in civic organizations (Rothstein and Uslaner, 2005). In short, civic engagement and generalized trust have important consequences for citizens’ confidence in political institutions (Brehm and Rahn, 1997).

Unfortunately, the literature on the sources and effects of social trust has been built on the cases of democratic countries (Putnam, 1993; Paxton, 2002; Inglehart, 1999). The relationship between institutions and social trust in authoritarian contexts has been neglected by most researchers, as existing studies largely posit that social trust is either necessary factor or a by-product of effective democratic institutions (Levi and Stoker, 2000; Rothstein and Uslaner, 2005). Societies with a totalitarian past, on the other hand, are deemed to be more likely to have generated habits of self-protection in which individuals and their families rely on trusted social networks and insulate themselves from distrusted state institutions (Shlapentokh, 1989). Moreover, cultural heritage, such as Confucianism that promotes family values and civility in personal relationships, is seen to create narrow radii of trust and a pervasive distrust of strangers (Fukuyama, 1995).

As is the case, existing research on trust has limitations in explaining the exceptionally high levels of social trust in China (Newton, 2001; Steinhardt, 2012). Despite having levels of generalized trust that is among the highest worldwide, mainland China has been considered as an outlier and often been excluded from analyses (Inglehart, 1999; Uslaner, 2003; Newton, 2001; Delhey and Newton, 2005). The high level of social trust in China goes against expectations that Chinese society will have developed a narrow radius of trust, which may in turn lead to a number of political dysfunctions (Fukuyama, 2001). How was China able to generate such high levels of generalized trust, despite the absence of comparable democratic institutions? More specifically, how and what kind of existing institutions affect social trust in China?
Based on previous literature on institutions and trust, this chapter identifies and tests the effects of social policies on social trust in China. I argue that levels of social trust differ according to the configuration of social policies. Using national representative survey data conducted in 2012, I examine the variation in social trust at the individual level dependent on selective and universal social policies. I find that people with experiences of selective, transfer-based policies demonstrate lower interpersonal trust than others, and the opposite effect for those enrolled in universal social programs. I further discuss that generating and maintaining high levels of social trust is important not only to induce citizen compliance, but also to secure social stability.

I expect that my analysis will address limitations in the study of social trust and welfare institutions by providing a model that highlights both the sources and political implications of social trust in an authoritarian context.

5.2 Existing Explanations for Trust in China

There are a limited number of studies that focus on the topic of trust in China, and such research concentrates less on social trust than on political trust. Cultural explanations of social trust in China expected that social capital will reside largely in families and a rather narrow circle of personal friends (Fukuyama, 1995, 2001; Casimir et al., 2006). The notion of guanxi, the Chinese term for personal connections and relationships, and its benefits for conducting business have further added to the perception of low levels of generalized trust (Davies, 1995; Davies et al., 1995; Wong and Chan, 1999).

However, according to the average calculated on the basis of the first three waves of the World Value Study on the standard question of social trust, China ranked fourth in the level of social trust after Norway, Sweden, and Finland (Rothstein and Stolle, 2002). Steinhardt (2012) attributes the reason behind exceptionally high levels of social trust in China to confidence in political institutions; institutional confidence, rather than institutional performance, has a strong effect on social trust. The positive relationship between political trust
and social trust has also been supported in other studies as well. Tao et al. (2014) argue that high levels of political trust have helped sustain fairly high levels of social trust, and confirm the causal direction by using an instrumental variable for political trust (the share of war veterans in village). Social trust is therefore dependent on political trust, in which eroding trust in institutions would lead to a decline in generalized trust.

Due to such emphasis on political trust as a source of social trust in China, the majority of studies examining trust has focused on explicating the determinants of political trust. Manion (2006) finds that lineage relationships and formal institutions of electoral democracy, such as designs that promote electoral contestation and voting participation, positively affects political trust. Shi (2001) argues that political culture, which refers to people’s orientation towards authority and conflict, is a major causal factor of political trust, whereas Li (2008) contends that petitioning tends to weaken trust in the central government’s capacity and commitment to protect people’s rights and interests. Other studies have aimed to differentiate between political trust for the central government and that for the local government based on public goods provision (Dickson et al., 2016a) and experiences of land expropriation (Cui et al., 2015b).

Nonetheless, recent scholarship that observes that political trust undergirds generalized social trust in China (Steinhardt, 2012; Tao et al., 2014) is not able to fully explain the various institutional configurations that may affect interpersonal trust. Newton (2001) strongly states that social and political trust are different forms of trust that are largely independent of each other; a person’s confidence in institutions cannot predict her trust in other people. Though the causal relationship between social and political trust remains controversial, the argument that social trust is mainly dependent on political trust neglects the sociopolitical effects that policies may have on generating and transforming interpersonal trust.

This paper aims to contribute to the research on social trust by emphasizing the different types and subsequent effects of institutions on generalized trust in China. With the
exception of studies conducted by Rothstein and Uslaner (2005) and Lee (2012b), the role of social policies and the scope and breadth of welfare benefits on social trust have been largely understudied. In the next section, I describe the effects of two types of welfare policies, selective versus universal, on variations in individual-level social trust. The remaining sections test proposed hypotheses using nationally representative individual-level survey data conducted in 2012.

5.3 Theoretical Discussions

5.3.1 Social Policies and Social Trust

The general agreement on the relationship between welfare-state institutions on social trust is that universal welfare-state institutions tend to increase social trust, whereas needs-testing institutions tend to have an undermining effect (Rothstein, 2005; Kumlin and Rothstein, 2005). Following the same vein, Lee (2012b) provides a more rigorous empirical analysis on the different effects of transfer-based welfare states and training-supplemented welfare states on social trust for labor market actors.

Rothstein (2005) identifies the logic of the “social trap” in which efficient cooperation for common purposes can come only under conditions wherein people believe that others will also choose to cooperate. Social welfare agencies thus employ various measures to prevent potential problems of free-riding or widespread cheating (Olson, 1965b; Lee, 2012b). For example, if the belief spreads that many people receiving disability benefits are not actually sick, social solidarity that have once sustained the payment of taxes for universal health care may erode (Rothstein, 2005).

Social transfer programs or selective forms of public service tend to be more vulnerable to such problems of cheating. Selective public service is allocated to individuals only based on individual needs-testing and includes services such as cash benefits or housing subsidies (Rothstein, 2004). As is the case, means-testing places great demands on both public
employees and potential recipients as the bureaucrat must actively interpret general regulations and apply them to the individual seeking to qualify for the public service (Kumlin and Rothstein, 2005). Needs-based welfare programs thus allow room for bureaucratic discretion, while citizens applying for access to such programs are also incentivized to abuse the system by withholding relevant information. Such arbitrary and informal decision-making process on the part of bureaucrats as well as incentives for applicants to cheat in order to gain access to welfare benefits may influence public perceptions on the trustworthiness of local officials and other people.

Selective institutions based on traditional forms of social security transfer may also have led to stratification among different levels of societal actors. According to Lee (2012b), in cases of policies such as unemployment compensation that targets those suffering from repeated or long-term unemployment, middle or upper classes may consider social welfare programs as philanthropic contributions to the poor, rather than a common social safety net in cases of future crises. Moreover, government subsidies that require applicants to prove to the government that they are poor create greater resentment and increased in-group identification (Rothstein and Uslaner, 2005). In other words, applicants and recipients of needs-based policies may feel stigmatized and identify more strongly with one another, while contributors may perceive recipients as free-riders. This discussion leads to the following hypothesis:

*Hypothesis 1-1: Individuals with experiences of selective, means-testing welfare institutions will display lower levels of social trust.*

On the contrary, access to universal welfare programs are not targeted to specific income levels, but cover the entire population, or easily defined segments, without consideration of their ability to pay for themselves (Rothstein, 1998). As universal programs are based on the principle of equal treatment and minimize bureaucratic discretion, they increase the sense of shared fate among all groups in society, regardless of their socioeconomic status (Rothstein,
However, because universal welfare institutions provide benefits without means-testing that are mainly tax-financed, they face the potential problem of free-riding (Barr, 2004). Free-riding will most likely take the form of excessive use of welfare benefits and low levels of labor market participation (Nannestad, 2008). Such issues may be resolved with the introduction of active labor market policies that discourage incentives for free-riding and also provide incentives for labor market outsiders to reenter the labor market, which will in turn enable labor market actors to perceive universal welfare institutions as a common resource pool for risk management (Lee, 2012b).

In order for social policies to increase interpersonal trust, it is imperative for welfare institutions to be able to dispel concerns of free-riders taking advantage of the welfare system and further generate perspectives of commonality or “shared fate” among the recipients. Universal welfare institutions that have preventative mechanisms against potential abuse will therefore be able to establish an institutional basis for cooperation and trust among citizens.

Unfortunately, it is difficult to apply the concept of “universal social policies” from that of Western democracies in the Chinese context. Since the economic reforms initiated by Deng-Xiaoping, and particularly after Hu Jintao’s assumption of office in 2003, the development of the Chinese welfare state has been characterized as being extremely fragmented with an urban-rural bias (Huang, 2015; Frazier, 2010). Though there has been an official stance towards greater inclusion, there is yet to be a social security scheme to universally cover the entire population (Sander et al., 2012).

Nevertheless, the different social policies in China vary on the gradations of coverage and access. While policies such as the Minimum Living Standard Scheme (MLSS, dibao) may be categorized as selective in the sense that it provides access to a locally determined minimum subsistence level of cash support conditional on family income (Ringen and Ngok, 2013),

1998; Rothstein and Uslaner, 2005).
other social policies such as old-age pension and medical insurance are difficult to classify due to their complex and stratified nature.

In order to be able to test for the effects of such social policies that cannot quite be classified as universal, I rely on the distinction between universal and selective welfare policies made by Rothstein (1998) in that the in the former, benefits and services are intended to cover the entire population throughout the different stages of life, and on the basis of uniform rules. Based on this working definition, I categorize medical insurance and old-age pension schemes as “non-selective policies,” based on their intended access and coverage rather than actual provision. Based on this logic, I construct the following hypothesis:

Hypothesis 1-2: Individuals with experiences of non-selective social security benefits will be associated with higher levels of social trust.

5.3.2 Social Trust and Compliance

An important question that needs to be answered when studying social trust in authoritarian contexts (in this case, China) is: why does social trust matter for the Chinese Communist Party? The bulk of studies on trust in China have focused largely on explaining the sources and effects of political trust because of its relationship with political stability.

Authoritarian governments and officials are keen to keep the potential for political instability at bay through various measures in order to secure political survival (Acemoglu and Robinson, 2006; Magaloni, 2008; Albertus, 2015). Maintaining stability and strengthening political and legal work in order to safeguard social stability have also been the most prioritized political task for the CCP since the Tiananmen Crisis (Yang, 2017a). The tendency to localize responsibility for stability maintenance and strengthen the implementation of an integrated public security management have become increasingly codified by the 2000s (Lee and Zhang, 2013), and maintaining social order has become one of the priority targets of the “Target Responsibility System” that affects local leaders’ political careers (Chou, 2005). Political trust is thus viewed as critical for maintaining stability because if citizens have
greater support and trust in their local institutions, they will be less likely to be disgruntled and thereby less likely to express their grievances (Dickson et al., 2016b).

However, I argue that generating and securing social trust, in addition to political trust, is important in terms of inducing citizen compliance to government rules and regulations. Previous scholarship on trust finds that trusting citizens display greater willingness to concede to government policies and are also more likely to pay taxes (Levi, 1988; Tyler, 1990). Compared to increasing the severity and certainty for punishment, inducing voluntary compliance through increasing the trustworthiness of political institutions is more cost-effective and thus highly valued by authorities (Tyler, 1990).

Though placing political trust in regulatory institutions have often been placed in the center of influencing compliance (Murphy, 2004; Levi and Stoker, 2000), I contend that social trust is also necessary in order to craft compliance for authoritarian regimes. Scholz and Lubell (1998) argue that it would be foolish for citizens who do not trust the government and other citizens to act in reciprocity to comply with a law unless motivated by fear or duty to obey. There needs to be generalized trust that others would also comply with the rules and not free-ride on the potential benefits of collective action in order for a citizen to be able to willingly bear the costs of compliance (i.e. paying taxes, meeting pension obligations) (Scholz and Lubell, 1998). Brehm and Rahn (1997) also find that people with a high degree of trust find it easier to accept the decisions of the government because they believe that they would not be taken advantage of by following the rules, as others would also act similarly.

In the context of China wherein maintaining regime stability is an overarching goal to secure political legitimacy, it is imperative for the Party to induce and activate compliance and assistance through various measures. Engineering stability and encouraging compliance have become the top priorities for the Party in the early 21st century (Yan, 2014). However, it is unrealistic for the CCP to rely solely on outright violence to secure everyday compliance from the public, as it may not only require more resources, but also undermine the legitimacy
of the regime (Yan, 2014). Thus, through the accumulation of social trust, political authorities will be able to reduce enforcement costs of heavy-handed sanctions or expensive coercion (Brehm and Rahn, 1997; Levi, 1988; Scholz and Lubell, 1998) without compromising regime legitimacy.

Based on this theoretical analysis, several implications can be derived. First, increasing social trust is beneficial for the CCP in order to encourage voluntary compliance and maintain regime stability. Second, government officials’ interest in generating social trust would then be based on the expectation that individual compliance or disruptive behavior would vary with individual levels of social trust. This discussion leads to the last hypothesis for empirical testing.

Hypothesis 2: Individuals with higher levels of social trust will be positively associated with compliant behavior.

5.4 Data and Measures

5.4.1 Dependent Variable

The dependent variables in the analyses are social trust to test for hypotheses 1-1 and 1-2, and compliant behavior for hypothesis 2. I draw upon data from the 2012 survey of the China Family Panel Studies (CFPS), a nationally representative, annual longitudinal survey of Chinese communities, families, and individuals (Xu and Xie, 2013). The baseline survey was conducted in 2010 and covers 25 administrative divisions; the survey employed a stratified multi-stage sampling strategy that ensured the CFPS sample to represent 95% of the Chinese population (Xie, 2012). The 2012 follow-up survey covers 28 administrative divisions, with the addition of Qinghai, Ningxia Hui Autonomous Region, and Xinjiang Uygur Autonomous Region. The analysis uses logistic regressions to estimate the impact of all variables on both social trust and non-compliance.

The measure of social trust is based on the question that is phrased similarly as the
question in the World Values Survey (WVS), “in general, do you think that most people are trustworthy, or do you think we must be more careful when getting along with others?” The social trust variable is constructed as binary: (0) for *we must be very careful* and (1) for *most people can be trusted*. There has been concerns as to whether the general WVS question accurately captures the measure of social trust; some scholars have argued that the question is not fit for cross-national analysis, as “most people” and “others” may be interpreted differently across countries (Torpe and Lolle, 2011). However, previous research also finds that despite its shortcomings, the generalized-trust question is a reasonably reliable survey instrument for measuring trust and that when tested across 51 countries, respondents do imagine a wider circle of people when answering the question (Delhey et al., 2011). Moreover, by conducting a subnational analysis within China, I am able to control for the constitutional, political, and cultural structures that may give rise to such discrepant interpretation of the question.

The measure of compliance aims to capture the level of citizen obedience to authorities during interaction. There have been various measures of compliance employed in former studies: Scholz and Lubell (1998) measure compliance through a set of questions probing self-reported income; Tyler (1990) uses self-reports on frequency of law-breaking behavior; and Jiang and Yang (2016) rely on the question of whether one believes the government can never be wrong. Each measure captures different aspects of “compliance.” While the two former studies consider compliance as rule-abiding behavior, the latter examine compliance as the ability to challenge authorities. This study looks at compliance as an effective means to secure regime stability and thus a necessary factor to curb disruptive behavior that may escalate to potential instability. Therefore, the measure of compliance is constructed dichotomously from the question, “in the past year, have you experienced conflict with government officials?”
5.4.2 Independent Variables

Non-Selective Social Policy

As discussed in section 3, I measure for two areas categorized as non-selective welfare policies: medical insurance (health care) and old-age pension (pension) schemes. I view medical insurance policies that provide basic social health insurance to most people as less selective, and thus relatively more universal in scope, than the old-age pension scheme (Huang, 2014).

In the case of old-age pension insurance, urban enterprise employees have access to a basic pension insurance, which is payable after a minimum of 15 years of contributions, wherein retirees would be able to receive a pension at approximately 15% of the average local salary (Ringen and Ngok, 2013). The basic pension insurance is also available for the self-employed, migrant workers, and irregular workers who have to pay all contributions themselves. The rural pension system covers working age rural residents, who would receive the benefits after they have contributed to pension for at least 15 years (Calvo et al., 2016). Additional reforms in 2014 and 2015 have merged the pension schemes for urban and rural residents and further implemented the pension rules for civil servants as urban enterprise employees (Liu and Sun, 2016). As is the case, theoretically, each Chinese citizen is entitled to participate in the pension arrangement as of 2014.

Likewise, medical insurance has also achieved near universal coverage. Between 2003 and 2013, the number of people covered by the health insurance system in China has increased by ten times and has now achieved near universal coverage, covering 96.9% of the population (Hu, 2016). The China Health and Nutrition Survey also support the coverage rate: the rate of health insurance coverage increased from 49.7% in 2006 to near-universal levels of 94.7% in 2011 (Li et al., 2017). Similar to the old-age pension system, the medical insurance system also provides coverage for different social groups. The basic social medical insurance scheme covers urban employees; the new rural cooperative medical insurance provides coverage for rural residents; and the basic social medical insurance for urban residents covers the urban
Based on the intended coverage of both insurance systems targeting a broad range of social groups, I use old-age pension and medical insurance as cases of non-selective social policies. Variables for experiences with either of the policies are constructed dichotomously through the respective questions: (1) “do you have any of the following medical insurances?”; and (2) “are you enrolled in any government or public pension program, or basic insurance provided by enterprise?” The answer choices for the first question regarding health care were: public medical insurance, urban employee basic medical insurance, urban resident basic medical insurance, supplementary medical insurance, and new rural cooperative medical insurance. Respondents who were enrolled in any of the above medical insurance schemes were coded as 1.

Selective Social Policy

For selective social policy, I look at the MLSS, a discretionary and means-tested cash transfer program that caters to anyone living in a household whose per capita income falls below a locally-set norm (Solinger, 2013). However, as there is no national urban poverty line in China, the poverty threshold varies across cities as localities are allowed to peg their own poverty lines (Solinger and Hu, 2012). The lack of a clear standard for MLSS eligibility renders local officials and village leaders considerable discretionary power. In the Chinese-language media reports of rural MLSS, irregularities are so numerous that they have been classified into standard categories: giving MLSS on the basis of connections or personal relationships (guanxi bao, renqing bao); cheating (pian bao); and mistakes (cuo bao) (Sicular, 2015). Because of the arbitrary and discretionary nature of MLSS, this means-tested policy provides an adequate case in examining the negative effects of selective welfare institutions on social trust. I measure for experiences of MLSS dichotomously through respondents’ answer to the question: “did your family receive dibao last year?”
5.4.3 Control Variables

**Socioeconomic Variables** I control for individual socioeconomic variables to help isolate this main relationship on social trust and compliance. I control for individual’s gender and marital status as trust may be affected by negative gender-based experiences or experiences of divorce. I also include controls for household registration (urban versus agricultural *hukou*) and employment status (employed or not) due to the various limitations that people face in the access to welfare benefits based on these characteristics.

Logged personal income is expected to increase with social trust based on previous findings (Dickson et al., 2016b). Individuals who are doing well in society are more likely to express social trust than those doing less well (Newton, 2001).

**Political Variables** I also control for several political variables to account for the possible impact of civic associations (Putnam, 1993) and religion on social trust (LaPorta et al., 1997; Uslaner, 2003). Though it is unclear as to the nature of the individual’s affiliated religious group (Protestant, Catholic, etc.), the survey question asks for membership in formally registered religious groups, which would include either of the five religions: Buddhism, Catholicism, Daoism, Islam, and Protestantism. Affiliation with religious groups may either be positively or negatively associated with social trust, while membership to the Party is expected to be positively associated with social trust.

5.5 Results

5.5.1 Descriptive Results

Table 5.1 shows descriptive statistics for the total number and percentage of social trust according to municipality (Beijing, Tianjin, Shanghai, Chongqing), provinces excluding the municipalities, and urban versus rural areas. Levels of social trust do not seem to vary widely across the different divisions. Still, social trust is relatively higher in municipalities (58.3%) and urban areas (57.5%), compared to other provinces and rural areas. Rural areas record
the lowest percentage of respondents who answer that most people are trustworthy.

<table>
<thead>
<tr>
<th>Municipalities</th>
<th>Other Provinces</th>
<th>Urban Areas</th>
<th>Rural Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>41.7%</td>
<td>45.7%</td>
<td>42.5%</td>
</tr>
<tr>
<td>Yes</td>
<td>58.3%</td>
<td>54.3%</td>
<td>57.5%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 5.2 shows the mean levels of social trust and main independent variables. Rural areas expectedly have higher levels of people who have experience with MLSS and surprisingly high levels of those covered by medical insurance. This may imply that the average level of social trust may have been lower without the intervention of those with access to non-selective policies, particularly medical insurance. Municipalities, on the contrary, report the lowest average levels of MLSS and relatively higher levels of pension and health care. The levels of those with experience of selective policy versus those with non-selective policies and their association with social trust seem to lend support to my initial hypotheses.

<table>
<thead>
<tr>
<th>Municipalities</th>
<th>Other Provinces</th>
<th>Urban Areas</th>
<th>Rural Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Trust</td>
<td>0.58</td>
<td>0.53</td>
<td>0.57</td>
</tr>
<tr>
<td>Pension</td>
<td>0.26</td>
<td>0.12</td>
<td>0.19</td>
</tr>
<tr>
<td>Medical Insurance</td>
<td>0.79</td>
<td>0.88</td>
<td>0.83</td>
</tr>
<tr>
<td>Dibao (MLSS)</td>
<td>0.04</td>
<td>0.11</td>
<td>0.08</td>
</tr>
</tbody>
</table>

Table 5.3 demonstrates an opposite trend between administrative divisions and social trust when looking at conflict with government officials. Those who have experienced conflict with government officials are highest in provinces other than municipalities and urban areas. Likewise, as can be seen in Table 5.4, the number of individuals who have interpersonal trust and have not experienced conflict with government officials is highest in municipalities (57.2%) and urban areas (56.0%), and lowest in rural areas (52.9%). Rural areas mark the highest number of individuals who lack interpersonal trust and have experienced conflict.
In general, descriptive statistics for different provinces and areas in China suggest that in some of these administrative divisions, levels of social trust may be affected different types of welfare institutions. Moreover, Tables 5.3 and 5.4 also suggest a close relationship between levels of interpersonal trust and experiences of conflict with government officials at the individual level. I test whether this effect explains the subnational variation in social trust through logistic regression analysis in the next section.

### 5.5.2 Multivariate Results

#### Welfare Institutions and Social Trust

In Models 1 to 4 of Table 5.5, I introduce a simple model testing the relationship between social trust on each of the welfare policy without introducing individual-level covariates. As expected, both non-selective welfare policies are significantly and positively associated with social trust while the selective policy, MLSS, is negatively associated with social trust. This suggests that non-selective welfare policies have a negative effect on generating interpersonal trust, while the effect may be alleviated as the policy becomes less selective.
Table 5.5: Logistic Regression Results for Social Trust

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
<th>(8)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension</td>
<td>0.443***</td>
<td>0.436***</td>
<td>0.273***</td>
<td>0.263***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.038)</td>
<td>(0.038)</td>
<td>(0.041)</td>
<td>(0.042)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical Insurance</td>
<td>0.088*</td>
<td>0.068+</td>
<td>0.129***</td>
<td>0.113**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.036)</td>
<td>(0.036)</td>
<td>(0.037)</td>
<td>(0.037)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dibao (MLSS)</td>
<td>-0.102**</td>
<td>-0.089*</td>
<td>-0.084*</td>
<td>-0.083*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.039)</td>
<td>(0.039)</td>
<td>(0.039)</td>
<td>(0.039)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>0.091***</td>
<td>0.091***</td>
<td>0.093***</td>
<td>0.093***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.025)</td>
<td>(0.025)</td>
<td>(0.025)</td>
<td>(0.025)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household Registration</td>
<td>0.285***</td>
<td>0.355***</td>
<td>0.342***</td>
<td>0.301***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.032)</td>
<td>(0.031)</td>
<td>(0.031)</td>
<td>(0.032)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employed</td>
<td>-0.072**</td>
<td>-0.037</td>
<td>-0.036</td>
<td>-0.075**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.026)</td>
<td>(0.026)</td>
<td>(0.026)</td>
<td>(0.026)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marital Status</td>
<td>-0.052</td>
<td>-0.061+</td>
<td>-0.055+</td>
<td>-0.064+</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.033)</td>
<td>(0.033)</td>
<td>(0.033)</td>
<td>(0.033)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Party Member</td>
<td>0.485***</td>
<td>0.493***</td>
<td>0.501***</td>
<td>0.474***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.048)</td>
<td>(0.048)</td>
<td>(0.048)</td>
<td>(0.048)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Religious Group</td>
<td>0.073</td>
<td>0.064</td>
<td>0.069</td>
<td>0.078</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.117)</td>
<td>(0.117)</td>
<td>(0.117)</td>
<td>(0.117)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log(Personal Income)</td>
<td>0.010***</td>
<td>0.011***</td>
<td>0.011***</td>
<td>0.009***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.003)</td>
<td>(0.003)</td>
<td>(0.003)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Province FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Pseudo $R^2$</td>
<td>0.013</td>
<td>0.010</td>
<td>0.010</td>
<td>0.013</td>
<td>0.021</td>
<td>0.020</td>
<td>0.020</td>
<td>0.021</td>
</tr>
<tr>
<td>Observations</td>
<td>29730</td>
<td>29730</td>
<td>29730</td>
<td>29730</td>
<td>29730</td>
<td>29730</td>
<td>29730</td>
<td>29730</td>
</tr>
</tbody>
</table>

Standard errors in parentheses
+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Models 5 to 7 test the effects of each of the policy while controlling for socioeconomic and political covariates at the individual level. The effects of each welfare institution on social trust remains the same and are statistically significant. For individuals who are enrolled in old-age pension insurance, the odds of being a truster increases by a factor of 1.31 (31%) with all other variables held constant. On the other hand, those with experiences of the means-tested MLSS policy, the odds of being a truster decreases by 0.9 (10%). Gender and household registration are also positively and significantly associated with social trust. Men and individuals with urban household registrations are more likely to be trusters than women and rural hukou-holders. Personal income and party membership are also positively associated with social trust as expected. Those who are members of the Party are more
likely to be trusters, which may imply a relationship between political trust and social trust. As previous studies confirm, those who are better off in society are more likely to express social trust.

In Model 8, I introduce all variables used in previous models. The results support my hypotheses that selective welfare policies would have a negative effect on generating interpersonal trust. The overall effect of dibao remains largely the same: the odds of being a truster for a person with experience of MLSS decrease by a factor of 0.92 (8%). Being enrolled in a pension program has a bigger effect on generating social trust than receiving medical insurance. An individual with pension insurance have approximately 30% higher odds of having interpersonal trust, with all other variables held constant. On the other hand, the odds for a person with medical insurance being a truster are increased by approximately 12%, which is significant, but lower than the effect of pension insurance. The positive relationship between non-selective policies and social trust, as well as the opposite effect of selective social policy confirms that interpersonal trust is indeed a function of different types and scope of welfare institutions. Creating a sense of shared fate and alleviating concerns of widespread cheating and bureaucratic discretion are important in generating social trust.

Social Trust and Compliance

In order to understand political incentives in generating and maintaining social trust, I test for the effects of social trust on inducing political compliance. Using the same set of individual-level covariates and independent variables, I include social trust as the main explanatory variable to examine its effect on compliant behavior. This is not to argue that social trust is a mediating variable between welfare institutions and compliance. Rather, it is an effort to explicate why it is in the Party’s interest to generate social trust, and further explain the politics behind the high levels of social trust in China that were unexpected in previous cross-national analyses.

Table 5.6 shows logistic regression results for social trust on compliance. Social trust
Table 5.6: Logistic Regression Results for Conflict with Govt. Officials

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Trust</td>
<td>-0.506*** (0.064)</td>
<td>-0.517*** (0.065)</td>
<td>-0.519*** (0.065)</td>
</tr>
<tr>
<td>Gender</td>
<td>0.527*** (0.067)</td>
<td>0.528*** (0.067)</td>
<td></td>
</tr>
<tr>
<td>Household Registration</td>
<td>-0.067 (0.085)</td>
<td>-0.094 (0.090)</td>
<td></td>
</tr>
<tr>
<td>Employed</td>
<td>-0.067 (0.069)</td>
<td>-0.078 (0.071)</td>
<td></td>
</tr>
<tr>
<td>Marital Status</td>
<td>0.227* (0.093)</td>
<td>0.230* (0.094)</td>
<td></td>
</tr>
<tr>
<td>Party Member</td>
<td>-0.105 (0.125)</td>
<td>-0.105 (0.125)</td>
<td></td>
</tr>
<tr>
<td>Religious Group</td>
<td>0.565* (0.267)</td>
<td>0.571* (0.267)</td>
<td></td>
</tr>
<tr>
<td>Log(Personal Income)</td>
<td>-0.005 (0.008)</td>
<td>-0.005 (0.008)</td>
<td></td>
</tr>
<tr>
<td>Pension</td>
<td>0.093 (0.109)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical Insurance</td>
<td>-0.083 (0.099)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dibao (MLSS)</td>
<td>-0.052 (0.104)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Province FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Pseudo $R^2$</td>
<td>0.020</td>
<td>0.028</td>
<td>0.028</td>
</tr>
<tr>
<td>Observations</td>
<td>29582</td>
<td>29582</td>
<td>29582</td>
</tr>
</tbody>
</table>

Standard errors in parentheses
+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

is statistically significant and negatively associated with individual experience with conflict with government officials. Model 1 provides the baseline model of social trust on the dependent variable, while individual level covariates are included in Model 2. Model 3 tests social trust with all variables, including experiences with different types of welfare institutions.

According to the full model, the odds for an individual with social trust to be in a conflict with government officials decreases by approximately 40%, with all other variables held constant. In other words, it is highly unlikely for an individual with interpersonal trust to have been in a conflict with government officials. People who perceive other people to be trustworthy are more likely to comply with rules and regulations, and therefore highly un-
likely to be in a situation wherein they would have a negative encounter with the authorities. Individual covariates also show interesting results with their relationship to compliance. Men are more likely to experience conflict with government officials while being married also has a positive effect on the likelihood of conflict. Moreover, being a member of a religious group increases the likelihood of experiencing conflict with bureaucrats.

On the other hand, experience with welfare policies surprisingly do not have a significant effect on the probability of experiencing conflict with government officials. This suggest that being enrolled in selective or non-selective social policies is independent from the individual’s likelihood of law-abiding behavior. The exogenous relationship between welfare institutions and experiences of conflict with local officials may provide contrary evidence to the findings of Dickson et al. (2016a) that public provision of goods lead to increased public support for the regime. However, I contest that whether or not an individual had the experience of conflict with government officials does not capture her political support or political trust in the regime; rather, it only captures whether she is more likely or not to comply with the rules and thus avoid getting into trouble with government officials. Inducing voluntary compliance to reduce the costs of heavy-handed enforcement may consist of a similar logic to that of acquiring political support for regime survival from the state perspective. However, from the perspective of the citizens, keeping the rules without fear of being taken advantage of due to social trust may be quite different from expressing support and trust for the regime.

5.6 Conclusion

This chapter examines the sources of social trust in China from an institutional perspective of welfare policies. By empirically testing for the effects of different types of welfare institutions on social trust, I argue that selective social policies such as the MLSS lead to decreasing levels of interpersonal trust. The opposite effect accords to non-selective policies such as the old-age pension insurance or medical insurance. Specifically, this chapter highlighted the contrasting perceptions that selective versus non-selective policies create for the public.
Means-tested policy is more vulnerable to widespread cheating and bureaucratic discretion, leading to lower levels of social trust. On the other hand, less selective policies that aim to cover a wider range of people, despite their varying benefits and contribution rates depending on individual conditions (i.e. household registration, employment status), tend to dispel such suspicions of cheating and increase a sense of security regarding the future.

To summarize key findings, the evidence first offers support for my claim that people with experience of means-test welfare policies are less likely to trust others, because of their fear of being stigmatized by others as either cheating or free-riding on the taxes of middle and higher-income families. People with experience of less selective social policies are more likely to be trusters as such concerns are alleviated. Furthermore, the second set of empirical tests show that social trust is effective in generating voluntary compliance, which would not only be useful in reducing enforcement costs, but also critical in securing social stability in the long-run. In other words, the political advantages of generating social trust create an incentive mechanism that encourages provincial governments to create and maintain high levels of social trust through the implementation of various social policies.

Overall, I revisited the social trust literature that focused on advanced democracies (Newton, 2001; Uslaner, 2003; Lee, 2012b). The study of social trust in authoritarian contexts has been largely neglected, in which extant research on trust in China tend to focus on political trust (Manion, 2006; Shi, 2001). Through this chapter, I aimed to provide insight to the sources of unexpected high levels of social trust in China, and further explain the role of social trust in securing political survival. Based on the premise that institutions shape social trust (Rothstein, 2004), I argue that the configuration of welfare institutions should be tested as the main explanatory variable that affects generalized trust in China. Based on this theoretical intervention, I find that selective social policies lead to decreasing levels of social trust, while non-selective social policies have the opposite effect.

The overall findings in this study also suggest that bottom-up mechanisms to encourage
voluntary compliance and further secure social stability are activated by social trust. As individuals with interpersonal trust are more likely to abide by the rules and comply with authorities, generating and maintaining high levels of social trust are in the interest of the regime. Social trust is thus beneficial not only for democracies in creating effective institutions (Putnam, 1993), but also for authoritarian regimes for the purposes of securing social stability and political survival.

In conclusion, this chapter shows that in the process of setting up welfare institutions to address the commodification of labor brought by rapid economic development, the Chinese state has affected how citizens perceive one another depending on their access to, and eligibility for different types of social security. Engineering social trust is therefore a matter of reconfiguring selective welfare institutions to provide measures for recipients to be able to re-participate in the market, thereby alleviating contributors’ concerns in being taken advantage of in the long-run.
Chapter 6

Conclusion

According to the 13th Five Year Plan for Economic and Social Development (2016-2020) set forth by the CCP on 2015, one of the main principles to achieve the “Chinese Dream” of the rejuvenation of the nation is to uphold the principal position of the people (Compilation and Translation Bureau, 2015):

The people are the basic force behind development, and realizing, safeguarding, and developing the fundamental interests of the largest possible majority of people is the fundamental purpose of development. We must remain dedicated to a people-centered notion of development, make improving wellbeing and promoting people’s well-rounded development the starting point and ultimate goal of development, develop people’s democracy, safeguard social equity and justice, protect people’s rights to equal participation and equal development, and give full rein to their enthusiasm, initiative, and creativity.

As can be seen in the first Five Year Plan under President Xi’s leadership, the emphasis is not only on economic growth, but also on achieving “inclusive development” that expands social services to ensure that China’s prosperity is shared among the whole population. “Inclusive growth” was a key theme of the 12th Five Year Plan (2011-2015) and continues to be a main priority for Chinese leaders who are faced with a plethora of problems that are already impacting the quality of life of Chinese citizens (McGregor, 2015). One of the major objectives of the 13th Five Year Plan is to improve standards of living and quality of life: 118
public service systems related to various areas such as employment, education, social security, and healthcare will be improved; the income gap will be narrowed, with the proportion of middle-income earners increased; and all rural residents falling below China’s current poverty line will be able to lift themselves out of poverty, as poverty alleviation will be achieved in all regions (Compilation and Translation Bureau, 2015).

Considering the rising importance of social problems such as the widening income gap and an increasing elderly population, establishing a social welfare system that provides adequate social protection to those affected has become a key factor in inducing regime support and securing social stability. According to the World Bank Data on worldwide aged population, China’s aged population as a percentage of total population has been steadily increasing since the 1970s (see Figure 6.1). According to the United Nations, China is aging more rapidly than almost any country in recent history; its dependency ratio for retirees could rise as high as 44% by 2050 (Rapoza, 2017).

Figure 6.1: Population Aged 65 and Above (% of Total Population)

China’s income inequality has also become a problem that becomes a source of massive social discontent. Figure 6.2 is based on data publicly available by The Statistics Portal, and shows that the Gini coefficient for income has consistently been above a score of 40 (0.40),
which is considered by the World Bank to represent severe income inequality. Though the Gini coefficient has slightly decreased in 2015, it has increased again to approximately 0.47 in 2016. In 2012, among the world’s 25 largest countries by population for which the World Bank tracks Gini data, only South Africa and Brazil were higher than China at 0.63 and 0.53, respectively (Wildau and Mitchell, 2016).

![Figure 6.2: Gini Coefficient in China](image)

As is the case, the Chinese state has introduced various reforms to address social security concerns of those affected by economic integration and exposed to increased international competition. Contrary to the iron rice bowl of the Maoist era, the Open Door Policy in 1978 radically changed the logic of welfare. Emphasizing economic growth and the building of a stronger nation state, what was once a “cradle-to-grave” system had become dismantled and the role of the state as the main provider of welfare had also diminished.

In the wake of a commodification of labor leading to high rates of unemployment and social inequalities, China experienced a wave of public protests and social unrest. Shifting its policy of economic primacy to a people-oriented, harmonious society, the Chinese state under President Hu Jintao’s leadership pursued social welfare expansion as a means to alleviate sources of public discontent. Since then, the CCP has introduced various social programs in-
cluding the old-age pension system, basic social medical insurance, unemployment insurance, and the minimum living standard scheme.

However, because disparate insurance schemes target different social groups, the welfare system has been plagued by problems of fragmentation and social stratification. Insurance programs offer varying levels of benefit, duration, and contribution rates depending on the social strata of the individual. Particularly, the level of benefits varies between and within provinces, individuals with urban or rural household registrations, as well as employment sectors. Stratification of welfare benefits may often be seen along three lines: urban versus rural, labor market insiders versus outsiders (employed vs. non-employed), and state versus non-state actors (Huang, 2014).

The purpose of this dissertation was to study the political causes behind such irregularities and disparities of welfare benefits in China. By examining provincial pension coverage and individual-level reception of benefits in urban and rural China, I argued that local government officials selectively provide welfare benefits to provinces or individuals that pose high threat to social stability. By targeting welfare benefits to areas and individuals that pose the threat of social unrest, local officials are able to curb potential insurgencies and secure political survival. The findings of each empirical analysis, summarized in the next section, lend support to this argument.

6.1 Summary and Discussion

I first look at the political economy behind welfare expansion trajectory in urban China. By focusing on the interaction between economic integration and levels of social unrest, I argued that increasing levels of social unrest have a conditioning effect on the relationship between economic openness and old-age pension insurance coverage.

I proposed two important political incentives behind the expansion of social insurance coverage in urban China. Because local officials are largely responsible for the implementation and design of social insurance policies (Huang, 2015), they are inevitably interested in
increasing coverage for purposes of career advancement. First, as maintaining social stability in their jurisdictions is one of the hard targets that local officials must achieve in order to be promoted, expanding coverage may be a conducive way to dampen political discontent and elicit regime support. The public assessment portion of cadre evaluations may also enhance local officials’ incentives to address social unrest with cooptation and concessions via social welfare, rather than using repressive tactics.

Second, increased levels of social unrest further pose the risk of capital flight, which may put local officials’ career prospects at risk. As increased capital mobility is a key feature of globalization (Alesina and Tabellini, 1989; Avelino et al., 2005; Moller et al., 2003), international investors may opt to shift their capital to other countries under political instability (Lensink et al., 2000; Chen et al., 2016). Industrial unrests and political uncertainty may lead to capital flight because industrial instability compromises productivity, and if escalated to the level that threatens regime stability, endangers the credibility of the commitment made with the incumbent government. Because economic performance is also a key criterion of cadre evaluation, local officials will be keen to curb industrial unrest in order to discourage capital flight. The relationship between political instability, likelihood of capital flight, and cadre evaluation encourages the incentive structure that pushes local governments to focus on welfare growth in their jurisdictions.

Based on these two major political incentives, I argued that expansion of welfare will rest upon not only the levels of exposure to international markets, measured by trade openness, but also the levels of social unrest in the province, measured by the number of labor disputes. The need to dampen social unrest for career advancement is key to understanding the motive behind expanding coverage in respective provinces. Therefore, levels of social unrest provide an important intervening theoretical link between increased economic integration and social welfare development.

I find that globalization does lead to an increase in social spending as governments need
to compensate for those negatively affected by increased international competition. The implicit mechanism behind the compensation hypothesis, however, focuses on the risk that social instability as a result of rapid globalization may pose on incumbency and regime survival. My findings on the strong and positive effect of the interaction between economic openness and social unrest lend central support to this underlying explanation. In short, the subnational variation of coverage of pension for urban employees can thus be explained by the interaction between globalization and levels of provincial social unrest.

In the fourth chapter, I take a more microscopic view and examine the specific factors of social unrest that affect selective distribution of welfare benefits at the individual level. The previous chapter finds that social unrest matters in eliciting expanded coverage in provinces—what are the attributes of social unrest that explains the variation of the reception of benefits? Does any form of social unrest lead to local officials’ concessions in the form of higher provision? Utilizing fieldwork data and individual-level survey data to identify patterns of pension compensation after land expropriation, this chapter presents the first empirical effort that measures the specific characteristics of collective demands that individuals have made, and how that affects their probabilities of receiving public goods. I find that local officials are more likely to provide pension benefits, in addition to monetary compensation, to landless farmers who are perceived as more threatening to regime stability. More importantly, the selective distribution of welfare benefits depends more on the target of collective action rather than its size. Contrary to conventional expectations on contentious politics, I find that individuals who have participated in collective petitions that targeted higher-level officials were more likely to receive pension benefits than those who have made public claims in a large crowd. In other words, targeting higher level officials may be a more effective way of securing pension compensation than participating in petitions of a bigger size.

Lastly, I examined the sociopolitical effects of different types of welfare institutions on the Chinese public. I argued that selective social policies such as the MLSS lead to decreasing
levels of interpersonal trust, while non-selective policies such as the old-age pension insurance or medical insurance have an opposite effect on generalized trust. Specifically, this chapter formulated the hypotheses by studying the disparate perceptions that selective versus non-selective policies create for the public. Means-tested policy is exposed to widespread cheating and bureaucratic discretion, leading to lower levels of social trust. Non-selective policies, on the other hand, tend to dispel such suspicions of cheating and increase a communal sense of security of the future.

Through an analysis of the Chinese Family Panel Studies data, I find that people with experience of means-test welfare policies are less likely to trust others. This may imply their fear of being stigmatized by others as either cheating or free-riding on the taxes of middle and higher-income families. Meanwhile, people with experience of non-selective social policies are more likely to have higher levels of social trust as such concerns are alleviated. I also find that producing generalized trust is important for the regime as social trust not only helps generate voluntary compliance, but also secures social stability in the long-run. The political advantages of generating social trust create an incentive mechanism that encourages provincial governments to generate and maintain high levels of social trust through the design of various welfare institutions.

6.2 Limitations and Future Directions

The preceding chapters have aimed to provide a new framework in understanding the politics behind selective distribution of welfare benefits in China. However, the analyses and findings of the previous chapters suggest important questions for future research. First, how do we better understand and capture local incentives? The current theory on welfare provision and regime survival relies heavily on the incentive structure of local officials, who are the main providers of welfare. Second, in the context of economic growth and the commodification of labor, what are the roles of firms in welfare development? Third, how do we understand the Chinese case from a comparative perspective?
6.2.1 Local Officials’ Political Incentives

In the study of the effects of globalization and social unrest on subnational variation in urban pension coverage, I aimed to elucidate the implicit mechanism behind the conditional effect of social instability by testing for the effects of cadre performance ratings on welfare expansion. Furthermore, when looking at the attributes of social unrest, I demonstrated that the selective distribution of pension benefits in rural China is not to target critical supporters (Knutsen and Rasmussen, 2017), but rather to target and buy-off individuals perceived to be potential opponents to the regime. As such, I showed that collective demands that target higher-level officials may work as a signaling device for threat that may prompt concessions by local officials. The form of collective action thus becomes an important factor in understanding the mechanism underlying government response in the form of distribution.

However, there is a lack of systematic measurement of the political incentive structure of local officials to maintain stability and secure economic growth. Though I rely on public ratings of municipal and county governments’ performances available on a longitudinal survey, it may not accurately capture actual cadre evaluation scores that are marked in a top-down manner. The overriding incentive to maintain regime survival and social stability need also be examined in further detail as to whether it is, in fact, the game-changing category in career advancement. Were local officials in areas of high labor disputes uniformly discouraged in promotions? As long as cadre evaluations are not strictly objective, can other factors affect career prospects aside from the government mandated hard and soft targets? More refined and comparable data on cadre evaluations and political turnover in China may enable future researchers to better address these questions. Moreover, in my model, the attributes of collective incidents were based on two measures due to limitations in data availability. Further research on other various factors such as the method or language of collective claims, as well as the size and configuration of threats to social stability may also deepen our understanding of the development of welfare in authoritarian-capitalist countries.
6.2.2 Varieties of Capitalism in China?

Another avenue for future research concerns the role of firms and investors in welfare development. I have provided a state-centered approach to welfare provision based on the assumption that local officials are the main providers and sponsors of welfare benefits, and that social organizations lack organizational power to lead reform in welfare state development. However, according to the Varieties of Capitalism approach, the capacity of employers and firms in coordinating their actions and preferences based on the composition of skills has an impact on the development of social policy (Estevez-Abe et al., 2001). During the period of economic growth in China, China has experienced a rapid ascendancy of state-owned firms as well as non-SOEs in various industries. Despite such developments, social policy as a result of strategic interactions of firms in China remains unexplored. Accounting for the responsibility of firms to contribute to old-age pension schemes for urban employees, a detailed analysis on the exposure to risk and its subsequent effect on firm incentives to invest in social policies will reveal new perspectives on the role of state, business, and labor in welfare development.

6.2.3 Comparative Context

Is there an East Asian model of welfare state development? How representative is the Chinese case of welfare state development in non-democracies and developing countries? Previous studies on building an East Asian model of welfare state development have examined East Asian countries with similar political structures, and have often neglected China from analyses. However, current democracies in East Asia also provide unique opportunities for comparative studies to test the applicability of my argument.

For example, South Korea shares similar experiences with China in rapid state-led economic development under authoritarian rule, and also has an extremely similar cultural background based on Confucian values. Moreover, China also shares South Koreas colonial past as evidenced by its “national humiliation” day, which commemorates the triumph
against the shackles of colonialism; the Japanese occupation, along with the long period of Western domination, is known as the “century of humiliation” in China (Miller, 2013). As in China, South Korea had also introduced major social policies including universal health insurance and the national pension scheme under authoritarian rule. President Park’s regime introduced 19 social welfare policies from 1961 to 1963, by far the highest number of policies to have been legislated during presidency in Korean history (Park et al., 2007).

Nevertheless, unlike China’s implementation and actual expansion of coverage after its legislative enactment, it was only after democratization that South Korea experienced the implementation of its social policies. Though the National Pension Law had first passed in 1973, during the initial stages of military rule, its implementation was deferred in 1974 and exercised only after 14 years since its introduction. Why is it that national pension schemes were implemented during authoritarian control in both countries, and yet we see such a vast difference in implementation and coverage? Can the variation of welfare regimes in East Asia be explained in the context of the success or failure of authoritarian survival? A comparative study of China and other developing, authoritarian regimes in East Asia will not only shed light on the under-theorized literature on non-democratic regimes, but also contribute to the study of Chinese politics in a comparative context.

6.3 Concluding Remarks

In conclusion, this dissertation explains the subnational variation in coverage and the reception of welfare benefits through the framework of authoritarian survival. Securing economic growth and maintaining social stability present strong incentives for local officials to widen coverage for those negatively affected by international economic integration. More specifically, maintaining social stability rests upon certain characteristics that signal a credible threat to social order. Moreover, in the process of setting up welfare institutions to address social discontent brought by the commodification of labor after rapid economic growth, the Chinese state has affected how citizens perceive one another depending on their access to,
and eligibility for different types of social security. Securing political survival therefore not only serves as an incentive for the selective distribution of welfare benefits, but also engineers social capital that affects institutional performance and economic efficiency. Authoritarian survival is thus one of the key factors in understanding the trajectory of welfare development in China, and combating the threat social stability with the distribution of welfare benefits provides insight to the remarkable adaptability and resilience of the Chinese authoritarian regime.
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