

The development of China's urban social security system, 1949–1988

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Abstract

In examining the development of urban social security in China between 1949 and 1988, this study elucidates the impact of a country's politics on the modification of the design, operation, and transformation of its social security. This study complements existing theories and questions regarding the correlation between economic growth and the development of social security and tests the utility of popular theories of social security development for understanding the Chinese case. In order to conduct vertical comparison, this study divides the period of social security development—namely, 1949 to 1988—according to changes in Chinese Communist Party (CCP) doctrine. Focusing on the emergence of and modifications to China's social security system before its reform in 1988, this study identifies the structural features and philosophy of its institutional design and analyses its development using statistical data. More specifically, this study demonstrates that changes in the doctrine of the CCP decisively impacted the development of China's urban social security. In doing so, this study demonstrates a new means of predicting a country's social security development.

1. Introduction

This study demonstrates how changes in the Chinese Communist Party (CCP) regime have determined the nature of China's urban social security system over time. The development of Chinese social security underwent a critical change following the death of Chairman Mao in 1976. Indeed, Mao's death became a turning point in the CCP's rule, as the party shifted from totalitarian to authoritarian rule and introduced intensive economic reform and 'opening up' policies (hereinafter, 'economic reform'). Scholars have observed a negative correlation between the levels of economic development and social security spending in the former period (before Chairman Mao's death) and a positive correlation in the latter period (after Chairman Mao's death). Given the well-established positive correlation between economic growth and social security development, the Chinese case poses an interesting puzzle.

This study demonstrates the impact of politics on the development of urban social security in China between 1948 and 1988. In doing so, it shows how the popular theories of social security development developed in the West only apply within certain political contexts and cannot be applied to the case of China. Certainly, the impact of a country's politics on the modification of its social security has been subject to significant analysis in advanced western capitalist countries (Iversen and Sockice, 2006). However, while such studies have investigated the impact of different institutional designs implemented by governments in developing a country's social security, the studied regimes have shared a similar political foundation. Moreover, although numerous studies have examined the influence of different political parties on the development of a state's social security (Esping-Andersen, 1990), they have typically concentrated on capitalist contexts. Thus, few have discussed the impact of a communist party on the development of a social security system.

That popular theories of social security development have not been tested in non-western and non-capitalist contexts raises further questions. For instance, what happens to a country's social security when an autocratic government changes its doctrine? Significantly, social security development in advanced western capitalist and democracy countries cannot be used to answer such questions. China presents a useful means of addressing these gaps. While the design of China's urban social security system did not undergo significant revision between 1949 and 1988, the doctrine of the Chinese Communist Party (CCP) was modified frequently. More specifically, CCP doctrine fundamentally changed with the transfer from the first to the second leader-generation following the death of Mao Zedong in 1976. Accordingly, this study examines the development of social security in China between 1949 and 1988 in order to discern the impact of changes in the doctrine of an authoritarian communist government on the modification of a country's social security.

Urban social security has been on the margin of the CCP's governing system since the party conquered northeast China. The social security programmes that the Kuomintang (KMT, or Chinese Nationalist Party) introduced to urban China's railway, sailing, and postal industries were sustained by the CCP. As such, the development of social security has always been under the purview of the CCP and its doctrine. Accordingly, modification to the doctrine of the CCP had a decisive impact on the institutional and operational development of China's urban social security. Urban social security was intended to support the implementation of CCP doctrine. Consequently, the design and operation of China's urban social security corresponded with CCP doctrine. In accordance with CCP doctrine under Chairman Mao—which focused on revolution centred around class struggle—the CCP defined the benefits of social security as a privilege of the proletariat. This study's examination of pre-reform China's urban social security development reveals the decisive impact of CCP doctrine, enhancing our understanding of how a ruling party's doctrine shapes the design and development of a country's social security.

2. Literature Review

While the development of urban social security between 1949 and 1988 forms the basis of China's current social security system, it has never been the primary focus of study. Scholars initially used industrialisation and ideological factors to illustrate the increase of expenditure on social security in western countries (Wilensky and Lebeaux, 1958; Kerr et al, 1960; Pryor, 1968; Rimlinger, 1971; Wilensky, 1975). This is the origin of the popular theory on social security system development. The popular theory has been further developed by Kasza (2006), who proposed two further factors decisive in social security development: namely, the proportion of the non-productive population and the maturity of social security programmes.

In the most authoritative work investigating pre-reform Chinese social security, Dixon (1981) argues that the philosophy of 'productivity' played a key role in the creation and operation of China's urban social security. Meanwhile, most Chinese scholars have used the institutional co-operation between the CCP government and work units (Zheng, 2002) to explain the institutional characteristics of the social security system. In doing so, they have followed the popular theory that an increase in social security expenditure is positively related to a country's economic development (Wilensky and Lebeaux, 1958). Essentially, while numerous scholars use the work of Wilensky (1975) and Kasza (2006) to explain the Chinese case, they have done so without testing whether it is actually applicable to the Chinese context.

Extant studies can illustrate some aspects of the development of China's urban social security. However, no theory provides an adequate answer to question of which variable and mechanism of action have been fundamental to the development of urban social security in China. Even for the popular theory, it is difficult to calculate the impact of industrialisation on the development of urban social security before China initiated 'reform and opening-up' in 1978. Few

scholars have attempted to test the popular theory for pre-reform China's urban social security development as they believe that western-based development theory can only predict the development of a western-style system. As such, there is a gap between studies on the same topic in the Chinese and western capitalist contexts, especially in regard to pre-reform China's urban social security. In addressing this gap, this study verifies whether the popular theory of social security development—originating from and tested on western capitalist context—is applicable to the Chinese case. In doing so, this study identifies the decisive variable in the development of China's urban social security system and the fundamental mechanism of its modification.

3. Methodology

This study examines the decisive impact of changes to the CCP regime on social security development, focusing on modifications to China's urban social security between 1949 and 1988. Earlier studies examined China's urban social security system using both quantitative and qualitative approaches. Using relevant published material from all levels of government, archival analysis can reveal the structure and modification of China's social security system, with these results examined against statistical records. However, this method is more appropriate for the post-reform system, for it is more difficult to apply quantitative analysis to examine the pre-reform system. Empirical studies are thus needed to address the research gap between pre- and post-reform urban social security in China.

China experienced significant political turmoil between 1949 and 1988, including the establishment of the CCP regime, numerous political movements, and the country's eventual 'reform and open-up'. The development of the urban social security system underwent several changes: following its initial establishment, social security coverage and benefits were extended; as political movements intensified, benefits shrank and were suspended; after Mao's death, economic reform led to the system's reform and revival. Therefore, China's social security development between 1948 and 1988 presents an optimal case through which to observe and compare the features of social security development and correlate its modifications with changes in politics. In doing so, this study evaluates the development of China's urban social security system and identifies the relationship between changes in the system's operation and changes in CCP doctrine.

Accordingly, the study period (1949–1988) is divided into four sub-periods: namely, 1949–1958, 1959–1966, 1967–1976, and 1977–1988. More specifically, between 1949 and 1958, the urban social security system was established and extended nationwide (Zhang, 1993), while CCP doctrine sought to realize the goal of proletarian revolution. Between 1959 and 1966, the system's operation was severely affected by the 'Great Leap Forward', the Great Chinese Famine, and the Anti-Rightist Movements. While social security coverage and benefits were extended at the beginning of this period, they were considerably reduced by the end (Meng et al, 1986). Between 1967 and 1976, the 'Cultural Revolution'—exemplifying the CCP's focus on class struggle—resulted in the suspension of the main components of labour insurance, with the exception of health (Wang, 2012). Labour insurance was revived between 1977 and 1988—the death of Chairman Mao resulting in the CCP abandoning its focus on class struggle and concentrating on economic development and reform. In addition to these four sub-periods, this study observes the variations in the pre-reform period (1949–1988), as well as that before Chairman Mao's death (1949–1976).

After 1949, the most important change in Chinese politics was the modification of CCP doctrine following the death of Chairman Mao. While the CCP initially set revolution as the central tenet of its doctrine, this shifted to economic reform following the death of Chairman Mao in 1976 (Sondrol, 2009, p. 599; Tang, 2012). Focusing on reform directed towards economic development, the CCP initiated China's 'reform and opening-up' in 1978 (Shi and Chen, 2009, pp. 107–110; Hu, 2011, pp. 41–47). Testing the impact of this change in CCP doctrine on the operation of urban social security, this study hypothesises that this change decisively reversed the impact of economic development on social security. In order to observe the impact of the change in doctrine, this study analyses and compares the operations of urban social security before and after Chairman Mao's death. In reviewing the urban social security system, this study determines its characteristics and benefit levels, as well as the CCP's logic in extending social security coverage.

Wilensky (1958), Esping-Andersen (1990), and Kasza (2006) contend that a state's economic situation decides the percentage of GDP expenditure on social security, while the proportion of the non-productive population determines the demand for social security. However, quantitative analysis of the correlation between economic growth, the country's demography, the maturity of the system, and the development of urban social security in the study period challenge the assertions of dominant theories. Therefore, this study's hypothesis is quantitatively tested to illustrate the challenge that the Chinese case presents to current explanations, as well as highlight the necessity of this research. In testing this hypothesis, this study examines the correlations between China's economy, demography, the maturity of the urban social security system, and the development of this system.

Accordingly, this study comprises six observation periods to test the bi-correlations of the four variables cited in popular theory of social security development: namely, the percentage of GDP spent on social security, GDP per capita, the proportion of the non-productive population, and the maturity of the social security system. More specifically, following the theories of Wilensky (1975) and Kasza (2006) and based on this study's main hypothesis, this study determines the relationships of the maturity of China's social security system and its demographic profile, economy, and politics with the degree of expenditure on urban social security. After observing the correlations between these factors, this study tests the explanatory power of the equation drawn from extant theories and verifies the validity of the data. In doing so, this study considers whether the Chinese government's design and operation of the urban social security system corresponded to changes in CCP doctrine.

In order to test this hypothesis, CCP doctrine (the dummy variable) during the 1952–1976 period (i.e. CCP doctrine centred on class revolution) is set as 1, and CCP doctrine in the period after 1977 (i.e. CCP doctrine centred on reform) is set as 0. As the statistical data are time series, a simple regression model cannot be applied for analysis without testing. Rather, a ridge regression model must be applied first. In applying a ridge regression model, this study found that while the results are acceptable, the DW is 0.8, indicating that spurious regression may exist. A stationary test using the ADF method was then conducted, revealing some non-stationary series, except in the record of GDP per capita. This reiterates that a regression model cannot be used to analyse the data. However, these variables were integrated in an order of 1. Accordingly, this study tested the co-integration relation among variables using the Johansen-Procedure and EG two-step methods. After applying the OLS to estimate the long-term static regression equation of these variables, the residuals of the estimation were tested using

the ADF method, revealing that the residual was stationary at a 95% significance level. This means that a co-integration relation exists among these variables and can be described by the co-integration model.

The data used in this study are primarily derived from the database of Chinese State Bureau of Statistics and the *Chinese Labour Statistic Book 1949–1985* (1985) compiled by the Ministry of Labour in accordance with the statistical standards adopted by the State Bureau of Statistics.

3.1 Study Variables

3.1.1 CCP doctrine

The CCP intends to sustain its political domination over China. Although the foundation of the CCP's domination is its control of the military—and it has never received a domestic challenge to this control—the party has adopted various doctrines to facilitate and enhance its rule. Various generations of CCP leadership have adopted different doctrines, with a significant change following the death of Chairman Mao in 1976 (Sondrol 2009; Tang 2012). Before Mao's death, CCP doctrine focused on revolution centred on class conflict (Zhao 2005). The CCP's doctrine immediately began changing following Mao's death. CCP doctrine constitutes this study's independent variable, changes to which are discussed through an examination of historical records.

Changes in CCP doctrine influence the intermediate variables, resulting in socio-economic reform impacting the development, operation, and modification of China's urban social security system. Although urban social security was designed to indirectly supplement and enhance CCP rule, changes to the ruling party's doctrine have fundamentally decided the modification of the urban social security system. Following a qualitative analysis, this study divides changes to CCP's doctrine into two periods: namely, before and after Chairman Mao's death, when the doctrine changed from focusing on revolution led by class struggle to reform via economic development; these changes are expressed through dummy variables (1, 0) in the co-integration model.

3.1.2 China's economic and demographic profile and the maturation of urban social security

According to Wilensky (1958), Esping-Andersen (1990), and Kasza (2006), several aspects of the development of a state support the evolution of its social security system, namely, individual economic situations, the maturation of the social security system, and the relative size of the non-productive population. This study considers these variables in the Chinese context, adopting them as references to construct an evaluation model for the development of China's urban social security system, as well as to test and demonstrate its main hypothesis.

More specifically, although this study seeks to demonstrate that politics is a more powerful independent variable than the economy when examining urban social security, the economic status of citizens is used to identify a state's economic capacity to support social security. In accordance with extant research and available data, GDP per capita is used to estimate individual economic situations. As a control variable, the maturation of the social security system is used to test the correlation between institutional rigidity and the development of social security. The maturation of China's urban social security system is individually calculated for each period of reform. Finally, as the other control variable, the relative size of the non-productive population is used to present the proportion of the population served by the social security system. This variable is used to express the scale of social security recipients in relation to the total population.

These variables comprise the economic, institutional, and demographic factors that have the most significant external impact on the development of a state's social security. The adoption of these variables enables this study to highlight the decisive impact of the independent variable—both in demonstrating the main hypothesis and in testing current theories regarding the mechanism of social security development.

3.1.3 The development of China's urban social security system

After presenting the utility of urban social security for CCP governance, this study identifies its features and institutional design preferences by reviewing the modifications to the urban social security system across different periods. Extant research on urban social security—particularly empirical studies published in the respective periods—is used to describe the operation of the urban social security system. The institutional modifications to urban social security are recorded in CCP and government documents. This study applies the abovementioned measures to align pre- and post-economic reform statistical records, thereby enabling a comparison of urban social security records over the study period. This enables estimates of the system's efficacy by analysing the priority of benefit distribution, the results of the redistribution, and construct features, among other aspects. Likewise, this study uses data regarding the proportion of GDP expenditure on China's social security in order to evaluate the macro-development of social security. Moreover, by connecting the modification of the institutional design and operation of the urban social security system to changes in the intermediate and independent variables, this study provides a qualitative discussion of the dynamic mechanism between these variables. Based on these findings, a quantitative test including all data from each variable is conducted following the examination of two case studies.

4. Urban Social Security In Pre-reform China: An Overview

For most of the period examined in this study, China was a typical totalitarian communist state (Tang, 2012). After winning the Civil War (1927–1949) through coercive force, the CCP sought to realize the communist blueprint of proletarian revolution. This intention was modified after Chairman Mao's death, and CCP doctrine began changing accordingly.

After establishing its domination, the CCP became the only employer in urban areas. The CCP redesigned Chinese society according to class, and wanted to privilege proletariat. Rights were unequally distributed among the classes. The CCP distributed workers among the various industries and valued them

according to different job grades. As such, urban social security was primarily designed to cover the proletariat and their families from the outset. Essentially, workers enjoyed varying levels of social security benefits according to their job grade and work unit.

Between 1949 and 1988, the main body of Chinese urban social security comprised two schemes: a) labour insurance, which favoured the proletariat; and b) community-based urban social security, which was adopted to meet the needs of urban residents that had not been covered by labour insurance. As urban residents employed by the same work unit lived in the same apartment block during this time, the community-based urban social security benefits distributed to recipients also depended on their work units and job grades. These social security schemes have gradually been reformed since 1988.

The extension of social security coverage in this period reflected the class revolution logic of the CCP (Zheng, 2002). After distributing specific and short-term social security to the people that needed to be pacified most urgently (Liu, 2001), the CCP government began expanding urban social security coverage step-by-step (Zhang, 1993). The most important social groups to the strengthening of the CCP regime—namely, the proletariat—were covered first, and their vested interests secured. Those important to development—such as college students—were covered second, while those that played a role in expanding CCP influence—such as foreign experts—were covered last. Vulnerable groups were never integrated into the CCP's social security plan.

Prior to the system's overhaul in 1988, social security coverage was broadest at the end of 1956, when some 94% of industrial workers (2.3 million individuals) were covered by labour insurance, while the remaining population (604.8 million individuals) had no official insurance support. Social security thus reflected the CCP's attempt to strengthen its domination by intensifying class stratification, earn support from the class most important to its domination and the communist ideology, as well as the notion of class-led revolution underpinning CCP doctrine. This section explores the development of the main components of social security—namely labour insurance and community-based insurance—during the study period, 1949–1988, in order to answer a part of this study's first question and prepare for the solving of the second question.

4.1 Labour insurance

Labour insurance comprised several functional components, including pension, health care, unemployment, housing, coverage for incapacitated or injured workers, as well as the families and widows/widowers of workers. However, coverage and benefits depended on a worker's class status and job grade, as well as their value to the CCP regime. Table 1 presents the principles of urban social security in China between 1949 and 1988. Various institutions were responsible for the operation of social security, their management often overlapping. Direct co-operation between the CCP government and work units—that is, businesses, factories, and other bodies—was a common feature in the design and operation of social security during this period. While the CCP government designed the main body of the system and distributed resources, the work units were responsible for executing that system and modifying the level of benefits. Consequently, workers were bound to their work units. A worker's social security benefits thus depended on the class status of their work unit and job grade. As all members of a worker's family could share their benefits, the size of a recipient's family was also included in calculating their social security provision.

Table 1. The Structure of China's Urban Social Security 1949-1987

China's Urban Social Security				In-charging Office	Financing				Benefit				Coverage
					State Staff	State-Enterprise Worker	Collective Enterprises Workers	Common-Residents	State Staff	State-Enterprise Worker	Collective Enterprises Workers	Common-Residents	
Labor Insurance	Pension	Pension programme for state staffs	Ministry of Labour and Every work unit	Public budget			Not covered	60-100% of their final salary			Not covered	All of state staffs	
		Pension of employees in state-enterprises workers	Ministry of Labour, Home Office and Finance Department and Every work unit		Public Budget and Insurance Premium		Not covered		50-70% of their final salary		Not covered	94% of 2.3 million urban workers (1956)	
		Pension of employees in collective enterprises	Second Light Industry Department and Chinese Organization of Industrial, Artisanal and Service Producers' Cooperatives and Finance Department and Every work unit			Public Budget and Insurance Premium	Not covered			40-65% of their final salary	Not covered		
	Health	Public health system	Ministries of Health, Finance & Medical Committees and Every work unit	Public budget				No need to pay premium	100% of their expenditure			100% of their expenditure	All of state staffs
		Workers' medical-care system	Ministries of Health, Finance & Medical Committees and Every work unit		Enterprise Administration Expenditure and Insurance Premium	Enterprise Administration Expenditure and Insurance Premium		No need to pay premium		80-100% of their expenditure, 60-100% paid leave for 6 months	70-100% of their expenditure, 60-100% paid leave for 6 months	Depends on his/her family member's work unit	94% of 2.3 million urban workers (1956)
	Unempl-oyment	National job distribution programme	Ministry of Labour, Ministry of Personnel and Every work unit										Almost all of urban labour force
		De-industrial-ization	Ministry of Labour, Ministry of Personnel and Every work unit										
	Family	Maternity department	China Central Workers Association and Every work unit	Public budget	Enterprise Administration Expenditure and Insurance Premium	Enterprise Administration Expenditure and Insurance Premium		No need to pay premium	3 times more subsidies than average female workers, and 56 days paid birth leave	Very low allowance, and 56 days paid birth leave	Very low allowance, and 56 days paid birth leave	Depends on his/her family member's work unit	94% of 2.3 million urban workers (1956)
		Wage subsidy	Local Trade Union and Every work unit	Public budget	Enterprise Administration Expenditure	Enterprise Administration Expenditure		Not covered	Much more subsidies than average female workers	Low allowance	Low allowance	Not covered	
	Incapacity and Working-related Injuries	Support for the disabled	Western Left Charity Associations					No need to pay anything				Depends on their disability	All of urban disables
		Support to workers that had been suffered by work-related injuries	Ministries of Health, Finance & Medical Committees and Every work unit	Public budget	Enterprise Administration Expenditure and Insurance Premium	Enterprise Administration Expenditure and Insurance Premium		Not covered	90% of the average salary of a recipient's unit	90% of the average salary of a recipient's unit	90% of the average salary of a recipient's unit	Not covered	94% of 2.3 million urban workers (1956)
	Housing		Ministry of Building and Every work unit	Public budget	Public budget	Public budget		Not covered	Lowest standard is 70 square metres/ per 3 members family	Lower than 6.7 square metres/ per capita	Lower than 6.7 square metres/ per capita	Not covered	94% of 2.3 million urban workers (1956)
	Survivors	Funeral allowances	China Central Workers	Public budget	Enterprise Administration	Enterprise Administration		Not covered	3 times of the average	3 times of the average	3 times of the average	Not covered	94% of 23 million

			Association and Every work unit		Expenditure and Insurance Premium	Expenditure and Insurance Premium		salary of a recipient's unit	salary of a recipient's unit	salary of a recipient's unit		urban workers (1956)
		Support to widows						25-50% of dead workers' final salary until their dependents no more need	25-50% of dead workers' final salary until their dependents no more need	25-50% of dead workers' final salary until their dependents no more need		
		Support to widowers						Short-time living needs	Short-time living needs	Short-time living needs		
Community-based Social Security	Livelihood stations	Neighborhood stations	Neighborhood Committee	Public budget, solicited contribution and business revenue	Collective consumption& assumption, with the lowest prices	Collective consumption& assumption, with lower than market prices	Collective consumption& assumption, with lower than market prices	Collective consumption& assumption, with lower than market prices	All of the members of urban people's communes			

*Resource: Abstract from CCP Government issued 'Interim Regulation on Labor Insurance of Workers in Northeast Public Enterprises in the Wartime(1948)', 'Central Commission on Manufacture Disaster Relief(1949)', 'Direction on Unemployment Relief(1950)', 'Interim Measures of Unemployment Relief(1950)', 'Notification on Measure to Deal with Retirees(1950)', 'Interim Regulation on Comfort and Compensation of Wounded and Dead Revolutionary Staff(1950)', 'Regulation on PRC's Labour Insurance(1951)', 'Direction on Public Financed Medical-care Service of Staffs of Institutions, Parties and Governments at all Levels(1952)', 'The Second Vision of RPLI = Rules for Implementation of Regulation on PRC's Labour Insurance(1953)', 'Interim Measures on Retirement of the Staff in State Organ(1955)', 'Interim Measures on Resignation of the Staff in State Organ(1955)', 'Interim Measures on the Calculation of Service Year of Retired and Resigned Staff in State Organ(1955)', 'Interim Measures on Material Amenities of the Staff in State Organ during Their Sick Leaves(1955)', 'The Response to Repeal the Treasury Financed Health Service to Servicemen's Families(1957)', 'Interim Provisions on the Retirement of Employees(1957)', 'Interim Provisions on the Resignation of Employment(1958)', 'Interim Measures on the Pension of State Staffs(1958)', 'Interim Provision on the Retirement of Current Military Cadres(1958)', 'Information on Dealing with the Problem of Allowances to Poor Retirees(1964)', 'Interim Measure on the Overall Plan of the Pension of Labours in Collective Enterprises belonging to Light and Handcraft Industry(1964)', 'Interim Measures on Resignation of Labours in Collective Enterprises belonging to Light and Handcraft Industry(1964)', 'Information on Labour Medicare Insurance Improvements(1966)', 'Advice on the Reform of Finance Administration in State-Enterprises(1969)', 'The Co-Information on the List of Self-Paid Medicines of the Public Financed Health System Covered People(1974)', 'Information on the Modification of Medicare to Foreign Experts(1975)', 'Interim Measures to Position the Old and Disabled Cadres(1978)', 'Interim Measures to Resigned and Retired Workers(1978)'.

As noted, a worker's social security benefits depended on the class status of their work units. Those serving industries with closer ties to the CCP received more generous coverage and provided more comprehensive programmes. For example, public servants enjoyed the most extensive and consistent social security coverage during this period. Although social security programmes for public servants emerged later than others, they provided greater coverage as a successor of a more comprehensive 'supply system'. Significantly, workers who received high salaries and controlled more resources enjoyed greater social security benefits, strengthening existing class stratification. As such, the social security system's redistribution function amplified pre-existing vertical income gaps between classes.

According to Table 1, the social security benefits were first divided according to employment category. For instance, the average social security benefit for a state enterprise worker was 1.4–1.6 times that of an average collective enterprise worker. Benefits then varied according to category of industry. For example, workers in the construction, transportation, and exploration industries enjoyed the highest average social security benefits, which were about 1.4–1.9 times that of those employed in the trading, health, and education industries, who received the lowest social security benefits (Zheng, 2002, p. 16). As such, this study argues that the CCP government designed its urban social security system to sustain the pre-existing horizontal and vertical stratifications (Wang, 2012). As shown in Table 1, the labour insurance recipients were urban workers employed by state bureaus, as well as state and collective enterprises. Therefore, ordinary urban residents could not officially participate in labour insurance, although they could share insurance benefits if they were family members of recipients.

Table 1 also presents the economic side of the CCP's notion of revolution centred on class struggle. The measures of collection and distribution of labour insurance premiums also varied according to the class status of different industries. As 'pay-as-you-go' had only been adopted in the financing of labour insurance for state- and collective-enterprise workers, labour insurance premiums were the main financial resource of the urban social security system during this period. Approximately 30% of the total insurance premiums paid from the administration budgets of railway, sailing, and postal work units were submitted to the fund account of the Federation of Trade Unions and accumulated as the national fund of labour insurance, while 70% of these collected premiums were submitted to the fund account of each work unit's trade union and used to operate the labour insurance scheme. Meanwhile, all of the premiums collected from the work units of other industries were submitted to the fund account of each work unit's trade union and used to operate the labour insurance scheme only. This financing measure let the CCP government collect and control more resources and freed them from most of the financial burden accrued by social security funding.

4.2 Community-based social security

The political side of the notion of revolution had a more significant influence on the operation of community-based social security. After 1949, the so-called Baojia system was replaced by the neighbourhood committee system. Directed by district authorities and intended to supervise urban residents, neighbourhood committees were responsible for 'affairs relating to the public welfare of the masses' (Dixon, 1981).

Social security was the main means through which neighbourhood committees supervised and intervened in the daily operation of communities. In doing so, social security supported the realization of the CCP's notion of communist revolution. The social security needs of urban residents not or partially covered by the labour insurance could be met by subsidies provided by this community-based social security department. Community-based social security covered

nearly all areas of citizens' livelihoods, providing support ranging from childcare to marriage. These committees even dispensed allowances for the urban unemployed (Salaff, 1967).

Fund collection for community-based social security was more complicated than that of labour insurance, particularly insofar as its operators paid more attention to increasing available funding. Approximately 30% of committee activities were funded by the treasury, and 60% through solicited contributions, namely, the fees charged for using collective support facilities and the welfare fund. Committees utilized different ways to find the remaining 10%.

Communes consisted of workers from a single work unit and were strictly tied to that work unit. The stratification among different work units amplified the differences in the resources that committees received. These differences strengthened the stratification of residents from different work units by providing community-based social security benefits. The 'solidarity funds' financed by the government treasury covered a significant part of the expenditure (Broyelle, 1977) as the neighbourhood committees took responsibility for supervising workers' lives outside of work. This aligned with the CCP's concept of class-led revolution. However, few committees were able to collect sufficient resources to fulfil their social security functions, with most capable of supporting only modest services for eligible applicants (James, 1968).

5. Changes In Public Expenditure On Urban Social Security, 1949–1988

This study conducted a comparative analysis to identify the main characteristics of the expenditure on social security in urban China between 1949 and 1988. As Fig. 1 illustrates, GDP expenditure on social security increased rapidly between 1949 and 1988. More specifically, while it increased consistently for much of the 1959–1966 period, it decreased rapidly towards the end of 1966. During the Cultural Revolution (1967–1976), expenditure fluctuated at a markedly low level before increasing rapidly between 1977 and 1988. These changes indicate that the expenditure on social security decreased as class struggle intensified.

[Insert Fig. 1 here]

Moreover, while the amount of money spent on social security kept on increasing between 1949 and 1988, the proportion of GDP expenditure fluctuated at a very low level. This indicates that the increase in expenditure on urban social security lagged behind China's general economic growth. As shown in Fig. 2, it is significant that GDP per capita continuously increased, only fluctuating at the beginning of the Great Chinese Famine, the first two years of the Cultural Revolution, and the year Chairman Mao died. However, unlike GDP per capita, the proportion of GDP expenditure on social security did not increase beyond the 1957 level until the beginning of the 1980s.

[Insert Fig. 2 here]

According to Fig. 3, the non-productive proportion of the population quickly and continuously decreased. The decrease in GDP expenditure on social security became more significant as labour conditions and GDP per capita improved. These observations contradict the predictions of the popular theory that the percentage of GDP expenditure on social security will be positively correlated with economic growth and the maturity of the system (Wilensky and Lebeaux, 1958; Kasza, 2006). Moreover, as China's urban social security was designed to favor the proletariat, the decrease in the size of the non-productive population cannot be used explain fluctuations in social security expenditure.

[Insert Fig. 3 here]

6. The Development Mechanism Of Urban Social Security, 1949–1988

The features of China's social security system between its establishment (1949) and later overhaul (1988) can be summarised as follows. First, the CCP sought to avoid injuring vested interest groups by continuing the pre-existing programs inherited from the KMT. Second, the CCP tried to strengthen its social revolution while freeing itself from sole responsibility for social security by sharing the operation of urban social security with work units. Third, the CCP government preferred satisfying the social security requirements of those who were important to implementing its doctrine. Fourth, the CCP government used the redistribution function of social security to strengthen existing stratification and class identification. Fifth, the order in which social security was expanded was based on CCP doctrine. This summary indicates that there must be a factor that had a more significant impact on the development of China's urban social security than economic and social factors. This section identifies this factor.

As noted, the development of social security in urban China and the corresponding politics changes between 1949 and 1988 can be divided into four sub-periods. It is well-established that a country's social security development and its economy are closely related, although politics also has a significant influence on social security development. This study argues that the popular theory of social security development is not applicable to the Chinese case. To strengthen this assertion, it is necessary to calculate the possible coefficients of these variables—that is, the proportion of GDP spent on social security, the size of the non-productive population, GDP per capita, and the maturity of the social security system. This study then tested the bi-correlations of these four variables in the four sub-periods, as well as the period in which CCP doctrine centred on the idea of revolution (1949–1976). The bi-correlations of the four variables in these periods are presented in Table 2.

Table 2

The Bi-variate Analysis between the Important Social Factors, Economic Factors and the Expenditure on Social Security in Each Periods of 1952–1984

Correlations 1952–1984				Correlations 1952–1976					
		YEAR	GDPPC	NONPROPOP			YEAR	GDPPC	NONPROPOP
EXPSS	Pearson Correlation	.177	.429*	-.283	EXPSS	Pearson Correlation	-.503*	-.511**	.447*
	Sig. (2-tailed)	.326	.013	.110		Sig. (2-tailed)	.010	.009	.025
	Sum of Squares and Cross-products	.266	.001	-.001		Sum of Squares and Cross-products	-.364	.000	.001
	Covariance	.008	.000	.000		Covariance	-.015	.000	.000
	N	33	33	33		N	25	25	25
Correlations 1952–1958				Correlations 1959–1966					
		YEAR	GDPPC	NONPROPOP			YEAR	GDPPC	NONPROPOP
EXPSS	Pearson Correlation	.818*	.708	-.267	EXPSS	Pearson Correlation	-.862**	-.796*	.864**
	Sig. (2-tailed)	.025	.075	.563		Sig. (2-tailed)	.006	.018	.006
	Sum of Squares and Cross-products	.047	.000	.000		Sum of Squares and Cross-products	-.057	.000	.000
	Covariance	.008	.000	.000		Covariance	-.008	.000	.000
	N	7	7	7		N	8	8	8
Correlations 1967–1976				Correlations 1977–1984					
		YEAR	GDPPC	NONPROPOP			YEAR	GDPPC	NONPROPOP
EXPSS	Pearson Correlation	-.521	-.715*	.799**	EXPSS	Pearson Correlation	.954**	.881**	-.931**
	Sig. (2-tailed)	.123	.020	.006		Sig. (2-tailed)	.000	.004	.001
	Sum of Squares and Cross-products	-.015	.000	.000		Sum of Squares and Cross-products	.082	.000	-.001
	Covariance	-.002	.000	.000		Covariance	.012	.000	.000
	N	10	10	10		N	8	8	8
**. Correlation is significant at the 0.01 level (2-tailed).									
*. Correlation is significant at the 0.05 level (2-tailed).									
*Resource: the Documents of Chinese Labour Statistic 1949–1985.									

As shown in Table 2, the bi-correlations of the four variables were reversed twice during the four sub-periods. For the 1952–1958 period, the bi-correlations of the proportion of GDP spent on social security, size of the non-productive population, and GDP per capita are not significant; however, the bi-correlation of the proportion of GDP spent on social security and the maturity of the social security system correspond with what theorists like Wilensky and Kasza suggested. For the 1959–1966 period, the bi-correlations between the proportion of GDP spent on social security, GDP per capita, and the maturity of the social security system are significantly negative. The negative bi-correlation between GDP per capita and the proportion of GDP spent on social security continued to the next period, 1967–1976. The bi-correlation between the proportion of GDP spent on social security and the size of the non-productive population is positive for the two periods of 1959–1966 and 1967–1976, although the bi-correlation between the proportion of GDP spent on social security and the maturity of the social security system becomes insignificant.

Meanwhile, significant negative bi-correlations can be observed between the proportion of GDP spent on social security, the maturity of the social security system, and GDP per capita during the 1952–1976 period. However, the bi-correlations of the proportion of GDP spent on social security and the size of the non-productive population are negative, which constitutes a major challenge to the popular theories of social security development (Wilensky and Lebeaux, 1958; Kasza, 2006). The changes in these bi-correlations indicate that social security in urban China did not fulfil its design proposes when the CCP ruled according to their doctrine of revolution. Although social security was designed to favour the proletariat, social security expenditure had a positive bi-correlation with the size of the non-productive population. The bi-correlations for 1977–1984, that is, the first period of CCP modified its doctrine to reform idea, the bi-correlations between the proportion of GDP spent on social security, the maturity of the social security system, and GDP per capita correspond with popular theory; however, the bi-correlation between the proportion of GDP spent on social security and the size of the non-productive population size is negative.

As such, neither archival nor statistical analysis support the use of the popular theory of social security development to illustrate the Chinese case. However, as the popular theory can explain the development of urban social security after Chairman Mao's death, there must be at least one important variable overlooked by this theory for explaining the Chinese case. Accordingly, it is necessary to identify the most important change in China that may have influenced the development of urban social security: of the four sub-periods, the modification of CCP doctrine constitutes the most important change. After abandoning

their doctrine centred on the notion of class-led revolution as a result of losing control (Sondrol, 2009, p. 599; Tang, 2012), the CCP adopted economic reform (Shi and Chen, 2009, pp. 107–110; Hu, 2011, pp. 41–47). Therefore, this study uses the modification to the doctrine of the CCP as its independent variable, hypothesising that the expression of the impact of social economic growth on social security development was decisively reversed by the change in CCP doctrine.

This study argues that the reversal in bi-correlations is a result of the change in CCP doctrine as the ruling party abandoned the idea of revolution in favour of economic development and reform (Tang, 2012). This change decisively impacted the decisions and priorities of the official regime, including urban social security. Significantly, the political movements promoted by the CCP to motivate class struggle and revolution undermined the consistency of social security operation and frequently modified its principles.

When correlating the operational modification of China's urban social security system and changes in Chinese politics, urban social security between 1949 and 1988 can be divided into two general periods: operation under the CCP's first leader-generation (1949–1976) and operation under the second leader-generation (1977–1988). The bi-correlations of the four variables were reversed between these two periods.

As the theories of Wilensky and Lebeaux (1958) and Kasza (2006) cannot explain the data presented in Table 2, this study conducted further analysis to demonstrate the main hypothesis and determine the mechanism of the change in the development of urban social security in China. As noted, the modification to CCP doctrine constitutes the most important change in the political history of the People's Republic of China. Table 3 presents the results of further analysis using the change in CCP doctrine as an independent variable.

Table 3
The Co-integration Model of the Expenditure on China's Urban Social Security, 1952–1984

Call: lm(formula = log(EXPSS) ~ GDPPC + NONPRODUCTIVE + legitimacy + YEARS, data = dataecm)					
Residuals:	Min	1Q	Median	3Q	Max
	-0.44082	-0.09418	-0.04545	0.10609	0.31275
Coefficients:		Estimate	Std. Error	t value	Pr (> t)
	(Intercept)	-1.726760	3.313720	-0.521	0.6064
	GDPPC	15.251140	8.799300	1.733	0.09406 .
	NONPRODUCTIVE	-3.078150	4.989520	-0.617	0.54227
	legitimacy	-0.250570	0.141900	-1.766	0.08833 .
	YEARS	-0.032860	0.011080	-2.967	0.00609 **
Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1					
Residual standard error: 0.1808 on 28 degrees of freedom					
Multiple R-squared: 0.4651, Adjusted R-squared: 0.3887					
F-statistic: 6.087 on 4 and 28 DF, p-value: 0.001179					
*Resource: the Documents of Chinese Labour Statistic 1949–1985.					
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Table 3 shows the result of co-integration model analysis. The model's degree of fit is nearly 50%. While the coefficient of GDP per capita and the impact of CCP doctrine on social security expenditure are also significant at the 90% level, the significance of the coefficient of the maturity of the social security system is higher. Based on the results in Table 3, the equation for the mechanism of the operation of social security in urban China in this period can be expressed as follows:

In this equation, only the coefficient of GDP per capita is positive, while those of the size of the non-productive population, the maturity of the social security system, and the impact of CCP doctrine are negative. As the doctrine of CCP transfers from 0 (after 1977) to 1 (prior to 1976), the proportion of GDP spent on social security decreases by 25%. This confirms that CCP doctrine constitutes the most decisive variable in the equation.

The coefficient of GDP per capita is positive, which conflicts with the former bi-correlation analysis results. This indicates the existence of another influential variable and influences the expression of the correlation between the social security expenditure and GDP per capita between 1952 and 1976. The same phenomenon is observed in the expression of the bi-correlation between social security expenditure and the maturity of the social security system. The equation above can explain these paradoxes: the bi-correlations of these variables perform as expected by the likes of Wilensky and Lebeaux (1958) and Kasza (2006) after CCP doctrine changes from 1 to 0.

Therefore, this study argues that the change in the doctrine of the CCP impacts the expression of the bi-correlations of social security expenditure and other variables. This strongly supports this study's main argument: a change in the doctrine of the CCP reversed the correlation between economic growth and

social security development. However, the expression of bi-correlation between social security expenditure and the size of the non-productive population cannot be perfectly explained by this equation. Rather, the answer to this problem lies in the examination of the design of the urban social security system and its focus on class, as discussed in Sect. 4.

7. Conclusion

Unlike advanced Western countries (Wilensky, 1975), the improvement in per capita income did not lead to a consistent increase in public expenditure on China's urban social security between 1949 and 1988. Although located on the margin of the CCP's governing system, urban social security was an important means of implementing CCP doctrine. Throughout this period, the operation and implementation of China's urban social security was promoted or interrupted by national political movements. This is reflected in the country's fluctuating increase on social security expenditure, which lagged behind economic growth. Moreover, the system's redistribution function was not very efficient, with social security benefits and resources varying across industries and work units. However, this too reflected CCP doctrine. Designed as a multi-tier system, social security was realized by dividing the extension of coverage according to value and status: the benefits received depended on the recipient's class status and value to the CCP. Accordingly, the system served to strengthen existing class stratification.

In the Chinese case, the bi-correlations between the development of social security and socio-economic conditions do not align with the predictions of popular theories of social security development. Rather, as this study demonstrates, the doctrine of the ruling party determines social security development. This difference alters the expected impact of the economy and society on social security development. Accordingly, the unequal development of China's urban social security system can be attributed to the country's politics, particularly insofar as politics plays a major role in decisions regarding social security expenditure. These findings complement the popular understanding of social security development and offer new insight into social security variation. The results of this study also indicate that the widely accepted correlation between economic growth and social security development is only applicable to specific political contexts.

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Figures

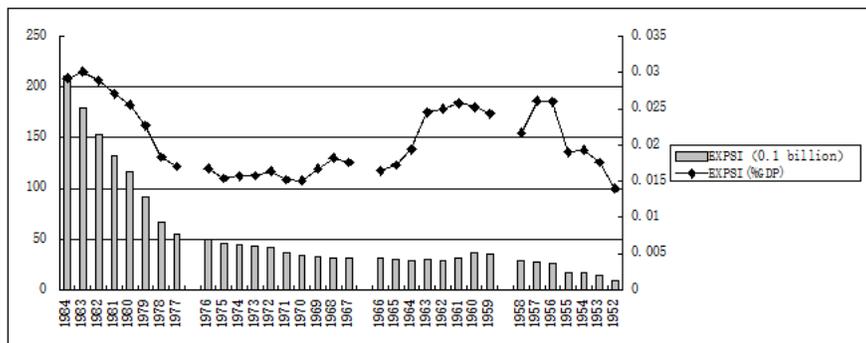


Figure 1

The Percentage of GDP Spent on Social Security 1952-1984. *Resource: the Documents of Chinese Labour Statistic 1949-1985.

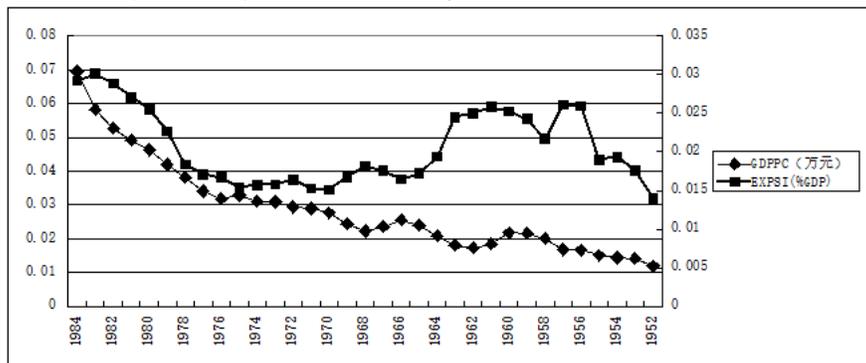


Figure 2

Amount of GDP Per Capita and the Percentage of GDP Spent on Social Security 1952-1984. *Resource: the Documents of Chinese Labour Statistic 1949-1985.

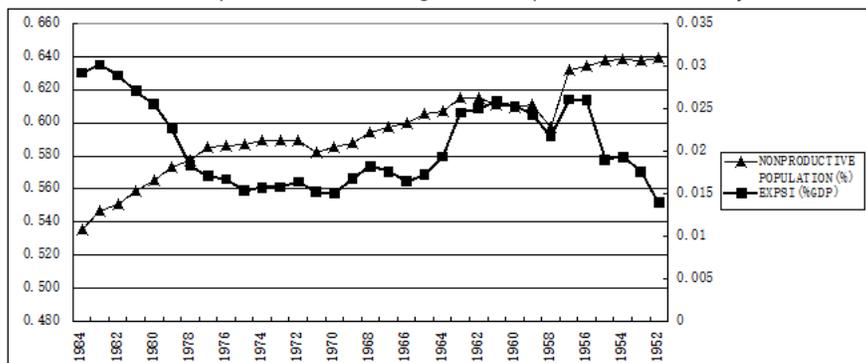


Figure 3

Proportion of Nonproductive Population and the Percentage of GDP Spent on Social Security 1952-1984. *Resource: the Documents of Chinese Labour Statistic 1949-1985.