Human Development Report
China 2007/08

Access for all

Basic public services for 1.3 billion people

中国(海南)改革发展研究院
China Institute for Reform and Development

UNDP China

CHINA HUMAN DEVELOPMENT REPORT 2007/08

Access for all: Basic public services for 1.3 billion people

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PREFACE

As a result of 30 years of reform and opening up, China has made remarkable progress in human development, successfully having solved the problem of providing adequate food and clothing to its 1.3 billion people, and achieving a miracle in the history of poverty reduction in the world. On the whole, China is moving from a subsistence to a developmental society.

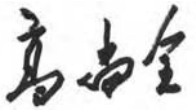
Observing China's reform and development from this new historical vantage point, we can see clearly that changes have been taking place in the obstacles and contradictions confronted in China's economic and social development. Compared with the beginning years of the reform era, the pressure to provide necessities for subsistence is diminishing, while that to provide all-round human development is growing. In the past 30 years, China has successfully solved the problem of the inadequate supply of necessities. The current comprehensive and rapid growth in needs for basic public services, however, coupled with inadequate supply have gradually become more serious challenges for this phase of human development. The Chinese Government now has several important tasks: to establish sound public service systems and institutions, to improve its capacities to provide services, and to guarantee provision for the whole population in order to further promote human development.

Human development, which essentially means all-round development for every member of Chinese society, is at the core of the scientific development concept advocated by the Government. To practice the scientific development concept requires guaranteed provision of basic public services such as compulsory education, public health and basic medical care, public employment services and basic social security schemes, so as to translate the fruits of economic development into all-round human development.

An important objective of China's human development in its new stage is equitable development. Equalization of basic public services is a significant government policy decision to maintain social equity and justice, and to build a harmonious society. With sustained economic and social development, China will continuously improve related policies and institutional environments, and promote the equalization of basic public services as a core instrument for reducing disparities between urban and rural areas, across regions, and between the rich and the poor, and for enabling all members of society to benefit from the fruits of reform and development.

This report, *Basic Public Services for 1.3 Billion People*, probes the basic trajectory of China's human development for the past 30 years; provides an overview of the history of basic public service delivery, along with current challenges; and puts forward a series of forward-looking and operational policy recommendations to improve the basic public service delivery system. All of this can facilitate innovations in related policies, systems, institutions and mechanisms required by China's efforts to build, in an all-round way, a well-off society embracing social equity, justice and harmony.

This report is the fifth China Human Development Report written by the China Institute for Reform and Development (CIRD), and the second one by a Chinese institution in collaboration with UNDP. Known for its independence, objectivity and impartiality, CIRD has prepared the report from the perspective of economic transition and social transformation, and taken full advantage of its role as a small organization with a large network to make the preparation a highly participatory process. It is our hope that these efforts will prove to be fruitful.



Gao Shangquan
Chairman
Chinese Research Society for Economic System Reform
25 July 2008

FOREWORD

Thirty years of reform and opening up have transformed China through an unprecedented surge in economic development that has lifted hundreds of millions of Chinese people out of poverty, and raised the country from a low-income to a middle-income nation. The speed, scope and magnitude of the improvements in the lives of 1.3 billion people rank among the most stunning achievements in the history of human development.

At the same time, so dramatic a transformation has inevitably led to new stresses. Rapid economic growth in such a populous country has severely strained air and water quality, and placed acute pressures on China's limited land resources. The sustainability of development will require a timely and effective response to these and other environmental challenges. Inequalities that have emerged during rapid growth have widened to levels that pose additional obstacles. China's economic reforms have been centered around a concerted shift towards market-based mechanisms to encourage and reward successful individuals, enterprises and geographical regions, allowing them to benefit fully from their abilities and other advantages. Some increase in inequality was explicitly recognized as inevitable and even necessary. This represented a major change in approach from the more egalitarian orientation of the previous decades. The explosive surge in productivity as a response to this shift in incentives has been one key force that has powered China's rapid economic development. A side effect, however, has been that individuals and regions with less favourable starting conditions have tended to fall further and further behind the others.

The 2005 China Human Development Report, *Development With Equity*, presented a detailed analysis of these development gaps, between urban and rural areas, coastal and interior regions, genders and population groups. The 2007/08 China National Human Development Report, *Basic Public Services for 1.3 Billion People*, builds on the 2005 report by digging deeper into underlying causes of domestic development gaps. It focuses on the delivery of four essential basic public services—primary and junior secondary education, basic health care, social insurance and employment services—and analyses the important national goal of "equalization" of access to these, closely linked to the equity goal that was presented in the 2005 report. Direct causal linkages between gaps in public service provision and the quality of life in China are examined, such as the correlation between access to good health care and life expectancy in different parts of the country. In looking at these issues, the report touches on some of the most critical policy questions that China faces in its shift from a planned state-dominated economy with an egalitarian social ideology, to a market-based economy and service-oriented state.

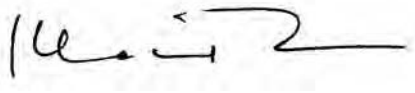
China's move away from egalitarianism has generated a debate about the appropriate definition and role of the concepts of equity and social justice in the new socialist market economy. One important outcome of this discussion is a new emphasis on *equality of opportunity.* That is to say, each woman and man should have a fair chance of succeeding in the new economy—

people should not face large obstacles or enjoy excessive advantages from the start due to the conditions of their upbringing, place of birth, ethnicity, political connections, and so on. Although the previous egalitarian emphasis on equality of outcomes—roughly equal income and standard of living for all people—is no longer seen as conducive to a sound society, equality of opportunity is essential if China is to make full and efficient use of its enormous pool of human resources. Inequality of opportunity prevents or discourages people from fully unleashing their abilities, and thus hinders the efficient development of a nation.

The equitable provision of basic public services is one essential means by which governments ensure equality of opportunity for their citizens. Good health, a solid education, freedom from vulnerability to poverty in old age or in the event of a work accident or medical problem, and access to training and other employment services are all essential for allowing any woman or man to participate fairly and completely in society. The government policy goal of "equalization of basic public services" is precisely a call to achieve equality of opportunity in these critical aspects of life by guaranteeing every Chinese woman and man access to an adequate standard of health care, education, social security and employment services. Only a few years ago, such a goal would have seemed completely unrealistic, given China's vast population, the scale of the problems that existed and the Government's limited resources. At this time, however, due to the rapid strengthening of the Government's budget position in recent years, China now has the resources to pursue higher ambitions.

Realization of the goal of equalization of basic public services—a commitment by the Government to guarantee access for all Chinese men and women to adequate health care, education, social security and employment services—would achieve one of the most important preconditions for reaching equality of opportunity in China. It would make China's continued strong economic development more sustainable, and be another remarkable attainment in China's extraordinary record of economic and human development.

Continuing the practice that was established with the 2005 China Human Development Report, this report was produced by an outstanding group of national authors, under the coordination of the China Institute for Reform and Development (CIRD). I extend my warmest thanks and congratulations to all the authors and Mr. Chi Fulin's superb team at CIRD for this fully successful outcome to a long and challenging process. I would also like to take this chance to express our thanks to the Li & Fung Group for its generous support for this effort.



Khalid Malik
UN Resident Coordinator and
UNDP Resident Representative

ACKNOWLEDGEMENTS

The *China Human Development Report 2007/2008* is now complete as a result of more than a year of collaborative research efforts and a crystallization of collective wisdom.

In the past 30 years, China has achieved remarkable economic growth that has drawn the attention of the world and made big strides in human development. The ultimate goal, however, is not economic growth but all-round human development. Since the start of the new century, there has been an obvious contradiction between the rapid growth of public needs and the inadequate provision of basic public services, including continuously widening gaps between urban and rural areas, across regions and among different social groups. The Chinese Government has made a large number of innovations in policies, systems, institutions and mechanisms to foster the equalization of basic public services as one of its priority public policy objectives. At the same time, researchers from China and abroad have conducted many studies on equalization, from various perspectives. Their findings have been references for preparing this report.

Since 2003, the China Institute for Reform and Development has been researching the transformation of the Government and the equalization of basic public services. It has published a large number of papers and reports that have won attention from academic and policy research circles. These research results have served as a starting point for preparing this report.

Many experts and scholars have actively participated in the discussions of the report's framework and structure. Wang Mengkui, Gao Shangquan, Zhao Baige, Duan Yingbi, Chen Xiwen, Song Xiaowu, Zhang Zhuoyuan, Zhao Renwei, Chang Xieze, Wang Yukai, Sun Liping, Wang Jingxin, Fan Hengshan, Rao Keqin, Han Jun, Lu Mai, Zhang Jian, Ma Li, Liu Shangxi, Li Shi, Dang Guoying, Yu Jianrong, Tang Jun, Mo Rong, Wang Rong, Liu Conglong, Zhao Zhongyi, Bill Bikales, Peter Zetterstrom, Swarnim Wagle and Yu Jiantuo, all have made contributions. In the process of carrying out fieldwork, and structuring and writing the report, UNDP China and the China Institute for Reform and Development co-organized five consultative workshops and one seminar to invite comments and suggestions, many of which have been incorporated in the final version.

Besides contributing to the design of the report, the China Institute for Reform and Development entrusted Chinese experts to prepare 15 background reports, including "Equalization of Basic Public Services and Basic Social Security Schemes" (Song Xiaowu, Xing Wei and Ding Yuan); "Equalization of Basic Public Services and Income Redistribution" (Zhao Renwei, Li Shi and Wang Yake); "Equalization of Basic Public Services and the Relationship between the Central and Local Government" (Chang Xieze and Wang Xiaoguang); "Equalization of Basic Public Services and Regional Development Strategies" (Fan Hengshan and Zhou Yiren); "Equalization of Basic Public Services and New Rural Construction" (Han Jun); "Equalization of Basic Public Ser-

vices and Population Development Strategy" (Ma Li); "Equalization of Basic Public Services and Public Finance Institutions" (Liu Shangxi, Yang Yuanjie and Zhang Xun); "Public Health Services and Human Development" (Rao Keqin and Wu Jing); "Equalization of Basic Public Services and Responsibilities of the Government" (Wang Yukai); "Equalization of Basic Public Services: Public Governance and Diversified Participation" (Sun Liping and Bi Xiangyang); "Migrant Workers in Urban Areas and Equalization of Basic Public Services" (Dang Guoying and Xu Liping); "Equalization of Basic Public Services and Vulnerable Groups in Rural Areas" (Yu Jianrong and Mei Donghai); "Left-behind Families and Equalization of Basic Public Services" (Tang Jun); "China's Public Employment Services and Policies" (Mo Rong); and "Equalization of Compulsory Education Services and Human Development in China" (Liu Ji'an). In addition, the research team of the China Institute for Reform and Development prepared three baseline research reports: "Status Quo and Trends of Basic Public Services in China" (Zheng Gengsheng); "Status Quo and Trends of Human Development in China" (Kuang Xianming); and "Human Development and Basic Public Services" (Wang Ruifen). All the above background and baseline research reports have been important as sources of ideas and data for preparing this report.

The first draft of the *China Human Development Report 2007/2008* was completed in August 2007, but the process of inviting comments and suggestions as well as repeated revision has been going on until now. Khalid Malik, UN Resident Coordinator and UNDP Resident Representative in China; Subinay Nandy, UNDP China Country Director; and Bill Bikales, UNDP China Senior Economist contributed many constructive ideas, participated in technical discussions and improved the wording of the English version.

To wind up our acknowledgements as chief editors of the report, we would like to take this opportunity to thank our staff for the hard work in the past year or so, including Miao Shubin, Fang Shuanxi, Bi Xiangyang, Kuang Xianming, Wang Ruifen, Xia Feng, Wang Tianyi, Zhang Fei and Gan Lu.

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August 2008

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TABLE OF CONTENTS

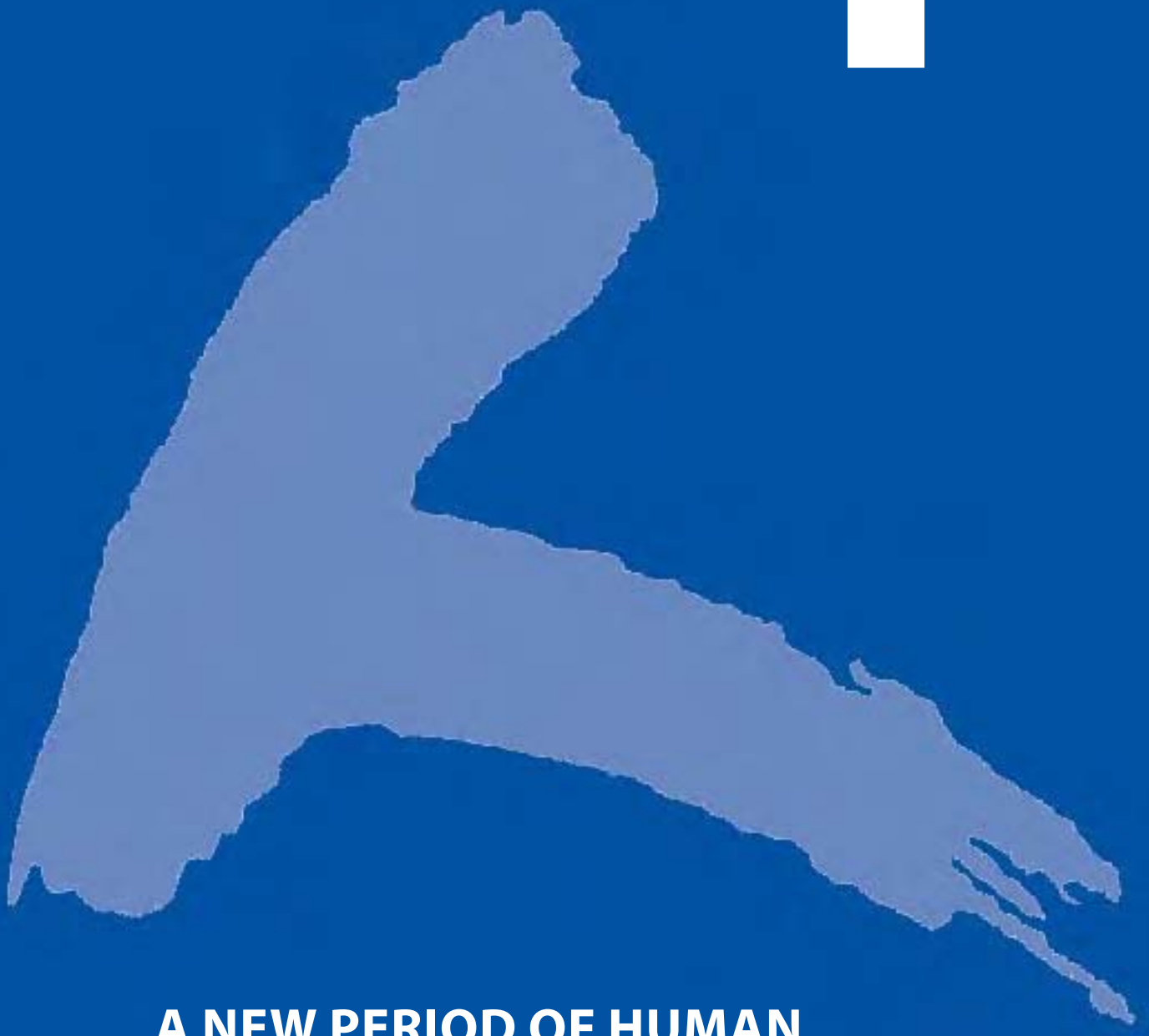
Boxes

Figures

Tables

Statistical Appendix

1



A NEW PERIOD OF HUMAN DEVELOPMENT IN CHINA

PEOPLE ARE THE FOUNDATION OF A
IS STABLE, THE COUNTRY IS

CHAPTER 1

A NEW PERIOD OF HUMAN DEVELOPMENT IN CHINA

COUNTRY; WHEN THE FOUNDATION AT PEACE. —COLLECTION OF ANCIENT TEXTS (SONGS OF FIVE MASTERS)

Introduction

In 2008, as China marks the 30th anniversary of the launch of its era of reform and opening up, positive changes can be found in virtually all aspects of the lives of the Chinese people. Rapid economic growth has been accompanied by sustained improvements in health and education indicators, as reflected in the increase in China's Human Development Index score to 0.777 in 2005,[1] its highest level ever. A number of key indicators, such as school enrolment ratios and under-five mortality ratios, are now comparable to those in many advanced economies. China's population is wealthier, better educated and healthier than it has ever been. The population enjoys unprecedented mobility within the country, and access to travel, work and study in the outside world. And opportunities to develop one's human capacity to the fullest are vastly greater than ever before. The benefits of the economic growth in the past 30 years have reached the whole society, including the poorest groups in the population. By any measure—whether the official national poverty line or the global US $1 per day line—several hundred million Chinese have been lifted out of poverty in less than half a lifetime, truly an historic achievement.

Inevitably, these dramatic developments have brought with them a new set of challenges, including environmental problems, rapid increases in income inequality and social pressures generated by the Chinese people's rising expectations. Extending China's extraordinary progress for another three decades in the face of these challenges, so that China can join the ranks of high human development nations, will require comprehensive reforms in economic, political, cultural and social systems, as China shifts its policy focus from achieving the most rapid growth possible to a more balanced and sustainable approach to development.

The country's extraordinary human development achievements during the era of reform and opening up have been, to a considerable extent, an outcome of rapid economic growth. It has been broad-based enough so that even the poorer segments of the population have seen strong improvements in their living standards, and it greatly expanded the fiscal resources of the Govern-

1 UNDP "Human Development Report 2007/2008"

ment. Although the human development concept, as discussed below, emphasizes that economic growth is not the goal of development, and there are many instances of countries in which rapid growth did not generate strong improvements in human development, China's experience clearly demonstrates how powerful a force for human development economic growth can be when growth in income is broad-based and generates a robust fiscal position.

Recent trends demonstrate that growth now needs to be complemented by reforms of the public service sectors, if sustainable improvements in human development are to be achieved. The extent to which continued strong economic growth will foster broad-based improvements in the lives of the Chinese population will largely depend on these reforms, which are among the key challenges confronting China in at this time. Furthermore, rapid growth itself is likely to become increasingly difficult to sustain without speeding up reforms of the public service sectors . One key goal of these reforms should be the equitable provision of the basic public services discussed in this report—namely, primary and compulsory education (junior middle school education), health, social security and employment facilitation.

Basic public services, including compulsory education, public health and basic medical care, basic social security and public employment services constitute the most important guarantees and determinants of human development. A country's human development level to a large extent depends on the adequacy of the provision of these basic public services, and the equality of its human development depends on the equality of their provision. No country can achieve a high and equitable level of human development without ensuring effective and equitable provision of these essential services. In view of marked disparities in these basic public services between urban and rural residents, across regions and among different social groups, which are considered a major cause of unequal human development trends, the Chinese Government has announced a strategic goal of equalizing basic public services. This will create an important condition for equitable and sustainable human development in China.

Thus, the theme of the *China Human Development Report 2007/2008* is guaranteed provision of basic public services for 1.3 billion people. It presents inherent links between these services and human development, analyses the present state of basic public services, and explores ways to promote a more equitable pattern of human development by gradually realizing the equalization of services.

This chapter begins by discussing the basic concept of human development. It then highlights notable features of China's human development since the beginning of the era of reform and opening up, analyses new challenges, and discusses China's new approach to development known as the scientific development concept. Finally, it introduces the role of basic public services in advancing human development in China.

The Human Development Concept and Human Development Index

The contemporary concept of human development views development as a broader and richer process than economic growth and increases in income. According to this concept, development means the creation of an environment in which all members of a society can fully take advantage of their potentials, live lives they wish to live and have more choices.

"Development" emerged as a global concern in the post-World War II era, as large discrepancies in standards of living between wealthier and poorer nations, including among newly independent countries, drew the attention of the international community. Over the ensuing 60 years, notions of development have considerably evolved. The progress and setbacks that have occurred have provided important lessons and afforded a clearer ability to distinguish between short-term and long-term development goals, and to understand the relative merits of different approaches to accelerating development.

Even as development concepts evolved, discus-

sions during the first 30 years after World War II focused largely on the accumulation of material wealth, i.e., taking economic growth as the end of development. Theorists analysed the patterns of economic growth in advanced and traditional societies, and put forth various suggestions for ways to accelerate it, with virtually all of them starting from the premise that economic growth and development were essentially the same. Per capita GDP was widely viewed as the key metric for assessing a country's state of development. Countries that grew faster were considered more successful than those that grew more slowly.

This understanding of development began to change in the 1980s, as more cases emerged to demonstrate the mixed relationship between growth and key indicators of social welfare. This led to the recognition that economic growth, while a vitally important prerequisite for development, is only a means to an end, and is not the ultimate goal of development. This distinction between economic growth and the improvements in people's lives that growth can foster lies at the heart of the concept of human development.[2] It was formulated in the late 1980s in response to the recognition that income is only a means to an end—to promote health by making medicines affordable, for example—and that it therefore is incorrect to equate higher income with greater development. Growth only achieves its real purpose when it is used to enhance the capacities of women and men to live full lives; to enjoy good health, education and the dignity that comes from having a fulfilling job; and to have the freedom to make choices and pursue their wishes. As the leading advocate of the human development paradigm, Mahbub ul-Haq (1995), put it, "After many decades of development we are rediscovering the obvious—that people are both the means and the end of development."

Regarding people as the real wealth of nations and the real end of development, human development is defined as a "process of enlarging people's choices"—the choices and opportunities to lead the kinds of lives that people have reason to choose and value. The notion of human capabilities focuses on what people are actually able to *do* and what people are able to *be*.

To achieve this enlargement of choices, the human development concept emphasizes coordinated and balanced economic and social development, particularly the development of the social and public service sectors, the development of civil society organizations and the strengthened capacity for providing public services for the purpose of human development.

The human development concept also emphasizes the importance of sustainable development, that is, satisfying the needs of the current generation while conserving resources and protecting the environment to assure the development of future generations. It looks at sustainable development on the basis of improvements in the lives of different generations, in addition to the growth of their material wealth.

Since 1990, the human development concept has gained widespread acceptance. Its impact has been enhanced through two related steps. First, in 1990, UNDP's global Human Development Report debuted, introducing the concept to a global audience of policy makers, civil society groups, scholars and development practitioners. That report has been followed by 17 other global Human Development Reports, and more than 600 national and regional reports that have applied human development analysis to the conditions of more than 148 nations.

Second, a team led by Nobel Prize-winning economist Dr. Amartya Sen devised the Human Development Index (HDI), creating a single empirical indicator by which progress in three core aspects of human development—health, knowledge and income—could be assessed and compared across and within countries over time (see Box 1.1). The HDI is an incomplete measure of human development because it excludes many important factors, such as governance and the environment, that are less easy to quantify in globally comparable ways (see Box 1.2). But its practical usability has led to its wide application across the world. The HDI has helped increase global recognition of a fundamental truth about development: societies with high average per capita incomes can have poor records on health and education, while even those with low per capita incomes or growth rates can do well on these fronts. The extent to which state poli-

2 See, for example, UNDP 1990 "Defining Human Development", Human Development Report 1990.

cies focus on human priorities can determine vastly different human development outcomes in countries with comparable per capita GDP levels.

The human development concept bears many similarities to China's scientific approach to development, which is people-focused and oriented around a balanced and human-centred view of development, as distinguished from older views that focused exclusively on economic growth. This is discussed below, following an assessment of China's progress and core remaining challenges in advancing human development.

Box 1.1: The human development index

Since the publication of the first Human Development Report, the human development level of different countries has been measured with the HDI. The index is calculated on the basis of sub-indices that measure the following three basic dimensions of human life:

- **Life expectancy at birth, to represent the dimension of a long and healthy life;**
- **Two variables of adult literacy rate (two-thirds weight), and the combined enrolment ratios at primary, secondary and tertiary levels (one-third weight) to represent the knowledge dimension; and**
- **Real GDP per capita (PPP$) to serve as a proxy for resources needed for a decent standard of living.**

The HDI is a simple arithmetic mean of educational attainment, health and income indices. While it is a useful general indicator of human development, it needs to be supplemented by other data and careful analysis of social and economic processes in order to judge what is happening to the well-being of people. For example, it does not capture income poverty and inequality trends, or environmental conditions.

China's Human Development Since the Era of Reform and Opening Up Began

TRENDS IN KEY HUMAN DEVELOPMENT INDICATORS

The scale of China's economic transition and social transformation is evident in its spectacular economic growth rates, averaging nearly 10 percent per annum for the last 30 years. Its HDI score3 has increased from 0.53 in 1975, just barely above the low-human development floor, to 0.781 in 2006, very close to high human development (see Figure 1.1).

The country's place in the global HDI rankings has risen from 101th in 1991[4] to 81st in 2007 (based on 2005 data).[5] China's life expectancy and education indices are even higher in comparison to other countries with similar per capita GDP. In 2005, these two indices were 0.792 and 0.837, respectively. A relatively solid foundation has been laid for the country's further human development, unlike in countries in which GDP growth fails to lead to commensurate improvements in health and education indicators.

China's extraordinary progress in human development since the start of the era of reform and opening up can be demonstrated in many ways. Useful insights can be gained by comparing China's 2005 HDI (0.777) with the 2005 HDI of countries that had levels similar to China's in 1980, around the time that China launched its reforms. It is also possible to compare China's HDI level in 1980 (0.559) with those of other countries whose HDIs are now similar to China's.[6] The findings are as follows:

—The 10 countries whose 1980 HDIs were closest to China's (five higher and five lower), in the range of 0.540 to 0.580, attained an average HDI of 0.684 in 2005. That is, their HDIs improved by an average of 22 percent over 25 years, while China's improved by 39 percent. China is on the verge of entering the ranks of the high human development countries, while the average ranking of the group of 10 countries is still right in the centre of the middle human development level range.

—The ten countries whose 2005 HDIs were closest

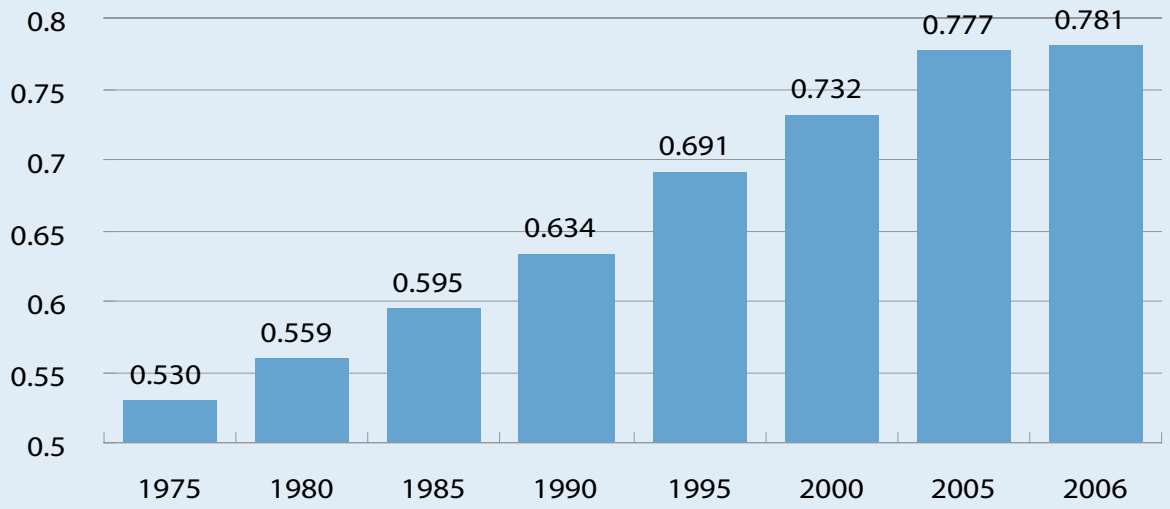
3 HDI scores of 0 to 0.5, 0.5 to 0.8, and 0.8 to 1 are rated as low, middle and high, respectively, by the global Human Development Report.

4 China Development Research Foundation, and UNDP "China Human Development 2005", China Translation and Publication Corporation, Dec. 2005

5 UNDP, "Human Development Report 2007/2008

6 Ibid.

Fig 1.1 China's HDI, 1975-2006



Sources of data: China's HDIs between 1975 and 2005 are quoted from "Human Development Report 2007/2008", and of 2006 is estimated on the data collected by the project team of this report.

to China's, falling in the range of 0.766 to 0.791, had an average HDI of 0.676 in 1980. That is, the HDIs of these countries had risen by an average of 15 percent in the previous 25 years, while China's had improved by 39 percent.

China's GDI has also steadily risen, from 0.71 in 1999 to 0.77 in 2005 (see Figure 1.2). The country's GDI world ranking is higher than its HDI world ranking, an indication of reasonable gender equity in the areas covered by the HDI. At the same time, it is important to note that the GDI, like the HDI, only covers a small number of important but not comprehensive facets of human development and equitable gender development.

China's track record in human development means that it is on course for meeting most of the Millennium Development Goals (MDGs) by 2015. A joint report[7] by the Chinese Government and the UN System in 2008 stated that the environment for achieving most MDG goals and targets is "in place" or "sufficient," and that the "overall, China has made great progress in achieving the MDGs." Some of the targets, including halving the proportion of the population living in poverty and the achievement of universal primary education, have been accomplished already, well in advance of the 2015 deadlines. Most others are on track. At the same time, several MDG targets are currently "potentially on track,"

7 Ministry of Foreign Affairs of the PRC and UN System in China, "China's Progress Towards the Millennium Development Goals, 2008 Report" 2008.

Box 1.2: Variants of the HDI

The *gender-related development index (GDI)* adjusts the average achievements captured by the HDI to reflect the inequalities between men and women in leading a long and healthy life, acquiring knowledge and achieving a decent standard of living. Female and male indices are calculated for each dimension first, and then combined in a way that penalizes differences in achievements between men and women.

The *gender empowerment measure (GEM)* focuses on women's opportunities rather than capabilities, and captures gender inequality in political participation and decision-making power, economic participation and decision-making power, and power over economic resources.

The *human poverty index (HPI)* measures *deprivations* (instead of achievements) in the three basic dimensions of the HDI. Health deprivation is measured by the probability at birth of not surviving to age 40, knowledge deprivation by the adult illiteracy rate, and the standard of living deprivation by an unweighted average of the percentage of the population not using an improved water source and the percentage of children who are underweight for their age.

Source: HDR 200708

Fig 1.2 China's GDI from 1999 to 2005

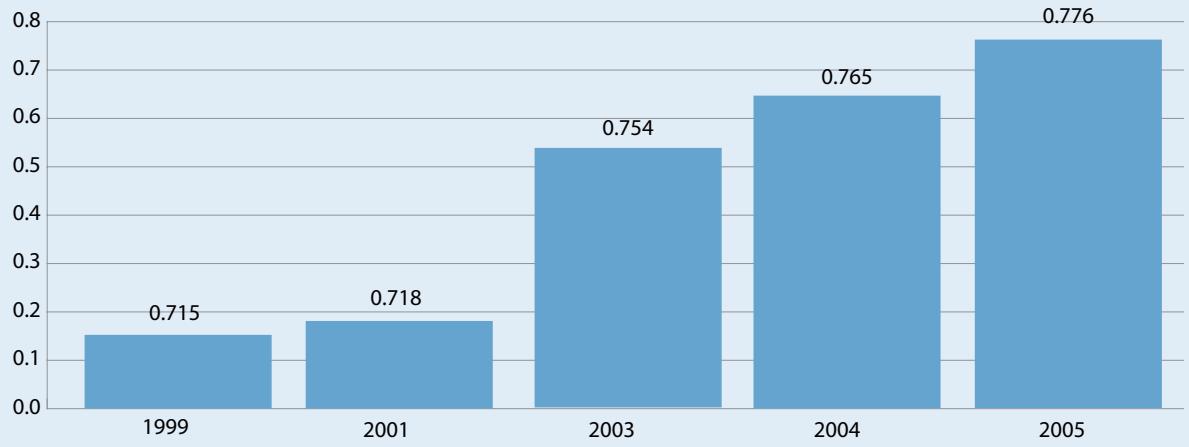
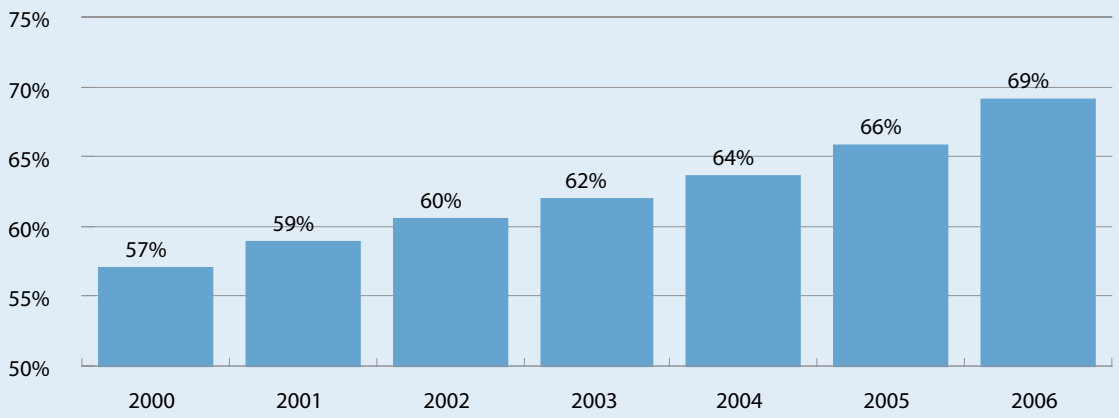


Fig 1.3 China's progress in building a Xiaokang society in an all-round way



Source: Working group of Institute of Statistics under the National Bureau of Statistics, Statistical Report on Monitoring the Process of Constructing the Well-off Society in China, 2006, website of National Bureau of Statistics, 2007-11-21

and require additional effort. These include environmental targets, as well as the targets for universal access to reproductive health and HIV/AIDS treatment.[8]

Since 2000, China has also been computing its own index to assess the degree to which the Government's new vision of achieving a "Xiaokang Society" is being realized. The term "xiaokang" originated in the Confucian classics of more than 2000 years ago, and was cited by China's leader Deng Xiaoping in 1979 to describe the country's overall goal for the first two decades of the era of reform and opening up: to become a rea-

8 *Ibid*

Table 1.1: **Average life expectancy in China, 1949-2000**

Year	Total	Male	Female
Before 1949	35	-	-
1957	57	-	-
1973-75	-	63.6	66.3
1981	67.9	66.4	69.3
1990	68.6	66.8	70.5
2000	71.4	69.6	73.3

Source: 2007 China Health Statistical Summary

sonably well-off society. The Government renewed and expanded this earlier goal in 2000 through a new commitment to achieving an "All-Around Xiaokang Society" in the next 20 years. This implies attaining a status roughly equivalent to a comfortable middle-income level of development, with people in all regions and groups having a share in prosperity. The Xiaokang Index that the Government devised to capture progress toward this goal rose from 0.57 in 2000 to 0.69 in 2006 (see Figure 1.3).[9]

HEALTH INDICATORS

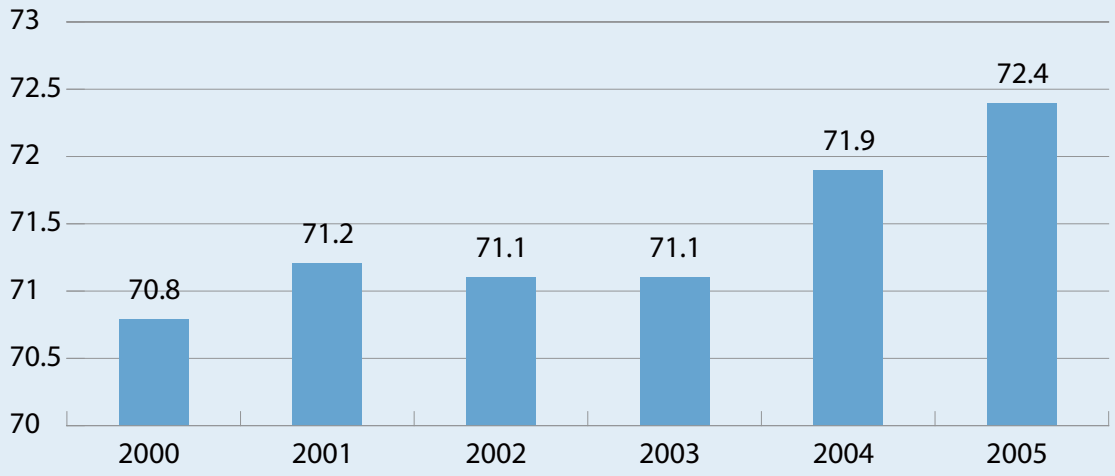
China's overall performance in virtually all health indicators surpasses developing country averages by wide margins. As discussed in more detail later in this report, China entered its era of reform and opening up with unusually high health indicators for a poor developing country. These data improved further after 1978, with marked improvements since 2000. According to the data released by China's Ministry of Health, China's life expectancy before 1949 was only 35 years. In 2000, it was 71.4 years (see Table 1.1).

The country-specific life expectancy data published by the World Health Organization (WHO) places China's average life expectancy at 72.4 years in 2005, compared with the world average of only 67 years (see Figure 1.4).[10]

9 Statistical Report on Monitoring the Process of Constructing the Well-off Society in China, 2006, website of National Bureau of Statistics, accessed November 21, 2007. The Xiaokang index includes 25 indicators in six large categories: economic development, creation of a harmonious society, quality of life, democracy and rule of law, science/technology/education/health, and environment.

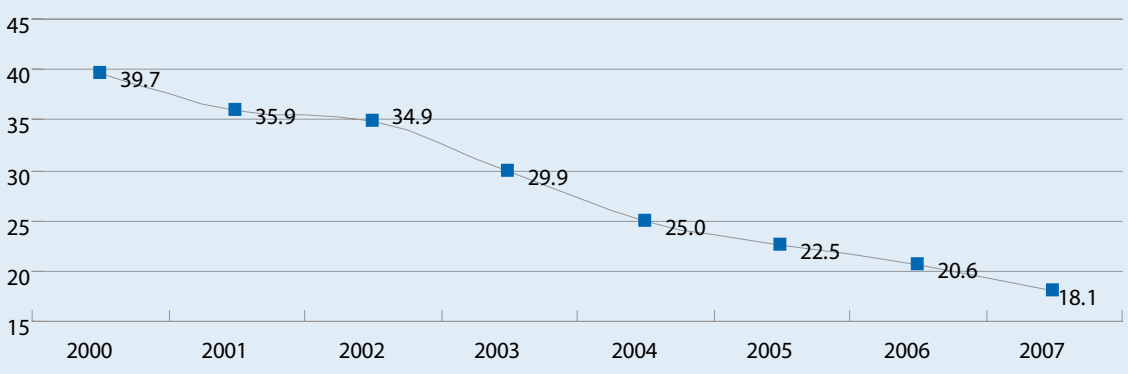
10 UNICEF, *"The State of The World's Children 2006,"* New York, 2006.

Fig. 1.4 Average life expectancy in China, 2000-2005 (Years)



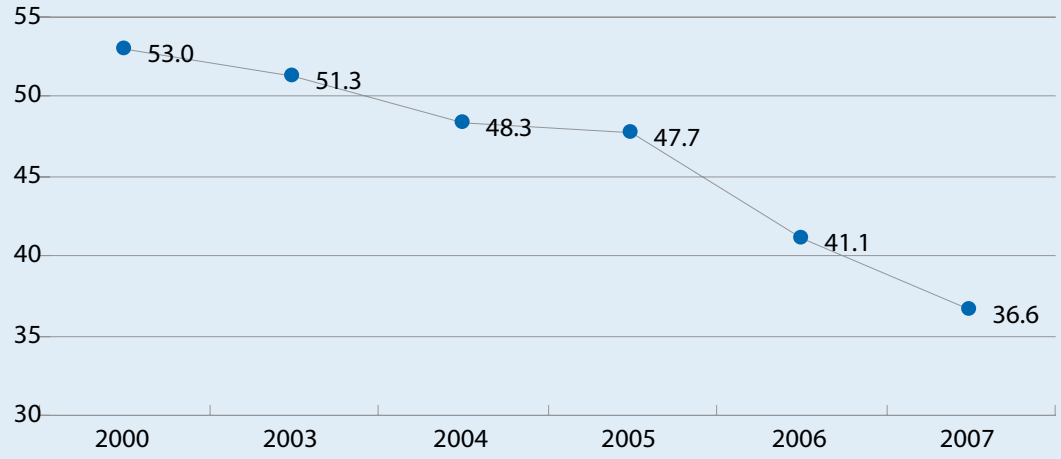
Source: Life Tables for WHO Member States, WHO's Website

Fig 1.5 Under-five child mortality rate, 2000-2007 (per 1,000 live births)



Source: 2006 China Health Statistical Yearbook

Fig 1.6 Maternal mortality rates, 2000-2007 (per 100,000 live births)



Sources: "China Health Statistical Yearbook 2007", "Summary Report on China Health Development 2003-2007" and Statistical Communiqué of China Health Development 2007"

China's under-five child mortality rate has dropped steadily from around 40 per 1,000 live births in 2000 to 22.5 in 2005 20.6 in 2006 and 18.1 in 2007 (see Figure 1.5). This indicator was not only far lower than the developing country average (87 per 1,000 live births in 2004), but also lower than the average for the East Asia and the Pacific region.[11]

China's maternal mortality rate dropped from 53 per 100,000 live births in 2000 to 36.6 per 100,000 live births in 2007 (see Figure 1.6). This was far lower than the average of developing countries in 2004 (440 per 100,000 live births).[12]

These data indicate that China has made more rapid progress in reducing the under-five child mortality and maternal mortality rates than in increasing average life expectancy during the reform period, although there has been forward movement in all of these areas. Additional years of improvement in life expectancy generally become increasingly difficult as countries reach developed country levels—countries in the Organisation for Economic Co-operation and Development needed over two decades to raise life expectancy another five years from China's current level.[13] In China's case, the health impact of worsening environmental conditions could also prove to be a factor.

EDUCATION INDICATORS

China has achieved nearly universal nine-year compulsory education in both urban and rural areas, a remarkable feat. The enrolment rate of primary school-age children remained steady at more than 99 percent between 2000 and 2005, and the gross enrolment rate in junior middle schools increased from 88.6 percent to 95 percent. The dropout rate in primary schools reached an historic low, at under half of 1 percent in 2005.[14] The adult literacy rate has also been rising (see Figure 1.7), from 67.1 percent in 1980 to over 90.7 percent in 2006, which was higher than the global average adult literacy rate (78 percent) and the average among developing countries (77 percent) in 2004, the most recent year for which comparable data are available.[15] The average number of years of schooling received by people aged 15 and over in China rose from 5.3 years in 1982 to 8.5 years in 2005 (see Figure 1.8).

POVERTY REDUCTION TRENDS

11 *ibid*

12 *ibid* In addition, the results of the mid-term evaluation of the implementation of the China Programme for Women's Development 2001-2010 and the China Programme for Children's Development 2001-2010 also indicate that China has made tangible progress in protecting women and children. By the end of 2005, 28 of the 45 evaluation indicators of the Programme for Women's Development had reached the targets ahead of schedule, and 30 of the 50 evaluation indicators of the Programme for Children's Development had reached the targets ahead of schedule. Source: The *Mid-Term Evaluation Report on the Implementation of the China Program for Women's Development 2001-2010* and the *Mid-Term Evaluation Report on the Implementation of the China Program for Children's Development 2001-2010* , issued by the State Council Committee on the Work of Women and Children, May 2007.

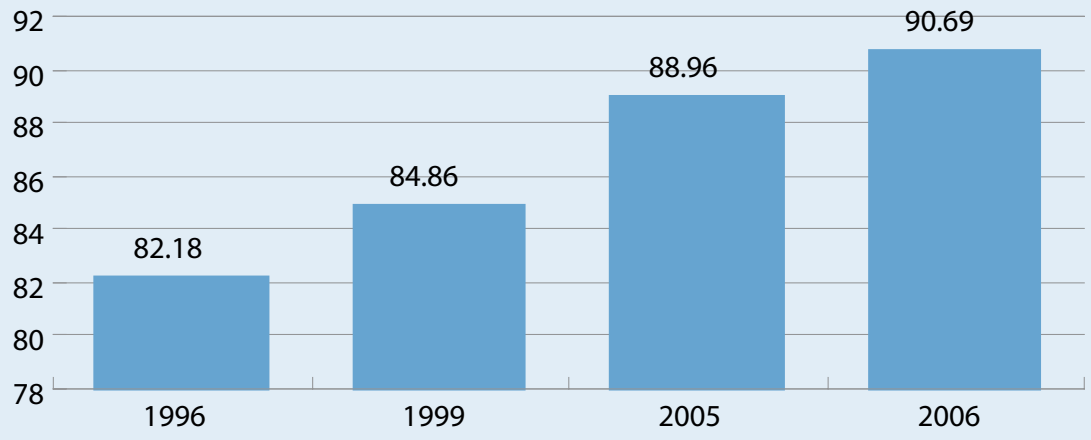
13 OECD life expectancy was 72.6 in 1980 and 77.7 in 2002.

14 The 2000 and 2005 *National Statistical Communique on the Development of Educational Undertakings*, Ministry of Education.

15 UNICEF: *The State of The World's Children 2006.*

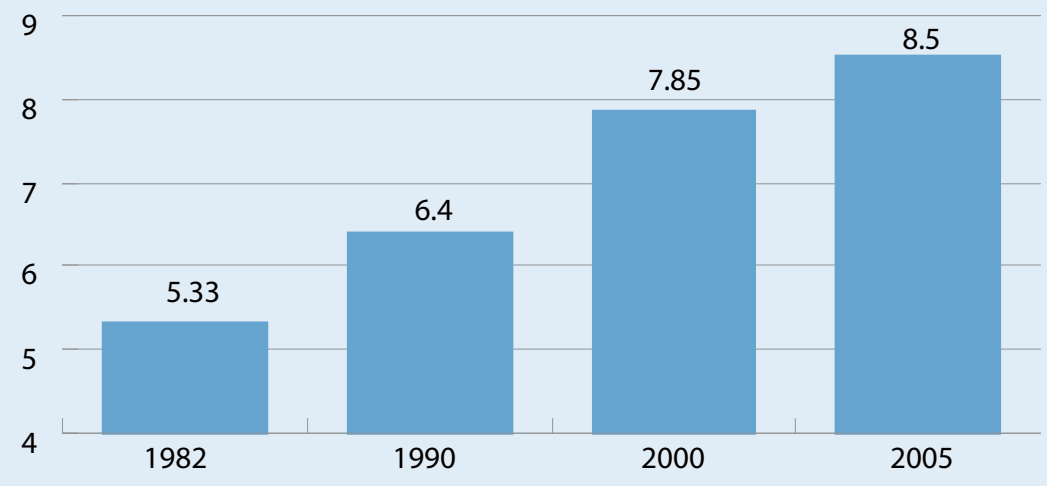
As noted above, the HDI is a convenient way to assess progress in some key aspects of human development that are relatively easy to quantify and compare. The many aspects of human development that the HDI does not reflect, however, include one of the most important: poverty incidence. From a human development perspective, poverty represents one of the worst denials of capability, as poor people lack the means to develop as human beings, tend to be excluded from social and economic activities, and frequently suffer deprivation in access to needed nutrition, clothing, housing, public services and other essential aspects of life. Since the HDI only factors in the average increase in GDP per capita, it fails to capture the distributional trends that determine whether or not a change in per capita GDP is leading to improvements in the income and welfare of poorer segments of the population, and to a reduction in the number of people in poverty. Yet assessment of poverty incidence is indispensable for assessment of human development.

Figure 1.7 Adult literacy rate, 1996-2006 (%)



Source: 1997, 2000, 2006 and 2007 China Statistical Yearbook

Figure 1.8 Average (years) education among people aged 15 and over, 1982-2005



Source: The 1982-2000 data originate from Mo Rong (2007); 2005 data originate from the Outline of the 11th Five-Year National Plan for the Development of Educational Undertaking, Ministry of Education website, accessed May 18, 2007.

China's outstanding record in reducing poverty has caught the attention of the entire world. One remarkable achievement after the three decades of reform and opening up is that China now has largely eliminated absolute poverty, and is meeting the food and clothing needs of its 1.3 billion people. During this period, the incidence of rural poverty dropped from 30.7 percent in 1978 to 1.6 percent in 2007 (see Figure 1.9).[16] This process by which poverty has been so sharply reduced can be divided into four phases:

1978-1985: This period saw the reform of the household contract responsibility system greatly stimulating farmers' enthusiasm and providing real incentives for economic activity. As a result, their per capita net income grew at an annual rate of 16.5 percent. Based on China's official poverty line,[17] the number of rural poverty-stricken people dropped rapidly from 250 million in 1978 to 125 million in 1985. This was the period of the most rapid decline in poverty incidence in China.

1986-1993: During this period, the Chinese Government established specialized agencies and special funds for poverty reduction and launched a large-scale development campaign. By 1993, the size of China's rural poverty-stricken population had dropped to 75 million.

1994-2000: Marked by the promulgation and implementation of the 8-7 National Plan for Priority Poverty Reduction,[18] China's anti-poverty plan was elevated to a national strategy. The Government sharply increased inputs into anti-poverty efforts and, as a result, the number of people in rural poverty dropped from 70 million in 1994 to 32.1 million in 2000.

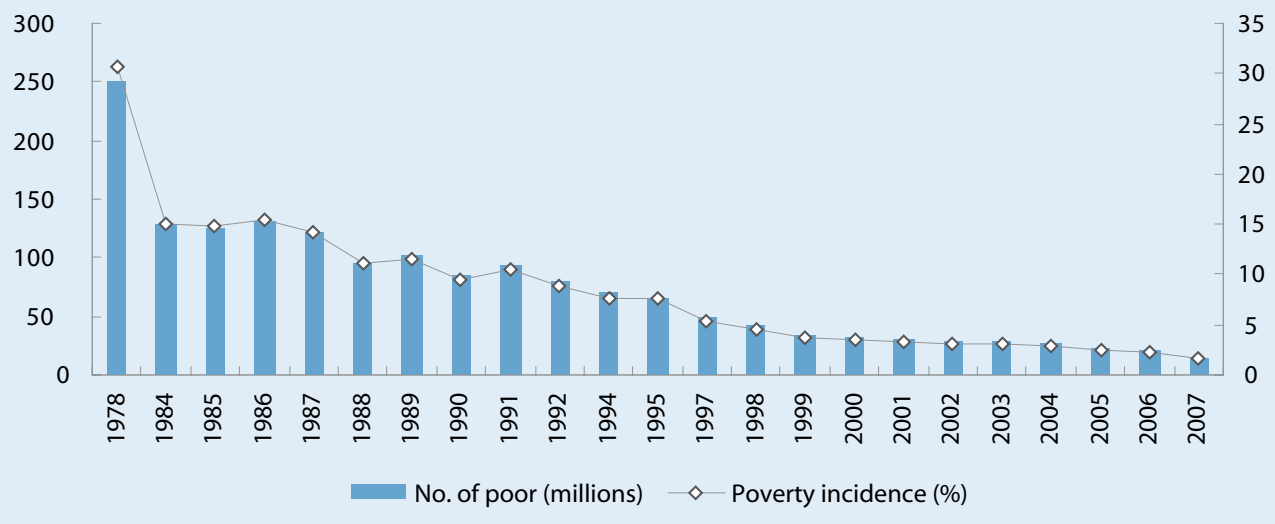
2000-present: This period has seen important policy shifts, with China seeking to balance development gains between urban and rural areas and across different regions. In 2001, it formulated the Programme for the Development of Rural Poverty Reduction 2001-2010. With the implementation of strategies on building the new countryside, and developing the western and central regions, China has pursued a balanced anti-poverty strategy. The number of people in rural poverty has continued to drop, from

16 The rural poverty incidence rate refers to the ratio of the population living under the poverty line to the total population. Source: *2008 China Statistical Summary*, Beijing, China Statistical Publishing House, 2008.5.

17 According to the *2007 China Statistical Summary,* the poverty standard for China's rural residents has been constantly raised. The standard was 100 Yuan per person in 1978 and 206 Yuan per person in 1985. It rose to 440 Yuan per person in 1994, to 625 Yuan per person in 2000, and to 693 Yuan per person in 2006. The calculation method for China's poverty standard is to combine the minimum foreign and domestic nutritional standards: China uses 2,100 kilocalories as the mandatory nutritional standard to determine who is a rural poor person. It uses a food consumption list and food prices for the lowest-income rural households to work out the minimum food spending required for reaching the nutritional standard; it uses this spending as the food poverty line. It applies the regression method to work out non-food spending (including for minimum clothing, housing, fuel and transportation) and uses this spending as the non-food poverty line. The food poverty line (accounting for about 60 percent) plus the non-food poverty line (about 40 percent) make up the poverty line standard.

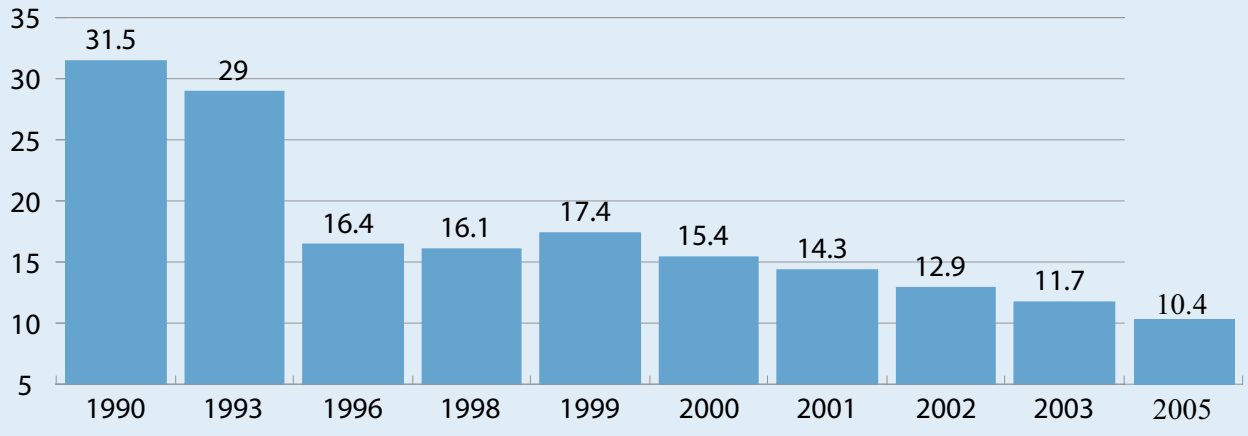
18 This plan was referred to as the "8-7" plan because it aimed to basically move the then-80 million people in poverty out of poverty within 7 years and to increase the per-capita income of the majority of the poor population to 500 Yuan by the end of the last century.

Figure 1.9 **China's incidence of rural poverty, 1978-2007**



Source: "China Statistics Digest 2008", Beijing, 2008.

Figure 1.10 People living on less than US $1 per day, 1990-2005 (%)



Source: UNESCAP (2005); World Development Indicators, World Bank, 2008; 1993 PPP

29.27 million in 2001 to 14.79 million in 2007.[19]

The Chinese Government has also devoted considerable resources to reducing urban poverty. Unlike rural poverty, which was already a serious problem in 1978, urban poverty emerged as a concern later in the era of reform and opening up, when state-owned enterprises began reducing their work forces and rural-urban migration began to accelerate. Government efforts in recent years to address this new problem have made strong progress.[20] An urban minimum living security subsidy system was introduced in 1999, and as of October 2007, the number of urban poor people covered by this system had reached 22.4 million.

Evaluated with the international US $1 per day poverty line, which sets a higher income level as the line below which people are classified as poor, China's accomplishment in poverty reduction is also remarkable. The number of people living on less than US $1 per day fell from 31.5 percent in 1990 to 10.4 percent in 2005[21] (see Figure 1.10).

As Amartya Sen has noted, China's position in the global fight against poverty is unique. No other low-income country has achieved so much and has made such major contributions to the global effort to reduce poverty.[22]

Prominent Features of China's Human Development Record

China's human development achievements in the past 30 years coincide with its move from a planned to a market economy, a transition that has contributed enormously to economic dynamism and growth, but which has also injected many new elements of uncertainty and volatility into the society. In this process, the dominance of public ownership has been incrementally replaced by multiple forms of ownership; government control of almost all prices has given way to market forces; and economic regulation and control through administrative means have been replaced by macroeconomic instruments. On the whole, the role of the market in allocating resources has been continuously strengthened, and this has not only revitalized China's economy, but also created favourable conditions for sustained human development.

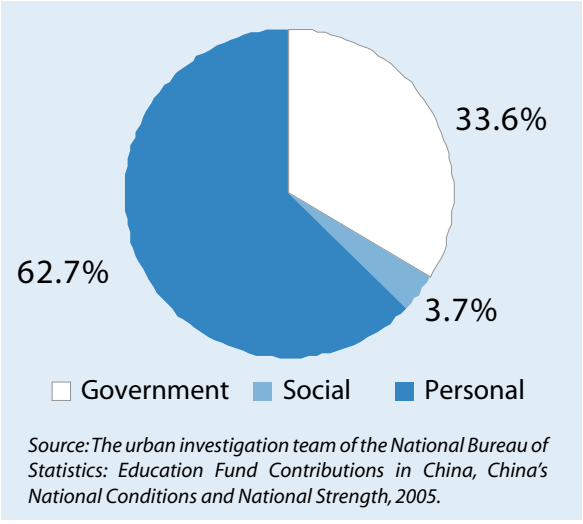
19 National Bureau of Statistics: 2008 *China Statistical Summary*, Beijing, China Statistical Publishing House, May 2008.

20 Data on urban poverty is much harder to come by, in part because it emerged as a problem later in the reform process and initially was not monitored.

21 The US $1 per day poverty line uses purchasing power parity (PPP)-based exchange rates, not nominal market exchange rates. In November 2007, the World Bank's International Comparisons Project released a revised PPP-based exchange rate, which gives lower US dollar estimates of Chinese income data, and therefore leads to higher US $1 per day poverty incidence. As the exact impact on poverty calculations of the new PPP numbers is not yet clear, this report uses the earlier numbers.

22 Amartya Sen: "China Should Return to Medical Insurance for All People", *South China Morning Post,* 20 July, 2007.

Figure 1.11 Education funding in 2002 (%)



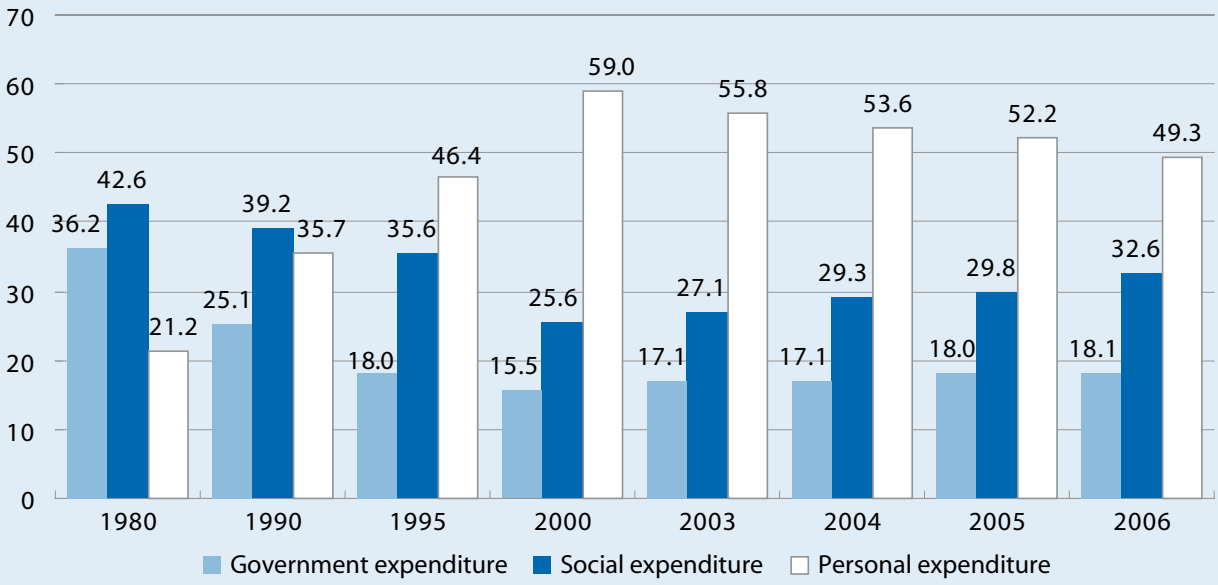
Source: The urban investigation team of the National Bureau of Statistics: Education Fund Contributions in China, China's National Conditions and National Strength, 2005.

Progress in human development has occurred alongside a process of social transformation. China's evolution from an agricultural to an industrial society, and from a closed to an open society has brought unprecedented change and mobility. The relatively simple social structures associated with the traditional planned economy are evolving into complex structures as a result of the development of a market economy. These changes have inevitably introduced new challenges characterized by "polarization, special interest groups and conflicts of interest."[23] This situation puts forward new demands for the supply of basic public services and their innovation.

In the era of the planned economy, the Government was the sole supplier of basic public services in urban areas. After China began to open up, this mode became increasingly problematic and was unable to keep up with market-oriented reforms. In the 1990s, China began to reform the public service sector by introducing a multiple-contribution mechanism. Over time, the actual execution of this mechanism involved a low ratio of government contributions, while the ratio of personal contribution has risen year after year. For example, individuals have assumed the main responsibility for paying for medical care and education (see Figure 1.11 and Figure 1.12). At times, the rising prices of public services, especially for education and health care, outpaced the income growth of urban and rural residents, making the reform of public services an issue for attention among people from all walks of life.

23 Sun Liping 2003

Figure 1.12 Share of health spending (%)



Source: The 1980–2005 data originate from the 2006 China Health Statistical Yearbook, and the 2006 data originate from the 2007 Statistical Communique on the Development of China's Health Undertakings.

Table 1.2: **The contributions of HDI components to HDI growth, 1980-2005**

Year	HDI	Life expectancy index	Contribution of life expectancy index to HDI growth since previous period (%)	Education index	Contribution of education index to HDI growth since previous period (%)	GDP index	Contribution of GDP index to HDI growth since previous period (%)
1980	0.559	0.674		0.641		0.361	
1985	0.595	0.686	12.88	0.663	20	0.435	67.12
1990	0.634	0.712	24.13	0.700	32.14	0.481	43.73
1995	0.691	0.742	15.3	0.758	34.05	0.571	50.65
2000	0.732	0.771	23.67	0.791	26.42	0.633	49.91
2005	0.777	0.792	15.23	0.837	33.34	0.703	51.43
Contributions to total change in HDI since 1980			18.00		29.79		52.21

Source: HDR 2007 background data, from the Human Development Report Office, UNDP, New York

Understanding China's Remarkable Progress in Human Development: the Central Role of Economic Growth

Why has China's human development made such large strides in a mere 30 years? The answer to this question contains implications not only for human development around the world, but also for China's choice of public policies to further enhance its human development. Although the concept of human development emphasizes that economic growth is not the ultimate goal of development, but is a means to an end, its central importance in attaining better lives cannot be ignored. China's experience of the last 30 years offers strong evidence for this statement.

An HDI accounting exercise, breaking down China's HDI increases since 1980 into the respective contributions from its three components, can shed some light on this question (see Table 1.2). Such analysis reveals that throughout this period, economic growth has been by far the greatest determining factor in China's HDI improvement, directly contributing 52.2 percent of the overall increase. Education has been the second largest source of HDI growth, accounting for 29.8 percent of the total improvement, and accelerating to 33.3 percent in the 2000-2005 period. Health has shown the slowest rate of improvement and most limited contributions to HDI growth, accounting for only 18 percent of the HDI increase over 25 years, and only 15.2 percent from 2000 to 2005.

That China's rapid improvement in HDI has been driven most by its rapid economic growth is to some extent tautological. Given that per capita GDP is one-third of the HDI, sustained and rapid GDP growth will inevitably dominate HDI trends. The other indicators for life expectancy, literacy and school enrolment rates change more gradually. The role that China's growth has played in promoting human development in its broadest sense is deeper than this, however. By generating sustained and rapid increases in personal incomes and in government fiscal resources for the last 30 years, growth has created vital preconditions for improvements in human development in many other respects.

Figure 1.13 below illustrates the remarkable improvements in per capita incomes in both urban and rural regions. Between 1978 and 2007, real inflation-adjusted per-capita disposable income of urban residents had been growing at the average annual rate of 7.2%, and real inflation-adjusted per capita net income of rural residents had been growing at the average annual rate of 7.1%.[24] While the gap between urban and rural areas has expanded markedly, this should not divert attention from the core fact that virtually the entire population has been able to greatly increase consumption of food, clothing, shelter, health care, education, and other vital goods and services. As

24 National Statistics Bureau, "2008' China Statistical Abstract", Page 101, China Statistics Publishing House, May 2008

the economy grew, budget revenues also soared, rising more than 7.7 times after adjusting for inflation between 1993 and 2007. While the share of spending going to poorer regions and rural areas was generally much lower than the share going to urban areas and wealthy regions, the large growth in total spending did lead to a greater absolute level of resources being invested even in poorer rural regions.

These changes created highly favourable conditions for human development in several ways:

First, growth was broad-based, including periods of strong increases in agricultural output, expansion of labour-intensive manufacturing sectors with high employment elasticity of output growth, steady growth in capital investment and greater productivity. This helped extend the benefits of growth to almost all of the Chinese population through rapid increases in household income and consumption.

The widespread sharing of benefits also reflected the fact that China started its rapid growth period with a reasonably equitable distribution of wealth.[25] Many studies have shown that China's distribution pattern is favourable for growth and human development, because it creates a larger number of stakeholders in the economy's progress. Individuals, families and regions have a concerted interest in seeing their respective economies grow. The combination of a strong set of direct incentives for economic actors with an equitable distribution of assets—human, physical and financial—lays a broad basis for entrepreneurship that uses national resources far better than if assets were restricted to a smaller set of actors in the economy. According to economic theory, this combination is a key driver behind the observed fact that, all else being equal, economies with more equitable distribution tend to grow faster.

Higher household income has allowed rapid improvements in nutrition, clothing and housing, largely financed by private expenditures. For example, the World Bank has estimated that in 1981, 30 percent of China's population was undernourished, but by 1997, that share had fallen to 12 percent.[26] As another example, between 1990 and 2005, the prevalence of underweight children in China fell from 19.1 percent to 6.9 percent, and the prevalence of stunting in chil-

25 Note on studies linking income distribution to asset ownership

26 World Bank WDI 2008

Figure 1.13 Trends in urban and rural per capita income and total government spending, 1978-2006

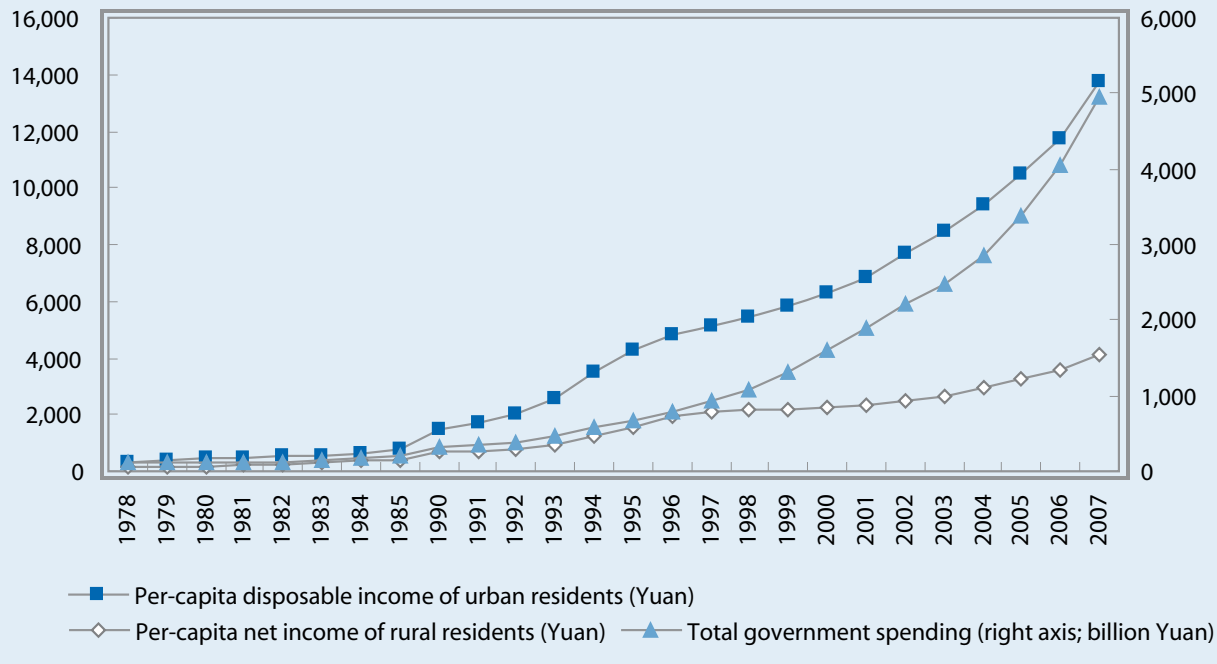


Table 1.3: **Per capita real expenditures on public health by source (indices, with1978 as 100, deflated by CPI)**

Year	Total per capita spending index	Government per capita spending index	Government share (%)	Social per capita spending index	Social share (%)	Private per capita spending index	Private share (%)
1978	100	100	32.2	100	47.4	100	20.4
1980	116	130	36.2	104	42.6	120	21.2
1985	176	212	38.6	123	33.0	246	28.5
1990	267	208	25.1	221	39.2	466	35.7
1995	396	221	18.0	298	35.6	899	46.4
2000	737	354	15.5	397	25.6	2,126	59
2004	1,133	602	17.1	700	29.3	2,971	53.6
2005	1,262	707	18.9	794	29.8	3,221	52.2
2006	1,397	789	18.1	966	32.6	3,389	49.2

Source: National Health Statistical Yearbook, 2007

dren under the age of five fell from 33.4 percent to 10.5 percent.[27] Because child malnutrition was much more widespread in rural areas, the greatest reduction took place there; for example, the share of underweight children fell from 22.6 percent in 1990 to 9.3 percent in 2002. A major 2004 study of the sources of China's improvements in mortality rates and life expectancy between 1981 and 1995 estimated that "half of the steep decline in young child mortality and of the rise in life expectancy was attributable to increased per capita consumption."[28]

A second factor favouring human development has been that the rapid expansion in total government fiscal resources led to a rapid growth in total spending on social services, even though the share of government spending on social services and the percentage of GDP spent on services mostly did not increase. For example, between 1993 and 2006, the ratio of government spending on education to total spending declined from 16.26 percent to 13.39 percent.[29] Education expenditures as a share of GDP rose only slightly, from 2.14 percent to 2.57 percent. Overall public spending on education rose from 75.5 billion Yuan to 541.2 billion Yuan during that period, however. Even after adjusting for inflation, this represents a near tripling of real education expenditures by the Government.

A third element supporting human development has been the sharp increase in total spending on health care and education, due to the surge in household contributions, alongside the rapid growth in the absolute amount of government spending. This was certainly an additional factor in the rapid improvement in human development indicators during this period, which would not have been possible had strong growth not been increasing household disposable income.

The increase in the sheer magnitude of spending on health care, for example, is demonstrated in Table 1.3, which tracks trends in the sources of real per capita spending on health care between 1978 and 2006. The numbers are indices, taking 1978 levels as the base year and showing the increases in the following years.

27 "The Report on 15 Years of Food and Nutrition Surveillance", Food and Nutrition Surveillance Team, Chinese Centre for Disease Control and Prevention, November, 2006

28 Bannister and Zhang, op. cit., p. 38.

29 OECD 2006 p. 118

During these years, there was a massive shift of responsibility for health spending to private households, with their share of total spending rising from 20.4 percent in 1978 to as high as 59 percent in 2000, after which it declined to 49.2 percent in 2006. By themselves, these shares would suggest that health sector policy has not been supportive of human development. This conclusion changes, however, when the absolute amount of spending is considered, not only the shares. Total per capita spending on health care from all sources increased in real terms by 1,300 percent during this period, an average annual increase of 9.9 percent. Even government spending increased by nearly 700 percent, to 7.9 times the 1978 level, an average annual increase of 7.7 percent. Per capita private spending, in real terms, increased by nearly 3,400 percent during this time, to a level 35 times higher than in 1978, growing by an average of 13.4 percent per year for this 28-year period.

These factors make a strong case that China's core human development achievements in the first decades of the era of reform and opening up were primarily led by economic growth, which put a vastly expanded pool of resources in the hands of households, most of all, but also in the government budget. This produced a surge in a broad range of expenditures to improve human development. Even as the Government's highest policy priority was sustained and rapid growth, and as new government social policies evolved more gradually than the growth-inducing economic reforms, with a considerable shift to household responsibility—circumstances that might normally be unfavourable to human development—strong growth ensured that human development outcomes continued to improve. Growth-led human development was an unambiguous success that offers useful lessons for other countries.

A fourth contribution to human development comes from the many supportive aspects of government policy, even though social policy and service delivery have shifted much government responsibility to households. Two important examples have been investments in improved sanitation and anti-illiteracy campaigns. Between 1990 and 2007, the share of the rural population with access to improved sanitation increased from 44 percent to 60 percent[30], with a continuously strong government push forward. Similarly, the share of the population with access to an improved water source increased from 70 percent to 88 percent in this period, with all of the improvements taking place in rural areas. Improvements in sanitation have a direct positive impact on health outcomes, including mortality rates and life expectancy. As a second illustration, bringing illiteracy rates down from 33 percent in 1980 to around 11 percent in 2006 has made a very large contribution both to human development in its own right, and to economic growth and other forms of welfare. The same study of causes of mortality declines in China that was cited earlier also found that reductions in illiteracy played a major role in improving life expectancy in China between 1981 and 1995, contributing even more to these trends than did economic growth. Other policies that have played great roles in human development include the opening of the country to internal labour flows, which has allowed poorer rural people to seek better income-earning opportunities.

A fifth element favouring human development was China's extremely unusual human development position at the start of the era of reform and opening up, as reflected, for example, in the HDI (see Table 1.4). In 1980, the country's health and education indicators were already at middle human development levels, at 0.674 and 0.641, respectively. These were better than two-thirds of the countries for which data were available. Even today there are still 59 countries that have not achieved China's 1980 level of life expectancy. Although the quality of the health care and education that were delivered to China's population was quite basic—particularly to rural people, who comprised 82 percent of the total population at the start of the reform era—it was reliable and inexpensive, and succeeded in building a basic human development foundation for most Chinese. This highly unusual situation, in which an extremely poor country with high levels of poverty had basic education and health services that operated at the level of many far wealthier countries was one prerequisite for much of what followed after China launched the era of reform

30 "Progress on Drinking Water and Sanitation: Special Focus on Sanitation" UNICEF and WHO, 2008

Table 1.4: **Components of China's HDI in 1980**

	Index
Life expectancy (years)	0.674
Combined school enrolment (%)	0.641
GDP per capita (US$ PPP)	0.361
HDI	0.559

Source: Data provided by Human Development Report Office, UNDP, New York

Today, China is still a developing country, and sustainable rapid economic growth will continue to be a prerequisite for human development for a long time. Recent trends outlined in the next section, however, suggest that the era in which an overriding focus on economic growth without sound public service systems and institutions could produce strong human development outcomes, without complementary actions to establish effective social services, is coming to an end.

A New Period and New Challenges for Human Development in China

China's human development has now entered a new period, which is also crucial for China's reform and development. Profound changes in China's economic system and growth model, as well as its social structure, are paving the way for future development, but are also generating social contradictions. While the simultaneous development of multiple forms of ownership and market competition continues to widen income gaps, reforms of the economic system have necessitated fundamental readjustment of the interests and power of different segments of society. The transformation of the old dual structure of the economy has been accompanied by large-scale population movements, leading to dramatic changes in the traditional life style of rural residents, the majority of the country's population. Moreover, changes in economic growth models and the industrial structure have increased the fluidity of the labour force (Wang Mengkui, 2007). All these shifts have led to both opportunities and challenges for human development.

In many ways, the challenges for human development are now different from those at the beginning of the era of reform and opening up. As China is still a developing country in per capita income terms, it needs to continue to push for higher productivity in its economic system. At the same time, as a large country undergoing massive economic and social transformations, sound economic and social institutions are being established. This requires persevering in reforms to stimulate the initiatives and creativity of the whole society in pursuit of social equity, justice and harmonization.

Thirty years ago, the main priority of most Chinese people was simply to obtain the food, clothing and shelter needed to survive. If the Government provided adequate conditions for subsistence the population was satisfied. But today most people have much higher expectations of the Government in terms of living conditions and public services. For example, the Government must provide conditions and public services that allow people to be productive and find decent employment under market terms; to deal with a new array of health challenges that arise; must provide basic public health services, such as reducing infant and maternal mortality rates, and providing inoculations against the most dangerous diseases; and to provide not just a basic primary school education, but more years of higher quality education to allow people to compete in the labour market. These changes in public needs are results of the much higher level of economic development; fundamental alterations in consumption, industrial and employment structures; and accelerating urbanization.

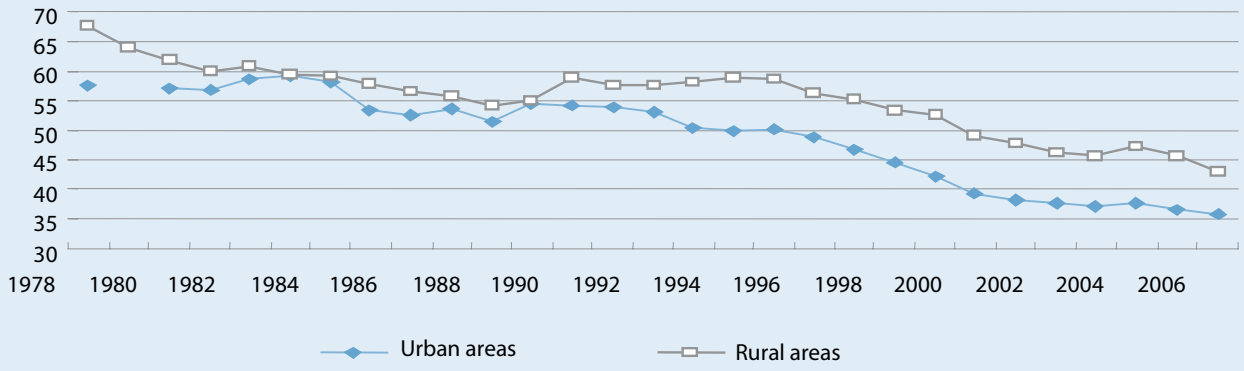
Level of economic development: Economic development is a prerequisite for human development. China's reform and opening up were initially designed to speed up economic growth. Deng Xiaoping defined the realization of a Xiaokang Society as reaching a development level higher than the average for third world countries. One of the criteria is US $1,000 as per capita GDP. This is a critical starting point for upgrading the country's consumption structure. Be-

sides having enough decent food to eat and better clothing to wear, people also want to have comfortable housing, convenient transportation, cleaner and fresher air to breathe, and a civilized spiritual and cultural life to enjoy. In 2002, China's per capita GDP reached US $1,100, growing to US $2,456 in 2007. This has been the number one force driving changes in public needs and expectations.

Consumption structure: The proportion of household expenditures allocated to food, the Engel coefficient, is one indicator of living standards. The UN Food and Agriculture Organization has suggested that an Engel coefficient in excess of 59 percent implies a poor living standard, 50 percent to 59 percent indicates just enough food and clothing, 40 percent to 50 percent represents a well-off life, and 30 percent to 40 percent an affluent life. In China, urban and rural residents' Engel coefficiens dropped below 50 percent in 1996 and 2000 respectively, a sign that both on the whole were living a well-off life (see Figure 1.14). By 2007, urban residents' Engel coefficient had dropped to 36.3 percent and rural residents' to 43.1 percent.

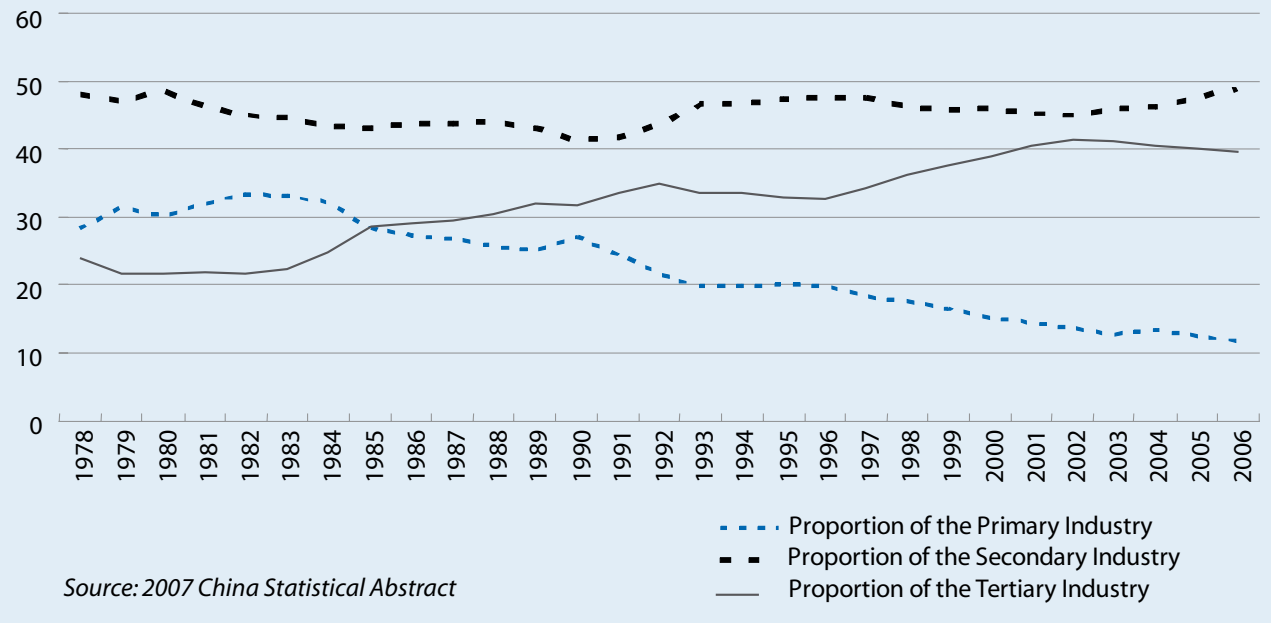
Industrial structure: One sign of a more advanced

Figure 1.14 Urban and rural residents' Engel coefficients, 1978-2006 (%)



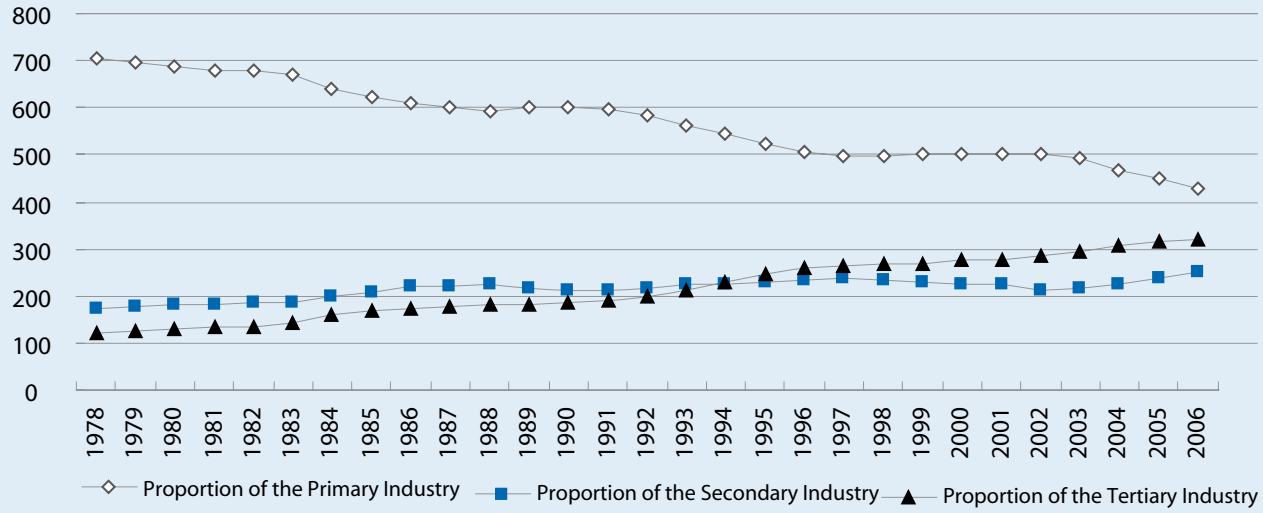
Source: 2007 China Statistical Abstract

Figure 1.15 Industrial structure of China, 1978-2006 (%)



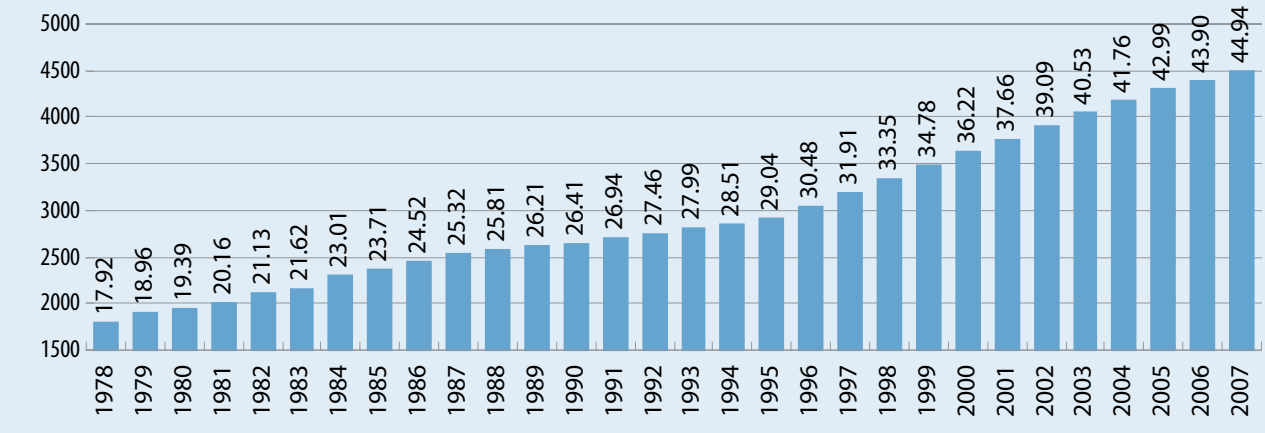
Source: 2007 China Statistical Abstract

Figure 1.16 Employment structure, 1978-2006 (%)



Source: 2007 China Statistical Abstract

Figure 1.17 Rate of urbanization 1978-2007 (%)



Source: 2008 China Statistical Abstract

economy is seen when the proportion of primary industry in total GDP drops below 10-15 percent and that of tertiary industry exceeds 30-40 percent.[31] As the purpose of the primary industry is to provide food and clothing for people's basic subsistence, this indicator can be used to anticipate changes in public expectations regarding public services. In 2001, China's proportion of primary industry in total GDP dropped below 15 percent and that of the tertiary industry exceeded 40 percent (see Figure 1.15). By 2007, the proportion of primary industry had fallen to 11.3 percent.

Employment structure: When an economy exits from the preliminary phase of industrialization, the proportion of the labour force engaged in agricultural production generally accounts for no more than 55 percent of a country's total employment. At a medium level of industrialization, the proportion of the labour force in agricultural production generally accounts for no more than 30 percent.[32] In 2000, China's labour force in agricultural production accounted for less than 50 percent; by 2007, this proportion had dropped to 40.1 percent, a sign that China is ap-

31 National Conditions Analysis Group of Chinese Academy of Science, *National Conditions Research Report (IV): Opportunities and Challenges*, Beijing: Science Press, 1995.

32 Yu Rengang, "Comment on Theorem of Petty & Clarke", *Economic Perspectives*, 1996 (8). As early as 1691, William Petty pointed out that due to much higher profits in industry than in agriculture, and in commerce than in industry, the labour force must shift from agriculture to industry, and then from industry to commerce. Based on his argument, Clarke calculated and compared changes in employment in the three sectors on the condition of different income levels.

proaching a medium level of industrialization (see Figure 1.16).

Urbanization. This is one of the most important criteria to assess a nation's modernization. As World Bank statistics on 133 countries show, when a country's GDP per capital increases from US $700 to US $1,000- $1,500, its rate of urbanization speeds up, with the urban population quickly growing to account for 40 to 60 percent of the total population.[33] In 2003, the proportion of China's people living in cities exceeded 40 percent of the total for the first time (see Figure 1.17). By 2007, it had reached 44.94 percent.

As China extends three decades of rapid growth into the coming years many issues that did not require serious attention during the initial decades of the era of reform and opening up are becoming urgent. These include newly tightening constraints on growth arising from limited natural resources, urban-rural development gaps, unbalanced development as regions best able to take advantage of new opportunities develop faster than others, gaps among different social groups as the consequence of inequitable provision of basic public services, and social conflicts between the beneficiaries of reform and those who have lost or gained less from them that are typical of transition economies.

HUMAN DEVELOPMENT GAPS

Due to the above highlighted trends and problems, prominent internal gaps in human development have developed as follows:

Urban-rural gaps: Urban-rural income and development gaps have continued to widen in recent years. In the period between 2000 and 2006, the urban-rural income gap widened from 2.79 to 1 in 2000 to 3.33 to 1 in 2007 (see Figure 1.18).[34]

In 2000, the average life expectancy of China's urban residents was 75.2 years and that of its rural residents was 69.6 years.[35] In 2005, the under-five mortality rates in urban and rural areas were 10.7 per 1,000 live births and 25.7 per 1,000 live births, respectively, and in 2006, the maternal mortality rates in urban and rural areas were 24.8 per 100,000 live births and 45.5 per 100,000 live births, respectively (see Figure 1.19 and Figure 1.20).

Regional disparities: The highest provincial HDI in 2005 was 47 percent higher than the lowest one, capturing in one number the human development gap that has widened as some regions improve at vastly greater speed than others (see Figure 1.21). In 2005, life expectancy in Beijing, Shanghai and other developed regions in the eastern region was about 80 years; in the western province of Guizhou, it was less than 70 years.[36] The under-five child mortality rates in Beijing and Qinghai were 5.1 per 1,000 live births and 35 per 1,000 live births, respectively.[37] The illiteracy rate of the population over age 15 was only 3.9 percent in Beijing, while it was about 20 percent in Gansu, Qinghai, Ningxia and other underdeveloped regions in western China. In 2007, the per capita GDP of Shanghai in eastern China was 65,347 Yuan, 9.55 times that of Guizhou at 6,835 Yuan in the west.[38]

The aggregate disparity can also be viewed in global comparative terms. Shanghai and Beijing's HDI achievement, according to data in the 2007/08 global Human Development Report, would be comparable to the high HDIs of European countries like Cyprus and Portugal. The worst performing Chinese provinces like Guizhou, on the other hand, have HDIs comparable to Botswana and Namibia.[39]

Gaps in human development among different social groups: The most prominent human development gap among different social groups is between the large number of migrant rural workers and the permanent urban population, which will be analysed in more detail in Chapter 3. This is also reflected in income gaps (see Figure 1.22). Many studies suggest that income gaps in China have been widening for a long time.

33 Yang Feng and Liang Wei, "An Analysis on the Ways to Develop the Citizenization of Farmers", *Resources And Human Habitat*, 2006 (13).

34 National Bureau of Statistics: 2008 China Statistical Summary, Beijing, May 2007

35 China Development Research Foundation and UNDP: *China Human Development Report 2005*, Beijing, China Translation & Publishing Corporation, 2005.10.

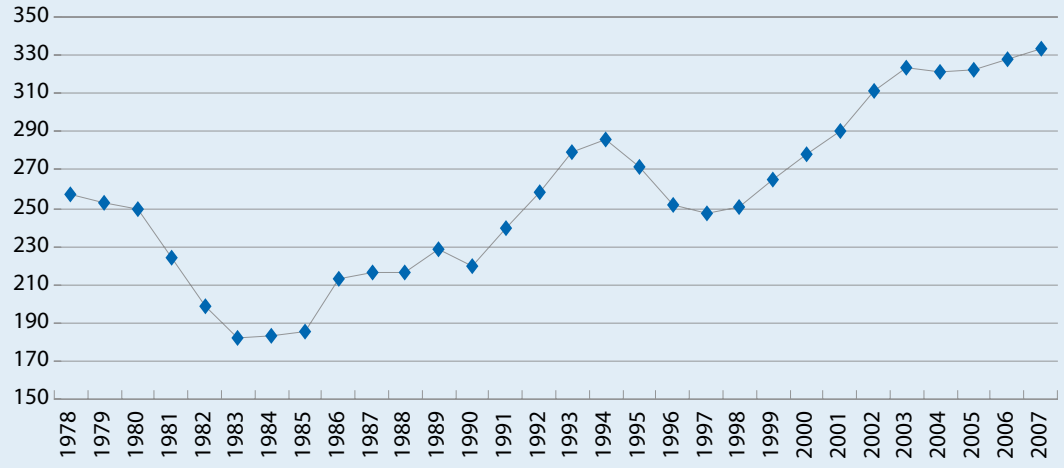
36 The data about Beijing and Shanghai originate from the "Monitoring and Analysis of This Province's Human Development Index", external information net of the Fujian Provincial Bureau of Statistics, 2006.8.9. The data about Guizhou originate from the "Rise in Guizhou's Average Life Expectancy,"Guizhou Statistical Information Net, 2007.3.6.

37 UNICEF 2008

38 National Bureau of Statistics, *2007 China Statistical Summary*, Beijing: China Statistical Publishing House, 2007.5.

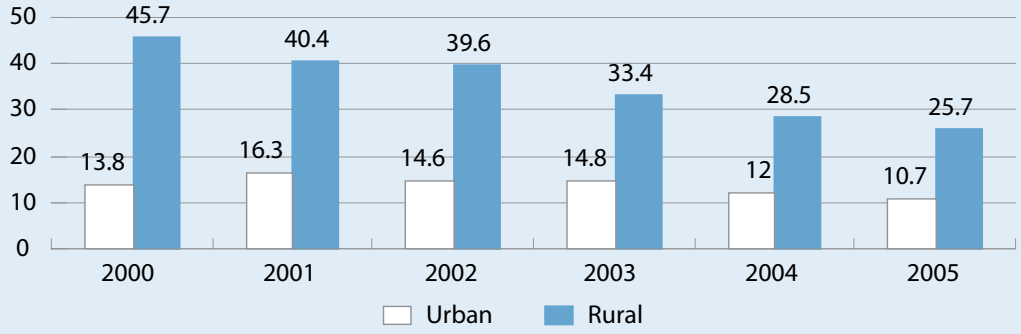
39 Human Development Report, 2007/08

Fig 1.18 Urban-rural income ratio in China, 1978-2007



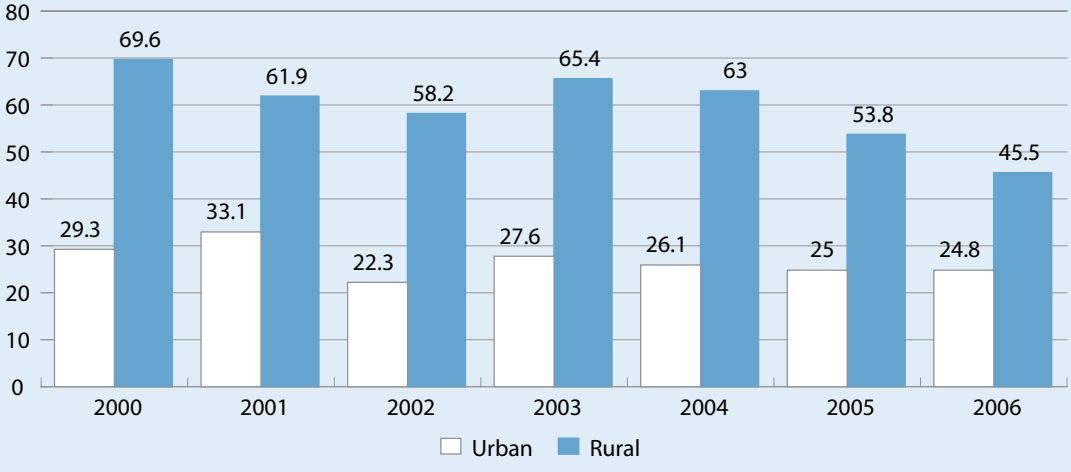
Source: 2008 China Statistical Summary

Figure 1.19 Under-five mortality rates in urban and rural areas, 2000-2005 (per 1,000 live births)



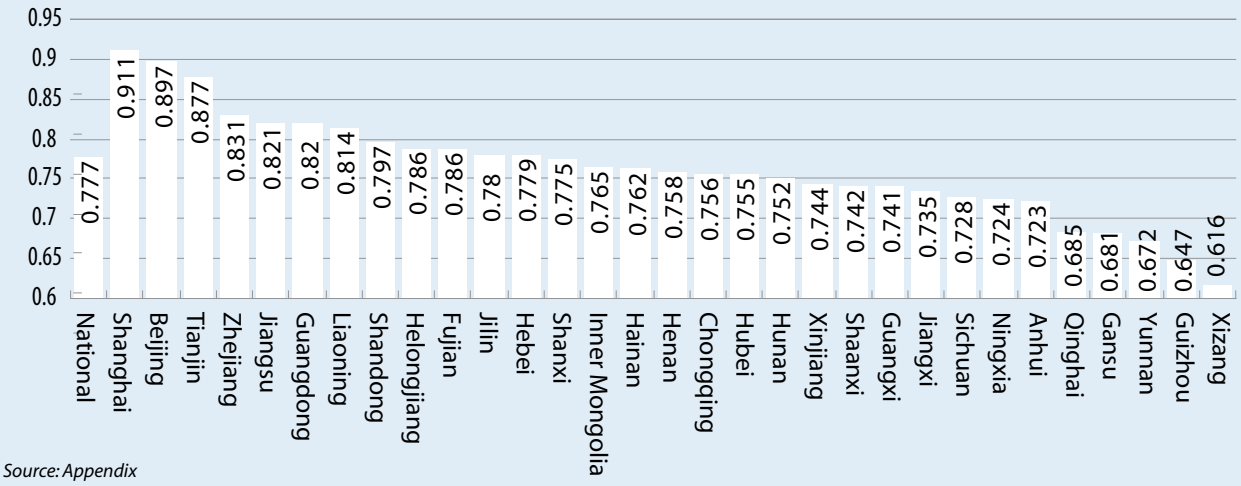
Source: The 2000-2004 data originate from the 2006 China Health Statistical Yearbook and the 2005 data originate from the 2006 Statistical Communique on the Development of China's Health Undertakings.

Figure 1.20 Maternal mortality rates in urban and rural areas, 2000-2005 (per 100,000 live births)



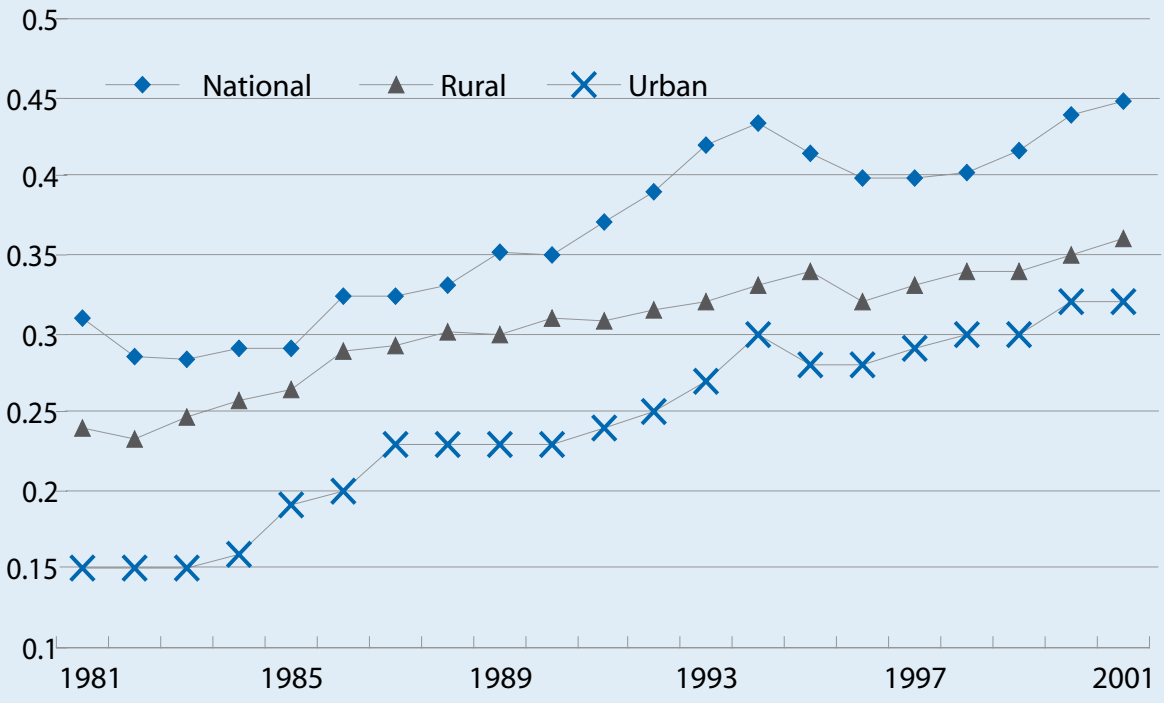
Source: "China Health Statistical Yearbook" and "Summary of China Health Sector Development 2003-2007"

Figure 1.21 The HDI of China's provinces, 2005



Source: Appendix

Figure 1.22 Gini coefficient for national income, 1981-2001



Source: Chapter 8, Reform of Income Distribution System in 2007 Evaluation Report on Reform of China, Beijing: China Economy Publishing House, 2007, edited by Chi Fulin

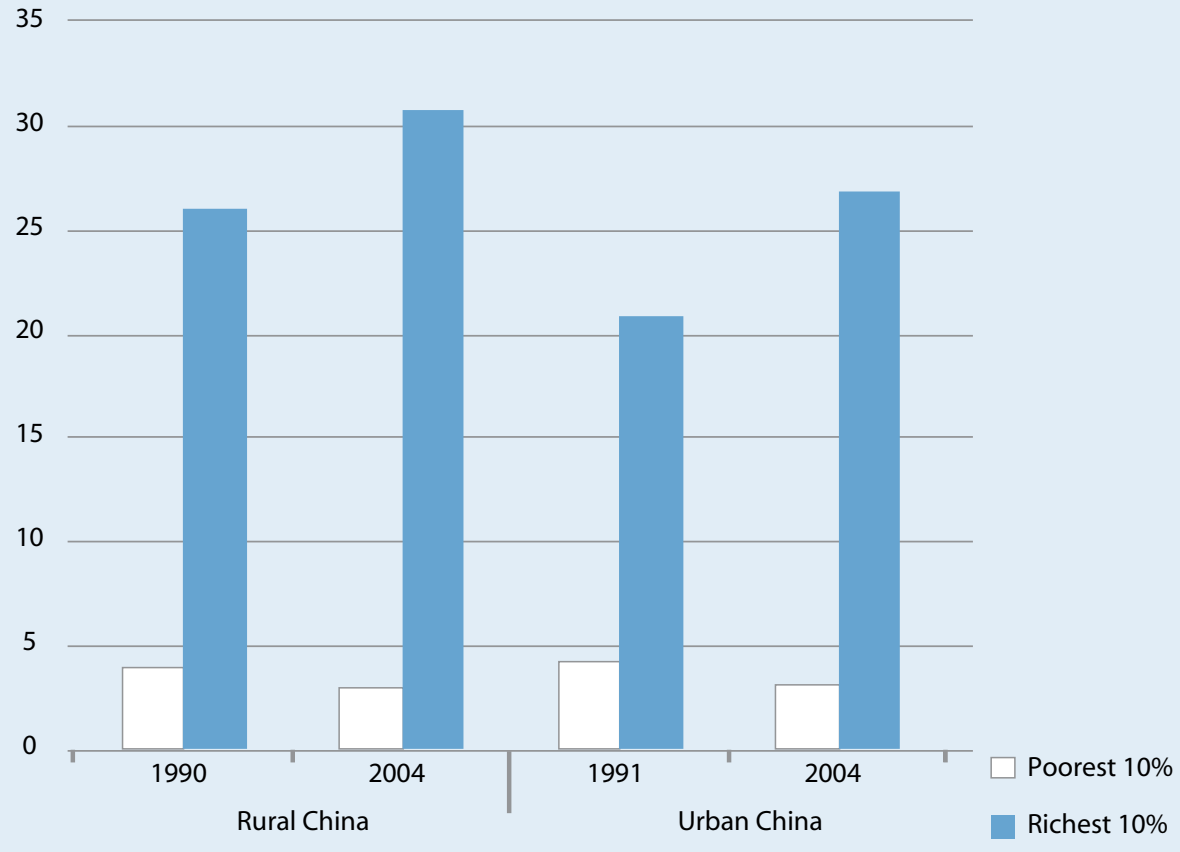
Figure 1.23 provides detailed insights into income and consumption shares by deciles (successive subsets of 10 percent of the population) in rural and urban China. While the share of the top 20 percent of the population in national income or consumption has been increasing over the past 28 years, the share of the bottom deciles has been declining. In 1990-1991, the top 10 percent had around 26 percent of national consumption in rural areas and around 20 percent in urban areas. By 2004, this share had jumped to about 30 percent and 27 percent, respectively. As for the bottom 10 percent, in 1990-1991, their share in national consumption was around 3.9 percent in rural areas and 4.2 percent in urban areas; by 2004, their share had dropped to 3 percent and 3.1 percent, respectively.

This pattern of inequality does not mean that average incomes of the poorest Chinese groups are not increasing, but that incomes of the highest income groups are growing faster. To some degree, these disparities stem from differences in natural endowments and economic incentives for growth and development that favour certain regions over others. These provide incentives for the voluntary movement of labour to more productive and economically desirable locations and jobs.[40] When these inequalities become too extreme, however, the negative impacts on social harmony, cohesion and human development for large population groups become serious obstacles to sustainable growth and development, outweighing the positive incentives.

Gender disparities: While in most respects China's human development gap between the genders is not very pronounced, disparities nonetheless persist. For example, the adult literacy rate for Chinese men in 2006 was 95.1 percent, compared to 86.3 percent

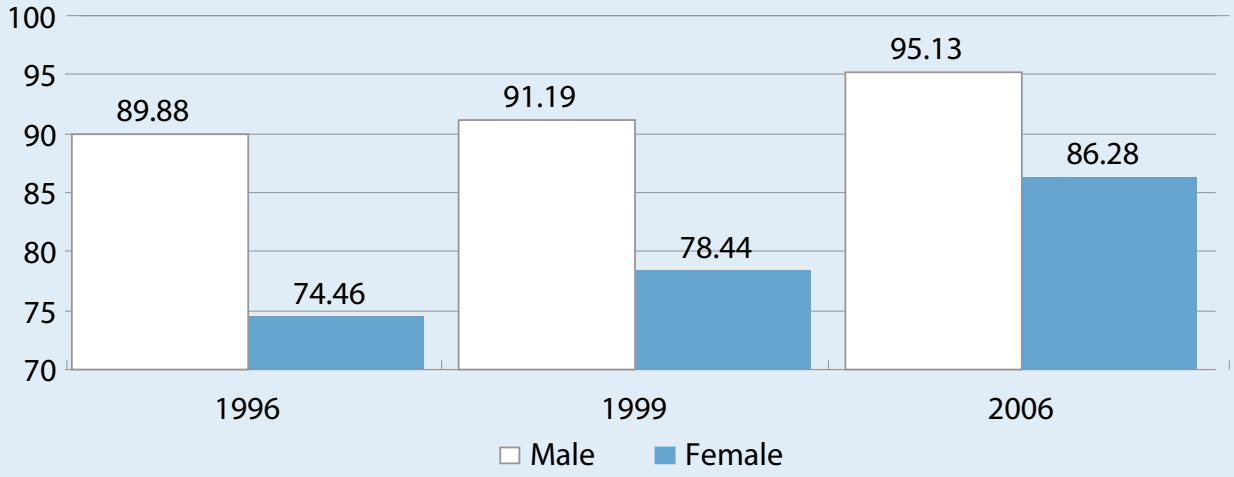
40 Keidel (2007a)

Figure 1.23 **Distribution of rural and urban consumption by deciles**



Source: World Bank PovCalNet, accessed January 30, 2008

Figure 1.24 China's gender gap in adult literacy, 1996-2006 (%)



Source: 1997, 2000 and 2007 China Statistical Yearbook.

for women, a gap of over 8 percentage points (see Figure 1.24).[41] In 2002, women spent an average of 7.2 years in school, compared to 8.3 years for men. In 2005, those figures increased to 7.3 years for females and 8.4 years for males.[42]

In some areas, gender gaps are more distinctive and a greater cause for concern. The sex ratio at birth, for example, the ratio between the number of new male children to the number of new female children, has grown consistently worse over time and shows no sign of declining, despite reaching alarming levels in many places. According to the 5th national Census in 2000, China's national sex ratio at birth already reached 100:116.9 .[43]

Structural disparities of such a large magnitude undermine social equity and justice, and hinder further progress in human development, so in recent years, government policy has been increasingly focused on bridging these gaps. The equalization of basic public services across regions and social groups is one of the most important new goals. But since internal development gaps are in many cases rooted in structural causes relating to underlying institutional, policy and economic factors, achieving equalization of basic public services is proving to be a major challenge. The gaps are narrowing only slowly, and in some cases are even continuing to widen. Policy measures that do not remove the systemic barriers to the equalization of basic public services, will therefore not be able to promote equitable human development. Equitable human development in China will always face serious challenges before the government's goal of equalizing basic public services is achieved.

ENVIRONMENTAL STRAINS AND RESOURCE CONSTRAINTS ON SUSTAINABLE DEVELOPMENT

While economic growth is necessary to underpin efforts in promoting equitable human development, rapid growth in Chinese industry and agriculture has placed stresses on the natural environment. As a result, China's economic development is currently confronted with serious constraints related to the natural environment, including land degradation, deteriorating water quality and water scarcity, air pollution and declining natural forest coverage. These problems can deplete irreplaceable resources, threaten the health and quality of life of current and future generations, and undermine the sustainability of long-term growth.[44] The environmental impact of growth can thus have a

41 National Bureau of Statistics, *2006 China Statistical Yearbook*, Beijing: China Statistical Publishing House, 2006.9.

42 Calculated on the basis of statistics on "population in various regions divided in terms of education background and gender" from 2001-2006 China Statistical Yearbook.

43 Cai Fei, Huang Ruilong, Chen Shengli, *Social, Economic and Cultural Contexts for the Rising of Sex Ratio at Birth Based on Data Collected at the County Level during the National Census in 2000*, "Population and Development" 2008 Vol.14 No.2 P.48-53

44 http://go.worldbank.org/VV32YXA2Y0, accessed January 29, 2008

direct bearing on sustainable human development.

This constraint has become particularly evident in China, where population density is high and per-capita availability of many key resources is lower than the world's average. Water and land are particularly scarce: The total amount of cultivated land available per capita in China is less than 40 percent of the world average, while the availability of water is 25 percent of the world average. Petroleum, iron ore and copper availability are 8 percent, 45 percent and 26 percent of world averages, respectively. But rapid industrialization and urbanization, combined with relatively low efficiency in resource use, mean that China's demand for resources is great. This has prompted the government to set national targets for reductions in excessive resource use. In 2006, every 10,000 Yuan worth of GDP consumed 1.2 ton-equivalents of standard coal, a decrease of only 1.2 percent and short of the restrictive target of 4 percent reduction. How to balance the needs of a still rapidly growing economy with the requirements for sustainable long-term development is a serious challenge for the country.

The poor quality of China's scarce water resources has significant health impacts, particularly on vulnerable groups in rural areas, such as the elderly and children under five years of age. Chronic endemic arsenism is among the most serious diseases related to drinking water in China.[45] An estimated 2.3 million people are exposed to high levels of arsenic (above 0.05 milligrams per litre) through drinking water, and thereby face an elevated risk of cancer, hypertension and peripheral vascular diseases.[46] An estimated 63 million people drink water with an excessive concentration of fluorine, leading to endemic dental fluorosis in 21 million people and skeletal fluorosis in 1.3 million.[47] Water-related fluorosis is more prevalent in the northeast and central part of the country, but cases are reported in nearly all provinces.

Other human health impacts come from persistent organic pollutants and other polluting elements. These are becoming more apparent, including new pollution risks related to food safety, antibiotics, endocrine disruptors, algae toxin and insecticides.

45 Xia and Liu (2004)
46 Xia and Liu (2004) and references therein including MWR (2005)
47 Ministry of Water Resources (2005) and Ministry of Health

Many research findings suggest that the costs of pollution are borne disproportionately by people in the poorer provinces. An analysis of the 2003 National Health Survey showed that 75 percent of low-income households in rural China with children under five years of age have no access to piped water, compared to 47 percent in the higher income categories. This implies that low-income households rely more on unsafe drinking water sources, such as surface water, which carries greater health risks, including for diarrhoeal diseases and cancers of the digestive system.

Similar findings apply to indoor air pollution, indicating that poor and rural households bear a disproportionately large share of this considerable health burden. Environmental degradation also worsens human insecurity because of increased uncertainties over the impacts of these problems on people's lives, including both local problems, such as shrinking access to resources, and global concerns such as climate change.

With the expansion of the size of the economy and rapid increases in resource consumption, the issue of environmental pollution has drawn increased attention in recent years. Both the people and the Government in China have recognized that profound changes have taken place in the structure, nature and degree of environmental challenges over the course of the reform period. It is increasingly acknowledged that ecological and environmental issues are complex and may carry large risks. Several serious cases of water pollution have highlighted the problems of watersheds around the country. Air pollution has worsened to the point of becoming a common source of discussion and concern among urban residents. The threats to biodiversity and degradation of ecological systems figure increasingly in the public debate about the tradeoffs of economic growth.

The fact that that environmental capacity can be a bottleneck for economic development has also become more clearly understood. The efficiency of resource use and energy consumption has become a high-profile priority for the coming phase of development The Government has decided to implement a

Table 1.5: **Major restrictive indicators in the 11th Five-Year Plan**

Indicator	2005	2010	Annual growth (%)
1. National population (millions)	1,307	1,360	0.8
2. Decrease in energy consumption per unit of GDP (%)			[20]
3. Decrease in water consumption per unit of industrial added value (%)			[30]
4. Total amount of cultivated land (100 million hectares)	1.22	1.2	-0.3
5. Decrease in total discharge of major pollutants			[10]
6. Forest coverage (%)	18.2	20	[1.8]
7. Persons covered by basic old-age insurance in urban areas (100 million people)	1.74	2.23	5.1
8. Coverage of the new rural cooperative medical care system (%)	23.5	80	[56.5]

**indicates the cumulative total in five years; the major pollutants refer to sulfur dioxide and chemical oxygen demand.*
Source: "The Outline of Eleventh Five-Year (2006 2010) Plan of the People's Republic of China for National Economic and Social Development," March, 2006.

new scientific development concept to speed up the transformation of economic development models. Its 11th Five-Year Plan for Economic and Social Development (2006-2010), which introduced important changes to the country's approach to development, especially self-imposed environmental restraints and social goals concerning population, energy consumption, and land and water use (see table 1.5).

In response to these growing challenges, the Government announced in 2006[48] that three changes had to be made to; (1) prioritize growth and the environment equally, and not one over the other; (2) recognize that environmental protection cannot be postponed until after a certain level of economic development is reached—both should be promoted simultaneously; and (3) deploy a combination of legal, economic, technological and administrative means to tackle environmental degradation, going beyond the view of environmental enforcement as an administrative issue.

These historic changes require further reform related to systems and institutions, including amendment of the environmental law to give more power to the government agencies responsible for environmental protection, and to strengthen the position of environmental protection indicators in assessing the performance of different levels of government. The recent upgrading to full ministerial status of the former State Environmental Protection Agency, now the Ministry of Environmental Protection, is one such reform, but only a first step.

China's New Outlook on Development: The Scientific Development Concept

China has undergone profound economic restructuring and social transformation since the establishment of the People's Republic. The era of reform and opening up that began in December 1978 has featured intense changes in the economic and social spheres, with rapid growth, vastly expanded interaction with the economies and cultures of the rest of the world, and the introduction of market forces as a key determinant of resource allocation. The exhortations to "liberate one's thinking" (*jiefang sixiang*) and "seek truths from facts" (*shishi qiushi*) have opened the door to new ideas and approaches to all facets of life. As discussed above, given the initially poor conditions in China in 1978, the main focus of government policy in the first decades of the reform was economic growth.

Since the beginning of the new century, however,

48 Wen Jiabao 2006

Box 1.3: The advocacy and evolution of the scientific concept of development

During the fight against the SARS crisis in 2003, Hu Jintao proposed the scientific development concept for the first time. Later that year, he called for pursuing a new concept aiming at all-round, balanced and sustainable development.

The Decision of the Central Committee of the Communist Party of China on "Some Issues Concerning the Improvement of the Socialist Market Economy," adopted at the 3rd Plenary Session of the 16th Central Committee meeting in October 2003, offered a thorough description of the new development concept.

In March 2004, Hu Jintao delivered a speech at a national conference on population, resources and environmental work, elaborating the basic requirements and importance of implementing such a development concept.

In April 2004, Hu Jintao, while talking at the 21st collective study of the Political Bureau of the Central Committee, emphasized, "Only by commanding the overall situation of economic and social development under the guidance of the scientific development concept to streamline development programmes, innovate development models, improve development quality, solidify the foundation for development and cultivate development potentials, can we better advance our socialist economic, political and cultural construction and the building up of a harmonious society."

In October 2006, the 16th Central Committee of the Communist Party of China adopted a Decision on "Several Important Issues in Constructing a Socialist Harmonious Society." It stated that the scientific development concept is an important guiding principle to be followed for a long time to come.

In June 2007, Hu Jintao outlined the gist of the scientific development in his speech at the Central Party School as follows: the first and foremost goal of the scientific development concept is to promote development, the core is to regard people as the ultimate end of development, the basic requirement is to achieve all-round, balanced and sustainable development, and the fundamental method is overall planning with due consideration for all aspects concerned.

In his report delivered at the 17th National Congress of the Communist Party of China in October 2007, Hu Jintao once again emphasized that the scientific development concept is an important guiding principle for China's economic and social development, and an important strategic idea that must be adhered to and implemented in developing socialism with Chinese characteristics.

while rapid economic growth has continued, it confronts major new challenges such as widening gaps in development between urban and rural areas and across regions that were discussed above, greater income gaps, irrational economic structures, difficulties in creating job opportunities and rapidly worsening environmental stresses. All of these have made changes in the economic development model imperative. In response, a new outlook on development has emerged from the great efforts being made to explore different approaches.

As President Hu Jintao pointed out in 2004, a country's concept of development matters; it will have important impacts on how development takes place. Different development concepts lead to different results.[49] Confronted with new conflicts and situations, and with greatly enhanced human, economic and technical resources available as a result of the achievements of the preceding 25 years, the highest levels of the Government in 2003 started to rethink China's economic model for the future. They began to advocate a scientific development concept. This emphasizes that people should be the ultimate end of development, in order to balance economic and social development, and build a harmonious society (see Box 1.3).

The scientific development concept thus captures the relationship among economic development, social development and human development (see Box 1.4).

In analysing China's national conditions, learning from its experiences in development to date, draw-

49 Hu Jintao (2004), speech at the Central Informal Meeting on the Work of Population, Resources and Environment.

Box 1.4: Wen Jiabao: Adhering to and energetically implementing the scientific development concept

From the perspective of contradictions in the face of the economic and social development of the country, it is of crucial importance to adhere to the scientific development concept. Many years in the past have seen not only rapid economic growth, but also the accumulation of many contradictions and problems including continuous expansions of urban-rural, regional and income disparities, increasingly heavy pressure of employment and social security, lagged development of social undertakings such as education, public health and culture, intensifying conflicts among population growth, economic development, ecological environment and availability of natural resources, outdated economic development model, poor quality of the economy and poor economic competitiveness. These problems merit our full attention and should not be evaded. They should be gradually resolved but should not be let out of control.

The per capita GDP of the country has reached $1,000. According to our plan and calculated with the current exchange rate, the per capita GDP of the country will reach $3,000 in 2020. The period between now and then is a crucial one in the process of modernization of our country in which profound changes in the economic and social structure will take place. The experiences of many other counties have shown that, everything handled correctly, there will be sustained economic and social development, and our country will be industrialized and modernized as planned. If not, there will be polarization of the rich and the poor, increased unemployment, expansion of urban-rural and regional disparities, intensification of social contradictions and deterioration of the ecological environment. Then social unrest and retrogression will be unavoidable.

Both experience and lessons tell us that, in this period, the relationship between economic development and social development, between urban and rural development, between regional development, between different interests, between economic growth and resources/environment, between reform, development and stability, between material civilization and political civilization, and between domestic development and opening-up, all must be properly handled.

We are happy that the scientific development concept has provided a guiding policy for us to solve the problems on our way forward to an all-round Xiaokang Society and modernization.

Source: Extracted from a speech delivered by Wen Jiabao at the closing ceremony of a seminar organized for leading figures at the ministerial/provincial level, 29 February 2004.

ing upon international experiences and striving to meet the new requirements for development, China's new approach emphasizes the following defining characteristics:

People-oriented development: Development is about people. Its goal is first to meet their basic needs and then to promote the full realization of their human potentials, enabling them to take initiatives and participate meaningfully in their society, and guaranteeing their basic rights. The fruits of development must be reflected in the improvement of people's well-being and be equitably shared by all members of the society.

Comprehensive development: Development means progress in all areas of national life—economic, social, cultural and political. This requires understanding the links between them and exploring ways to advance them simultaneously.

Coordinated development: The fruits of development must be equitably shared among urban and rural areas, and different regions and social groups. This requires thinking about development holistically by balancing urban and rural areas, the regions and diverse social groups, as well as balancing economic and social priorities, people and their place in nature, and domestic and international conditions. This also requires rationalizing the relationships between the central and local governments, coordinating individual and collective interests, and seeing the big picture—the parts and the whole, current and future dimensions, and the overall international and

domestic situation.[50]

Sustainable development: Sustainable development depends on taking a civilized development path towards ever-improving productivity by fully embracing a resource-saving and environmentally friendly society. The speed, structure and quality of economic development have to enable people to live and work in a sound ecological environment, and co-exist with nature and their ecosystems in harmony, so that the prospects for future generations to build a prosperous society are not imperiled by the current generation's actions.

The scientific concept of development systematically provides answers to the fundamental question of what road China, as a large country with 1.3 billion people and with many development imbalances, should follow into the future.

Basic Public Services and Human Development

The basic public services that this report analyses are a group of essential services that the entire population requires, and that are inextricably connected to their human development. They comprise primary education, public health, basic social insurance and public employment services. These are the most fundamental means of enhancing human capabilities, as they touch so directly on the opportunity to lead long, healthy, and fully rewarding and dignified lives. As enshrined in the Chinese Constitution, equitable access to these basic public services is a fundamental right of every member of society. Guaranteeing this access is one of the core responsibilities of the government. Gaps in access to these basic public services, as currently exist in China, are one of the most central causes of the gaps in development presented earlier in this chapter.

These services were prioritized after the China Institute for Reform and Development (CIRD)[51] conducted a series of surveys on what kind of services the majority of urban and rural residents want publicly provided.[52] The package of four basic public services presented here is based on the perceived needs of both urban and rural populations, and satisfies the following four public welfare criteria:

Fundamentality: Basic education, health, social security and employment are central to the human development notion of capability formation, as well as human dignity and self-worth.

Extensiveness: Basic public services should be relevant for every family and every member of the society, including in urban and rural areas, and wealthy and poor regions.

Urgency: They should be services that the population demands and expects the most from their Government.

Feasibility: They should be deemed affordable, and within the economic and administrative means of China's current capacities.

In China today, the links between basic public services and human development are varied and deep, with both direct and indirect implications for the challenges facing China in this current phase of its development.

50 Hu Jintao (2007), report to the Seventeenth National Congress of the Communist Party of China on October 15.

51 CIRD's survey covered more than 200 experts who have long studied the issues of agriculture, the countryside and peasants. Over 98 percent identified basic medical and health service to be of top priority for rural residents. Other services rated as important by an overwhelming majority were compulsory education, subsistence allowances and public employment services. A CIRD household survey covering nearly 1,000 rural families confirmed this ranking of priorities. These are published as follows: "Report on the Household Investigation on the Present State and Problems of Rural Basic Public Services," News Bulletin No. 658 of CIRD and "Report on Questionnaire with Experts in Agriculture, Countryside and Peasants over the Present State and Problems of Rural Basic Public Services," News Bulletin No. 657 of CIRD.

52 Over 70 percent of those surveyed said the Government should provide affordable, quality health and education services. Over 46 percent expected the government to expand the coverage of the minimum living allowance system, and over 63 percent cited public employment services as a priority.

A VITAL ROLE IN ALL-ROUND DEVELOPMENT OF PEOPLE'S CAPACITIES

Basic public services are vital conditions for the all-round development of people's capacity to lead full lives. Direct links include the ways in which these services produce outcomes that are core elements of broader capabilities for human development, as follows:

- Health care is an essential prerequisite for the physical and mental ability to lead a full and rewarding life. Health plays a basic part in assuring the ability to participate actively in education, employment and personal pursuits such as athletics, travel and social interactions. Conversely, the lack of good health can lead to social exclusion and greatly limit an individual's chance to lead a full life. Global experience has demonstrated that economic growth in itself will not achieve the broad-based improvements in health that human development and China's people-based development approaches aim to accomplish. There have been countries in which rapid economic growth has not been accompanied by broad-based improvements in health, and there have been others, such as Costa Rica and Sri Lanka, in which remarkable improvements in health outcomes were achieved despite modest economic growth. In both rapidly and slowly growing economies, an effective and well-financed public health care system is a precondition for strong health outcomes.

- Education directly expands the choices available to an individual by creating necessary skills to function productively in social and economic settings, increasing one's awareness and capacities to take advantage of choices, and overcoming the exclusion that uneducated and illiterate people experience. Poor education limits capacities and pushes offspring into the vicious circle of low income leading to low investment in education, leading to the poor capacity to make a livelihood, and leading back to low income. Education also plays an important role in promoting good health, as schools impart skills that enable children to lead healthier lives.

- Social insurance provides the basic guarantee that unfortunate citizens will be taken care of, which is tremendously important in itself as well as for the sense of security and peace of mind it brings. Risk is part of life for all people, but risk of illness, unemployment, work-related injury and loss of income in old age are particularly threatening for vulnerable groups. Social insurance, by reducing vulnerability to these problems, is a major factor in determining people's abilities to lead full and rewarding lives in the face of many risks.

- Employment services have a key role in helping individuals to obtain decent employment, particularly under the conditions of a rapid transformation to a socialist market economy. In addition to providing the income that is needed to maintain an acceptable standard of living, decent employment ensures a greater sense of dignity and inclusion, both critical elements of human development. The inclusion that arises out of decent employment plays a role in obtaining access to all other basic public services. For example, unemployed people too often lack the financial, personal or social resources to obtain necessary health care and education for themselves and their families.

ADVANCING PRODUCTIVITY AND ECONOMIC GROWTH

In addition to powerful direct links, there are also a number of indirect ways in which basic public services promote human development. New risks arising in the global economic environment and China's arrival at a level of development in which the role of low wage and labour-intensive manufacturing will decline imply that improvement in China's basic public services will be central to continued sustainable economic growth. Health and education services, for instance, are conducive to accumulating human capital, upgrading productivity, reducing material inputs and improving the efficiency of natural resources. Improved services can also reduce preventive bank savings, promote consumption, expand domestic markets and advance the transformation of economic growth models. They can enhance the efficiency of the labour market by rationalizing

the allocation of labour resources.

Enhancing productivity: Basic public services have the vital instrumental purpose of creating human capital for economic development. Educational attainments are closely associated with enhanced labour productivity levels and higher total factor productivity (TFP) as well. In the new phase of China's development, as average wage levels rise, and the contribution of high value-added, high-productivity sectors to overall economic output grows rapidly as well, effective public education systems with universal coverage will play an essential role in driving economic growth. Between 1978 and 2004, increases in inputs of natural resources, capital and labour generated two-thirds of the growth of the Chinese economy, while improvements in total factor productivity contributed 32 percent.[53] As China's economy continues to advance, the need to build more high-value-added, high-productivity sectors, with a suitably higher skilled labour force, is going to be an increasingly important challenge for competitiveness and growth.

Research shows that investments in education can yield high returns to agriculture and the rural economy at large.[54] The outcome of the Government's investment in rural education is more than that from investment in rural public infrastructure: One recent study estimated that every one Yuan increase in rural education investment yields 8.43 Yuan in the production value of agriculture and animal husbandry. A one Yuan increase in public infrastructure investment generates an added value of 6.75 Yuan.[55]

Good health also contributes directly to higher labour productivity. Recent studies indicate that low birth weight and stunted children experience an average drop in their IQs of 5 to 11 points, with a marked decline in their expected productivity as adults.[56] In less-developed countries in general, the social return from primary, secondary and higher education has been estimated to be 23.4 percent, 15.2 percent and 10.6 percent, respectively.[57] The strong economic case for investment in health is made by a recent study calculating that in the past 40 years, 8 to 10 percent of world economic growth can be attributed to people being healthier.[58] From 1970 to 1995, about one-third of Mexico's long-term economic growth drew on improvements in health. Conversely, illnesses exact heavy economic tolls. In Ghana, for instance, where the average life expectancy is only around 57, sickness results in a loss of about 600,000 disability = adjusted life years[59] or around US$180 million.[60]

Basic public services, particularly social insurance and employment services, contribute to growth through their central roles in supporting efficient labour markets. Labourers with enhanced human capital and higher skills will make their greatest possible contribution to the economy only if they are able to engage in work that allows them to make full use of their productive capacity. An efficient labour market is one that makes this happen, by allocating labour to jobs where it will be most productive.

At present, China's dualistic urban-rural system of basic public services presents many difficult obstacles to the functioning of the labour market, namely due to the barriers to the flow of labour across regions and jobs. At the broadest level, the difficulties faced by internal migrant labourers and their families in accessing all basic public services in their new urban settings serve as a large impediment. An integrated national social insurance system that allows workers to carry their benefits from one job to another, and from rural areas to urban areas, would allow workers to move to new employment without incurring large losses in their pensions and great risks of losing other forms of insurance.

Effective employment services also contribute through their role as an intermediary between labourers and employers, and through their efforts to provide labourers with skills that are most needed in

53 Zhou Jingtong, "Analysis and Prospect of Investment in Fixed Assets in China", *China Economy and Trade Guide*, 2006 (23).

54 Fan Shenggen, Zhang Linxiu, and Zhang Xiaobo, *Economic Growth, Regional Difference and Poverty-- Research on Public Investments in Rural Areas of China*, Beijing: China Agriculture Press, 2002..

55 Qian Keming, "China's Agricultural Support: Structure and Efficiency of 'Green Box' Policy", *Issues in Agricultural Economy*, 2003 (1).

56 See "Effects of Malnutrition on Economic Productivity in China As Estimated by PROFILES", Ross et al, Biomedical and Environmental Sciences, Volume 16, No. 3, 2003

57 Jiao Jianguo (2005)

58 Wang Longde (2005)

59 Disability - adjusted life years (DALY) is a summary measure of human health, which takes the influence caused by duration of illness and disability on the loss of healthy life into account.

60 Sergio Spinaci, Louis Currat, Padma Shetty, Valerie Crowell and Jenni Kehler, 2006, *Tough Choices: Investing in Health for Development - Experiences from National Follow-up to the Commission on Macroeconomics and Health*, World Health Organization, Geneva, 2006

the workplace. A dynamic, innovation-based economy requires the constant upgrading of skills for large portions of the workforce, including training for new school graduates whose education has not provided them with the skills that employers are looking for.

The role of basic public services in promoting consumption, expanding domestic demand and fostering sustainable population growth rates is to lay a solid foundation for long-term, rapid and sustainable economic growth. In a market economy, consumption is a major driving force for growth. In China, equalizing basic service provision will help change the pattern and sustainability of economic growth. To a great extent, the last decade of growth was driven by the expansion of investment rather than consumption (see Table 1.6). China's consumption rate has been low (see Figure 1.25) and investment rate too high compared with the world average.

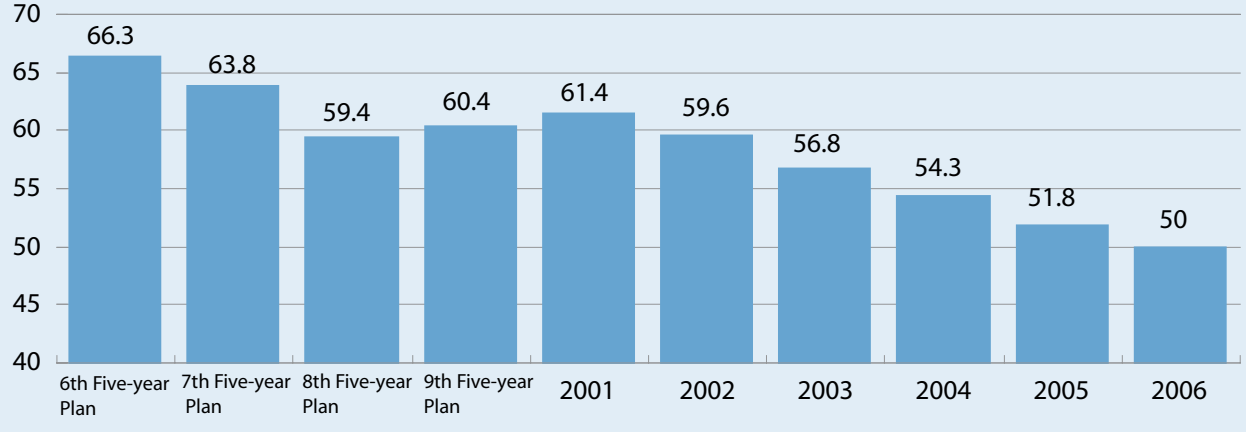
Growing imbalances between consumption and investment could pose risks to macroeconomic stability. High rates of investment rely on exceptionally high savings rates that are undesirable over the longer run, as development of the domestic market would reduce the reliance of the Chinese economy on foreign demand and boost its growth through new sources of economic activity.

One central reason for the imbalances between investment and consumption is the rise in precautionary savings. Without affordable basic services, and due to the fact that the costs of services have increased faster than income, households are forced to save a large share of their income for a rainy day, which has reduced marginal consumption. Equalizing the provision of basic public services will reduce the need for high levels of personal savings. Furthermore, it is estimated that in 2005, extra discretionary personal expenditures on education and medical care reduced total consumption by 581 billion Yuan, which might otherwise have fueled consumption. If the Government provided sufficient public services, the consumption rate could have risen from nearly 52 to over 55 percent.[61]

Reducing population growth towards a smaller, better-off population: The size of a country's population is also a factor behind sustainable human development achievements. For the last 30 years, China's traditional policy has been to use administrative means to control the rate of growth, while improving living conditions. International experience has demonstrated, however, that together with administrative limits on population growth, effective public services can challenge old customs and preferences for having a greater number of children as insurance against old age.

61 Liu Qiang (2006). In the article, the 2005 consumption rate was 52.1 percent, but this report revises it to 51.9 percent according to *2006 China Statistical Yearbook.*

Figure 1.25 **Consumption rates after the reform and opening up (%)**



Source: 2007 China Statistical Abstract

Table 1.6: **Investment rates in different types of countries (%)**

	2000	2002	2003	2004	2005	2006
World average	22.4	20.6	20.7	21.4	-	-
High-income countries	22	19.9	19.9	20.4	-	-
Medium-income countries	24.2	23.7	24.6	25.9	26.2	26
Low-income countries	23.9	23.7	24.6	26	26.6	25.8
China	35.3	37.9	41	43.2	42.6	42.5

Source: China Statistical Abstract 2008

ENHANCING SOCIAL EQUITY AND JUSTICE

Guaranteed provision of basic public services for all members of a society can enhance social equity and justice in many ways.*Guaranteed provision of basic public services for poverty-stricken and low-income populations can help ensure a basic living standard:* Though China's poverty incidence has been rapidly declining since the launch of reforms and opening up, the absolute number of poverty-stricken people is still rather large. Their poverty mainly stems from five causes: disease, deformity or handicap, old age or poor health, lack of a capacity to work and harsh natural conditions.[62] The Third National Health Services Survey found that in 2003, illness had become the leading cause of rural poverty, with one-third of rural poverty incidence linked to it. The previous survey, in 1998, had found that illness was only the third most important cause of rural poverty.[63] According to the "Guiding Policies for the Development of the Medicine Industry in the 11th Five-Year Plan Period," issued by China's National Development and Reform Commission, 10 million people fall into poverty because of diseases every year.[64]

In some areas, the financial burden for education has become one of the most important causes of poverty. Education expenses in rural areas can be the largest household expenditure. Using provincial data for 1953 to 2000, one study[65] indicated that government expenditures on education had the largest impact on poverty reduction: For every 10,000 Yuan invested in education, some 12 people were lifted out of poverty. This was most significant in the western region, where some 19 people emerged from poverty for every 10,000 Yuan invested.

The guaranteed provision of basic public services for poor and low-income populations is essential to helping them build their capacity to earn higher incomes and rise out of poverty. In its most modern definition, poverty not only refers to a lack of income; it is defined more broadly, to capture an overall deprivation of opportunities for human development. This deprivation takes place because of low education and poor health. Providing poverty-stricken and low-income citizens with basic public services such as a minimum living allowance, compulsory education and basic medical care will ensure their living standards and create opportunities for future development.

REDUCING URBAN-RURAL DISPARITIES

Urban-rural income and development gaps are rooted, in part, in the gaps between urban and rural residents in access to basic public services. In 2007, the urban-rural ratio in per capita income was 3.33 to 1. If distribution of spending on public services, including compulsory education, basic medical care and others are taken into account, the ratio reaches 5-6 to 1.[66] Although China's policy goal is to reduce

62 People's Daily, "China's 23 Provinces Have Established Minimum Living Subsidy System to Benefit 15.09 People", January 21, 2007.

63 Third National Health Service Survey,

64 China's National Development and Reform Commission, "Guiding Policies for the Development of the Medicine Industry in the 11th Five Year Plan Period", www.xwzx.ndrc.org, June 2006

65 Fan et al. (2004)

66 Zhao Renwei (2007)

the gaps between regions and urban and rural areas, and among social groups, with many measures undertaken to accomplish these ends, present expenditure patterns on basic public services do not ensure that goal. As the government's expenditures on basic public services are a form of government subsidy to the consumers of those services, it is part of the overall income of households. Therefore, urban-rural gap in access to public services is clearly an important contributor to the urban-urban income gap. It has been estimated that 30 to 40 percent of the full income gap has been attributed to the unequal distribution of public service expenditures[67].

There is a large rural-urban gap in the return on education, suggesting significant differences in the quality of education in the two areas. In 2002, the expected increase in annual income for one additional year of education for a rural individual with seven years of education (the average) would have been 87 Yuan per year, whereas the expected increase for an urban individual with seven years of education would have been 460 Yuan. The most likely reason may be difference in education quality between rural and urban areas. This confirms that narrowing the income gap between urban and rural residents must start with closing the gap not only in access to basic public services but also in their quality.

PROMOTING MORE EQUITABLE INCOME DISTRIBUTION

Income gaps in China are still expanding. In 2006, the per capita disposable income of the richest 10 percent of families was 8.96 times more than that of the poorest 10 percent among urban residents. In recent years, individuals' expenditures on basic public services have been rising much faster than their disposable income. For example, by 2006, medical care and education expenses had become the second largest household expenditure, with only food spending being higher.

A major new study of income inequality in China[68] found that gaps in educational attainment, which as recently as 1995 had not been an important factor in determining income inequality, were making a significant contribution to inequalities by 2002. This is because the returns to education (that is, the additional income that the average person receives from additional years of education) grow markedly higher with the amount of education; as income is increasingly determined by market forces, the greater earnings go to those whose productivity reflects the benefits of higher education. Therefore, narrowing down education gaps between different social groups is also an important way to narrowing down income inequalities for the long run.

As mentioned above, the government's expenditures on basic public services actually is part of the overall income of households. Because low-income households often cannot afford important services provided by the Government, they benefit less than higher income households, who can afford all public services provided by the Government. This further expands income gaps. Therefore, speeding the equalization of basic public services will help reduce not only the urban-rural gap but also the income inequalities among different social groups.

Thirty years of reform and opening up have brought historic improvements in China's human development. In the new era, the needed conditions for further promoting it have become quite different. Additional human development requires not only transforming the economic development model to address resource and environment-related challenges, but also speeding up the establishment of basic public services systems to gradually equalize services, and comprehensively meet the rapid growth of public needs.

67 Chi Fulin et al. "2007' China Reform Evaluation Report", Beijing, China Economic Publishing House, 2007.

68 Yue Ximing, Sicular, Li and Gustaffson, "Explaining Incomes and Inequality in China", in Sicular et al, 2008.

2

BASIC PUBLIC SERVICE POLICIES AND SYSTEMS

WHILE THE PERFECT ORDER CALLED THE GREAT DAO PREVAILS, VIRTUOUS AND WORTHY PEOPLE ARE ELECTED TO PUBLIC OF- EMPLOYMENT IN THE SOCIETY. THE MAXIM OF LIVING IS TO BE- AMONG ALL PEOPLE…THERE IS CARING AND PROTEC- APPROPRIATE EMPLOYMENT FOR THE ABLE-BODIED; AND THERE AND YOUTH. THERE IS KINDNESS AND COMPASSION FOR THE THE CHILDLESS AND FOR ALL IN THE WORLD, AS WELL AS FOR THE DIS- AND SICK. —THE COMMONWEALTH OF GREAT UNI-

THE RECORD OF RITES, BOOK IX

CHAPTER 2

BASIC PUBLIC SERVICE POLICIES AND SYSTEMS

THE WORLD IS LIKE A COMMONWEALTH SHARED BY ALL.
FICE WHILE CAPABLE PEOPLE HOLD POSTS AND
LIEVE IN PEACE AND COHERENCE, SINCERITY AND TRUST
TION FOR THE AGED UNTIL THEIR LAST DAYS; THERE IS
IS NOURISHMENT AND EDUCATION FOR THE CHILDREN
WIDOWS AND WIDOWERS, FOR THE ORPHANS, FOR
WHO FIND THEMSELVES ALONE
ABLED

TY,

Basic public services are important determining factors of human development. Today, building on years of efforts, China has established initial systems and a policy framework for guaranteed provision of basic public service to its 1.3 billion people and has now made the equalization of these services one of its highest policy priorities.

This report holds that compulsory education, public health and basic medical care, basic social security and public employment services are four essential public services that must be provided by the Government, because they are indispensable for ensuring an effective social safety net, upholding subsistence rights and fostering the development of all members of the society.[1] This chapter starts by describing the evolution of China's basic public service system and policies, and then discusses the current state and challenges facing each of the four services.

The Evolution of Guiding Policies

During the planned economy era, China organized its system of basic public service delivery around work units in the cities and people's communes in the countryside. Urban work units were multipurpose, with economic, political and social functions, and responsible for basic public services with funding allocated by the Government. The people's communes for rural residents were generally expected to be self-reliant. Though constrained by the low level of economic development at that time, this system of public services was highly effective in enhancing average life expectancy and a basic level of educational attainment. The system was fraught with the usual problems associated with planned economies, however, such as shortages, inefficiency and waste; less space for personal choice; inflexibility and inadaptability; the prioritiza-

1 The report will discuss the definition of current basic public services in detail in Chapter 4.

Box 2.1: China's Exploration of New Approaches to Medical Insurance

In 1994, the State Council decided to implement a pilot project on social medical insurance, combining unified planning and personal accounts in Zhenjiang City of Jiangsu Province and Jiujiang City of Jiangxi. Two years later, the pilot was extended to more than 40 cities. In 1998, the "Decision of the State Council on Establishing the Urban Employees' Basic Medical Insurance System" was issued. This required setting up a basic medical insurance system that covered all urban employees. This initiative has been typical of China's efforts to create and adapt systems and institutions during a historic transition.

tion of political ends over socioeconomic objectives; enterprises overburdened by their social responsibilities; and a lack of financial discipline due to soft budget constraints. Though egalitarianism was pursued within units or small areas, this was also the era during which a dualistic urban-rural structure of public services was established. Along with other structural inequities, this produced large gaps in services between rural and urban areas, between wealthier and poorer rural areas, between different types of work units (state ownership versus collective), and between ordinary and more powerful people.

The revamping of the old public service system was linked to the reform of the socioeconomic units around which they had been centered. In rural China, the disbanding of the people's communes and the decollectivization of agriculture took place early in the reform era, leading in a short time to the collapse of public service institutions based on the collectives. Although the new household contract responsibility system for agricultural production stimulated a powerful and rapid improvement in economic output, no equally quick substitute was available for public services. Service delivery faltered severely as a result. Basic health care and education became more difficult and expensive to obtain for most of the rural population.

In urban areas, the public service system of the planned economy era dragged on until the deepening of state-owned enterprise reform in the 1990s. One of the main reform thrusts involved these enterprises shedding their expensive social obligations in favour of a more commercial orientation. The dismantling of cradle-to-grave health, education and social insurance services was one of the first outcomes. Unlike in rural areas, however, there was no lag between the ending of the old public service system and the establishment of new ones. The Government immediately launched a process of exploring ways of establishing new systems through reforms and innovations in basic health and medical care, social security schemes and employment services, among others. This effort started with the reform of the health sector in 1994 (see Box 2.1).

In both rural and urban China, changes in public service delivery systems accompanied public finance and administration reforms. Starting in 1994, tax-sharing reforms demarcated the financial jurisdictions of the central and local governments, but did not put in place a general transfer system that could effectively match fiscal resources with expenditure responsibilities at different levels of government to ensure comparable budget capacities across regions. Local governments, particularly township governments, were now responsible for providing basic services, but there was no mechanism to guarantee that they could finance such services at adequate levels, except for those with strong local revenue bases.

Across the spectrum of local governments, upper-level branches, such as provincial and prefecture governments, are generally better endowed than lower levels, such as counties and townships. But the latter are responsible for supplying the bulk of rural public services. Their lack of financial resources has led to severe shortages and the widespread policy of making public service providers, such as schools and clinics, responsible for their own financing through the collection of fees.

The shifts in government responsibility for public service provision and the risk-sharing mechanisms for social insurance coincided with a surge in personal income that led to stronger household demand for public services. Total expenditures on services steadily increased, with a dramatic shift in the financing burden from government to households, as described in Chapter 1.[2] This occurred with all basic services, but was most dramatic in health. Households' own expenditures on medical care accounted for no more than 23 percent of total spending in 1980, but that share shot up to 59 percent by 2002, and has only slightly declined since then.[3] The increasing share of personal payments made public services highly dependent on household income, linked to a de facto rationing of health care on the basis of the ability to pay.

Human development outcomes continued to improve during this period though, largely because of the surge in total spending on social services financed by rapid economic growth. Widening disparities in income distribution, coupled with widening disparities in regional economic development and financial capacity that exacerbated the mismatch between available financial resources and administrative jurisdictions across regions, naturally led to worsening inequities in access to services and human development outcomes for some segments of the population.

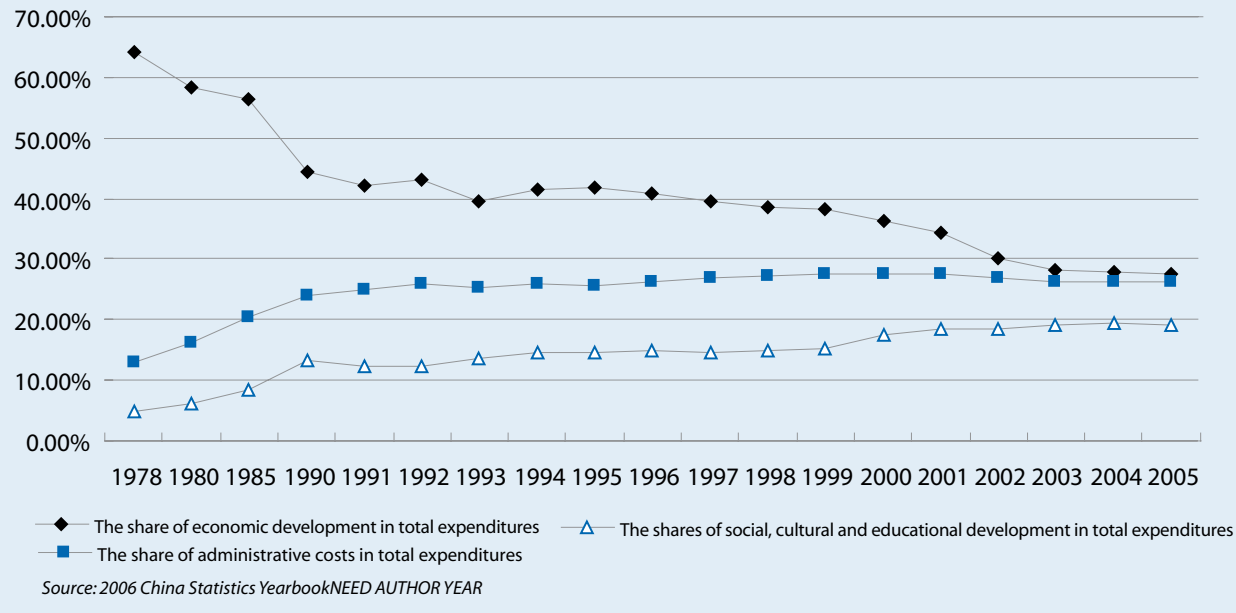
By 2001, the Chinese Government had recognized the urgent need for new reforms in public services and started to pay attention to growing social imbalances. The SARS crisis in 2003 marked a turning point for public policy, because it revealed key gaps and other structural weaknesses in China's system of public services, including in responding to unanticipated epidemics. Today, the Chinese leadership fully accepts that it is the duty of the Government at all levels to provide services that people need and demand. Its guiding policy framework seeks to:

Emphasize balancing economic and social development. To bridge the wide gap between social and economic development, the Government has shifted its policy focus away from a heavy emphasis on economic development to a more balanced approach to both. More fiscal resources have been allocated to compulsory education, basic public health and medical care, social security, public employment schemes and other social services (see Figure 2.1).

2 See table 1.2.

3 Wang Shaoguang, "Public Health Crisis in China and a Turning-point for Improvements, "Economic Management Digest", Issue 19, 2003.

Figure 2.1 **Structural changes in the state's fiscal expenditures (1978-2005)**



Source: 2006 China Statistics YearbookNEED AUTHOR YEAR

Intensify public service provisioning in rural areas. The Government is gradually implementing free compulsory education programmes, building a new rural cooperative medical care system, and setting up rural old age pension and minimum living standard allowance systems, among other targeted initiatives designed to change the disproportionate attention to urban spending in past decades.

Prioritize underdeveloped regions. The Government is increasing its national fiscal transfers to the central and western regions.

Give preference to underprivileged groups. This includes improving public employment services, helping families with no employed members, broadening and expanding the minimum living standard allowance, and setting up social security systems for all, including tens of millions of migrant workers.

As announced in a series of important policy adjustments, one of the Government's priority objectives has been to reform the fiscal system toward equalization of basic public services. The "Outline of the 11th Five-Year Plan for National Economic and Social Development" approved in the National People's Congress in March 2006 pledges: "Improvement of the public finance system should be accelerated, the responsibilities of governments at all levels for financial expenditure should be clearly defined, and the intergovernmental division of financial revenue should be readjusted". The system of fiscal transfers by the central Government and provincial governments should be improved; the financial management system below the provincial level (including the provincial) should be straightened out, and counties may be put under the immediate jurisdiction of provinces where this is possible, so as to realize, step by step, the equal availability of basic public services." The full range of the Government's plan to equalize basic public services was presented by General Secretary Hu Jintao in October 2007, in his address to the 17th National Congress of the Communist Party of China (see Box 2.2).

Compulsory Education

The welfare of people in developing countries, wrote Nobel Laureate Theodore Schultz, is not determined by space, energy or arable land, but by enhancing the quality of the population and the advance of knowledge.[4] Education is fundamental to human development, not only because of its intrinsic merit in enhancing the value of life, but also because it allows citizens to meaningfully participate in events and processes that affect their lives. It enhances human dignity, contributes to economic growth, and increases social mobility and integration.

Education is traditionally highly valued in China. For hundreds of years, Chinese farmers have aspired to keep their children away from the drudgery of subsistence life in rural areas by supporting their education. With this tradition and the encouragement of the Government, China today has the largest student population and the largest education system in the world. The foundation of this system is compulsory education for all citizens, which helps create a level playing field at the start of life and for future opportunities. For many years, the Government has put increased emphasis on education to implement a "Strategy for Using Science and Education to Rejuvenate the Country."

China's record in promoting education has been a key factor underlying its rapid economic growth. This section reviews recent performance in compulsory education and traces the main features of the evolution of compulsory education policies. It touches briefly on remaining challenges and new policy initiatives to set the stage for analysis of the gaps in compulsory education in Chapter 3.

RECENT PERFORMANCE

Government investment in compulsory education has been expanding steadily since 2000, and this is reflect in progress in a number of indicators, including enrollment and drop-out rates, the availability of teaching equipment and facilities, and the percentage of teachers meeting qualification requirements.

4 Schultz Theodore,editor, *Investment in Human Beings*, Chicago, University of Chicago Press, 1962

Box 2.2: **New policy commitments to basic services**

The 17th National Congress of the Communist Party of China reiterated that more efforts should be made, on the basis of sustained economic development, to advance social construction, energetically guarantee and improve people's livelihoods, push forward social system reforms, expand public services, and promote social equity and justice to ensure that all people have access to housing and schools for education, receive income for their work, enjoy medical service when sick and have support when old. The following efforts will be intensified to build a harmonious society:

Give priority to education and turn China into a country strong in human resources. Education is the cornerstone of national rejuvenation, and equal access to education provides an important underpinning for social equity. We must implement the Party's educational policy to the letter by cultivating students' moral integrity, modernizing the educational system, and training socialist builders and successors who are all-round achievers in moral, intellectual, physical and aesthetic education. We will promote balanced development of compulsory education, move faster towards universal access to senior middle education, vigorously develop vocational education and improve the quality of higher education. We will also attach importance to pre-school education and care about special education. We will deepen reform in curricula, modes of instruction, the systems of examination and enrollment, and the system for evaluating educational quality.

We will ease the workload of primary and secondary school students and improve their overall quality. We will maintain the nature of education as an undertaking for public interests, increase government spending on education, regulate the collection of education-related fees, support the development of education in poverty-stricken and ethnic autonomous areas, improve the system of financial aid to students, and ensure that children from poor families and of rural migrant workers in cities enjoy equal access to compulsory education. We will build up the ranks of teachers, with the emphasis on improving the quality of teachers in rural areas. We will encourage and regulate educational programmes run by non-governmental sectors. Distance learning and continuing education will be promoted to make ours a society in which every citizen is committed to lifelong learning.

Implement a development strategy that promotes job creation and encourages entrepreneurship to create more employment opportunities. Employment is vital to people's livelihoods. "We will continue to follow a proactive employment policy, strengthen government guidance, improve the market mechanism for employment, create more jobs and improve the employment structure. We will improve policies to encourage people to start businesses or find jobs on their own and promote a healthy attitude toward employment so that more people in the labour force will launch their own businesses. We will improve vocational education and training for the labour force and intensify pre-employment training for surplus labour transferred from rural areas.

We will establish a unified, standardized labour market and a mechanism that ensures equal employment opportunities for both urban and rural residents. We will improve employment assistance to the needy and make it a priority to help zero-employment families to have job opportunities. We will do our best to help college graduates find jobs. We will regulate and coordinate labour relations, improve and implement government policies concerning rural migrant workers in cities, and protect the rights and interests of every worker in accordance with the law."

Accelerate the establishment of a social security system covering both urban and rural residents and guarantee their basic living conditions. Social security is an important guarantee of social stability. We will step up the building of a sound social security system that is based on social insurance, assistance and welfare, with basic old-age pension, basic medical care and subsistence allowances as its backbone, and supplemented by charity and commercial insurance. We will promote reform of basic old-age insurance systems in enterprises, Party and government organs and public institutions, and explore ways to set up an old-age insurance system in rural areas. We will promote the development of basic medical insurance systems for urban *cont.*

Box 2.2: **New policy commitments to basic services** *continued*

workers and residents and a new type of cooperative medical care system in rural areas. We will improve the system of subsistence allowances for both urban and rural residents and gradually increase such allowances. We will improve the systems of unemployment benefits, workers' compensation and maternity insurance. We will upgrade management of social security funds to higher level authorities and work out unified methods for transferring social security accounts nationwide. We will provide more social security funds through various means, and strengthen their oversight and management to maintain and increase their value. We will improve social assistance. We will do a good job in providing special assistance to families of martyrs and servicemen, and helping demobilized military personnel return to civilian life. We will promote programmes for the disabled in a humanitarian spirit. We will develop more programmes for the elderly. We will intensify our efforts in disaster prevention and reduction. We will improve the low-rent housing system and speed up resolution of the housing difficulties of low-income families in urban areas."

Establish a basic medical and health care system, and improve the health of the whole population. Health provides the foundation for people's overall development and has a direct bearing on the happiness of each family. "We must maintain the public welfare nature of public health and medical care services, always put disease prevention first, centre on rural areas, and attach equal importance to traditional Chinese medicine and Western medicine.

We will separate government administration from medical institutions, management from operation, medical care from pharmaceuticals, and for-profit from non-profit operations. We will increase government responsibilities and spending, improve the national health policy, and encourage greater participation of non-governmental sectors so as to develop public health services, medical services, medical security systems and medicine supply systems to provide both urban and rural residents with safe, effective, convenient and affordable medical and health services. We will improve the system to prevent and control the outbreak of major diseases and enhance our capacity to respond to public health emergencies. We will strengthen the construction of the three-tier rural health service network and the urban community health service system, and deepen the reform of government-run hospitals. We will establish a national basic medicine system to ensure the supply of basic medicines to the people. We will support the development of the Chinese traditional medicine and our efforts to improve the health care of ethnic groups, improve medical ethics and improve the quality of medical services. We will ensure food and drug safety, uphold the basic national policy of birth control, stabilize the low birth rate, improve the quality of newborns, carry out patriotic health campaigns, and develop the effort to improve the health of women and children.

Source: Selectively translated from Hu Jintao 2007 "Hold High the Great Banner of Socialism with Chinese Characteristics and Strive for New Victories in Building a Moderately Prosperous Society in All Respects," *Report to the Seventeenth National Congress of the Communist Party of China on Oct. 15, 2007*

Investments in basic education have been a priority since the reform era began. In 1978, funds from the central budget for education were only 7.5 billion Yuan or 2 percent of annual GDP; this figure increased 60-fold to 453.1 billion Yuan in 2005, comprising 2.5 percent of the country's vastly expanded GDP.[5] The in-budget spending of both the central and local governments on education rose from 467 billion Yuan in 2005 to 579.6 billion Yuan in 2006, an increase of 24.2 percent. From 2002 to 2006, the per student in-budget public fund for primary schools grew from 166.5 Yuan to 270.9 Yuan, an increase of 62.7 percent. The figure went from 232.9 Yuan to 378.4 Yuan for junior middle schools, an increase of 62.5 percent.[6] This growth rate was three times higher than the rate of increase in overall in-budget funds for education.[7]

Much of the new education spending has targeted rural areas. In 2006, 70 percent of the central

5 Funds from the central budget include recurrent expenditures for education, investments in education capital construction, education expenditures in recurrent expenditures of various government departments, additional expenditures of recurrent expenditures for urban education, and education expenditures in funds for assisting underdeveloped regions.

6 Ministry of Finance, "2006 China Fiscal Yearbook", China Fiscal Publishing House, Beijing, April 2007

7 Ministry of Education, National Statistics Bureau and Ministry of Finance, "The 2006 Statistic Report on the Implementation of the National Education funding", http://www.moe.edu.cn, 2008-5-4

Government's new expenditures went there;[8] in total, the national budget allocated 184 billion Yuan for rural compulsory education. In the same year, free compulsory education reached 52 million primary and middle-school students in the western region and parts of the central region of China. In addition, 37.3 million students from poor families received free textbooks, and 7.8 million resident students received cost-of-living subsidies.[9] In the western region, some 200,000 children who had dropped out of school because of poverty returned.[10]

This focus on reducing the cost of education for rural children continued in 2007. From the spring semester, all rural students receiving compulsory education were exempted from tuition fees. Free textbooks are now provided to students from poor families, while boarders are entitled to cost-of-living subsidies. In the first six months of 2007, a special central financial fund of 12.5 billion Yuan was created, a measure that benefited nearly 150 million rural primary and junior middle-school students. In the western region, a primary school student pays 140 Yuan less and a junior middle-school student 180 Yuan less in annual tuition and fees than in the previous year. In the central region, a primary school student pays 180 Yuan less and a junior middle-school student pays 230 Yuan less.[11]

Striving for universality

The universality of compulsory education is usually evaluated with the enrollment, progression and dropout rates of primary school and junior middle-school students.

Since 2000, enrollment rates in compulsory education have steadily risen. By 2007, the objective of full primary school enrollment had been largely realized, with a rate of 99.5 percent. This meant that China achieved one of the Millennium Development Goal targets several years in advance. Certain indicators are now comparable or beyond those in industrialized countries. For example, in 2005, China's primary school enrollment rates for both boys and girls, which are nearly identical, 12 exceeded the average for industrialized countries by 2 and 4 percentage points, respectively.

Dropout rates in compulsory education have consistently declined. In 2000, the primary school rate was 0.55 percent, dropping to 0.45 percent by 2005. The junior middle-school rate was 3.2 percent, declining to 2.6 percent by 2005.[13]

The rate of progression for primary school graduates into middle schools has been rising, from 94.9 percent in 2000 to 99.9 percent in 2007. The rate for junior middle-school students passing into senior middle schools and other senior secondary schools was 51.1 percent in 2000, climbing to 79.3 percent in 2007.[14]

Improving teacher qualifications and physical facilities

Steady improvements in the quality of the teaching corps and physical facilities reflect increased government investments. As of 2007, 99.7 percent of primary school teachers met national qualification standards, up from 96.9 percent in 2000. The 2007 percentage of junior middle-school teachers meeting the national qualification standards was 97.2 percent, up from 87 percent in 2000.[15]

By the end of 2007, the floor space of primary and middle schools had reached 1.35 billion square metres, an increase of 265 million square metres since 2001. Meanwhile, there has been a steady, although slower, increase in the availability of instruments for scientific experiments, sports fields/stadiums, equipment for fine arts and musical instruments (see Table 2.1).

Structural Changes in Compulsory Education

From 1958 through the early 1980s, China's compulsory education systems and institutions were shaped

8 Ministry of Education, National Statistics Bureau and Ministry of Finance, "The 2005 Statistic Report on the Implementation of the National Education funding", http://www.moe.edu.cn/, 2006-12-29

9 Lou Jiwei, Vice Minister of Finance, interviewed by CCTV, www.cctv.com, May 28, 2006

10 2007 Report on the Work of the Government, the portal website of the central government, March 17, 2007.

11 *Policy Interpretation: Making Good Schooling Available to All Children, in China Youth Daily,* March 13, 2007.

12 Zhang Yi & Jiang Guocheng: R*eview on the Current Economic and Social Situations: Great Progress of Social Undertakings, People's Daily,* August 4, 2007.

13 The rate for boys was 99.25 percent and for girls 99.29 percent.

14 Ministry of Education: *Statistic Communiqué of the 2000~2005 National Education Development*, www.moe.edu.cn.

15 Department of Planning, Ministry of Education, Statistical Analysis of Educational Development 2007, Feb. 2008

Table 2.1: **Increasingly well-equipped schools**

	2001	2002	2003	2004	2005	2006	2007
Floor space of primary and junior middle schools (million square metres)	1,088.01	1,132.99	1,185.51	1,232.84	1,274.89	1,331.10	1,353.20
Ordinary primary schools							
Qualification rate of the area of sports fields/stadiums (%)	47.40	48.79	50.20	51.38	53.04	53.49	55.24
Qualification rate of the equipment of music instruments (%)	36.62	37.70	38.66	40.08	41.80	42.43	44.68
Qualification rate of the equipment of fine arts (%)	34.51	35.69	36.69	38.17	39.91	40.74	43.12
Instruments for mathematical and scientific experiments (%)	48.55	49.37	49.80	50.91	52.29	52.75	54.27
Ordinary junior middle schools							
Qualification rate of the area of sports fields/stadiums (%)	69.46	64.43	65.68	66.38	67.61	67.76	69.23
Qualification rate of the equipment of musical instruments (%)	50.42	52.46	53.95	55.20	56.58	56.99	59.34
Qualification rate of the equipment of fine arts (%)	48.84	50.86	52.43	53.72	55.20	55.59	58.04
Instruments for mathematical and scientific experiments (%)	68.35	69.45	70.17	70.57	71.84	72.23	73.54

Source: Statistical Communiqué of the 2002-2007 National Education Development

by the pre-reform dualistic structure of public services. In urban areas, compulsory education was provided by local governments, but frequently financed through higher level budgets, with the local government responsible for delivery in accordance with the central Government's instructions. In rural areas, collectives were the main source of basic education funding, with the state playing a supportive role and the whole society sharing the responsibility.

Starting in the 1980s, compulsory education underwent a fundamental structural change. After the promulgation of "China's Education Reform and Development Outline" in 1983 and the "Compulsory Education Law" in 1986, the central Government was only responsible for setting education policies and regulations. Provincial governments made plans for the development of basic education and coordinated the education spending of county governments. In cities, district governments took charge of compulsory education. In rural areas, county governments shifted funding responsibilities down to township governments. As the latter generally could not afford to pay teacher salaries in a timely way or keep the schools running, the central Government gradually developed a new mechanism for ensuring the funding of compulsory education was gradually put in place.

In 2001, following two decades of policy adjustments, the current system for administering compulsory education was put in place. It is led by the State Council, but planned and implemented by the governments of provinces, autonomous regions and municipalities directly under the central Government, with county governments playing the final role of service delivery. This system funds compulsory education through public finance to ensure expanded access in impoverished regions, towards the goal of balanced development across the country.

Diversification of funding

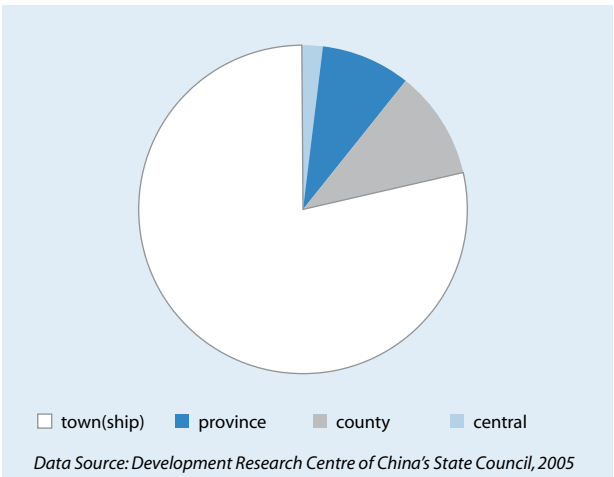
Compulsory education reforms have been pursued within China's fiscal decentralization process and oriented around the primary goals of diversifying funding sources and upgrading the scope of education. The Government's "Decision on the Reform of the Educational System" issued in May 1985 stated, "The responsibility for developing basic education will be handed over to local governments and nine-year compulsory education will be universalized step by step." The division of duties among local governments was, in principle, to be determined by provinces, municipalities or autonomous regions, although the policy placed the responsibility for rural compulsory education on the governments of town-

ships and villages. The common practice across the nation was for counties to run senior middle schools, for townships to run junior middle schools and for villages to run primary schools. After the promulgation of the "Compulsory Education Law" in April 1986, provinces, municipalities and autonomous regions enacted local laws on compulsory education. As a result, important changes took place in the mechanism for funding compulsory education, and funding became diversified. But this approach soon raised questions of financial rationality and viability.

Between 1994 and 2001, town and township governments paid nearly four fifths of China's compulsory education costs, while provincial governments paid approximately 11 percent and county governments 9 percent (see Figure 2.2). Less than 2 percent of resources came from the central Government.[16] Because the revenues of most towns and townships barely met staff salaries, the financial burden of compulsory education fell on local people, who were now subject to paying tuition and miscellaneous fees. The difficulties this posed for the rural population was one motivation for new reforms in 2001.

That year, the State Council issued the "Decision on the Reform and Development of Basic Education," which gave counties a primary role in providing compulsory education. This improved access in rural areas, but did not divide the responsibility for inputs between the central Government and the governments of provinces, cities and counties. The shortage of compulsory education funding again became serious. As shown by the National Audit Office's 2003 statistical report, 50 counties incurred a debt of close to 2.4 billion Yuan for compulsory education spending by the end of 2001. This figure increased to 3.9 billion Yuan by the end of June 2003. Over 80 percent of primary and middle schools in some counties were indebted.[17] Further changes had to be introduced.

Figure 2.2 Sources of compulsory education funding, 1994-2001



Data Source: Development Research Centre of China's State Council, 2005

Striking a balance

Important changes took place in 2005, when the Ministry of Education issued "Some Opinions on Further Promoting the Balanced Development of Compulsory Education." Later, the State Council approved the "Notice About Further Reforming the Fund Assurance System for Compulsory Education in Rural Areas," emphasizing the full understanding of the important role balanced development plays in building a harmonious society and stipulating the end to further widening of educational attainment between urban and rural areas, regions and schools (see Box 2.3). Priority was given to compulsory education within counties. The policy outlined step-by-step implementation measures. It clearly defined the responsibility of authorities at various levels, and the sharing of responsibilities between the central and local governments. It stressed the need for increased financial inputs and enhancements in funding security levels, and outlined the gradual creation of a system to support compulsory education through the proportional provision of central and local funds.[18]

In 2006, all primary and junior middle-school students in rural western China were exempted from tuition and miscellaneous fees. The central budget earmarked funds to supplement public expenses and establish funding safeguards for the repair and renovation of school buildings.[19] By 2007, the central Government had decided to waive the tuition and miscellaneous fees for rural compulsory education throughout the country, and provide free textbooks and boarding expenses for students from poor rural families.[20] Beginning in spring 2008, the Government decided to waive the tuition and miscellaneous fees

17 *Audit Report on the Execution of the Central Government's Budget and Other Financial Revenue and Expenditure in 2003.*
18 Liu Ji'an, NHDR Background Report, 2007.
19 Wen Jiabao . Report on Government Work in 2007, Chinese Government Net.
20 *Ibid.*

Box 2.3: **A new policy era**

In September 2003, the State Council issued the "Decision on Further Strengthening Rural Education Work," reiterating the primary role of county governments in implementing the rural compulsory education administration system.

In May 2005, the Ministry of Education issued "Some Opinions on Further Promoting the Balanced Development of Compulsory Education," making the promotion of balanced development of compulsory education a guiding principle.

In November 2005, in the National Report on Education for All in China, the Ministry of Education set forth the objective that all rural students from underprivileged families receiving compulsory education would enjoy free textbooks and boarding subsidies from 2007, and that free compulsory education would be available in all rural areas by 2010 and in the whole country by 2015.

In December 2005, in the "Notice about Further Reforming the Fund Assurance System for Compulsory Education in Rural Areas," the State Council required rural compulsory education to be gradually covered by public finance. It set up a funding system with proportional contributions from the central and local governments.

In March 2006, the State Council set up a leading group for the reform of the national safeguard system for rural compulsory education funds.

In June 2006, the newly revised "Compulsory Education Law of the People's Republic of China" stipulated the standards of funds adapted to the basic needs of compulsory education. In accordance with the law, the central and local governments share the provision of funds in line with their duties.

Source: Liu Ji'an 2007.

for urban compulsory education as well.

In sum, two obvious changes have taken place. One has been the strengthening of the central Government's responsibility for compulsory education. The other has been the establishment of the main role of county governments in providing it. This has created a foundation for moving towards an effective legal mechanism to secure funding.

GAPS AND CHALLENGES

Despite increasing investments and improvements in compulsory education, serious problems of access and quality persist, as follows.

An insufficient financial base. In comparative terms, China's aggregate governmental spending on compulsory education is still low. According to the World Bank, in 2003, public expenditure on education as a share of GDP was, on average, 5.5 percent in the countries of the Organization for Economic Co-operation and Development (OECD), 4.2 percent in developing countries at large, 4.7 percent across the world, but only 2.8 percent in China.[21] The county-based spending system, though better than the township-based one, is unable to undertake sustained major improvements, as the county's financial capacities usually stretch just far enough to cover payrolls. Although the abolition of the agricultural tax and other fees in 2006 increased the net income of the rural population, it weakened the revenue base of county governments.

Unauthorized charging of fees. The supervision of unauthorized charging of education fees needs to be further strengthened. A report of the National Development and Reform Commission found that unauthorized charging of fees was the leading complaint about prices of goods and services in 2006.[22]

Uneven allocation. A wide gap exists among schools providing compulsory education. "Key" and "non-key" schools differ much in what they offer in terms of equipment, resources, teaching staff and educational quality, thus worsening imbalances in access to quality compulsory education.[23]

Inequitable access. As will be discussed in Chapter 3, the children of migrant workers in some localities, though living in cities, find it difficult to be admitted

21 Hu Ruiwen, Study Times.com.cn, accessed October 29, 2007.

22 Educational Charging Is the Top Complaint in the National Development and Reform Commission's Report of Pricing Complaints in 2006, www.sdpc.gov.cn, April 3, 2007.

23 Liu Ji'an 2007.

into "key" schools unless their parents, who are usually poorly paid, provide extra fees.

PRIORITY POLICY OBJECTIVES

In its 11th Five-Year Plan, the Government set the goal of "improving the national education system and transforming China with a large population into one with compatible strength in human resources." Towards reinvigorating China through science, education and human resources, efforts have been made to build a modern life-long learning system. A set of 2010 targets include increasing kindergarten enrollment by more than 13 percent and boosting total enrollment in higher education to 30 million people, while reducing illiteracy among the young and middle-aged to 2 percent (see table 2.2).

Chapter 3 analyses key challenges that will have to be overcome to achieve these goals, namely, gaps in compulsory education across regions, between rural and urban areas, and between different social groups.

Public Health and Basic Medical Care

Health is one of the most important factors in every human being's life, and crucial for human and social development. Investing in health is also to invest in future economic development; a society that enjoys health possesses wealth.[24] Since the SARS crisis in 2003, the Chinese Government has made the protection of health and safety one of its foremost priorities.

In China today, a relatively comprehensive system including medical care, disease prevention, health care, health recovery service, medical education and medical research is starting to take shape. In urban areas, a medical service system composed of city and district hospitals, community clinics, and related health and disease control systems has been established. The construction of referral systems using community health agencies has accelerated in many cities. In rural areas, a three-tiered network covering disease prevention, medical treatment and health care is emerging, led by county hospitals, and supported primarily by township health centres and village clinics.

As noted in Chapter 1, China's average life expectancy has steadily increased, from 67.9 in 1981 to over 72.4 at present. Infant and maternal mortality rates, among other health indicators, have improved as well. These achievements have primarily stemmed from the strong growth in household income during the reform era, which at times filled the gap left by inadequate government spending on public health and medical services. Much remains to be done, however, if China is to honour every member of society's entitlement to a package of essential health care services that are affordable, safe and acceptable in terms of quality.

Recent Performance

Government spending on public health has expanded steadily in recent years, with average annual increases of 16 percent from 1999 to 2005. While this significant growth has contributed to improved health outcomes, health spending has not risen as rapidly as overall budget spending, which grew at an average annual rate of 17 percent over the same years.

Government spending on health should also be assessed in terms of its share of total health spending, which also comprises expenditures by individuals and social spending (i.e. expenditures by employers and other organizations). Total expenditures increased from 458.7 billion Yuan in 2000 to 984.3 billion Yuan in 2006, of which the Government's share increased by over 150.7 percent in nominal terms, from 71 billion Yuan to 177.9 billion Yuan (see Table 2.3). The share of budgeted government expenditures devoted to health services increased from 15.5 percent in 2000 to 18.1 percent in 2006, partially reversing the declining trend between 1980 and 2000. This has contributed to a reduction in the share of personal expenditures by nearly 10 percent since 2000 to just over 49.3 percent in 2006. This share is still much higher than in 1980, however, when it was only 21.2 percent.

24 Wu Yi 2003

Table 2.2: **Major education goals**

	2005	2010	Projected change
Pre-school: gross enrollment rate of the 3-year kindergarten programme (%)	41.4	55	13.6
Compulsory education			
Gross enrollment rate in junior secondary schools (%)	95	98	3
Retention rate of junior secondary school (%)	92.8	95	2.2
Senior secondary education			
Gross enrollment rate (%)	52.7	80	27.3
Enrollment (100,000)	403	451	48
• Vocational schools (100,000)	160	210	50
Higher education			
Gross enrollment rate (%)	21	25	4
Enrollment (100,000)	230	300	70
• Undergraduate students in regular universities and colleges	156.2	200	43.8
• Post-graduates	9.8	13	3.2
• Students in adult education	43.6	60	16.4
Illiteracy reduction			
Illiteracy among the young and the middle-aged (%)	3	2	-1

Source: The Outline for the Eleventh Five-Year Plan for China's Educational Development, http://www.moe.gov.cn/edoas/website18/info28667.htm, accessed May 18, 2007

Table 2.3: **Expenditures on health services by source (1980-2006)**

	1980	1990	2000	2006
Total expenses on health (billion Yuan)	14.3	74.7	458.7	984.3
Government spending	5.2	18.7	71	177.9
Social spending	6.1	29.3	117.2	321.1
Personal spending	3.0	26.7	270.5	485.4
Structure of total expenses (%)	100	100	100	100
Government spending	36.2	25.1	15.5	18.1
Social spending	42.6	39.2	25.5	32.6
Personal spending	21.2	35.7	59.0	49.3
% of total expenses in GDP	3.17	4.03	4.6	4.7
Per-capita total expenses (Yuan)	14.5	65.4	361.9	828
Urban	…	158.8	828.6	1,145.1
Rural	…	38.8	209.4	442.4

Sources: "Chinese Health Statistic Digest 2007" and "Statistic Communiqué for the Development of China's Health Sector 2007

By the end of 2005, China had invested 10.5 billion Yuan in 2,448 projects to construct disease prevention and control agencies; these have now been completed and are in use. Another 16.4 billion Yuan has gone towards 2,668 projects to strengthen the medical treatment system for public health emergencies.[25] In addition, great efforts have been made to improve the quality of drinking water and build sanitary lavatories in rural areas. By the end of 2007, 900 million people were benefiting from improved drinking water projects, and 92.8 percent of the rural population had safe drinking water. Sanitary lavatories comprised 57 percent of all the lavatories in rural areas.[26]

25 The Ministry of Health, "Outline of the 11th Five-Year National Plan for the Development of Health Undertakings", Xinhuanet, March 17, 2007

26 The Ministry of Health, *2007 China Health Statistical Yearbook*, Beijing: Chinese Academy of Medical Sciences & Peking Union Medical College Press, 2007.

An uneven expansion

Health service facilities have increased substantially (see Table 2.4 and Table 2.5). By the end of 2006, there were 308,000 health agencies, with 4.6 million health workers and 3.5 million beds, up 82 percent, 87.7 percent and 72 percent, respectively, over 1978. On average, the number of health workers per 1,000 people increased from 2.6 in 1978 to 3.9 in 2006. The number of hospital beds per 1,000 people rose from 2 in 1980 to 2.5 in 2006.[27]

These changes have contributed to improved health indicators, but growth trends have been uneven. For example, the number of child care and township health centres has declined. The proportion of villages with health clinics decreased until 2005,

27 *Ibid.*

Table 2.4: **Types of health agencies (1978-2006)**

	Hospitals	Clinics	Child care centres	Agencies for special diseases	Disease control centres	Township health centres	Villages with health clinics %
1978	9,293	94,395	2,571	887	2,989	55,018	97.9
1993	15,436	115,161	3,115	1,872	3,729	45,024	89.1
1998	16,001	229,349	3,191	1,889	3,746	50,613	89.5
2003	17,764	204,468	3,033	1,749	3,584	45,204	77.6
2005	18,703	207,457	3,021	1,502	3,585	41,694	85.8
2006	19,246	212,243	3,003	1,402	3,548	40,791	--

**The percentage of incorporated villages with health clinics in 1978 refers to the ratio of villages with part-time paramedical workers to the total number of villages, which at the time were known as production brigades.*

Source: 2007 China Health Statistical Yearbook

Table 2.5: **Number of health workers (1978-2006)**

	Total health workers	Doctors	Nurses	Pharmacists	Inspectors	Management staff
1978	2,463,931	1,033,018	406,649	266,570	98,806	298,104
1993	4,117,067	1,831,665	1,056,096	413,025	183,657	432,903
1998	4,423,721	1,999,521	1,218,836	423,644	200,846	435,507
2003	4,306,471	1,867,957	1,265,959	357,378	209,616	318,692
2005	4,460,187	1,938,272	1,349,589	349,533	211,495	312,826
2006	4,624,140	1,994,854	1,426,339	353,565	218,771	323,705

Source: 2007 China Health Statistical Yearbook

when the trend began to reverse. Some reductions have stemmed from the merging of townships and administrative villages. Compared to the beginning of reforms when nearly 98 percent of villages had their own clinics, however, a general consequence of these changes may have been more limited access to health care for rural residents.

Recent developments in urban and rural care

In urban areas, enterprise restructuring has meant that communities have become responsible for pensions and basic public health and medical care formerly funded by enterprises under the planned economy. In 1997, the Government proposed the development of community health service systems. The current plan is that by 2010, these will be fully established across the country. By the end of 2006, community health services were being provided in more than 95 percent of prefecture-level cities, 88 percent of municipal districts and more than 50 percent of county-level cities, while 108 areas had been designated to demonstrate community health services.[28] New policies to reduce price mark-ups on medications and provide government subsidies, implemented through community health services, have helped lower the costs of drugs and medical insurance. As a result of reforms in Shanghai, for example, the average cost for each outpatient fell by 14.2 percent.[29]

Almost all rural areas are now covered by the public health service network. By the end of 2007, 1,636 counties[30] had 5,879 county-level hospitals, 1,612 maternal and child health care institutions, 1,763 disease prevention and control centres, and 1,333 health supervision agencies. More than 605,000 clinics have been founded in 614,000 villages, accounting for 98 percent of the country's total number of villages. There are 1.04 doctors and health workers for every 1,000 rural residents. The number of outpatients increased from 700 million in 2006 to 760 million in 2007, and the number of inpatients reached 26.6 million in 2007, a dramatic increase over the 18.4 million in 2006. Average hospital bed utilization rates also rose from 39.4 percent in 2006 to 48.4 percent in 2007.[31] This still low utilization rate is a reflection of both demand and supply issues. On the demand side, the inability to pay for care reduces the use of hospital services. On the supply side, decisions on the location and size of hospital facilities are not always made according to demand.

CONNECTING SUPPLY AND DEMAND

Since the launch of the reform and opening up era, great changes have taken places in China's public health and basic medical care system. Since the 1980s, new health care systems needed to be developed in both urban and rural areas. The urgency was particularly great in rural China after the collapse of the rural cooperative medical care system, organized around the people's communes. Changes in the structure of tax collection rights strengthened the central Government's finances but weakened local government fiscal positions, and the lack of an effective fiscal transfer equalization mechanism further fueled disparities between wealthier and poorer localities. As was the case in education, many local governments faced much greater health care responsibilities without adequate budgetary resources.

This squeezed the rural population in two ways. First, with no rural health insurance system, most rural residents had to pay all health care costs out of their own pockets. Second, as public health and medical agencies began collecting fees for medicines and services to cover their costs, they linked the salaries of heath and medical workers to the money they collected. As a result, they tended to over-prescribe medications and procedures that generated fees.

For many individuals, it became more and more difficult and expensive to get medical care. In 1997, the World Bank reported, "Only about 10 percent of the rural population is now covered by some form of community-financed health care, down from a peak of 85 percent in 1975. As a result, some 700 million rural Chinese must pay out of pocket for virtually all health services." "Seeing a doctor" became more and more difficult for many people, and became an urgent problem attracting attention from all walks of life.

28 The Ministry of Health, "Outline of the 11th Five-Year National Plan for the Development of Health Undertakings", Xinhuanet, March 17, 2007

29 "Community Health Service: a Grand Goal and a Long Way to Go", Portal website of central government, April 6,2006

30 Excluding cities at the county level and municipal districts

31 The Ministry of Health *op cit*, 2007.

In urban areas, employment-based health provision continued until the 1990s, accompanied by many reforms to reduce the financial burdens on employers. With deepening reforms of state-owned enterprises, however, the employment-based medical security system gradually vanished. The Government moved to create a new urban medical insurance system, based on contributions from employers and employees.

A turning point in health care policy occurred in January 1997, when the Government released a key document: "Decision on Health Reform and Development by the Central Party Committee and State Council." It set forth a goal of providing every Chinese citizen with basic health care. In rural areas, the Government has been developing and expanding the new rural cooperative medical system, with contributions from central and local governments, and participants. For urban employees, a new "Basic Medical Insurance" system, combining social pooling with personal accounts, debuted in 1998, with national guidelines recommending that it be financed by 6 percent of the wages paid by the employer and 2 percent of the wages earned by the employee.[32]

Since 1998, government health care policy has focused on the demand side to ensure that individuals are able to pay for the health and medical care services they need by building up the urban employees basic medical care insurance and the new rural medical care cooperative system. Plans for expanding the rural health care system received a strong boost in October 2002, when the "Decision of the Central Committee of the Chinese Communist Party and the State Council on Further Strengthening Rural Health" was released. It sets the clear aim of establishing by 2010 a rural health service system and rural cooperative medical scheme to meet the requirements of the socialist market economic system, while being compatible with the level of rural economic and social development. Since then, state investment in rural health systems has notably expanded.

The 2003 SARS crisis highlighted many challenges in the supply of public health care. After years of underinvestment by the Government, the health care system proved inadequate in responding to a serious and unexpected public health crisis. Policy makers noted that from 1997 to 1998, the average share of public spending on health in low-income countries was 1.26 percent, but in China it was only 0.62 percent. In the World Health Organization's (WHO) 2000 World Health Report, experts assessed the health systems in 191 countries around the world, ranking China 144 in terms of overall performance and 188 in the equity of health care financing.[33] In the aftermath of SARS, awareness among policy makers and the general public was heightened about the core priority of public health services.

The SARS incident also drew attention to how the demand for care vastly exceeded the supply. Demand was both constrained by the lack of a rural medical insurance system, and also spurred by rapidly growing rural incomes. There is no global consensus on the magnitude of the income elasticity of demand for health care, although virtually all studies have found it to be positive—i.e. that health care is a normal good. Some have found it to be greater than unity—i.e. that health care is a luxury good with demand increasing even more rapidly than income. According to a recent study by Prof. Gregory C. Chow, a well-known economist, throughout the recent period of rapid economic growth, the demand for medical care services has always been on the increase.[34] This notion is reinforced by the fact that the average share of personal spending for health care is virtually the same in rural and urban China, despite large income gaps.

The failure of the health system to keep up with demand is confirmed by the two-week non-visit rate.[35] The third national survey on health care in 2003 indicated that the rate grew from 36.4 percent in 1993 to 48.9 percent in 2003, with 57 percent in urban areas and 45.8 percent in rural areas (see Figure 2.3).

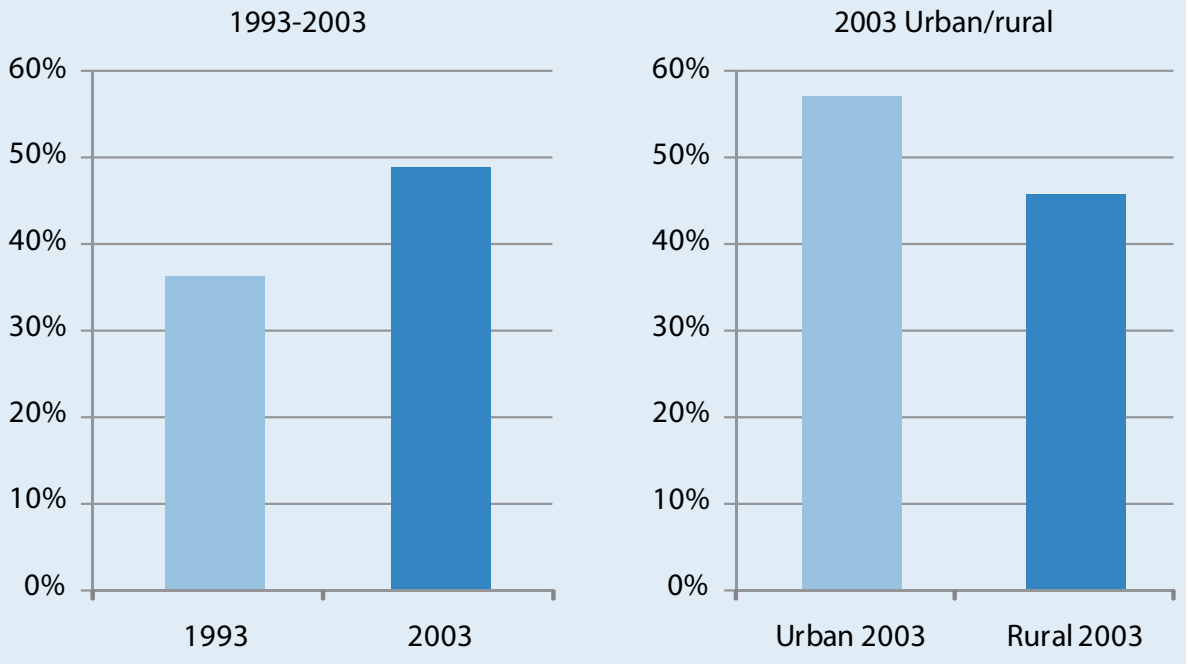
32 Local governments have the autonomy to determine these percentages for their localities.

33 WHO 2000, Annex Table One.

34 Gregory C. Chow" An Economic Analysis of China's Medical Care", Website of China Medical Care Reform, 26 June 2008

35 The 2-week non-visit rate is determined by a sample survey. It determines the number of residents who have been sick in the previous two weeks, and then calculates the proportion of those residents who did not visit any type of medical organization before the date of the survey. That proportion is the 2-week non-visit rate. Source: "Explanations of Frequently Used Statistical Indicators", www.chinagate.com.cn,1 January 2008.

Figure 2.3 Two-week non-visit rate (1993-2003)



Source: Ministry of Health 2003.

Drawing on lessons learned from SARS, the Government has promulgated a series of policies to enhance governmental responsibility, maintain the public welfare nature of health services, and establish a basic health care system that covers both urban and rural residents (see Box 2.4).

GAPS AND CHALLENGES

Despite achievements in improving China's public health system, several major problems have yet to be resolved. These include:

Insufficient public expenditures. Although the Government has taken more responsibility in the health sector in recent years, expenditures are still insufficient at less than one percent of GDP.[36] This is low by international standards. According to the WHO's *2006 World Health Report,* China ranks 156th out of 196 countries in the ratio of government health spending to GDP. Although the highest-ranked countries are almost all high-income countries, there are many middle- and low-income countries ranked above China.

Disproportionate health care expenses for individuals. Although the proportion of government expenditures in total health care expenditures has increased, total household expenses continue to rise as well, partly due to the skyrocketing prices of medicine and medical treatment (see Figure 2.4 for a comparison across countries and regions). In 1995, each member of an urban family spent 3.1 percent of his or her living expenses on health and medical care; by 2005, this share had reached 7.6 percent.[37] Per capita medical expenditures in rural households grew from 4.9 percent of overall expenditures in 1995 to over 6.5 percent in 2005.[38] The individual's share of total health expenses dropped from 59 percent in 2000 to 49.8 percent in 2006, but this is still too heavy a financial burden for low- and middle-income households.

Imbalances in resource distribution. The allocation of medical and health resources across the country is disproportionate. For example, in 2005, only 25 percent of public health resources were devoted to rural residents, even though they account for close to 60

36 The most recent data from the National Health Administration indicate that in 2006, the government total budget for health was 177.9 billion Yuan, only 0.84 percent of GDP.

37 The Ministry of Health, *2007 China Health Statistical Yearbook,* Beijing: Chinese Academy of Medical Sciences & Peking Union Medical College Press, 2007

38 Ibid.

Box 2.4: **Reorienting health policies after 2003**

In October 2003, the "Decision of the CPC Central Committee on Several Issues Concerning Perfecting the Socialist Market Economic System" proposed that the public health system should be further reformed to strengthen the role of the government; to set up a sound health information network, and systems for disease prevention, control and cure; and to build capacities for handling unexpected public health events.

In October 2005, the "Proposals for the 11th Five-Year Plan on National Economic and Social Development by the CPC Central Committee" proposed that the problem that seeing a doctor had become too difficult and too expensive for the general public should be gradually solved by further deepening reforms of the public health and medical care system.

In February 2006, the "Guidance on Developing Urban Community Health Service by the State Council" stated that developing urban community health services should be viewed as fundamental for comprehensively reforming urban health services and solving the problem of seeing a doctor. The State Council established a leading group for improving urban community health work the same year.

In September 2006, a team of 11 relevant ministries and commissions was set up to coordinate medical system reforms.

In October 2006, the "Decisions of the CPC Central Committee on Several Issues in the Building of a Harmonious Socialist Society" proposed maintaining the public welfare nature of public health services, deepening health care reform, strengthening governmental responsibility, and toughening supervision and regulation to establish a system that covers both urban and rural residents, and delivers safe, effective, convenient and affordable public health services.

percent of the total population.[39] As shown in table 2.3, the ratio of per capita expenditures of urban residents to rural residents is around 3:1.

Inefficiency and overcapacity. Even if health facilities exist, utilization rates remain uneven.[40] In 2007, only 78.3 percent of beds were used in hospitals at the county level and above; township hospitals reported an even lower rate of 48.5 percent[41]. The system of public administration for health care is fragmented and burdened by unclear responsibilities, while gaps and overlaps in the provider system make public spending inefficient. The WHO has argued that without greater health system reforms, additional expenditures will *not* improve access or reduce out-of-pocket payments. The World Bank estimates that costs in township health centres would be 40 percent lower if excess capacity was removed.[42]

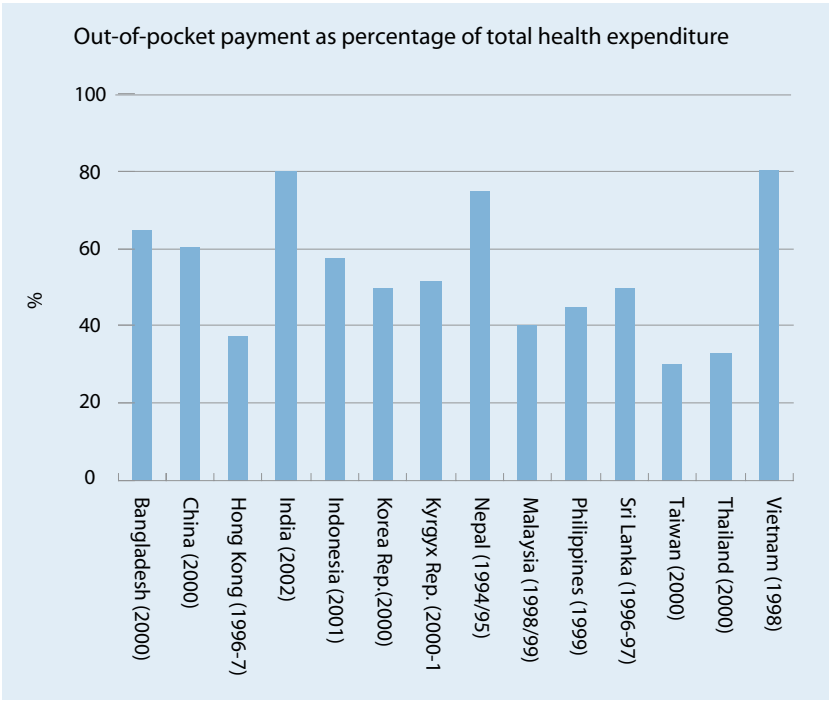
39 Du Qinglin 2005.

40 The Ministry of Health 2007.

41 Ministry of Health, "Statistical Communiqué of China Health Development in 2007", www.gov.cn, 5 May 2008.

42 Karen Eggleston, Li Ling, Meng Qingyue, Magnus Lindelow, Adam Wagstaff, "Health Service in China: A Literature Review", Health Economics, 2007 Wagstaff and Lindelow 2007.

Figure 2.4 **Comparing out-of-pocket health care expenditures**



Bias towards curative health care. Resource allocation patterns reveal a health care model that is biased towards spending on hospitals and medical treatment instead of preventative health care and public health functions.

Lack of effective new regulatory and oversight institutions and mechanisms for health sector agents. China's health sector is now vastly more complex and diverse than in the planned economy era. The Government's role has shifted dramatically from the production of virtually all health sector products and services, to a policy-making and regulatory function. New government oversight institutions, along with regulatory standards and licensing powers, are needed to ensure that pharmaceutical manufacturers, health care providers and other health sector agents are performing properly.

Future Goals

The Government has clearly stated that it intends to expedite reforms to ensure that everyone enjoys basic health care. By 2010, China plans to put in place a system covering all residents in the country. It also seeks to establish a universal basic medical insurance system, including a rural cooperative medical care system and basic medical insurance for urban residents. At present, China is executing pilot projects in urban areas, aiming by 2010 to offer basic medical security to over 200 million unemployed individuals who were previously uncovered.[43]

According to the 11th Five-Year Plan, by 2010, the Government will take steps to increase average life expectancy to 72.5 years; reduce infant and under-five mortality rates to less than 15 per 1,000 live births and 17.7 per 1,000 live births, respectively; reduce maternal mortality to under 400 per 100,000 live births; and ensure the inoculation rate of children exceeds 95 percent in the cities and 90 percent in rural areas.[44] Although new life expectancy data will not be available until the 2010 Census, strong progress has been made in reducing infant and maternal mortality rates, and increasing the inoculation rates, suggesting that these targets are likely within reach.

Basic Social Security

In China, it is now fully recognized that a basic social security system should provide a reliable means of support in old age and serve as an effective absorber of shocks. This is a fundamental human development objective fully consistent with the Government's goal of ensuring order and stability in a harmonious society.

Major social insurance schemes in China include the urban and rural old-age pension programmes, unemployment and work-related injury insurance, basic medical care, maternity insurance and the minimum living standard allowance programme. The Government has set ambitious goals for improvements, given that an ageing population is exerting pressure on the payment of pension, medical and other social security benefits.[45] By 2010, China intends to set up a sound old-age insurance system covering 223 million employed people with basic pensions, a basic medical care plan covering 300 million people, an unemployment insurance plan covering 120 million people, and a work-place injury plan covering140 million people, and maternity insurance for 80 million women. The Government also intends to progressively increase the coverage and levels of rural old-age insurance and the rural minimum living standard allowance, as well as the enterprise annuity.[46] Universal coverage is the target of the new rural cooperative medical system.

RECENT PERFORMANCE

Government investment. As part of its effort to upgrade the entire social insurance system, the Government has rapidly scaled up public fiscal inputs. As shown in Figure 2.5, from 2001 to 2006, govern-

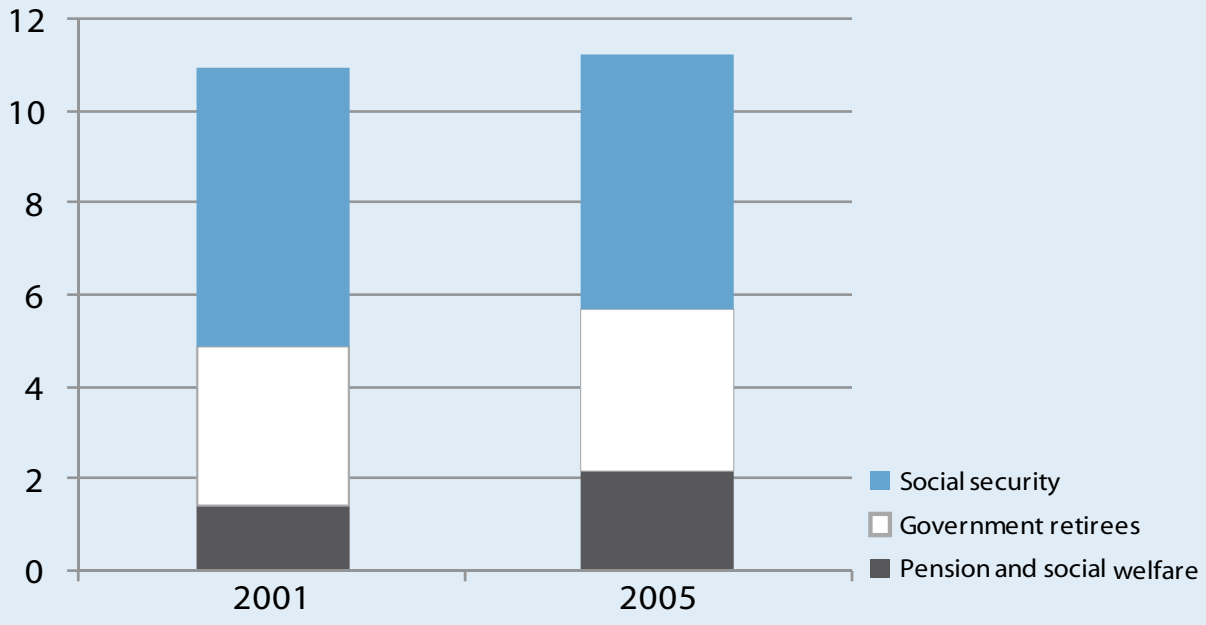
43 Bai Tianliang 2007.

44 *The Outline of the Eleventh Five-Year Plan for the Development of China's Public Health*, http://www.gov.cn, accessed May 30, 2007

45 According to the International Union for the Scientific Study of Population, an ageing society is one in which the proportion of people over 60 exceeds 10 percent of the total population, or those over 65 reach or exceed 7 percent of the total population. In 2000, the proportion of Chinese population over 65 reached 7 percent, which marked the start of an ageing society. In 2006, the proportion went up to 7.9 percent. Source: *2007 China Statistical Abstract,* Beijing: China Statistic Press, May 2007.

46 *The Outline of the Eleventh Five-Year (2006-2010) Plan for the Development of China's Social Security,* http://www.molss.gov.cn/gb/zt/2006-11/08/content_146879.htm, accessed November 8, 2006.

Figure 2.5 Share of government expenditure on social insurance (2001-2005) (%)



Source: 2006 China Fiscal Yearbook.

Figure 2.6 Insurance holders under various schemes (2003-2006) (millions)

Source: Statistical Bulletin on the Development of China's Labor and Social Security Undertakings from 2003 to 2006

ment spending on social security across the country increased from nearly 200 billion Yuan to around 436.18 billion Yuan, while the share of social security in total government spending stayed roughly constant at 11 percent. The absolute amount of government spending on social relief and its share in total government spending have both increased.

Since 2002, central budget funding for the minimum living standard allowance for urban residents has increased sharply, from 2.3 billion Yuan in 2001 to 11.2 billion Yuan in 2006. Adding in funds from local governments, total annual government spending went up from 4.6 billion Yuan in 2001 to 24.1 billion Yuan in 2006.[47]

The scale of national social security funding has also been expanding. By the end of 2006, the enterprise annuity reached 91 billion Yuan; in the first half of 2007, the total income of the social security fund had increased by nearly 30 percent year-on-year.[48]

Coverage of social insurance programs. Between 2002 and 2007, in part due to increased government funding, the number of people covered by all schemes except the rural pension programme steadily increased (see Figure 2.6). In relative terms, the number purchasing work-related injury insurance and maternity insurance grew the fastest, up 133 percent and 85 percent, respectively. The number taking part in urban old-age insurance and unemployment insurance grew the slowest.

In 2007, the number using old-age insurance for employed urban residents exceeded 201 million, an increase of nearly 14 million people compared with 2002. Another 223.1 million people were using urban employees' medical insurance, an increase of 65.8 million people over 2002. Unemployment insurance for urban workers covered 116.5 million people, an increase of 4.6 million people over 2002. The number of people covered by work-related injury insurance reached 121.7 million, an increase of 19.1 million people over 2002. The number of women covered by this programme rose to 77.8 million people, an increase of 13.2 million people compared with 2002. The average coverage rate of the old-age insurance was around 77 percent nationwide, while the average participation rate among employees was around 74 percent.[49]

New rural medical care cooperative system. Since 2007, the new cooperative medical system in rural areas has been expanding rapidly. By the end of March 2008, the system was reaching 90 percent of the total rural population. In 2007, the total benefits paid out amounted to 34.66 billion Yuan for 450 million rural residents,[50] which has helped reduce rural residents' spending on medical care and relieve poverty caused by illness. That same year, 34.5 million rural residents tapped into the minimum living allowance system, an increase of 19.5 million or 128.7 percent over the previous year. The average per capita benefit was 70 Yuan per month, with a government investment of 10.4 billion Yuan.

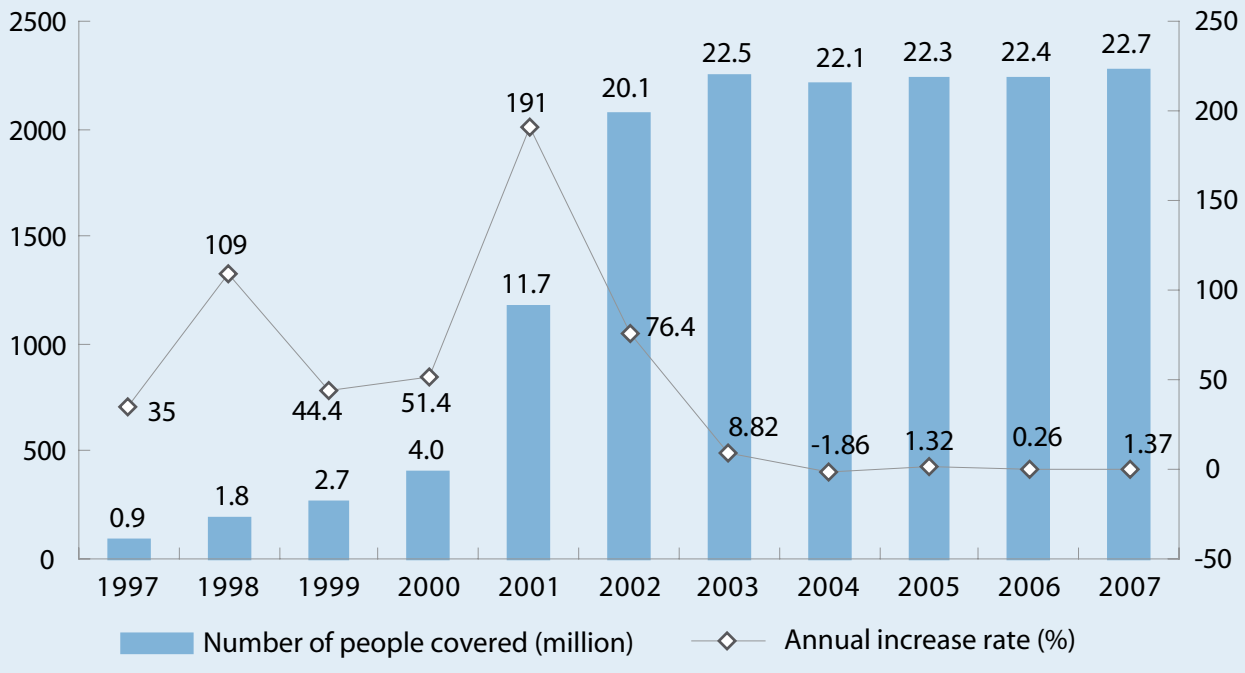
Urban Minimum Living Subsidy. In urban areas, the number of people benefiting from the minimum living allowance system has risen exponentially, from 4 million people in 2000 to over 22.7 million people in 2007.[51] The official goal of "providing insurance to all the targeted population" has basically been realized (see Figure 2.7). Total government expenditures on this service increased by 22.2 percent in 2007 over the previous year. The average subsidy per person per month reached 182 Yuan, a boost of 7.6 percent. The per capita subsidy increased to 102 Yuan per month, up 11.5 percent over the previous year.

TOWARDS A WIDER NETWORK

The development of China's social security system is closely related to its economic transition. Before the reform era, social security was reserved for urban areas, especially government departments, public institutions and state-owned enterprises. With market-oriented reforms, a wider social security network became an imperative. Since the 1980s, reforms have progressed incrementally, with an initial focus on urban old-age, medical and unemployment insurance. Since 2000, the Government has been gradually ex-

47 Ministry of Finance, "China Fiscal Yearbook 2007", China Fiscal Journal Publishing House, Beijing, 2008
48 DRC net, 25 July, 2007.
49 Song Xiaowu, Xing Wei and Ding Yuan 2007.
50 Ministry of Civil Affairs 2007.
51 Ministry of Civil Affairs, "Statistical Communique of Civil Affairs Development in 2007", www.gov.cn, 4 May, 2008

Figure 2.7 The growth in coverage of urban minimum living standard allowance



Source: 2006 Statistical Report on the Development of China's Civil Administration

tending old-age and medical insurance, along with the minimum living allowance system in rural areas.

Basic old-age insurance

The basic old-age insurance system in China comprises schemes designed for different groups of people, namely, urban enterprise employees, staff in government departments and public institutions, and rural residents. Overall, the first two schemes are relatively mature, while the scheme for rural residents is new.

Basic old-age insurance system for urban enterprise employees. In 1997, the Government sought to establish a unified basic old-age insurance system for urban enterprise employees. The State Council in 2005 issued "The Decision on Perfecting Enterprise Employees' Basic Old-Age Insurance System," which further standardized the system. Insurance is paid together by the enterprise and the employee. The enterprise contributes an amount equal to 20 percent of the employee's salary to a pooled account, while the employee contributes 8 percent of his or her salary to an individual account. The pension plan comprises a basic account and an individual account. The monthly benefit from the basic account is based on the mean value of local people's monthly average salary in the previous year and the covered employee's indexed monthly salary. The employee is entitled to 1 percent of the pension benefit for every one year he or she has paid into the account.

The monthly benefit from an individual account is the total deposit divided by the scheduled number of months he or she will receive the benefit, which shall be determined by such factors as average life expectancy, interest rates and the employee's age of retirement. The pension benefit is linked to changes in employees' salaries and price fluctuations, and is subject to adjustments in proportion to the salary growth rate of local employees.

For self-employed or casually employed urban residents, 20 percent of local employees' average salary in the previous year is contributed to the basic old-age insurance scheme, of which 8 percent is put into their individual accounts. They receive retirement benefits in the same way as enterprise employees do.

For staff in government departments and public institutions, pension benefits are linked with their salaries prior to retirement. Everyone who has worked for over 20 years is entitled to a pension benefit, which includes his or her basic salary and work-age subsidy at retirement, as well as a defined proportion of his or her post-related subsidy. If a person has worked for over 35 years, he or she gets 88 percent of the post-related subsidy. This declines to 82 percent for 30 to 35 years of service, 75 percent for 20 to 30 years and 60 percent for 10 to 20 years. If someone has worked for less than 10 years, he or she gets the full basic salary and work-age subsidy, but only 40 percent of the post-related salary. An employee of a public institution (service unit) gets a certain proportion of the total of his post-related salary and subsidies after retirement. If a person has worked for over 35 years, he or she gets 90 percent of his total salary, or 85 percent for 30 to 35 years, 80 percent for 20 to 30 years, 70 percent for 10 to 20 years and 50 percent for less than 10 years.

Rural Old-age Insurance. The Government first experimented with rural old-age insurance in 1991, with pilot programmes in selected counties. The system mainly draws on individual contributions, supplemented by collective subsidies. Both are put into an individual account. The insurance fund is managed and audited at the county level, and incremental value is obtained through bank deposits and national debt purchases. The insured can get a pension when she or he is 60, according to the accumulated deposits in the individual account. The responsibility for rural old-age insurance shifted from the Ministry of Civil Affairs to the Ministry of Labour and Social Security in 1998. At present, some local governments are experimenting with reforms of the system, including through increased support by local public finance. The purpose is to establish a system that combines individual contributions, collective contributions and governmental subsidies, and that can attract more rural participants in order to continuously raise the level of security.

Old-age Insurance for Farmers with Their Land Requisitioned. In April 2006, the State Council proposed establishing a social security system tailor-made for farmers whose land had been requisitioned. For those within planned urban boundaries, a basic minimum living allowance system and pension plan would be formulated according to their local economic standing and age-group to prevent their living standards from deteriorating. These programmes would be funded by the resettlement subsidy and land compensation as approved by local governments, with deficits filled by income from the use of state-owned land. In October 2006, the State Council's "Circular on Strengthening Land Regulation" stated that compensation for land requisition should be made to guarantee the original living standard of the farmers. In April 2007, two ministries issued a circular requiring that land requisition be halted if no social security programme or fund is in place for affected farmers.

Basic medical insurance

Medical security system for employed urban residents. Since the 1980s, multiple reforms have been applied to the medical security system for employed urban residents. From 1980 to 1992, the main goal was to rein in excessive medical costs by introducing an expense-sharing mechanism and strengthening control over the hospital supply chain. Reforms entered a second stage when the central Government conducted pilot experiments in the cities of Zhenjiang and Jiujiang in 1994. By the end of 1996, these had expanded to 29 provinces, cities and municipalities. China introduced the "New Plan for Establishing Basic Medical Insurance for Employed Urban Residents in 1998," and by the end of 2007, 179.8 million employed people were participating.[52]

Basic medical care insurance system for non-working urban residents. A basic medical care insurance system for non-working urban residents is another important measure, falling under the urban residents' medical insurance policy system.[53] The targeted group includes unemployed urban residents, students, children and youth, and the elderly. A pilot programme was launched in 2007 and expanded to 229 cities in 2008. The goal is for 80 percent of all cities to establish such a system by 2009, with full coverage achieved by 2010.

52 National Economic and Social Development Statistics Bulletin.

53 Wen Jiabao, "Work Hard to Experiment with the Basic Medical Insurance for Urban Residents," www.sina.com, 24 July, 2007

New Rural Medical Care Cooperative System. In rural areas, the new cooperative medical care system provides for the treatment of serious diseases. Farmers voluntarily participate in a scheme funded by individuals, organizations and governments. Experiments with this system began in 2003 through the granting of an annual central government subsidy of 10 Yuan to each farmer in the western region (except urban areas) participating in the system, in addition to a local government subsidy of at least 10 Yuan.

In 2006, the central and local government subsidies were both raised to 20 Yuan,[54] increasing the security of the system. The total subsidy increased again in 2008 to 80 Yuan. The central Government's 40-Yuan share applies to each participating rural resident in western and central China. In other areas, amounts vary according to the fiscal situation. Provincial governments take the main responsibility for subsidizing the balance to reduce the financial burden on county governments.[55]

Urban unemployment insurance

In July 1986, the State Council issued "The Temporary Provisions on Laid-off Insurance for (State-Owned Enterprise) Employees," which marked the start of China's unemployment insurance system. Although the Temporary Provisions were a low-level unemployment insurance system applied only to state-owned enterprises, they created conditions to help the labour system transition from a planned to a market economy. In May 1993, as the original Temporary Provisions were fraught with problems such as limited coverage, low-level security and poor fund sustainability, the State Council made partial adjustments, and promulgated "The Provisions on Laid-off Insurance for (State-Owned Enterprise) Employees." In January 1999, the State Council released "The Regulations on Unemployment Insurance," expanding insurance coverage to all enterprises and public institutions, and their employees. This insurance had the dual function of guaranteeing livelihoods and promoting employment. A funding mechanism jointly supported by employers, employees and financial departments was established.

54 The Ministry of Health et al., "Notice on Expanding the Trials of the New Rural Cooperative Medical Care", Website of the Ministry of Health, 24 January, 2006

55 Ministry of Health and Ministry of Finance, "Notice on Improvement of the Work on the New Rural Medical Care Cooperatives"

Minimum living subsidies

In urban areas, the minimum living allowance system began as a trial by some local governments before being adopted by the central Government and extended nationwide (see Box 2.5). A rural system offers subsidies to people whose per capita household income is lower than the minimum living standard.[56] In March 2007, the Government Work Report passed by the fifth session of the 10th National People's Congress suggested that a rural system should be built within the year. The "Circular on the Establishment of the Rural Minimum Living Subsidy System in the Country," issued by the State Council in August 2007, agreed on this approach, emphasizing that the focus would be on the sick, disabled, elderly and those without the ability to work. Rural residents meeting the system's criteria would all gradually be covered. In accordance with the principle of localized administration, the system would be handled by local governments, with subsidies from the central treasury for areas with financial difficulties.

The Five Guarantees

China's system of providing five guarantees (food, clothing, medical care, housing and burial expenses) in rural areas has passed through three stages. From 1956 to 1978, the system operated mainly under the collective public welfare fund and was organized by production teams or brigades. From 1979 to 2001, it continued to be a collective support system that drew on village and township reserves. Since 2002, it has become a modern social security scheme, which relies mainly on the Government. The new rules that took effect from 1 March 2006 had specific provisions regarding eligibility for coverage, the level, forms, supervision and management, and legal responsibilities of the five-guarantee system. About 5 million rural childless and infirm residents benefit from five-guarantees relief.[57]

Other schemes

Two new social security schemes have come into existence in recent years. Starting in 2003, the State Council requires work-related injury insurance for all

56 General Office of the Ministry of Civil Affairs, "The Views on Speeding up the Building of Rural Social Security System", website of Ministry of Civil Affairs, December 2006

57 Zhang Yi and Jiang Guocheng 2007.

Box 2.5: Minimum Living Standard Allowance for urban residents

In 1993, the Shanghai Municipal Government announced the establishment of a minimum living allowance system for urban residents, initiating the reform of China's social security system. After that, eastern coastal cities such as Dalian, Qingdao, Yantai, Fuzhou, Xiamen and Guangzhou adopted this system. In 1995, the central Government recognized the value of the system and instituted it for other parts of the country.

In 1997, the State Council issued the "Circular on the Establishment of the Minimum Living Allowance System for Urban Residents in Various Parts of the Country" demanding that all cities and county towns set up the system by the end of the 20th century.

In 2003, the Ministry of Civil Affairs issued the "Circular on the Relevant Issues Concerning the Establishment of the Urban Medical Aid System."

In 2004, the Ministry of Civil Affairs and Ministry of Construction jointly issued the "Measures for the Management of Low-Rent Housing for Urban Families Covered by the Minimum Living Standard Allowance." The Ministry of Civil Affairs and Ministry of Education jointly issued the "Circular on Better Handling the Educational Aid to Teenagers from Urban and Rural Poor Families." The Ministry of Civil Affairs promulgated the "Circular on Better Handling of Aid to University/College Graduates with Financial Difficulties."

From 2004, the Government embarked on building a comprehensive social aid and relief system centred on the urban minimum living allowance system, supplemented by preferential policies and a temporary aid system for medical care, education and housing. *Source: Tang Jun 2005.*

enterprises and their employees, self-employed as well as hired workers. This policy aimed at guaranteeing medical treatment and compensation for staff and workers suffering from work-related accidental injuries or occupational diseases, along with promoting vocational rehabilitation. Employers pay work-related injury insurance premiums, on average, about one percent of the total wage of an employee. The premium rate differentials between industries are determined by the risk of work-related injuries. Several tiers of premium rates within each industry are set in accordance with circumstances such as the use of insurance and the frequency of work-related injuries.

In urban enterprises, employers now pay maternity insurance premiums based on their total annual wage bill for all employees. Employer contribution rates are determined by local governments based on the number of birth-age women, birth allowances and birth costs in their locality, and the contributions are pooled, and benefits paid out, at the local government level. The maximum amount of the premium does not exceed one percent of the total wage. The birth allowance during the maternity leave is paid from a maternity insurance fund on the basis of the employee's average monthly wage over the previous year. The fund also covers birth-related costs, including medical check ups, delivery, operations, hospitalization, medicine and expenses for the treatment of disease caused by giving birth.[58]

GAPS AND CHALLENGES

Problems with the social security system, despite the efforts to improve it, including the following.

A low coverage rate. The major schemes reached less than 200 million employees in 2005, less than a quarter of the eligible population.[59]

An insufficient financial basis. With the exception of a few provinces such as Fujian and Shaanxi, the social security fund is normally pooled at the city or county level. Associated risks are rather large,[60] meaning that one of the fundamental requirements of an effective insurance scheme is not met. Pooling at higher levels with much large numbers of participants would greatly reduce risks and allow greater responsiveness to the requirements of workers who change jobs and locations, and want their insurance programmes to be portable.

58 Song Xiaowu, Xing Wei and Ding Yuan, op cit.

59 Chen Jiagui and Wang Yanzhong 2007, , Report on the Development of China's Social Security (2007) NO.3: Health Service and Medical Security in Transition, Beijing: Social Sciences Academic Press, 2007.

60 Zhang Lei, "The Social Security System Needs to be improved, and It is the Right Time to Collect Social Security Tax", China Tax News, 16 August, 2007.

Fragmented administration. Responsibilities for managing the social security system are divided among several government departments, including the Ministry of Civil Affairs, Ministry of Health, and Ministry of Human Resources and Social Security. Departmental interests and policies, more often than not, are mutually conflicting[61]. This makes it difficult for the social security system to meet the challenges posed by the ageing of the population, the massive movement of the labour force, diversifying employment and gaps in income distributions. Administration is also fragmented vertically between central and local governments, and horizontally across local governments. The lack of an integrated national system makes portability impossible, so that internal migrants or others have no access to insurance in places other than in their home areas.

Overspending. Personal social security accounts are seriously overstretched. For example, the pension insurance for workers in urban enterprises combines social pools with personal accounts, and both funds are managed as one. Even as the ageing of the Chinese population gathers pace, many social pools face deficits, with funds from personal accounts being used to cover the shortfall.[62]

Public Employment Service

Employment is key to human development because people derive earnings as well as dignity from fair work opportunities. They open avenues for themselves to become productive members of society. In China, the challenge of creating conditions so that hundreds of millions of people can be employed is a mammoth undertaking in economic governance. This includes providing public employment services to ease the pain of unemployment by providing free information, employment advice, job introductions, professional training and protection of labour rights.

RECENT PERFORMANCE

During the reform of state-owned enterprises in the 1990s, the Chinese Government systematically began to establish public employment services to support job seekers. In recent years, it has aimed to (1) create more job opportunities by promoting economic development; (2) devise active employment polices and support the unemployed; (3) provide vocational training services; (4) ensure harmonious labour relations to promote the quality of employment; and (5) complete the social security system to cover both the urban and rural labour forces, including through the provision of old-age, medical, unemployment, work-related injury and maternity insurance.

Recent Development of Employment Service Organizations in China: China's employment service agencies are fast developing. A nationwide network has been set up comprising public agencies run by labour departments of government at all levels, supported by social organizations and private employment services. Table 2.6 indicates that from 2002 to 2007, the number of people employed through this system grew to 19.8 million, a 102.6 percent increase. In 2007, China's 2,995 technical schools trained 3.81 million people, an 83.2 percent increase over 2002 (see Table 2.7). By the end of that year, employment training centres and non-governmental employment training institutions had assisted 19.6 million people, an increase of 83 percent over 2002 (see Table 2.8).[63]

Central and local governments have both increased spending on public employment services. In terms of discount loans, tax exemptions and re-employment subsidies in 2006, the total amount of financial support was 30 times greater than in 2002 (see Table 2.9).

61 Hua Jianmin,"Building the Party and Exerting the Administrtion for the People, and Consummating the Social Security System in Both Urban and Rural Areas",www.gov.cn 4 July 2007

62 In a speech at the Central University of Finance and Economics, Xiang Huaicheng, president of the Executive Council of the National Social Security Fund, noted that the deficit in the personal accounts of the social security fund has reached 720 billion Yuan (China Economic Net, 6 June, 2005).

63 Ministry of Labor and Social Security and National Bureau of Statistics 2007.

Table 2.6: **Job service agencies**

Year	Number of job service agencies			Number of people employed as a result of the service (million person/times)	
	Total	Run by labour and social security departments	Run by mass organizations and others	Total	Run by labour and social security departments
2002	26,158	18,010	8,148	13.5	9.8
2003	31,109	21,515	9,594	15.9	11.6
2004	33,890	23,347	10,543	18.4	13.4
2005	35,747	24,167	11,580	21.7	15.4
2006	37,450	24,777	12,673	/	18.5
2007	37,897	24,806	13,091	/	19.8

Source: The data for 2003-2005 are from China Labor and Social Security Statistics Yearbook; the data for 2002-2007 are from China Statistical

Table 2.7: **Technical schools**

	Number of technical schools	Number of people trained (million person/time)	Number of students enrolled (million)
2002	3,075	2.1	1.5
2003	2,970	2.3	1.9
2004	2,884	2.7	2.3
2005	2,855	2.7	2.8
2006	2,880	3.4	3.2
2007	2,995	3.8	3.7

Source: Statistical communique of Labor and Social Security Development, 2002 to 2007

Table 2.8: **Training by employment service agencies**

	Government employment training centres	Non-government employment training institutions	Number of people trained (million person/time)		
			Total	Reemployment training	Self-employment training
2002	3,465	17,350	10.7	5.2	0.3
2003	3,307	19,139	11.7	5.5	0.3
2004	3,323	21,425	14.9	5.3	0.3
2005	3,289	20,341	16.3	6.1	0.5
2006	3,212	21,462	19.1	6.5	0.6
2007	3,173	21,811	19.6	6.4	0.6

Source: Statistical communique on Labor and Social Security 2002-2007

Table 2.9: **Employment Service subsidies from the government, 1998-2006 (RMB 100 million)**

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total	6.55	4.17	6.35	6.81	11.38	99.24	130.12	160.91	345.37
Central government	0.20	0.20	0.20	0.20	0.20	41.11	63.20	89.70	234
Central level	0.20	0.20	0.20	0.20	0.15	0.15	1.89	2.37	8.83
Subsidies to localities					0.05	40.96	61.31	87.33	225.17
Localities	6.35	3.97	6.15	6.61	11.18	58.13	66.92	71.21	111.37

Source: China Fiscal Yearbook of China 2005-2007

Evolution of the Public Service System and Policies

Support for a Formal Labour Market: Public employment services began towards the end of the 1970s. By the 1980s, when the large number of educated urban youths that had been sent to work in the countryside during the Cultural Revolution returned to urban areas, the registered unemployment rate peaked at 5.4 percent, the highest since the 1950s. The Government encouraged educated urban youth to organize themselves into enterprises, to pursue self-employment or to be employed through public labour departments, thereby creating a formal labour market of job seekers and providers. The employment system and policies have undergone fundamental changes since then.

Encouraging a market-oriented employment system: In October 1986, the State Council circulated "four rules" on labour and state-owned enterprises.[64] These required enterprises to open recruitment to the public and select the best candidates (based on merit measured through examinations). All employees would sign employment contracts. This ended a policy of "unified recruitment and job assignment" under the planned economy.

In 1990, China's labour authorities formulated the "Interim Rules on the Employment Service" on the basis of experiences drawn from localities. It unified labour market institutions into "employment agencies" to provide job introductions, employment guidance and employment consulting. By the end of 1991, labour departments in all 30 provinces (municipalities and autonomous regions) on the Chinese mainland[65] had set up 9,674 job agencies, covering all provincial and autonomous region capitals, municipalities, cities at the prefecture and county level and then extending into townships.

In October 1992, China officially proposed the concept of fostering and developing the labour market. The State Council promulgated the "Regulations on Transforming the Operating Mechanism of Industrial Enterprises Owned by the Whole People," requiring state-owned enterprises to become part of the labour market. The 1995 "Labour Law of the People's Republic of China" specifically stipulated that all employment must be in accordance with the labour contract system. In June 1998, the Chinese Government proposed a new policy aimed at building a market-oriented employment system with "labourers selecting their jobs on their own, markets regulating employment demand and supply, and the Government promoting employment."

Between 2000 and 2003, the registered urban unemployment rate rose each year, and reached 4.3 percent which was 1.8 percentage points higher than in 1990 (see Figure 2.8). In view of the large number of redundant workers following the restructuring of state-owned enterprises, the Government came up with 10 measures in 2002 to address reemployment. The Government gradually established a policy framework oriented around the entire population, including migrant rural workers, and designed to improve public employment services (see Box 2.6).

Further legislative improvements: In 2006, the Government initiated a three-year action plan to push for a labour contract system and settlement of labour disputes. It also launched activities in enterprises and industrial parks to create harmonious labour relationships and to assist with full implementation of relevant laws and policies. The Standing Committee of the National People's Congress has passed the Labour Contract Law, which came into effect in 2008. It is a breakthrough in safeguarding employment rights, classifying and standardizing various forms of employment, clarifying legal responsibilities and protecting the legal rights and interests of the employer and improving labour relationship coordination mechanisms.[66]

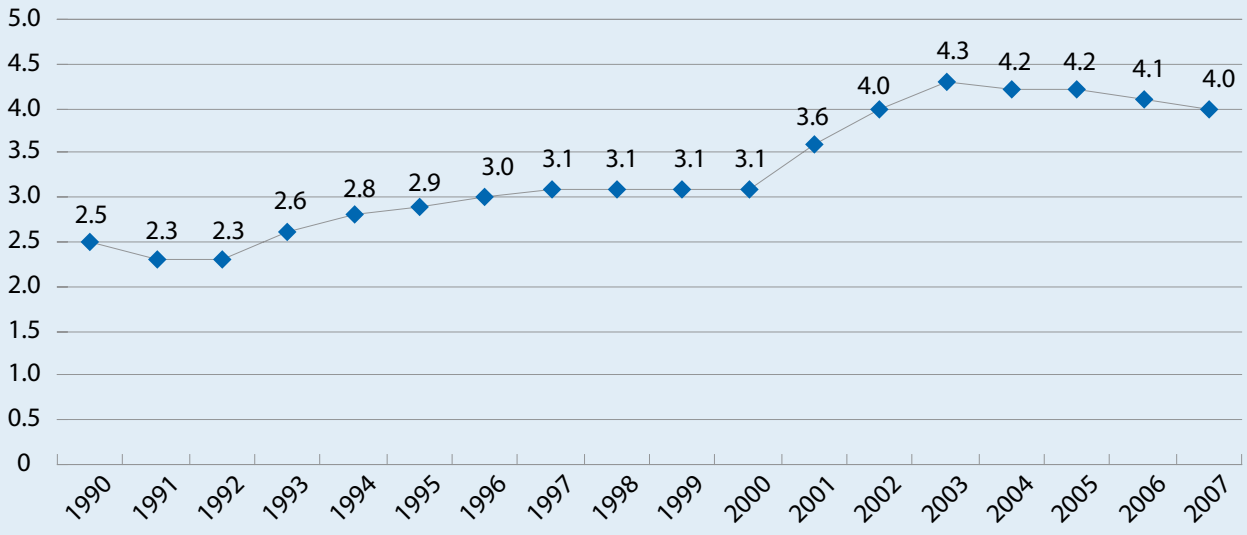
The Employment Promotion Law also came into effect in 2008, featuring a special chapter against job discrimination. Under it, the state must guarantee that women have equal rights to work. The law stipulates that employers cannot discriminate against women in their hiring practices, except in cases of state-specified work categories or posts un-

64 The four rules refer to the Interim Rules on the Labour Contract System to be practiced by state-owned enterprises, the Interim Rules on the Recruitment of Employees by State-Owned Enterprises, the Interim Rules on the Dismissal of Workers Violating Disciplines by the State-Owned Enterprises, and the Interim Rules on Unemployment Insurance for State-Owned Enterprise Workers.

65 Chongqing was still a city of Sichuan Province.

66 Tian Chengping 2007.

Figure 2.8 Urban registered unemployment trends (%)



Source: 2007 China Statistical Digest and 2007 China Labor and Social Security Statistics Yearbook

Box 2.6: **A comprehensive policy approach**

In April 2005, the State Council's "Views on Deepening the Economic System Reform in 2005" pointed out that a unified urban and rural labour market should be built at a faster pace, and some cities were selected to begin pilot strategies.

In November 2005, the State Council issued the "Circular on Further Improving the Employment and Reemployment Work." The policies encompassed tax reductions and exemptions, small loans, social security subsidies, employment assistance, separation of the main operations of the emterprise from the supporting ones, employment aid, vocational training, unemployment control, financial inputs and social security, as well as improvement of the employment.

In January 2006, the State Council's "Several Views on Solving the Problems of Migrant Rural Workers" included policies aiming at effectively protecting their legal rights and interests.

In April 2006, the former Ministry of Labour and Public Security circulated the "Guiding Views on Better Handling the Employment Training and Social Security Work for the Farmers Whose Farmland Has Been Expropriated." It pointed out that within the city plan area, farmers with expropriated land should be included in the unified unemployment registration and employment service systems. Those not employed can register with the local public employment service agency, which should offer employment advice, training and job introduction. Those of working age who wish to be employed shall enjoy preferential employment options.

In February 2007, the State Council issued the "Rules on the Employment of Disabled Persons."

In April 2007, the General Office of the State Council issued the "Circular on Better Handling the Employment of Graduates from Ordinary Universities/Colleges in 2007," requiring local labour and social security departments to pay sufficient attention to the employment of college graduates. *Source: Mo Rong 2007.*

suitable for women. Discriminatory practices against disabled workers are prohibited. The law grants rural labourers working in urban areas the same rights as urban labourers.

In 2007, the former Ministry of Labour and Social Security promulgated the "Regulations on Employment Service and Employment Administration." This document represents a further fine-tuning and improvement of the provisions of the Employment Promotion Law. It states that all labourers have the right to employment on an equal footing, and should not be subject to discrimination on the basis of ethnicity, race, gender or religion.

Preferential policies for special groups: Since the 1980s, a large number of rural labourers have flowed into cities. To effectively guide their employment, the Government launched the "Trial Project to Develop Job Opportunities for Rural Labourers" and the "Project to Ensure the Orderly Trans-Regional Flow of Rural Labour." These have achieved good results. After 2000, administrative restrictions on enterprises' hiring of migrant rural workers were lifted. The Government has also taken measures to solve the problem of migrant rural workers' wages being docked or not paid on time, expand vocational training, improve their living and working conditions, and increase production safety and the prevention and treatment of occupational diseases. Migrant rural workers are now covered by the work-related injury insurance scheme.

In September 2003, the Ministry of Agriculture, former Ministry of Labor and Resources, Ministry of Education, Ministry of Science and Technology, Ministry of Construction and Ministry of Finance jointly promulgated the "2003-2010 National Training Programme for Peasant Workers." It emphasizes vocational skills, and is an important tool to boost the competitiveness of peasant workers. Starting in 2004, all regions began introducing the "Sunshine Project" to offer training related to the transfer of rural labour to non-farm sectors. The project, supported by the central Government, offers pre-job vocational skills training in the leading grain-producing areas, the main labour-exporting regions, places most affected by poverty and remote mountainous areas.

Employment Services for Women: The Chinese Government protects women's right to equal pay for equal work and endeavours to eliminate all forms of discrimination. Laid-off women workers older than 40 who are without professional skills and live on the minimum living standard allowance are key targets of employment assistance.[67] By the end of 2005, the number of women employed in urban and rural areas surpassed 341 million, 24 million more than in 2000, and higher than the target set by the "Outline Programme for Development of Chinese Women."[68]

Employment Services for the Disabled: Government and non-governmental institutions have been actively engaged in solving problems in the employment of disabled persons, and striving to create an environment for their equal participation in social activities. In February 2007, the State Council circulated the "Rules on the Employment of Disabled Persons," encouraging social groups and individuals to support their employment through various means, and banning discrimination. Following a 10-year effort, the employment rate of the disabled has increased from less than 50 percent in 1988 to over 83 percent in 2003.[69]

Employment Services for Zero-employment Families: All regions in China began a campaign in 2005 to eliminate "zero-employment families." Urban families whose working-age members are all without jobs can apply to the local sub-district and community public employment service institutions for employment assistance. After verifying their applications, these institutions provide suitable employment for at least one of the family members. In June 2007, the Ministry of Labour and Social Security issued the "Notice on Comprehensively Promoting Assistance to Zero-Employment Families." The document requests all regions to obtain the exact number of zero-employment families in their jurisdictions and provide support. By the end of September 2007, over 99.9 percent of the approximately 869,000 zero-employment families had at least one of their family members employed. As a result, China had only 37,000 families completely without a job.[70]

67 Jiang Yongping "Women's Employment", in "China Employment Report 2005" edited by You Jun, Beijing, China Labor and Social Security Press, 2005

68 The National Working Committee for Women and Children under the State Council, Midterm Evaluation Report on the Implementation of the Programme for the Development of Chinese Women (2001-2010).

69 You Jun *China Employment Report:* 2005

70 National Human Resources and Social Security Ministry, "China Labor and Social Security Development Statistics Report 2007"

Protection of the Rights and Interests of the People with Irregular Jobs: Irregular employment refers to employment organized by laid-off and jobless individuals to provide services for communities, city governments, enterprises and public institutions at short-notice (such as cleaning jobs). Previously, it was impossible to establish stable labour relations for this category.[71] The Labour Contract Law removes the difference between a "regular worker" and a "temporary worker," so that all those who have established labour relations are "regular workers" entitled to wages according to the law.

GAPS AND CHALLENGES

Although the Chinese Government regards employment as critical to improving people's livelihoods, and has done much to promote job opportunities, create an employment service system and provide financial support to job creation, the labour market itself still confronts serious challenges.

Insufficient jobs. The gap between labour supply and demand is glaring. During the 11th Five-Year Plan, an estimated 50 million workers entered a job market offering only 40 million positions.[72] With many laid-off workers of state-owned enterprises still out of jobs, and with further reforms producing more redundancies, the pressure on employment will remain heavy for a long time.

Insufficient employment services. The number of vocational training schools is insufficient. They cannot cope with the demand for training from people seeking employment or reemployment. According to a 2006 survey on the Chinese public's perceptions of employment services, conducted by Zero Point Company,[73] nearly half the interviewees thought there were no organizations available to offer them. More than half said there were few vocational training activities in their regions. Of those who took part in vocational training, about a quarter were not satisfied.

Unequal accessibility. According to the Zero Point Company survey, the lack of employment information, training and job opportunities is more serious in rural areas than in cities and towns. More than two thirds of rural residents claimed that there was no vocational facility in their region; about two thirds thought employment and training in their region were far from sufficient. The survey also revealed that blue-collar and laid-off workers in urban areas, and agricultural, migrant and unemployed labourers in rural areas were those least likely to turn to employment services. They noted that current services only satisfy 38.6 percent to 53 percent of their needs.

Insufficient use of public employment resources. Part of the problem with employment services is that people aren't using them even in areas where the services are of high quality, such as in Shanghai and Tianjin. The services are often seen as a last resort, to be used only after job searches through family or personal contacts are unsuccessful. In addition, many people have very little knowledge about the employment services system and do not know how to use it. Some employment services charge high user fees and may not be affordable to vulnerable groups.

Since the turn of the century the Chinese government has been paying increasing attention to strengthening the provision of the basic public services discussed in this chapter. Nevertheless, due to the country's still comparatively low level of economic productivity and to the fact that social development has lagged behind economic, basic public services are still provided at a low level, with limited coverage and a number of gaps. While this is largely a result of economic conditions, it also reflects a number of underlying structural problems in the overall public service system and institutions. Some of these issues will be discussed in more detail in Chapter 3.

71 Wang Jingtao "Ambiguous Understanding of Irregular Employment", "China Labor Market", 20 April 2004

72 "Outline of Labor and Social Security During the 11th Five-year Plan", Xinhuanet, 8 November 2006.

73 Detailed reference needed

BASIC PUBLIC SERVICES: OBJECTIVES AND GAPS

FOR WHERE THERE IS
THERE IS NO
WHERE THERE IS HARMONY, THERE
WHERE THERE IS CONTENTMENT,

—CONFUCIUS (551-479 BC)

CHAPTER 3

BASIC PUBLIC SERVICES: OBJECTIVES AND GAPS

EVEN DISTRIBUTION, POVERTY. IS NO SCARCITY. THERE IS NO REVOLT.

Since 2006 when the Chinese government pronounced the policy objective of "gradually equalizing basic public services", the starting-point, trends and challenges for this process have remained hot topics among all walks of life in the Chinese society. This chapter discusses the specific objectives and current level of equalization of basic public services, assesses major gaps in basic public services and analyzes key system-related, institutional and mechanism-related barriers to this process.

Equal Access to Basic Public Services

As discussed in Chapter 1, China's sustained and rapid economic growth over the last 30 years has created benefits for the Chinese people of a magnitude that could not have been imagined. But new challenges have arisen as well. One of the most important of these is the emergence and continued widening of inequalities in income and human development. In this new era of China's development, the Government, with far greater fiscal and human resources at its disposal than ever before, is reorienting its policies to focus on these issues. The bridging of development gaps between urban and rural areas; among the eastern, central and western regions; and among social groups is now one of the highest priority public policy objectives.

Building a robust, effective and equitable system of basic public services is the single most important step forward. Chapter one analysed the powerful links of basic public services to human development. Gaps rooted in market forces and competitiveness factors that drive the variations in China's economic development between better-off and poorer regions will only gradually change. State investments in education, health care, social insurance and employment services allow the government to offset the impacts of these economic development gaps and ensure that they do not lead to equally or more serious human development gaps.

Box 3.1: **Official Policies to Promote Equalization**

Increases in government investment in education, healthcare, and culture as well as fixed asset construction shall mainly be allocated to rural areas, and the proportion of the funds collected by the local government from leasing land-use rights that is invested in rural areas will be expanded.

Central budget funds used for fiscal transfers shall focus on the central and western regions to improve infrastructure and public services with the aim of gradually narrowing the gap between regions. Transfers shall also be increased to remote, mountainous regions, ethnic minority-inhabited areas, grain-producing and mineral resource developing areas and key ecological protection areas. Particular support will be provided for minority nationalities with small populations.

Public education resources will be shifted in favor of poor rural areas, central and western regions, border areas and minority-inhabited regions to narrow the urban-rural and regional gaps in education.

In health, urban and rural resources will be integrated to establish one-on-one assistance between urban and rural hospitals and two-way transfer of patients between large hospitals and community clinics; personnel policy for medical personnel will be revamped so that those with high and medium qualifications will receive greater incentives to regularly serve at the grassroots level. Meanwhile, the training of medical workers in rural areas should be further strengthened.

Public finance institutions are to be further developed for the purpose of gradually equalizing basic public services. Fiscal systems are to be further developed and the structure of fiscal expenditures is to be adjusted to put more funds into education, healthcare, culture, re-employment services, social security, environmental protection, infrastructure and public security.

Source: Translated from the Decisions of the CPC Central Committee on Some Major Issues Concerning Building Socialist Harmonious Society.

These would undermine social stability and developmental sustainability.

Recognizing this prospect, in 2006 the Government committed itself to "gradually achieving equalization of basic public services, guaranteeing social justice and fairness and promoting the construction of a harmonious society" (see Box 3.1). All relevant ministries are working actively to frame strategies in response to the goal of equalization. As recently as January 2008, Chen Zhu, the Minister of Health, for example, noted that all people share the same right to basic health care; his ministry's blueprint for reform includes setting up a basic medical care network for all by 2010.[1] New social insurance programmes for rural areas will offer fair access to an integrated national social insurance system. The 2007 launch of free compulsory education for all rural students is another example of a strong new policy aiming at equalization.

BASIC CONCEPTS

The goal of the equalization policy is to ensure that all members of society enjoy access to basic public services including quality primary education, public health care and basic medical treatment, basic social security and public employment services. It does not aim at egalitarian outcomes in public services, which were not achievable even during the planned economy era, and which are even less attainable or appropriate at this time. Instead, the policy aims to establish unified national public service and public finance institutions, systems and policies that will contain inequality at acceptable levels by ensuring that even vulnerable groups and poorer regions are guaranteed a decent level of key services.

Minimum quantitative thresholds on what constitutes adequate access or quality have not yet been set, and even after they are set they can be expected to rise over time as the country continues to develop. Still, setting minimum quantitative thresholds as soon as possible can play a big role in expediting the

1 China Daily, January 8, 2008.

process of equalizing basic public services. The thrust of equalization as a policy objective will remain the same: all Chinese people should enjoy equality of opportunity and fairness of outcomes with respect to these core government functions. No one should be denied access to an acceptable level of services, whether they are from urban or rural areas, from more prosperous coastal provinces or poorer interior ones, or because of gender, status in the hukou system,[2] or any other reason.

Equalization is generally understood as defined by the following parameters.

Equalization of basic public services *does not imply egalitarian service delivery* but requires that there should be unified institutional service provision arrangements for the entire nation.[3]

All citizens should have opportunities that result in comparable outcomes with respect to the most fundamental aspects of development. This requires quantitative targets for minimum levels of service provision together with guarantees of the right of people to make choices.[4]

Existing gaps in delivery should be narrowed to a reasonable limit in the interest of social justice and harmony. This is an urgent need in view of the large income disparities between urban and rural residents, across regions and between different social groups.

The special concerns of disadvantaged groups must be seriously addressed. Equalization cannot be achieved until even the most disadvantaged members of society have guaranteed access to basic public services as the function of the government.

URGENT TASKS

Much analysis of the challenges in equalizing basic public services focuses on funding imbalances. Ensuring the allocation of an appropriate level of adequate resources to the levels of government where services are being financed is an essential precondition. This is a dual problem. First, the total amount of funds invested in these services must be sufficient, and second, they must be allocated based on the goal of service equalization. The wide gaps in local government fiscal capacities require urgent attention.

However, a well-funded and well-equipped public health or education system serves little purpose if service providers have no incentive to perform well, or if the services offered are not the ones that users need. Comparable service quality is also an issue that needs to be looked at across regions and groups, requiring the establishment of regulatory and monitoring systems to enforce quality standards. Therefore, the "harder" needs of physical and financial systems and infrastructure must go hand-in-hand with the "softer" components such as incentives and transparency.

Another critical distinction is between *physical* accessibility and *real* accessibility. Services may be physically accessible—clinics built, schools constructed and staffed, etc.—but in reality inaccessible to people who urgently need them, for two reasons. First, if the cost of a service is too high relative to the disposable income of a person who needs it, it remains inaccessible. Basic public services, by definition, are so essential that financial accessibility should be guaranteed. A second issue is entitlement. The household registration system, in particular, denies access to public services for many households who might be located immediately next door to the clinic, or school, or social insurance office that provides those services.

Therefore, China faces several urgent tasks to substantially promote equal access to services:

These start with rebalancing urban and rural service provision. The country is now entering a stage where industry feeds agriculture and cities support

2 *Hukou* is a unique Chinese institution of household registration that restricts free migration and access to state-sponsored benefits. China has moved to phase out the *nongzhuanfei*—the process of *hukou* conversion from rural to urban, but this has done little to weaken the foundations of the system. Some cities are granting urban rights to rural residents, but this applies to only a limited group already holding local *hukou* status. The delegation of authority to local governments to manage population movements has in fact sharpened the distinction between "locals" and "outsiders," as they can now define their own entry conditions (Chan and Buckingham 2007).

3 Chi Fulin, *"Starting Point: China's Reform Enters into the 30th Year"*. Beijing, China Economics Press, July 2007

4 Chang Xiuze,"Gradually Realizing Equalization of Basic Public Service", People's Daily, January31, 2007

rural areas, and where a dualistic structure of urban-rural basic public service institutions must be integrated to tackle deep-rooted problems with equalization of urban-rural basic public services. This will require increasing fiscal investment in rural areas to prioritize services badly needed by rural residents. The Government has decided to set up a steady fund-increase mechanism for farmers; focus on infrastructure; and channel increasing shares of new funds (e.g., from leasing land-use rights) towards compulsory education, the rural cooperative health care system and so on. These measures are expected to reduce disparities.

The 11th Five-Year Plan seeks to exploit the comparative advantages of the western, central and eastern regions and strengthen links between them as a basis of well-coordinated regional development patterns. China is currently carrying out a western development strategy by increasing overall financial support for this region, particularly for social development and public services, which aims at gradually improving public service delivery in this region.

One of the biggest tasks China has identified in equalizing basic public services is to prioritize reaching the most disadvantaged groups.[5] This will create

5 Gao Shangquan, "Redistribution should aim at solving the social security problem for disadvantageous groups", Guangming Daily, February 15, 2006

Box 3.2: Is equalization financially feasible?

The feasibility of equalizing basic public services is a frequent question. Though comprehensive estimates have not been computed, preliminary "back-of-the-envelope" calculations indicate that the required financial injection is well within China's economic means. In the education sector, in the case that free compulsory education is fully implemented, the total expense, calculated as per the exemption standard in 2005, would have been about 63 billion Yuan in 2006. Because of the natural decrease in the number of students enrolled in compulsory education year-on-year, this estimate is projected to fall to 60.5 billion Yuan in 2008 and 57.6 billion Yuan in 2010. While the projected total of 180 billion Yuan was based on the price index in 2005, 60 billion Yuan would be needed every year[C]. And this amount would not strain either China's public finances or its macroeconomic outlook.

In the health sector, if a basic medical program had been implemented in 2005, the total cost would have been 200 billion Yuan. This estimate does not include any funding for capital construction, in consideration of the fact that the basic infrastructure and equipment of China's medical institutions were already there. If individuals had paid 25% of the cost of their basic medical care, 20 billion Yuan could be deducted. Thus the total government expenditures would have been 180 billion Yuan that year.✦

Assuming that 1 billion people, including flexibly employed workers and their family members throughout the country had participated in medical insurance for serious diseases, and that the government had subsidized every participant at the level of 1.5% of per capita net income of rural residents, the government would have spent another 50 billion Yuan✦.

Using a minimum living standard allowance compensation standard of 50 percent of the US$1 per day per head poverty line (RMB 920 per year based on purchasing power parity), the government would also need to invest 173 billion Yuan✦ in this program. Assuming that 400 million people, mostly rural residents, were flexibly employed and all participated in a basic old-age insurance for flexibly employed workers, the costs of such a program can be estimated as follows. If they had each paid in 5% of the per capita net income of rural residents, and the government's contribution to the program had been the same amount, the government investment would have been 65 billion Yuan✦.

Therefore, the total government expenditures needed to provide universal coverage of these basic public services, including compulsory education, basic medical care, basic old-age insurance and minimum living subsidy allowance would be 372 billion Yuan per year, which is about 7.5 percent of total budget revenues. Overall, 30 years of reform have significantly strengthened China's economic clout, providing the necessary fiscal preconditions for the equalization of basic public services.

C Chen Tongkui, "Speed up the implementation of completely free compulsory education", Xinming Weekly, 10 March 2006

✦ Gong Sen, "Study of China's Strategy for the Development Rural Social Security Schemes".

conditions for them to grasp socioeconomic opportunities that lead to enjoying the fruits of growth.

This chapter analyses the current status of the thrust to equalize services. It examines gaps between urban and rural areas, regions, men and women, and migrant and registered urban households. Delving into the underlying causes of these gaps prepares a foundation for the policy recommendations in Chapter 4.

The remainder of this chapter analyzes the current status of equalization of basic public services, by examining gaps between urban and rural areas, between regions, between men and women, and between the families of migrant workers and registered urban households. It then analyzes the underlying causes of these gaps, in order to lay a foundation for the policy recommendations in Chapter 4.

Rural-Urban Disparities

GAPS IN COMPULSORY EDUCATION

The government programme of "two frees and one subsidy"[6] for rural compulsory education, launched in western provinces in 2004 and shortly thereafter carried out across the country, has sharply reduced the financial burden of rural families with children in school. In 2007, free compulsory education was initiated throughout rural China, a step that is to some extent closing urban-rural gaps. As noted in Chapter 1, elementary school enrollment rates are almost 100 percent for both boys and girls in urban and rural areas. Remaining disparities are in the quality of compulsory education, as determined by financial inputs, the physical conditions of schools and the qualifications of the teaching staff.

Financing shortfalls

A shortage of funding has constantly constrained the development of compulsory education in rural areas. The 2005 National Inspection Report on Education, however, indicates that the growth rate of government inputs into compulsory education has been higher in rural areas than cities.[7] From 2000 to 2004, the urban-rural ratio of public budgetary funds per primary school student was narrowed from 2.6:1 to 1.4:1. For junior middle-school students, the ratio fell from 2.4:1 to 1.3:1. "China Education Finance Statistics 2001-2005" points out that the urban-rural gap in funding for compulsory education is still reflected in the per-student budgetary education fund, per-student budgetary operating fund and per-student budgetary public fund.[8]

6 This program, called *liang mian, yi bu* in Chinese, provides free textbooks and tuition, along with living allowances for poor students in rural schools.

7 National Education Inspection Group,"2005 National Inspection Report of Education, "Education Development Research, 2006 (5)

8 These refer to the three major categories of budget spending on education, comprising operational costs such as payroll and other personnel expenses, other operating costs such as the purchase of teaching materials, and capital spending.

Table 3.1: **Input per student in compulsory education in cities and rural areas (2000-2004)** Unit: RMB

		Common primary school			Common junior middle school		
		Cities	Rural areas	Cities/rural	Cities	Rural areas	Cities/rural
Per-student education fund	2000	1484	798	1.86	1955	1014	1.93
	2004	1980	1326	1.49	2288	1487	1.54
Per-student recurrent operating expenses	2000	953	558	1.71	1120	667	1.68
	2004	1379	1035	1.33	1457	1101	1.32
Per-student budgetary fund for public use	2000	95	28	3.39	146	45	3.24
	2004	154	95	1.62	164	126	1.30

Source: Liu Ji'an 2007.

Table 3.2: **Urban-rural comparisons in school conditions**

	Facility	Rural (2005)	Urban (2005)	Urban-rural difference (%)
Primary schools	Per-student school floor space (M2)	5.37	5.22	-2.8
	Proportion of schools that reach standards for teaching instruments for the subjects of mathematics and nature (%)	51.08	72.81	42.5
	Proportion of schools that have Internet access (%)	5.89	42.55	622.4
Common junior middle schools	Proportion of schools that reach standards for experimental equipment for the subject of science (%)	71.27	75.58	6
	Proportion of schools that have Internet access (%)	23.04	52.00	125.7

Source: Report on National Education Development 2005

In all three funds, some less-developed regions still lag behind. The inspection group of the National People's Congress on the implementation of the Compulsory Education Law found that in Jiangxi, there were 13,800 classes with more than 66 students. Some classes had more than 100 students.[9] In the central and western regions, public expenditures on rural primary and middle schools have increased, but they cover only the basic operation of schools (see Table 3.1). In some cold and water-scarce areas, heating expenses use up more than half the allocated budget. This leaves little money for extracurricular educational, athletic and social activities to provide students with well-rounded development.

Physical infrastructure

Most junior middle and primary schools in rural areas have had a recent facelift, and the floor space per student in urban and rural schools is comparable. The disparity in the quality of school buildings, however, remains conspicuous. Although the number of rural primary schools that are classified as unsafe according to state construction standards was reduced by nearly 30 percent between 2001 and 2005, the area of schools considered unsafe still reached more than 22 million square metres. Although only 64 percent of primary and middle school students live in rural areas, 86 percent of unsafe school facilities are there, showing how much more likely rural children are to study in an unsafe environment.[10]

There are also gaps in teaching equipment, especially in science and mathematics. In more than one-third of provinces, these disparities continue to expand, with the value of teaching instruments per primary school student in the cities nearly three times as high as in rural schools.[11] A higher proportion of urban schools also maintains minimum standards for teaching equipment and accesses the Internet (see Table 3.2). In rural junior middle and primary schools, efforts to improve school conditions need to focus on upping the availability of modern teaching facilities and equipment.

Quality gaps

In the past few years, the educational backgrounds of urban and rural teachers providing compulsory education have improved, and differences in the level of their credentials have been narrowing. However there are still large gaps in the number of teachers with higher professional titles, in educational background of teachers and in the number of years of teaching experience (see Table 3.3 and Table 3.4). Some schools do not have enough government-paid teachers, and have to hire part-time teachers, whose wages on average are one-third less than those of government-paid teachers. Attracting well-qualified

9 Lu Yongxiang, "The Report of the Law Enforcement Inspection Group of NPC on the Inspection over the Implementation of the Compulsory Education Law", China Education News, July 6, 2007

10 Liu Ji'an 2007.

11 National Education Inspection Team:" National Inspection Report of Education 2005", *Education Development Research*, 2006 (5).

Table 3.3: **Education background of primary and junior middle school teachers in 2006**

	Cities		County and towns		Rural areas	
	Qualified teachers in terms of education background	Teachers with higher education background*	Qualified teachers in terms of education background	Teachers with higher education background	Qualified teachers in terms of education background	Teachers with higher education background
Primary schools	99.73%	82.54%	99.53%	72.41%	98.43%	53.61%
Junior Middle	98.78%	68.47%	96.95%	41.15%	94.80%	29.97%

Source: "China Education Statistical Yearbook 2006"

** The primary school teachers with qualified education background refer to those with secondary normal school or senior high school or higher education background; junior middle school teachers with qualified education background refer to those with junior college or higher education background. A junior middle school teacher with college or higher education background and a primary school teacher with junior college or higher education background are regarded as higher-education background teachers.*

Table 3.4: **Professional titles of junior middle school teachers in 2006**

Professional titles	Junior middle schools in cities (%)	Junior middle schools in county towns(%)	Junior middle schools in rural areas (%)
Senior middle school teacher	17.67	6.7	4.6
Grade 1 middle school teacher	43.16	39.87	35.23
Grade 2 middle school teacher	30.29	40.22	42.71
Grade 3 middle school teacher	2.38	6.18	8.77
Without	6.49	7.04	8.67

Source: "China Education Statistical Yearbook 2006"

teachers to rural schools—through pay and other incentives—will be necessary to raise educational quality.

There is no unified standard on classroom size in the cities and rural areas. Junior middle-school classes in rural areas are a third larger than in the cities, and rural primary school classes are, on average, more than 20 percent larger than urban ones. The student-teacher ratio in rural junior-middle schools is 18:1, whereas in urban junior middle schools it is 13.5:1. Similarly, the ratio in rural primary schools is 23:1, and 19:1 in urban primary schools.

Drop-out rates for students in primary and junior middle school are higher for rural areas, especially in junior middle schools. In early 2006, a survey conducted in Gansu found that the drop-out rate in rural primary and junior middle schools in different counties ranged from 0.2 percent to as much as 4.8 percent.[12] While the most common reason for dropping out was "bad grades and dislike of learning," 21 percent of respondents mentioned economic reasons. This comprises the need for children to earn income (12 percent of drop outs) and the cost of schooling (9 percent).[13]

SHORTFALLS IN PUBLIC HEALTH AND BASIC MEDICAL CARE

The Government has sped up the construction of urban and rural health care facilities, especially to respond to public health emergencies, control infectious diseases and expand the new rural coopera-

12 UNICEF 2006, p 49

13 Wang Xiaolin, Mei Hong, "China's Fiscal System and the Financing of Children's Education and Health Care in China", UNICEF and the General Office of the National Working Committee for Women and Children under the State Council, 2006.

tive medical service. But disparities remain between cities and rural areas in terms of access, quality and quantity of health services, partly reflecting patterns of resource distribution.

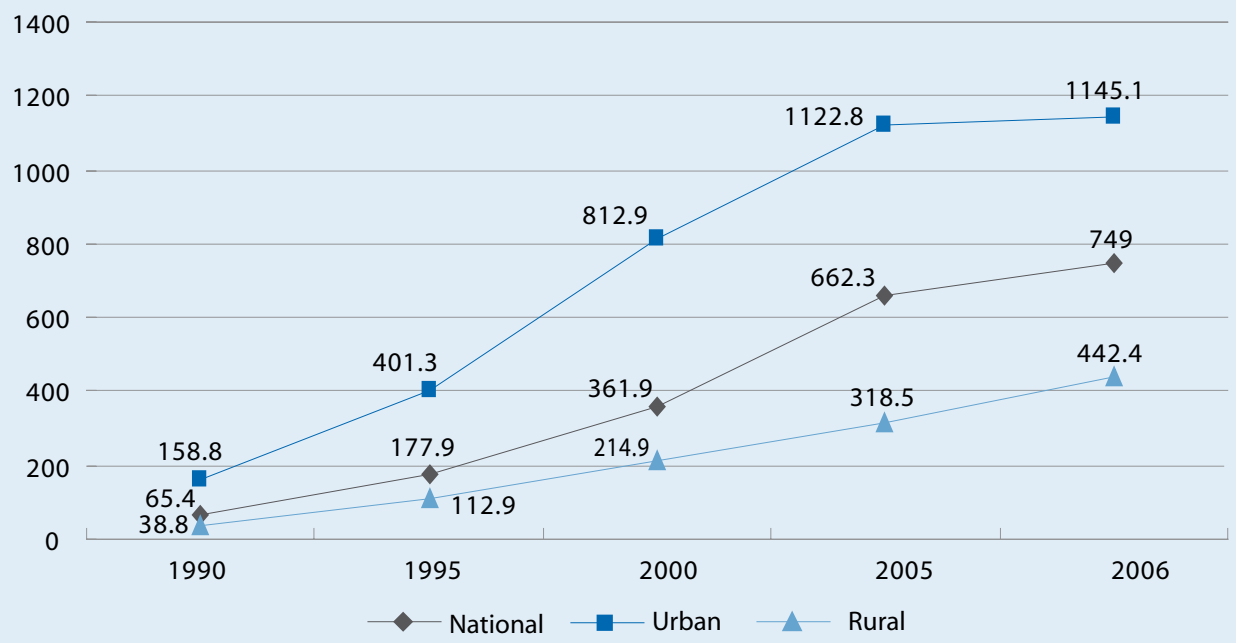
Health care financing

From 1990 to 2006, per capita health expenditures increased substantially in cities and rural areas, but the urban-rural gap continued to widen. In 2006, annual per capita health expenditures were 1,145.1 Yuan for urban residents and 442.4 Yuan for rural residents (see Figure 3.1). Although the net income of rural residents is about one-third of the per-capita disposable income of urban residents, the average private medical costs as a share of total consumption are similar for rural and urban residents, at 7.9 percent and 7.6 percent respectively.[14] As discussed in Chapter 2, this is an indication of the strong income elasticity in demand for health care services in China, and suggests that demand has growth rapidly in recent decades.

Growing demand has not been met by commen-

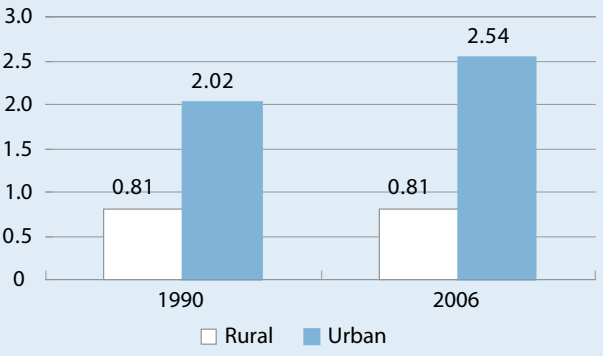
14 Calculated with the statistics from *China Yearbook of Statistics 2007*

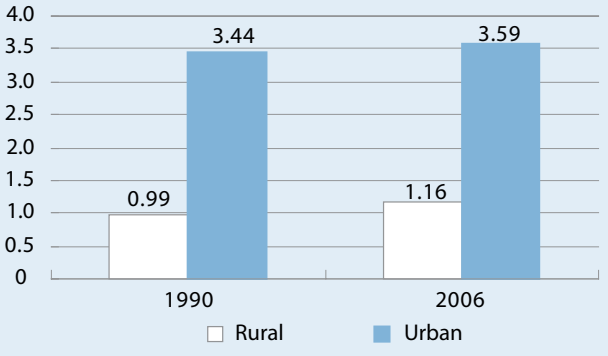
Figure 3.1 **Per capita health expenditures for urban and rural residents (1990-2006)** **Unit: RMB**



Sources: China Health Statistical Yearbook and Communiqué of China Health Development Statistics, 2007

Figure 3.2 **Number of rural and urban hospital beds and medical personnel per 1000 people**





Source: Summary of China Health Statistics 2007

Table 3.5: **Number of Medical Equipment in Urban and Rural Area in 2006**

	Total	Less than 500,000 Yuan	Between 500,000 and 1 million Yuan	Above 1 million Yuan
Total	1,821,750	1,715,858	65,433	40,459
Cities	1,482,649	1,393,167	53,844	35,638
Counties(rural)	339,101	322,691	11,589	4,821

surate increases in supply. One study[15] found that about 60 percent of total governmental spending on health flowed to urban areas serving just 30 percent of the total population, while only 40 percent of spending reached rural areas.[16] This allocation of public resources has aggravated rural-urban differences. Another study[17] stated that per capita health funding in urban areas amounted to 73.7 Yuan in 2002, while in rural areas the amount was only 13.8 Yuan.[18]

Before 2003, the share of rural health expenditures in total governmental expenditures declined from around one percent in 1998 to under 0.7 percent in 2002.[19] Since then, the Government has been expanding its health investments in rural areas, which has helped to reverse this trend and mitigate disparities.

RESOURCE DISTRIBUTION

In 2006, there were 3.6 medical personnel and 2.5 hospital beds for every 1,000 people on average in China's urban areas, while in rural areas these figures were 1.2 and 0.8, respectively (see Figure 3.2).[20] Comparison with the ratios in 1990 indicates a slight closing of the gaps in medical personnel, but hospital bed disparities have widened since then.

Urban-rural variations in health resources appear in the kinds of medical equipment that hospitals have. In 2006, urban hospitals had the most advanced equipment: 88 percent of their equipment was valued above 1 million Yuan. The corresponding figure for county hospitals was about 12 percent (see Table 3.5).

Table 3.5 presents the actual distribution of medical equipment, by price, across urban and rural areas in 2006. The total number of pieces of equipment worth more than 1 million Yuan in urban areas was more than seven times higher than the number in rural areas, where more than half of China's population live.

Other disparities are visible in the utilization rate of hospital beds, which is 72.4 percent in hospitals above the county level, and only 42.2 percent in township hospitals.[21] Among the Chinese Centres for Disease Control and Prevention, the primary units responsible for the immunization of children and other communicable disease prevention programmes, resources received by urban branches are 5.9 times higher than for rural branches, according to the National Health Service Survey. Government spending on urban centres is more than 7 times greater than the total spending on rural CDCs.

Drinking water is closely related to health outcomes. According to the 3rd National Health Service Survey, in 2003 tap water accounted for nearly 100 percent of drinking water in large and medium cities, and 90 percent in smaller cities. But in rural areas, the consumption of unsafe drinking water prevails, with only 34 percent of residents having access to tap water (see Figure 3.4). Conditions in rural areas vary considerably with income levels, with less than 8 percent of citizens in Type I rural areas using unsafe water sources, whereas this ratio is nearly three times as high in Type III areas. More than half the population in Type IV areas uses unsafe water.

In recent years, efforts have accelerated to improve the quality of water sources. By 2006, 61 percent

15 Huang Peihua (2003)

16 Here the health fund does not include expenditures for public medical care and special health expenditures.

17 Zhao Yuxin et al. (2004)

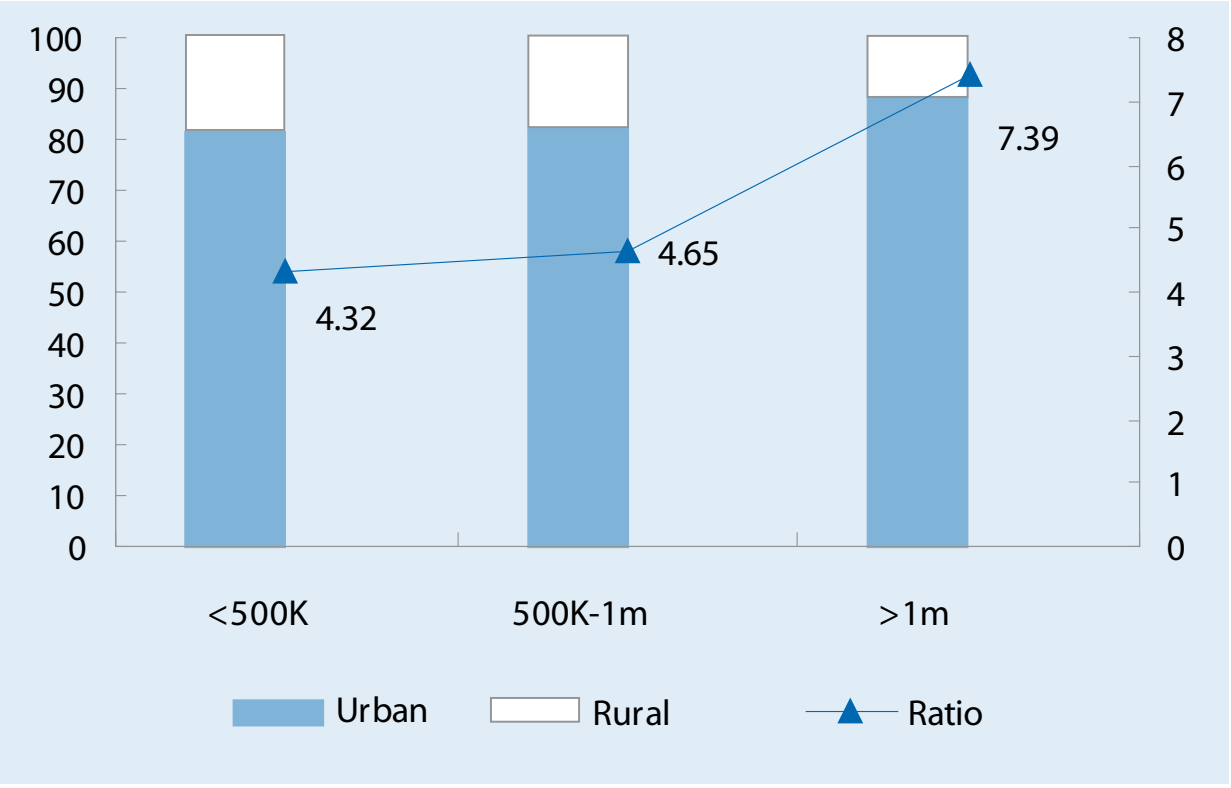
18 Wang Xiaolin (2006)

19 Agricultural Department of Ministry of Finance (2006): Compiled studies on coverage of public finance in rural area; Liu Minquan et al. (2007).

20 *Summary of China Health Statistics* 2007

21 2007 China Health Statistical Yearbook

Figure 3.3 Proportion of medical equipment that is higher priced (2006)



of the total population could access tap water,[22] although this is still a long way from universal coverage. About140 million sanitary toilets were built by the end of 2006, covering only 55 percent of rural households.[23]

HEALTH TREATMENT

The 3rd National Health Service Survey[24] found that gaps in vaccine inoculation rates for children still exist, but more developed rural areas are equal to or even higher than city averages. The major challenge seems to be in poorer rural areas. Gaps are particularly glaring between large and medium cities and Type III and Type IV rural areas.[25] The inoculation rate for hepatitis B in Type IV rural areas is only about one-third the average for cities (see Figure 3.5).

In the hospitalized delivery of babies, the urban rate is 92.6 percent and the rural rate 62 percent (see Figure 3.7). This is partly due to a long-standing custom of giving birth at home, and partly because of the shortage of maternal care resources. There are also difficulties in accessing modern prenatal care. The prenatal inspection rate and early pregnancy inspection rate are two indicators to gauge the quality of health services for women and children. In 2003, the prenatal inspection rate was 96.4 percent for cities and 85.6 percent for rural areas; the early pregnancy inspection rate was nearly 70 percent and 55 percent for cities and rural areas, respectively (see Figure 3.9). The much smaller gap in inspection rates than in hospitalized delivery suggests that a probable reason is cost, instead of cultural or geographical factors.

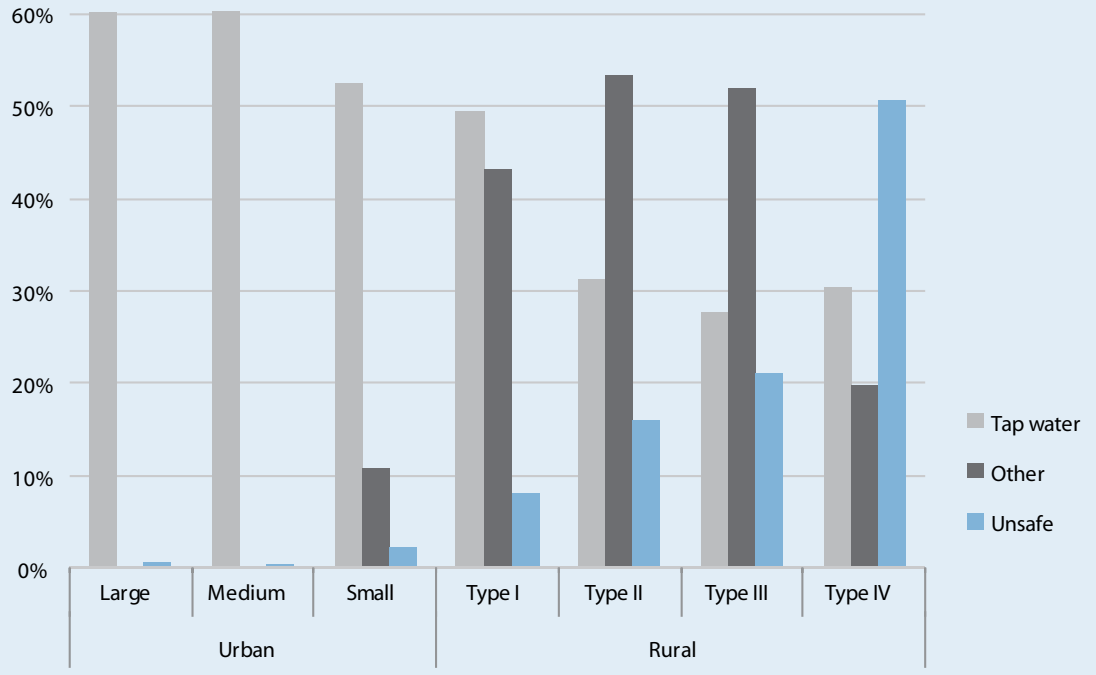
22 *Statistical Communique of China's Health Development in 2006*

23 Chen Zhu, *Speech on the On-site Meeting of National Patriotic Sanitary Work in Rural Areas and in Commemoration on the 55th Anniversary of Patriotic Sanitary Campaign, 2007-9-20*

24 Statistical and Information Center of the Ministry of Health, "An Analytical Report on the Third National Health Service Survey of China Health Service Research," Beijing: China Peking Union Medical College Press, 2004.

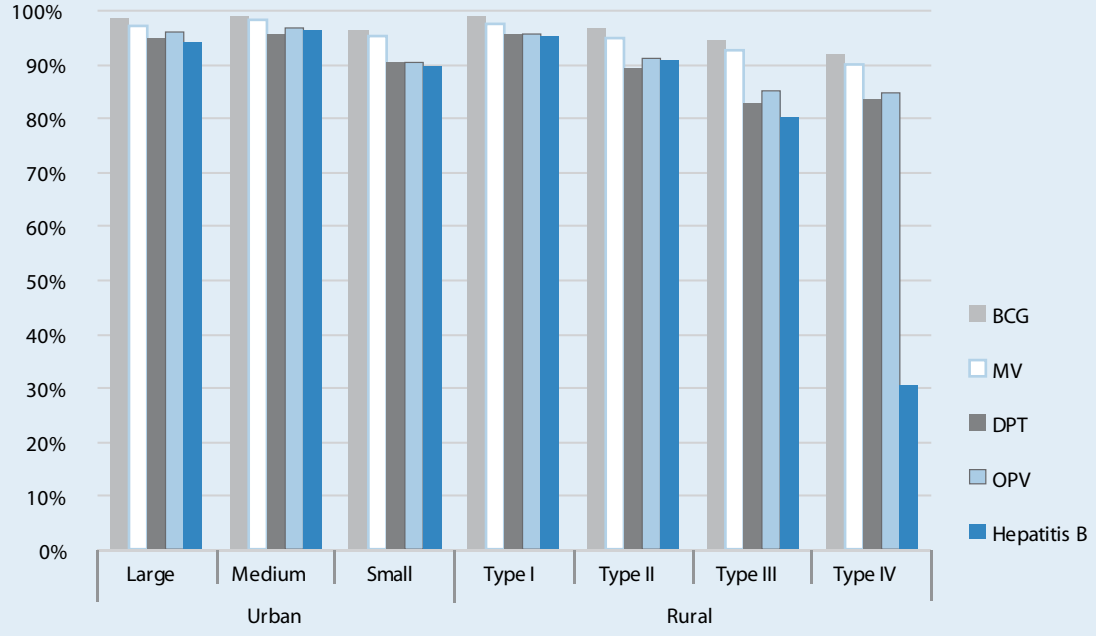
25 Cities are divided into large (non-farming population of more than 1 million, normally the provincial capital), medium and small (non-farming population less than 300,000). Rural areas can be divided into four types of regions: Type I (rich rural area), Type II (well-off), Type III (basic food and clothing needs met) and Type IV (poor).

Figure 3.4 Sources of drinking water by region (2003)



Source: Background Paper by Rao Keqin (2007)

Figure 3.5 Children's planned inoculation rates in cities and types of regions



Source: Background paper by Rao Keqin (2007)

Figure 3.6 Comparative inoculation rates for hepatitis B

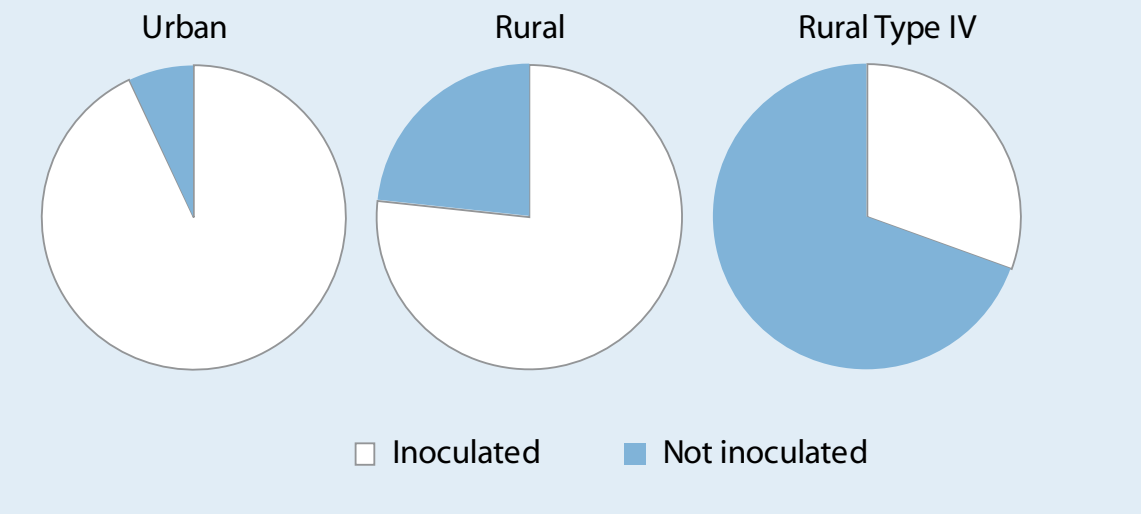
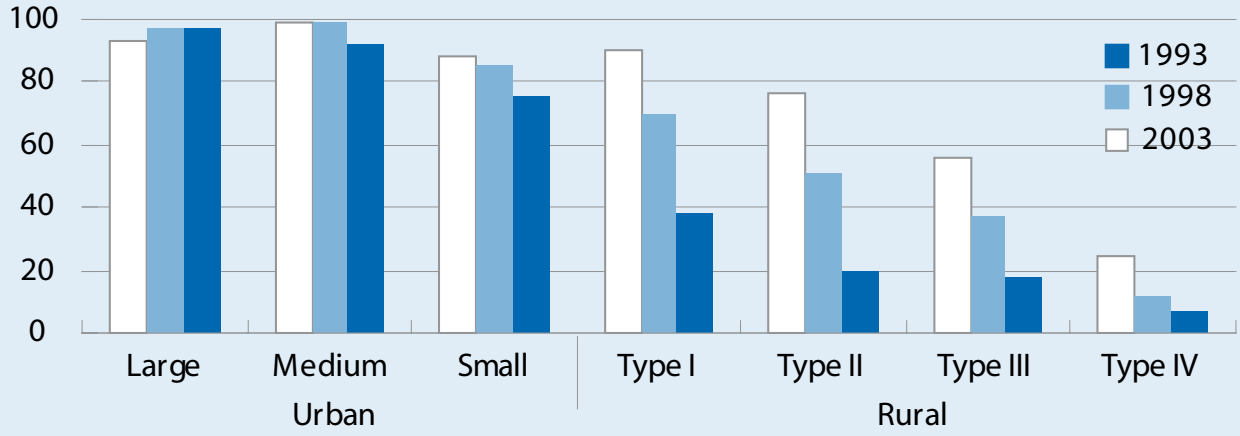
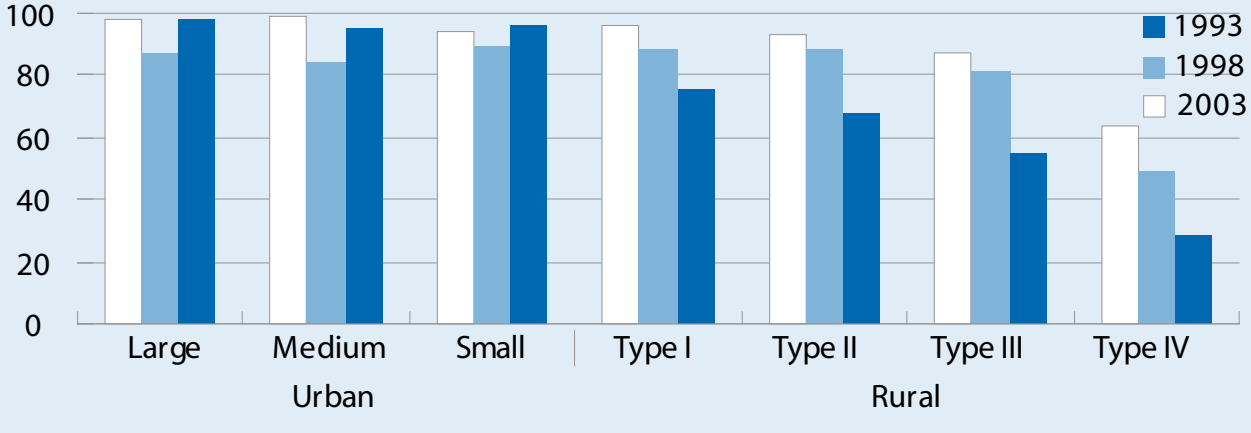


Figure 3.7 Average hospitalized delivery rate in cities and types of regions



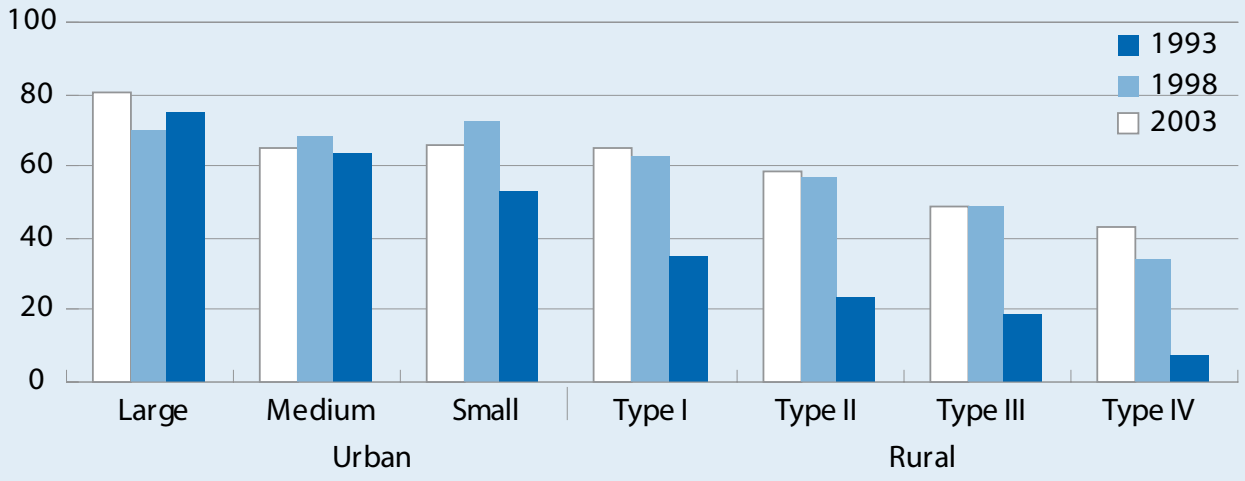
Source: Background paper by Rao Keqin (2007)

Figure 3.8 Prenatal inspection rates in cities and rural areas (%)



Source: Background paper by Rao Keqin (2007)

Figure 3.9 Early pregnancy inspection rates in cities and rural areas (%)



Source: Background paper by Rao Keqin (2007)

Heavy health care costs for individuals and households has led to a widespread phenomenon of patients failing to obtain needed health care because they cannot afford it, a phenomenon affecting both urban and rural populations. According to the National Health Services Survey, the percentage of people who should see the doctor but actually do not was 57 percent for urban areas and 45.8 percent for rural area, while the rate of people who should be hospitalized but were not was 27.8 percent for urban areas and 30.3 percent for rural areas. Among hospitalized patients, 43.3 percent said they left the hospital before recovery. A study of the reasons for pre-recovery departure from the hospital has found that in rural areas, 67.3 percent of hospital patients left before recovery because of economic reasons, whereas in urban areas this figure was 53 percent.[26]

Despite the great achievements of China's health care system in recent decades, there are numerous urgent challenges, and one of the most critical is the deep gaps in health services and outcomes between urban and rural areas. Three fundamental challenges underlie these gaps.

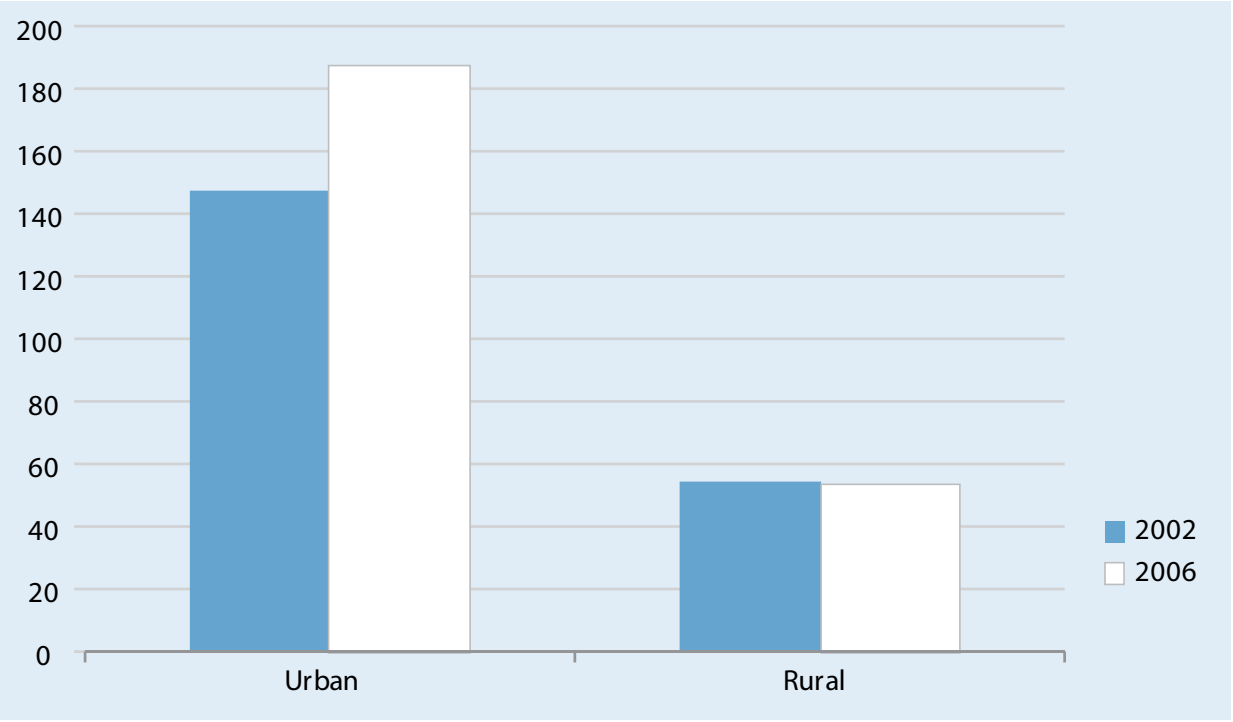
First, the urban-rural income gap, which has continued to widen in recent years, limits the ability of most rural residents to obtain health care. A system that links health providers' income to the fees they collect also limits the willingness of health providers to offer services in poorer rural areas. The impacts are most clear in disaggregating rural areas by their level of economic development. In most parts of the country, wealthier rural areas have levels of health and health care comparable to those in cities. It is in the poorer rural areas, which are still very numerous, particularly in the central and western regions, that these problems are most serious.

Second, the dual system of medical insurance, under which rural and urban residents are offered entirely different insurance schemes, offers far better coverage to urban residents. This deep-rooted legacy of the dualistic structure of health care financing—under which rural areas were expected to be largely self-sufficient, while the modern urban sector was closely intertwined with the government budget at many levels—continues to leave rural residents far short of the services to which they are entitled.

Third, on the supply side, government investment in health facilities, while shifting in focus towards rural areas in recent years, has for decades been skewed in favor of urban areas.

26 *Survey on China's Healthcare Service, Analysis Report of the 3rd National Survey on Healthcare Service* composed by Statistics and Information Center of Ministry of Health, Beijing; China Union Medical College Publishing House, 2004.

Figure 3.10 Rural and urban participation in the pension insurance system, 2002 and 2006 (millions)



RURAL-URBAN GAPS IN BASIC SOCIAL SECURITY

While China has expanded most social security schemes in recent years, the emphasis has been disproportionately on cities, where an old-age, medical, unemployment and work-related injury insurance are in place. The rural basic social security system, however, is largely under experimentation. For example, workers' old-age insurance has been set up in cities, but has not taken functional shape in rural areas. The minimum living allowance system and various social aid systems started in the cities in the 1990s, but they were extended to rural areas only in 2007. Generally speaking, the urban social relief system is relatively complete, while that in rural areas is still in the stage of experimentation. The rural social security system still has a long way to go before it ensures that the needy have timely social relief, the sick have easy access to medical care, and the elderly have reliable old-age insurance.

Old-age pension insurance

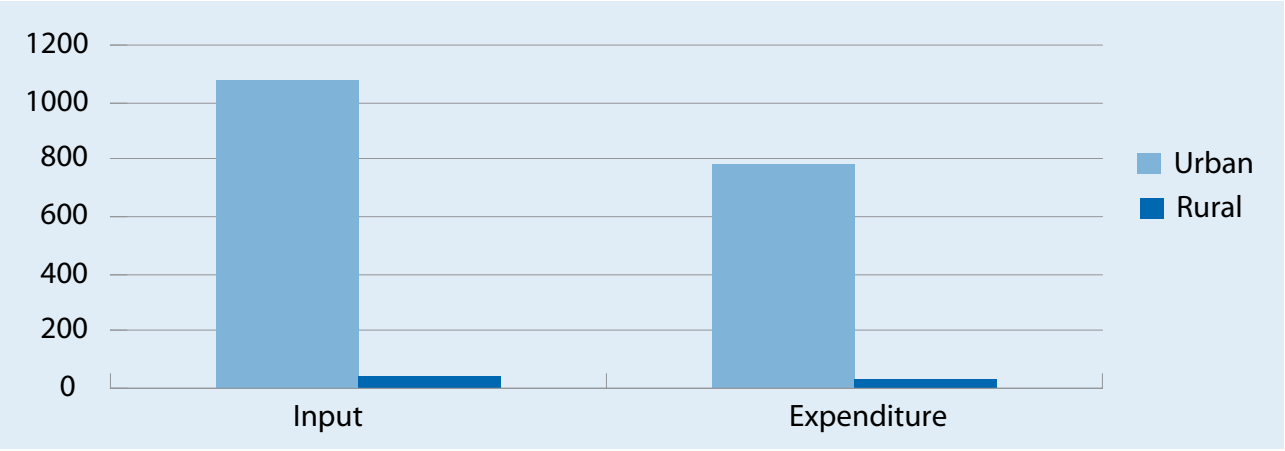
A major difference between the urban enterprise old-age pension insurance system and the rural system is that the former stresses the sharing of risks and the principle of social security, while the latter focuses on the responsibility of individuals with greater reliance on land and family (see Table 3.6). From 2002

Table 3.6: **Comparing urban and rural basic old-age insurance systems**

Item	Basic old-age insurance for urban enterprises	Rural old-age insurance system
Premium payer	Employer and individuals	Individuals
Mode of account management	Social fund-raising and individual accounts	Individual account
Old-age insurance payment mode	Fixed payment combined with premium-based payment	Premium-based payment
Nature of mutual support	Fairly strong	Fairly weak

Source: Background Report by Song Xiaowu (2007)

Figure 3.11 Health insurance system input and expenditure per capita, urban vs. rural (RMB)



to 2006, the number of urban old-age insurance participants rose from 147.4 million to 187.7 million, an increase of over 27 percent. In rural areas, the number of participants declined from 54.6 million to 53.7 million because of a lack of financial incentives and policy support (see Figure 3.10). Without external fiscal inputs, contributions are paid almost entirely by individuals. Many are reluctant to participate in the scheme. The agencies that manage the scheme hesitate to execute it because the expected return from investments is typically lower than the interest rate promised for crediting the pension funds of individual accounts.[27]

Medical insurance

Urban and rural residents are covered by entirely different medical insurance mechanisms due to the legacy of the dual urban and rural systems. The insurance premium for employed urban residents is paid both by employers and individuals, and the level of benefit coverage is high. In rural areas, a new rural cooperative medical system has been offered to the population on a voluntary basis since 2005. The total annual premium is 90-100 Yuan, of which the individual contribution is only 10 Yuan, with the remainder divided between local and central governments.

This low premium aims to encourage widespread participation, but has the additional effect of sharply limiting the scope of medical services that are covered, and the coverage rate. Whereas urban medical insurance spans a full range of inpatient and outpatient medical treatment for both chronic and acute illnesses, the rural system only applies to major diseases. These different approaches produce different results. In 2006, the average reimbursement rate for inpatient medical expenses was 70 percent under the urban programme, while under the rural system it was only 30 percent.[28] In 2006, the average cost of one hospital stay submitted under the rural insurance system was 2,775 Yuan, of which only 771 Yuan, or 27.8 percent, was reimbursed, Such low reimbursement rates frequently make it impossible for rural people to obtain needed medical care.

The funding for each employee covered under urban medical insurance is 26 times as great as that for each rural resident. As a consequence, urban systems can spend 23 times as much as on their citizens as rural ones can.[29]

Minimum living allowance

The Government has made expanding the coverage of the minimum living allowance system in rural areas a top priority, so it has increased rapidly, rising by 40 percent annually from 2002 to 2006. By the end of 2006, 22.4 million people received the allowance in cities along with 15.9 million people in rural areas (see Table 3.7). But the benefit is defined differently for urban and rural poor. An eligible rural resident

27 Gong Sen (2007)

28 Gong Sen, "Overall Strategy for National Social Security"

29 Du Yuexun, Zhang Wenming, *Development of China's New Rural Cooperative Medical System, Report on Development of Medical and Health Care in China No.3/White Paper of Medical and Health Care,* Beijing, Social Science Literature Publishing House, 2007.

Table 3.7: **Urban and rural differences in the minimum living allowance**

	Item	2002	2006
Urban	Number of residents enjoying the minimum living allowance (million people)	20.05	22.40
	Number of households (million households)	8.20	10.30
	Average standard (Yuan/month/resident)		169.6
	Average expenditure level (Yuan/month/resident)	52	83.6
Rural	Number of residents enjoying the minimum living allowance (million residents)	4.08	15.93
	Number of households (millionhouseholds)	1.57	7.77
	Average level (Yuan/month/person)		70.9
	Average expenditure level (Yuan/month/resident)		34.5

Source: Handbook 2006, website of the Ministry of Civil Affairs.

was paid 34.5 Yuan a month while an urban resident received 83.6 Yuan a month, more than 142 percent more. Some of this difference is an appropriate response to higher living costs in urban areas, but the purchasing power of the urban allowance is higher than that of the rural allowance, even when price differences are taken into account.

Regional Disparities in Basic Public Services[30]

COMPULSORY EDUCATION

In the past two years, the Government has stepped up policy efforts to reduce regional gaps in compulsory education. Students in primary and junior middle schools in the western region of China were exempted from tuition fees and incidental costs in 2006, a policy extended to the central and eastern regions in 2007. Because of historical inertia, however, disparities remain, particularly in educational inputs, school conditions and teacher qualifications.

Financing

In 2005, average per student education expenditures at the primary and junior middle-school levels was 1,822.8 Yuan and 2,277.3 Yuan, respectively. The difference between the highest amount (in Shanghai) and the lowest (in Henan) was about 10-fold. In terms of inputs from governments at various levels, the average public spending per student at the primary and junior middle-school levels were 166.5 Yuan and 232.6 Yuan, respectively. The difference between the most well-funded areas (Shanghai) and the least well-funded (Guangxi and Anhui) was at least 27-fold (see Figures 3.12 and 3.13). The expenditure per junior middle-school student in the western region was only 40 percent of that in the eastern region.[31]

Physical infrastructure

The National Education Inspection Report 2005 evaluated school conditions in the eastern, central and western regions. At present, the gap in per-student floor space in schools in the three regions is not big (see Figure 3.14), but the actual floor space of dormitories, canteens and decent toilets in rural junior middle schools in more than 1,800 central and western counties was only 35 percent, 15 percent and 48 percent, respectively, of the national standard.[32]

30 According to current divisions, there are 13 provinces in the eastern region, 6 provinces in the central region and 12 provinces in western region. The eastern provinces are Beijing, Tianjin, Hebei, Liaoning, Jilin, Heilongjiang, Shanghai, Jiangsu, Fujian, Shandong, Guangdong and Hainan. The central provinces are Jiangxi, Hunan, Hubei, Henan, Shanxi and Anhui. The western provinces are Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang. The *National Education Inspection Report* and *Summary of China Health Statistics 2007* added Heilongjiang and Jilin to the central region, for a total of eight central and 11 eastern provinces. This report adopts the first common division of provinces unless stated otherwise.

31 Fan Hengshan and Zhou Yiren (2007), NHDR background paper.

32 Fan Hengshan and Zhou Yiren (2007)

Figure 3.12 Per student funding for public use in primary schools (2005) (Yuan)

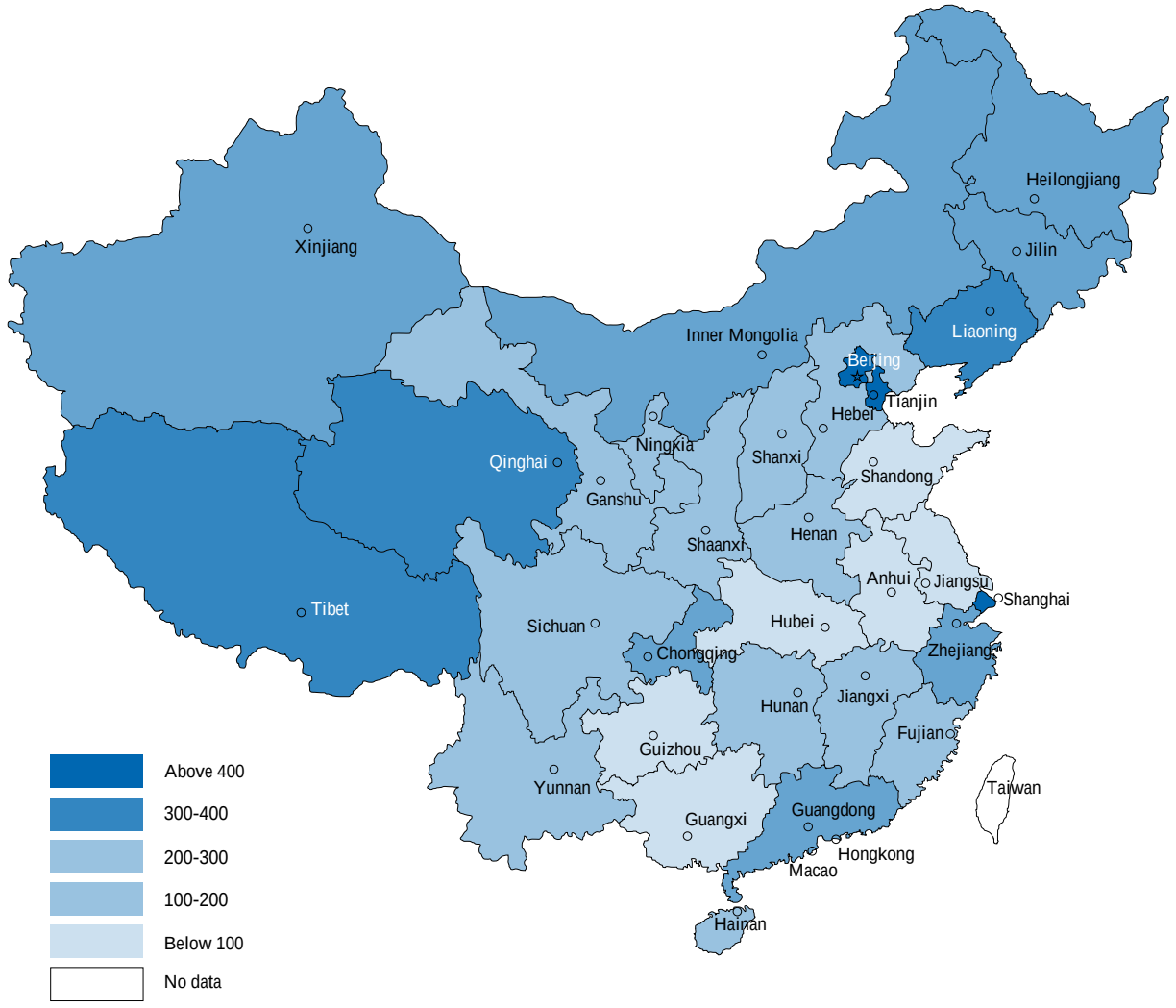
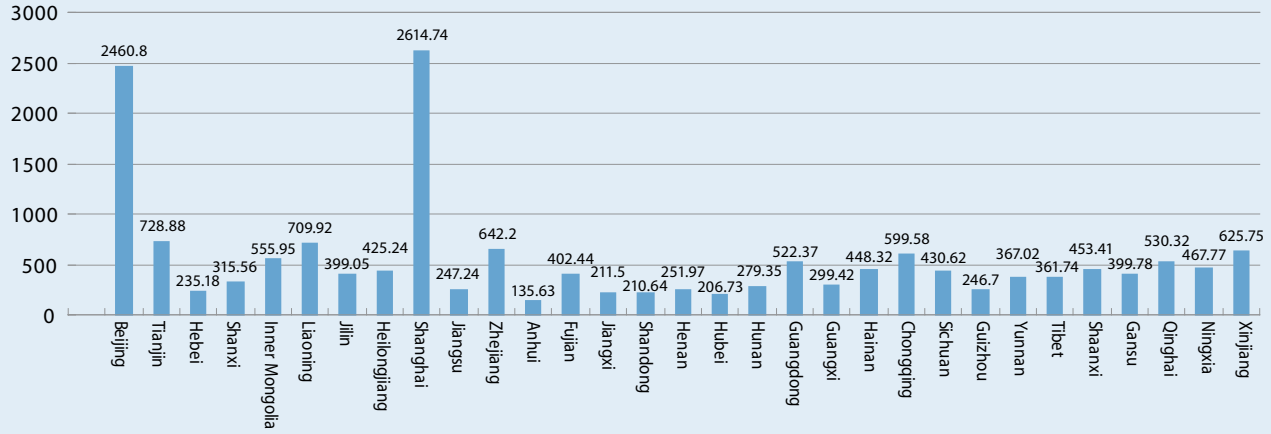
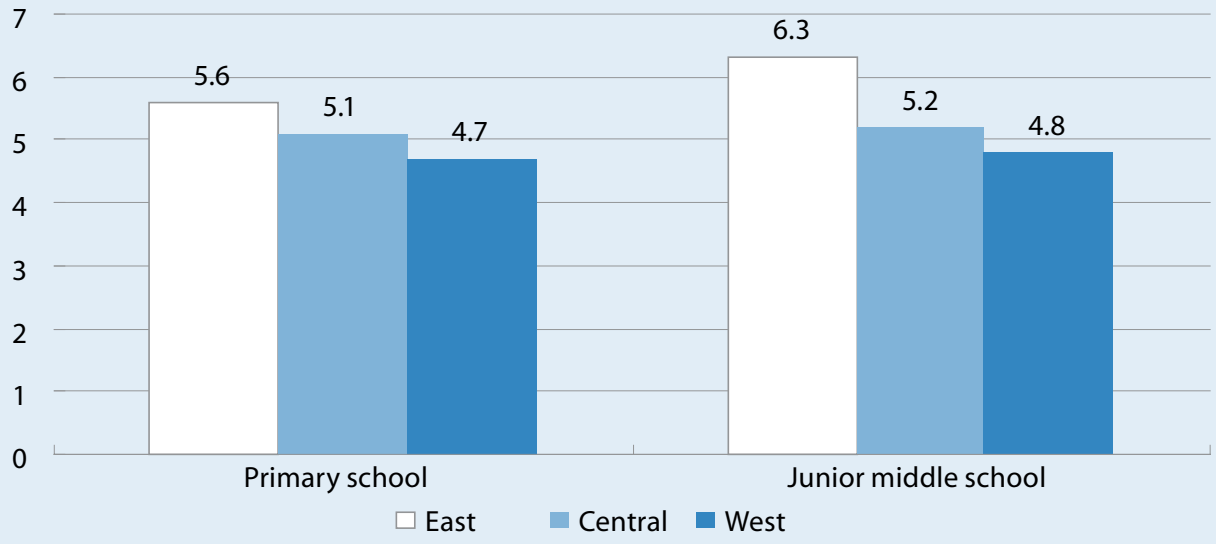


Figure 3.13 **Per student expenditures in junior middle schools (2006) (Yuan)**



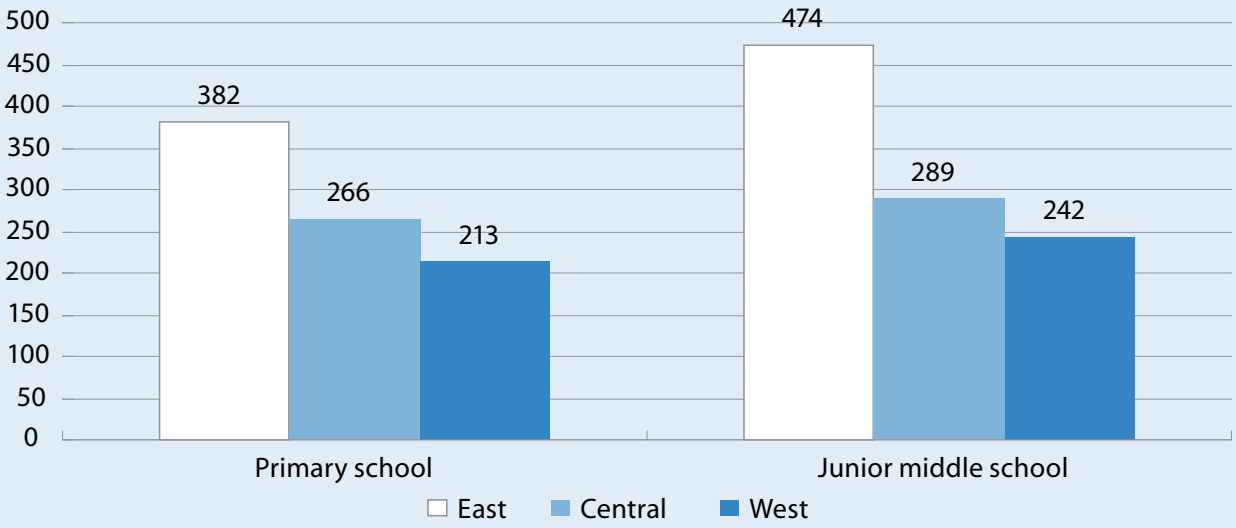
Source: Statistical Communiqué on China's Education Expenditure 2006

Figure 3.14 **Floor space in the three regions (2004)** (m^2)



Source: National Education Inspection Report 2005

Figure 3.15 **The value of teaching instruments, per student (2004)** (Yuan)



Source: National Education Inspection Report 2005

Other variations persist in the availability of teaching instruments. In 2004, the per student value of primary school instruments in the eastern region was 1.4 times and 1.8 times more than that in the central and western regions, respectively. The value in the three regions was 474 Yuan, 289 Yuan and 242 Yuan: the amount of the eastern region being 1.6 times that of the central region, and twice that of the western region (see Figure 3.15).

Teachers' qualifications

No aspect of education is more important than having good teachers, who can be defined in part by their level of formal qualifications. According to the National Education Inspection Group, in 2005 the share of primary school teachers holding the title of senior teacher was nearly 36 percent higher in the eastern region than in the western region (see Figure 3.16) The central region has a 27 percent higher

share of senior teachers than the western provinces. These gaps are identical for teachers with the professional title of first-grade and above in junior middle schools: the shares of the better qualified teachers in eastern provinces are 36 percent higher and in central regions 27 percent higher than in western China.

In 2005, the average proportion of primary school teachers with an education background of junior college and above was 10.2 percent higher in the eastern region than the western one, and 13.6 percent higher than in the central region.

Overall, regional gaps in compulsory education are reflected most fundamentally in discrepancies in financial inputs; other disparities stem from this. The central and western regions both require stable inputs and growth mechanisms for compulsory education to catch up with what is provided in the eastern region.

PUBLIC HEALTH AND BASIC MEDICAL SERVICES

Under its western development strategy, the Government has increased investments in public health and basic medical services that are yielding results. But gaps in human development outcomes continue, suggesting that long-term improvements in indicators such as longevity need sustained investment and attendant policy reforms.

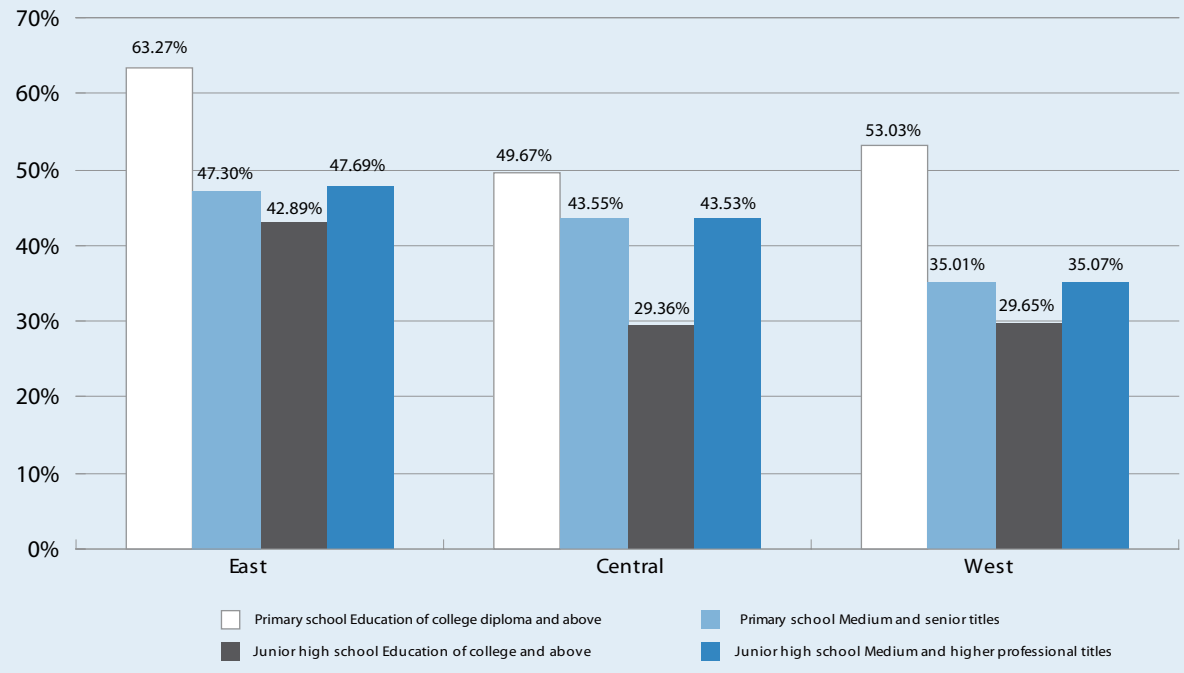
Health financing

There are obvious gaps in per capita health expenditures among the eastern, western and central regions. In 2006, both budgeted and actual per capita expenditures for health care in the western and central regions were lower than the national average. Those in central China were the lowest (see Figure 3.17), with the western region pulling ahead due to the Government's development strategy. This requires, for more equitable distribution of health resources across regions, increasing funding to the central region while maintaining support for the western region.

Resource distribution

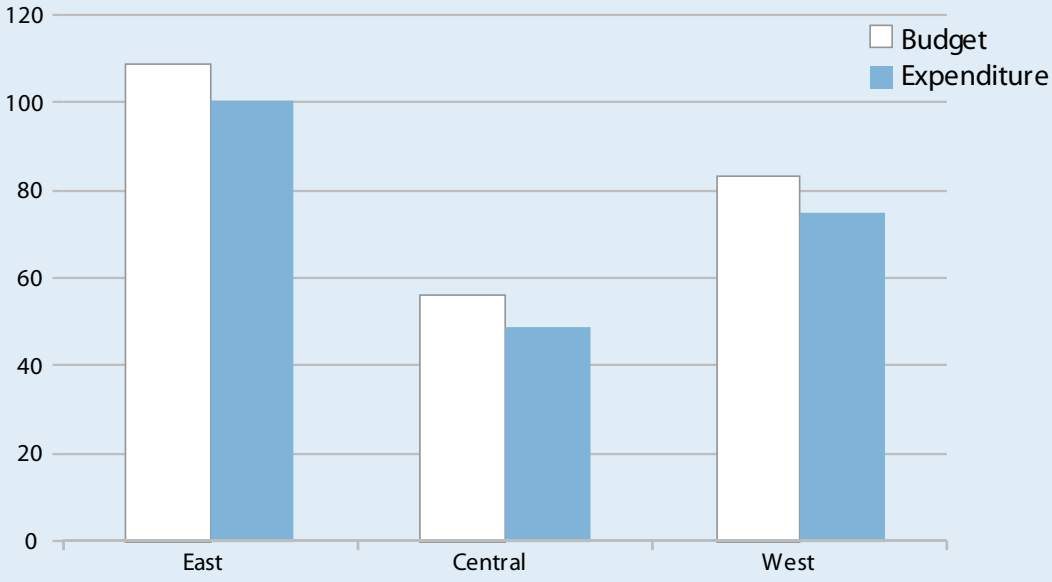
In 2006, the eastern, central and western regions had 1.8, 1.4, and 1.4 registered doctors (including assistants) for every 1,000 people, respectively. The

Figure 3.16 The gap in teachers' credentials in terms of education background (2005)



Source: China Yearbook of Education 2005

Figure 3.17 Annual health budgets and expenditures by region (Yuan per capita)



Source: Finance Yearbook of China 2006

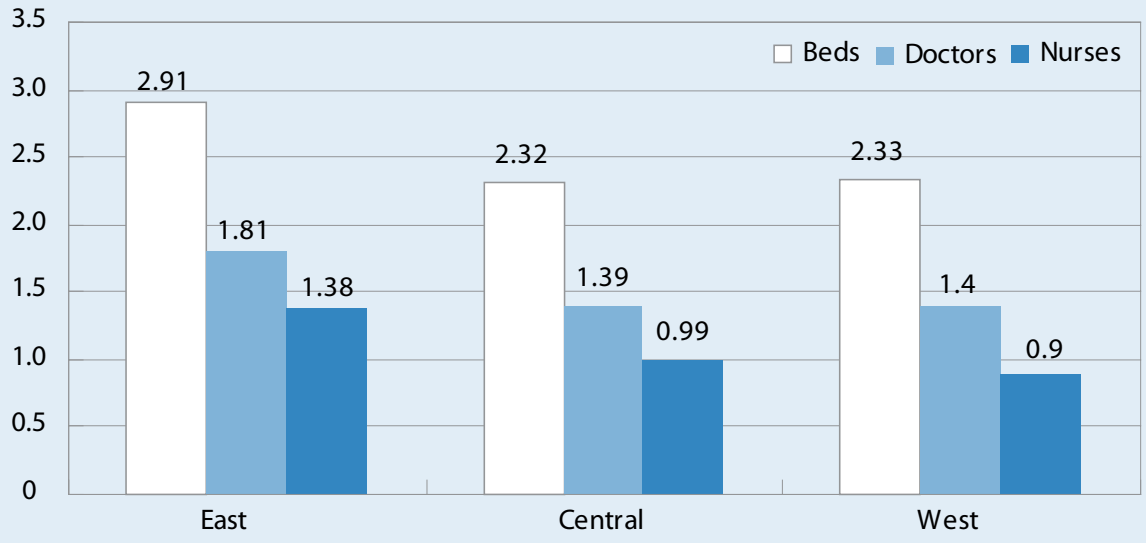
figure for the eastern region was 1.3 times that of the central and western regions. In terms of medical equipment, the numbers of hospital beds for every 1,000 people in the eastern, central and western regions were 2.9, 2.3 and 2.3, respectively, with the eastern region figure being 1.25 times that of both the other regions (see Figure 3.18).

Health treatment

Regional gaps in public health appear in the comprehensive inoculation rate for children under one year old, the prenatal inspection rate and the hospitalized delivery rate. The national average inoculation rate for children under one year old for five vaccines[33] was 94.6 percent in 2005. The highest rate was in Beijing (99.7 percent) and the lowest in Tibet (69.3 per-

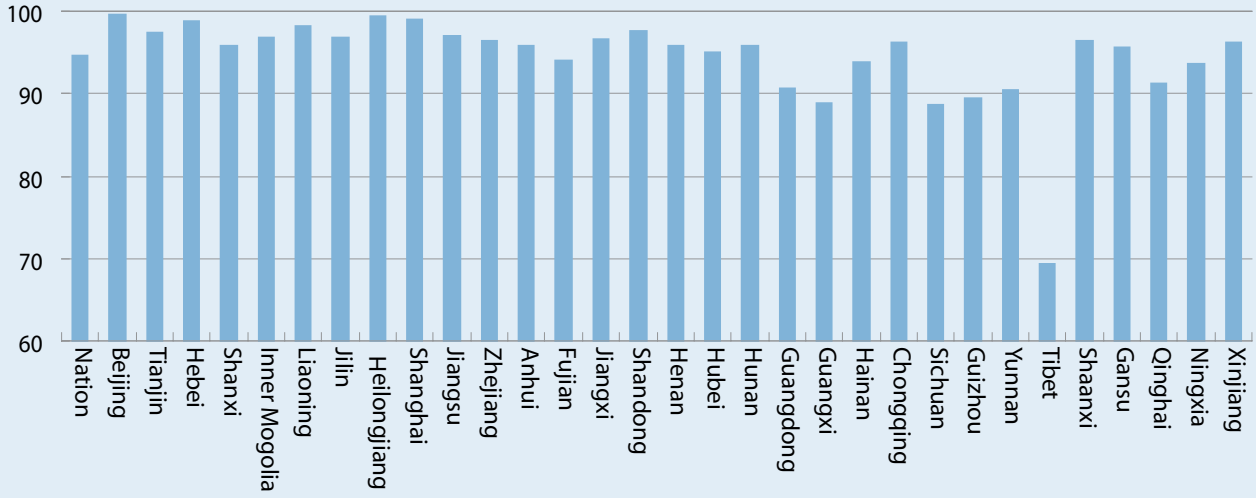
33 The formula for the comprehensive inoculation rate is the product of five inoculation rates (BCG, DPT, OPV, MV and HBV)

Figure 3.18 Health resources by region (units per 1,000 people)



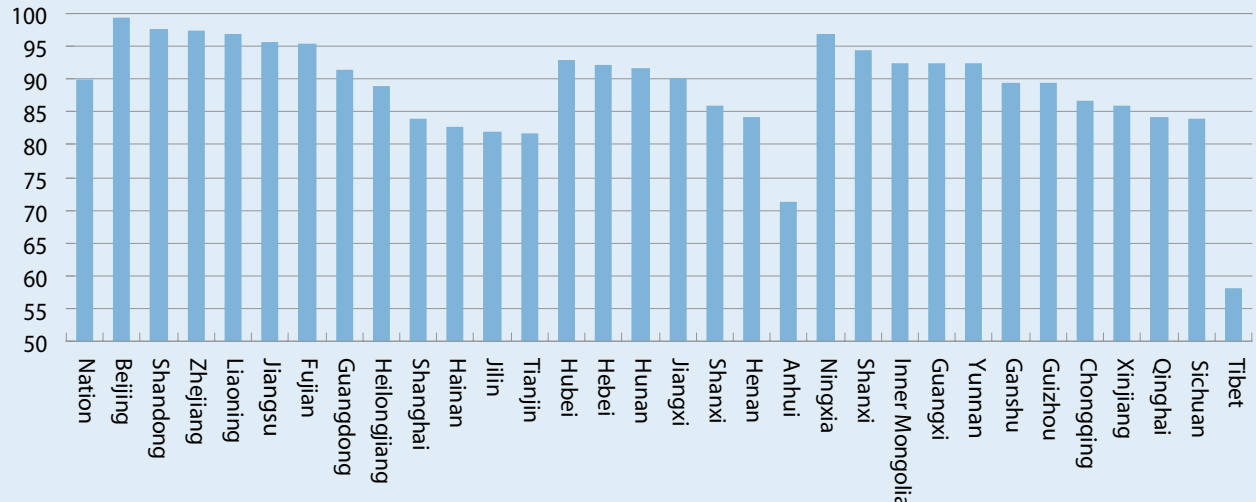
Source: Summary of China Health Statistics 2007

Figure 3.19 Comprehensive inoculation rates (2005) (%)



Note: Covers the five basic vaccines by province. Source: UNICEF

Figure 3.20 Prenatal inspection rates (2006) (%)



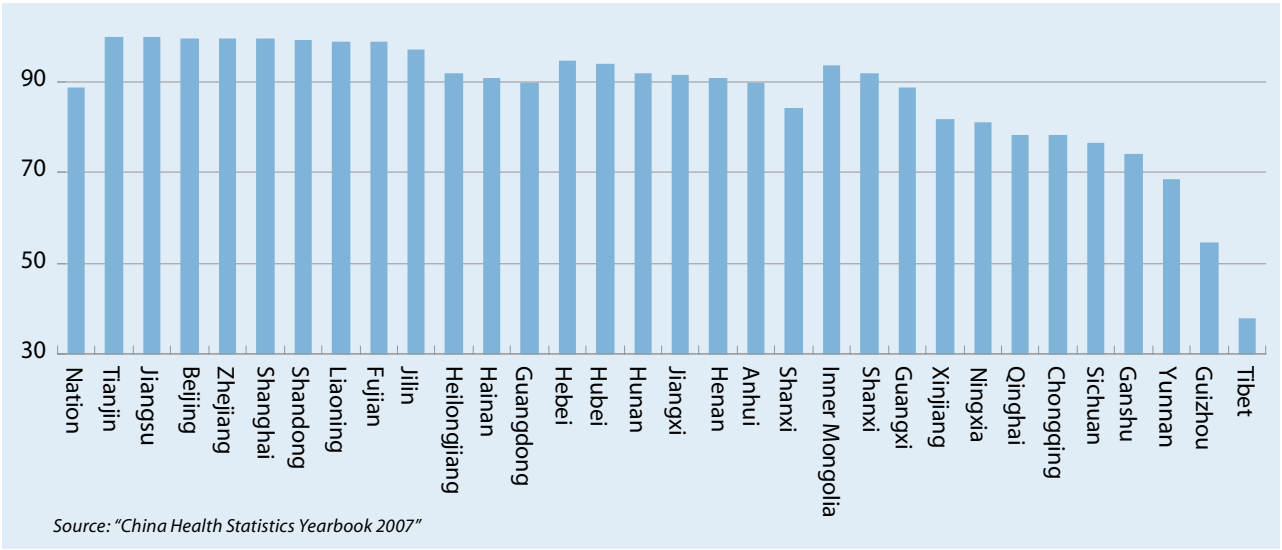
Source: China Health Statistical Yearbook 2007

Table 3.8: **Average standards and expenditures for the urban minimum living allowance (2006) (Yuan)**

Region	Average subsistence allowance	Average expenditure	Rate	Number of people
East	184.4	92.9	50.4%	7,618,377
Central	155.4	75.7	48.7%	7,005,165
West	154.5	81.7	52.9%	7,777,350

Source: Handbook 2006, website of the Ministry of Civil Affairs

Figure 3.21 Hospitalized delivery rates (2006) (%)



Source: "China Health Statistics Yearbook 2007"

Figure 3.22 Old-age insurance coverage (2005) (%)

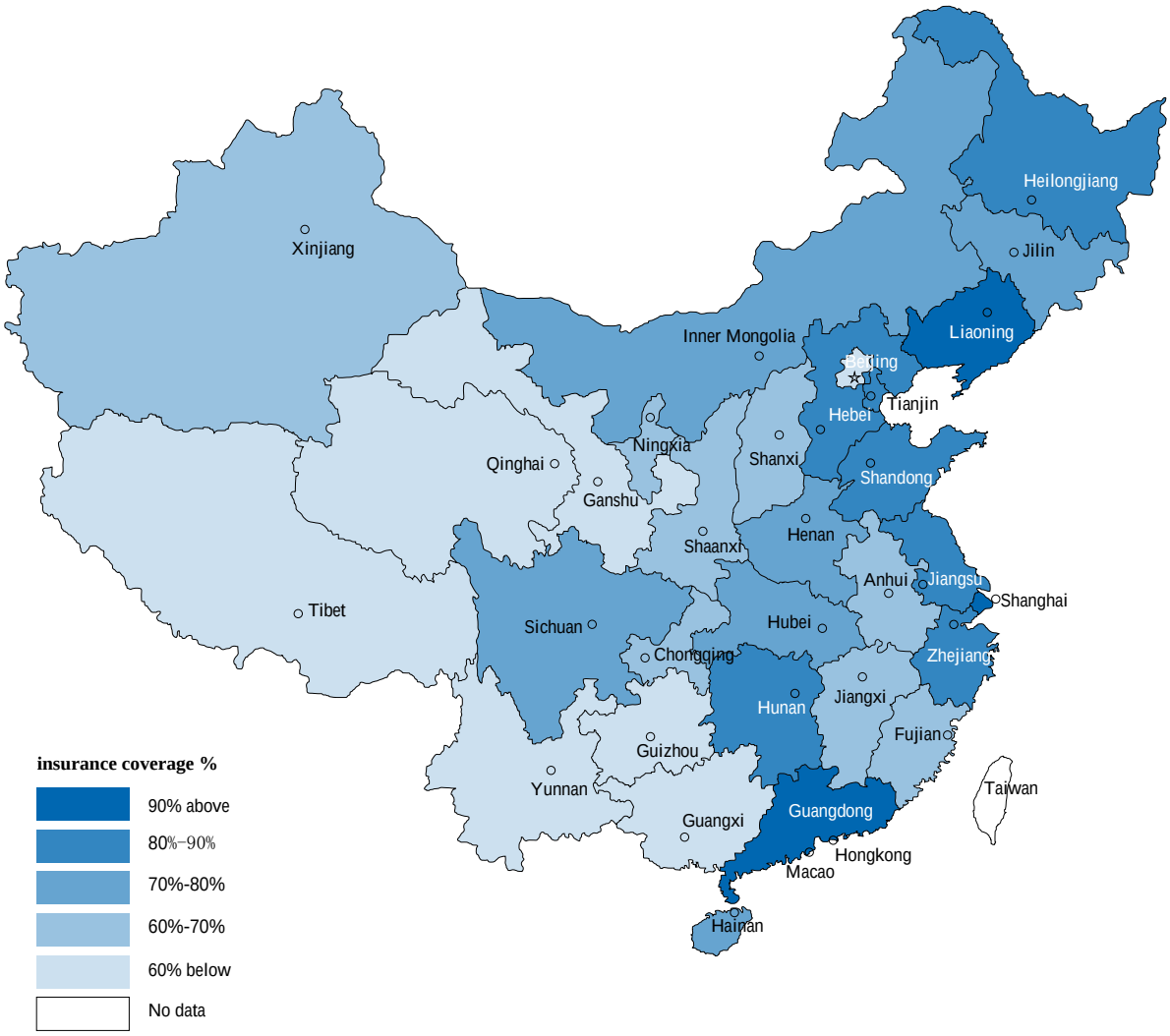
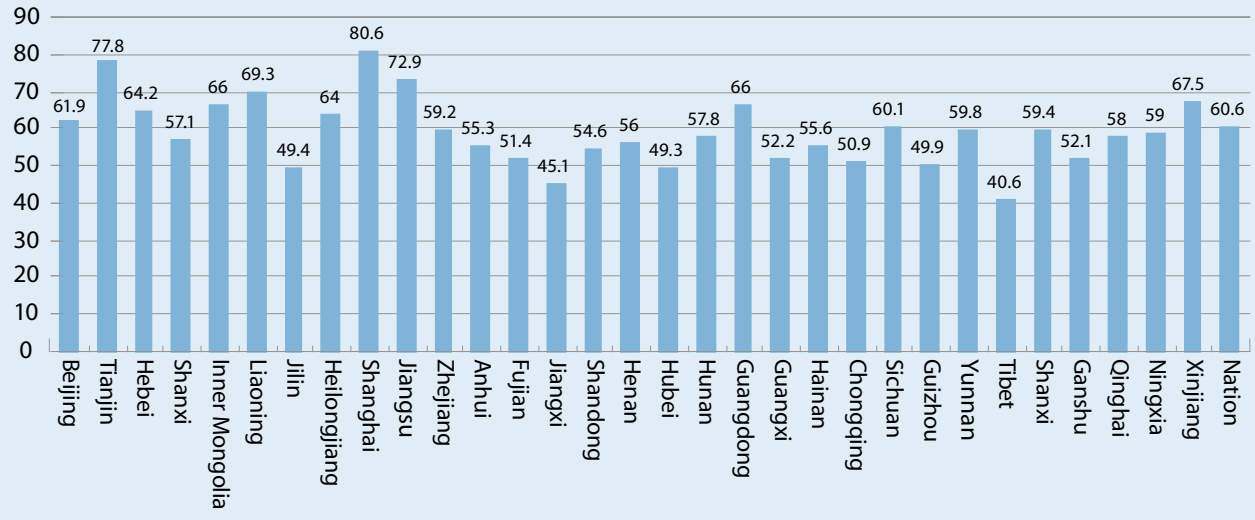


Figure 3.23 Basic medical insurance coverage for urban residents (2005) (%)



Source: Song Xiaowu, Xing Wei and Ding Yuan: Background Paper

cent). The rates in Sichuan, Guizhou, Guangxi, Yunnan and Qinghai, all in the western region, are also lower than the national average (see Figure 3.19).

In 2006, the average prenatal inspection rate was 89.7 percent. Around 57 percent of the provinces (municipalities) in the eastern and central regions reported higher rates than the average. In the western region, only 41 percent of the provinces (municipalities) had a higher rate.[34] This indicates that the quality of health care for women and children is still weakest in the western region (see Figure 3.20).

34 *China Health Statistical Yearbook 2007*

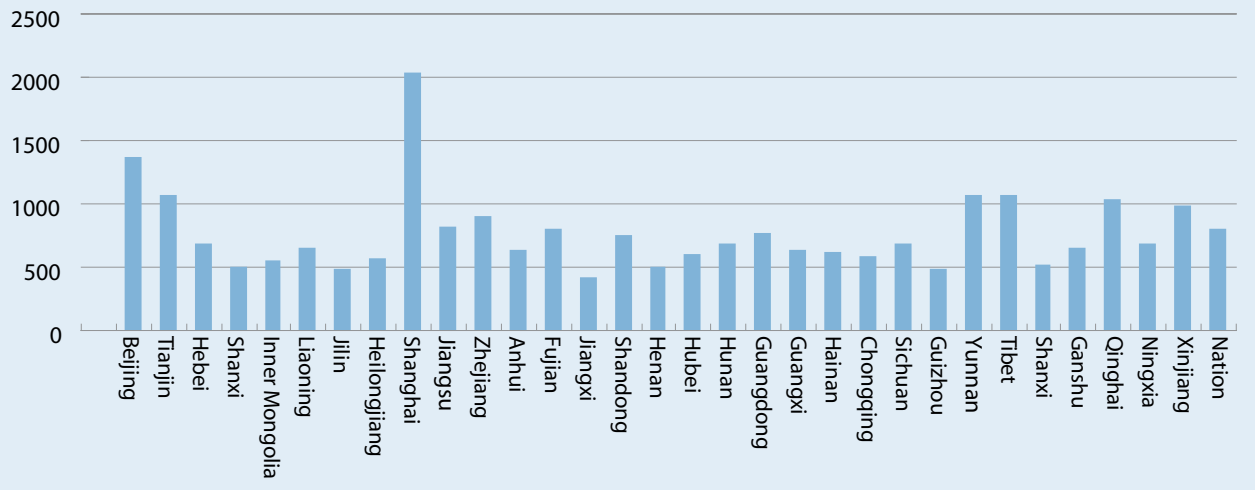
The 2006 national hospitalized delivery rate was 88.4 percent. All the central provinces (except Shanxi) had a higher-than-average rate. All western provinces (except Inner Mongolia, Shaanxi and Guangxi) had lower-than-average rates (see Figure 3.21).

BASIC SOCIAL SECURITY

Old-age insurance for employed urban residents

Regional gaps in social security appear in the pension system, with the average coverage rate in 2005 at around 77 percent for urban employees. In eastern

Figure 3.24 Per capita basic medical insurance payments (Yuan)



Source: Song Xiaowu, Xing Wei and Ding Yuan (2007)

Table 3.9: **Employment centres by region**

Region	East	Central	West	Total
Number of provinces	**13**	**6**	**12**	**31**
Number of employment training centres	1,369	918	1002	3,289
Including designated training for the labour reserve system	961	696	545	2,202
Number of full-time teachers	9,527	7,972	6,027	23,526
Number of part-time teachers	14,236	8,956	6,133	29,325
Financial subsidies (10,000 Yuan)	22,765	15,222	7,430	45,417
Per capita financial subsidies (Yuan)	59.28	62.69	41.85	56.46
Number of teachers per 1,000 trainees	2.48	3.28	3.39	2.92
Number of teachers per 1,000 trainees including part-time teachers	6.19	6.97	6.85	6.57

Source: China Yearbook of Labor and Social Security 2006

developed provinces such as Guangdong, Liaoning and Shanghai, the rate exceeded 90 percent, four to five times that in the least developed provinces such as Guizhou and Tibet (see Figure 3.22).

Basic medical insurance in urban areas

In 2005, the national medical insurance coverage rate among employed urban residents was over 60 percent. In some western areas, the rate was lower than 50 percent (see Figure 3.23). That year, the national average urban medical insurance payment was 782.7 Yuan, but in some western provinces it had not reached 500 Yuan (see Figure 3.24).

New rural cooperative medical system

The Ministry of Health announced in 2007 that 2,448 counties (county-level cities, districts) had established the new rural cooperative medical system. They account for 85.5 percent of the total number of counties (county-level cities, districts), and the participating population reached 726 million people.

There was a gap of nearly 10 percent between participation in the eastern region, at 93.7 percent of people in all covered counties (county-level cities, districts), and in the central and western regions, with an 82.9 percent coverage rate. The disparity was not as large when assessed through population size, with 89.6 percent (223 million people) of the eastern population covered compared to 84.4 percent (503 million people) across the central and western regions.[35]

Urban minimum living allowance

China has 22.4 million urban residents receiving the minimum living standard allowance, divided very evenly across the eastern, central and western regions. In 2006, the established standard for per capita monthly minimum living subsidies for these three regions was 184.4 Yuan, 155.4 Yuan and 154.5 Yuan, respectively. The average received monthly subsidy was 92.9 Yuan, 75.7 Yuan and 81.7 Yuan, respectively (see Table 3.7). Given that there are also differences in the cost of living between the three regions, the size of the allowance seems reasonably equitable. There are no large variations in real purchasing power terms.

In basic social security, the western region has now surpassed the central region in many respects. This can be interpreted as a positive result of the Western Development Strategy. Liaoning has reported a higher comprehensive coverage rate as a pilot province under the Northeast Revival Strategy. It may be possible to conclude that the regional development policy of the central Government is an important tool

35 "The participation rate of new rural cooperative medical system has reached 85.96%," Xinhua.Net, accessed November 12, 2007.

in reducing social security disparities.

PUBLIC EMPLOYMENT

Registered urban unemployment rates are very similar across the three regions, with some variations. In 2006, the highest rates were in Liaoning (5.1 percent), Sichuan (4.5 percent) and Shanghai (4.4 percent), while the lowest rates were all in East China: Beijing (2 percent), Guangdong (2.6 percent) and Shandong (3.3 percent). In 2005 the urban registered unemployment rates in the eastern, central and western regions were 4 percent, 3.9 percent and 4.2 percent, respectively. The number of unemployed people in the central and western regions was rising faster than in the eastern region (see Figure 3.25).

Vocational training and financial subsidies

A main objective of China's public employment service is to provide training to unemployed people. In 2006, the eastern region had the largest number of people receiving training, but on average, registered unemployed people there received reemployment training 1.05 times, a lower figure than in the central region (1.26 times) and western region (1.09 times). The highest per capita financial subsidies for unemployed people receiving training were in the central region, followed by the eastern and western regions. The eastern region had the lowest number of full-time teachers for employment training per 1,000 trainees (see Table 3.9).

Regional gaps in total fundig for employment training

According to the 2007 China Labor Statistics Yearbook, there were large disparities in per capita employment training funding for the working age population, which reflect a more complex set of causes than do other public services. For example, Hainan is regarded as an eastern province but still belongs to the less developed set of provinces, with its per capita GDP well below the national average. Nevertheless, it has been promoting economic development by prioritizing vocational training and education. Its per capita funding was as high as 236.8 Yuan, 8.6 times the average in the eastern provinces, 10.7 times the average in the central provinces, and 19 times the average in the western provinces.

Qinghai, a western province, is another example of an unusual pattern in employment training investments. Its per capita funding was 87.2 Yuan in 2006, 3.2 times as large as the average of the eastern provinces, 3.2 times as large as the average of the central provinces and 7 times as large as the average of the western provinces (see Table 3.10). These two exam-

Figure 3.25 Regional share of total registered unemployment and unemployment rates in 2005

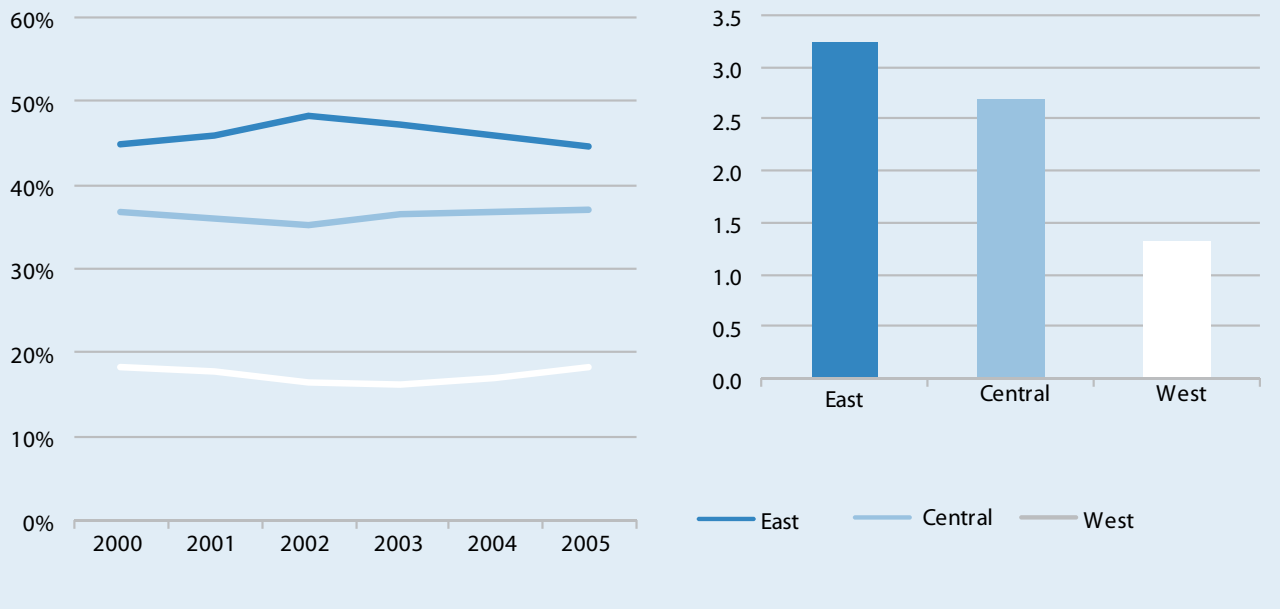
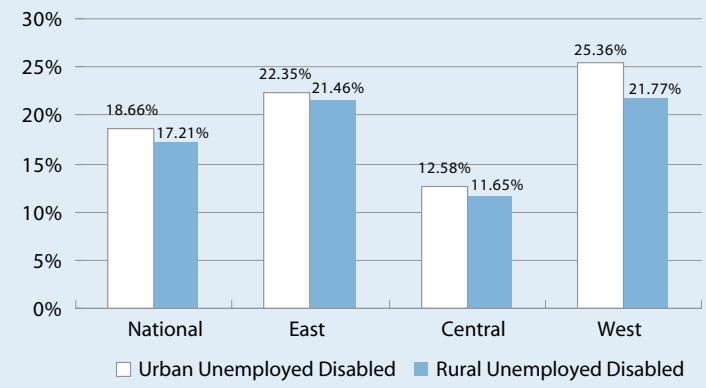


Table 3.10: **Gaps in per capita funding for the working age population**

	Total funding (100 million Yuan)	Working age population (15-64 years)	Per capita funding for working age population (Yuan)
National	19,160	862,690	22.21
Beiing	900	11,263	79.91
Tianjin	300	7,500	40.00
Hebei	660	47,687	13.84
Liaoning	1,030	30,162	34.15
Jilin	760	19,846	38.29
Helongjiang	450	27,667	16.26
Jlangsu	920	51,392	17.90
Zhejiang	340	34,128	9.96
Fujian	870	23,886	36.42
Shandong	1,060	64,611	16.41
Guangdong	2,020	62,093	32.53
Hainan	1,260	5,321	236.80
Inner Mongolia	240	16,853	14.24
Guangxi	320	29,789	10.74
Chongqing	240	17,969	13.36
Sichuan	600	52,518	11.42
Guizhou	110	22,413	4.91
Yunnan	280	28,860	9.70
Shaanxi	170	25,097	6.77
Gansu	180	17,076	10.54
Qinghai	310	3,556	87.18
Ningxia	60	3,874	15.49
Xinjiang	370	13,233	27.96
Shanxi	350	22,741	15.39
Anhui	270	38,938	6.93
Jiangxi	870	26,841	32.41
Henan	490	61,929	7.91
Hubei	810	38,862	20.84
Hunan	2,190	42,001	52.14

Source: China Labor Statistics Yearbook 2007.

Figure 3.26 Percentage of Unemployed Disabled Receiving Employment Trainings (%)



Source: China Social Statistics Yearbook 2007

ples show that investment in employment training does not depend on economic development level, but is determined largely by local governments understanding of the importance of training. To foster the development of employment training and education, per capita funding for working age population should be used as an indicator of the performance of local governments. The central Government, for its part, should increase direct inputs to employment training in the western provinces.

Employment training for the disabled

By 2006, China had about 83 million disabled people constituting 6.3 percent of the population. About 44.2 million of them were aged 60 or above. The 2006 employment rates for urban disabled persons in the eastern, central and western regions were 80.1 percent, 68.3 percent and 76.0 percent, respectively, against a country average of 75.7 percent. The corresponding employment rates for rural disabled persons were 82.1 percent, 76.7 percent and 79.5 percent, against a country average of 79.5 percent.

In the eastern, central and western regions, the numbers of disabled people receiving training were 172,076, 77,023 and 97,662, respectively. In terms of both the urban and rural training rate, the central region lags behind the other two (see Figure 3.26).

Migrant Rural Workers and Inequality in Basic Public Services

Migrant rural workers are a special group formed by China's economic transition. The Chinese economy, which has straddled the classic traditional-modern dualism described in most development studies, has been undergoing a structural transformation. Since reforms began, a large number of surplus rural workers have started to flow into cities.[36] A 2005 estimate[37] puts their number at 120 million. If rural labourers working in local township enterprises are counted, the total number could well reach 200 million.

The emergence of China's rural labourers has been both an economic and a sociological phenomenon. The household registration system (*hukou*) and inequitable public service policies pose major obstacles to their movement and their integration into urban society. The rights of migrant rural labourers and their families are not fully guaranteed; they get lower wages, lack basic social security and find it hard to provide their children with an education.[38] One extreme example of the disadvantageous status of these workers has been their inability to collect their wages after completing their jobs[39].

The implications of these problems for sustainable economic development are enormous, as the rural population is still 60 percent of the total population, and structural transformation is likely to continue for several more decades if China is to sustain its rapid

36 According to the Lewis-Ronis-Fei model for dualistic economic structures, if a great number of surplus labourers and an infinite supply of surplus labor exist, and the wage level is slightly higher in industrial sectors than farming, rural residents will keep flowing into cities. With the decrease of surplus labourers and changes in the farming sector, a shortage of labourers will appear. The flow of laborers between agriculture and industry then starts to be determined by marginal productivity changes. At that point, the society will enter the stage of modern economic growth. W·A·Lewis, *On Dualistic Economy*, Beijing, Beijing Institute of Economics Press, 1989; G·Ranis and J Fei: *Development of Labor Surplus Economy: Theory and Policy*, Beijing, Economic Science Press, 1992.

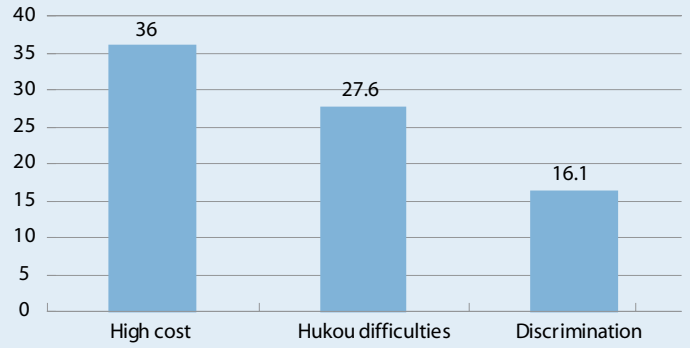
37 State Council Research Office, "*Investigative Report on China's Rural Migrant Workers,*" Beijing: China Yanshi Publishing House, 2006

38 In the past two years, a shortage of migrant rural workers occurred in coastal areas and then inland areas. Some scholars pointed out that the country's labour market is facing a "Lewis turning point" (Cai Fang 2007).

39 This became so widespread a problem that Premier Wen Jiabao personally became involved in addressing it.

growth. There are already signs that internal migration is slowing, and that the inhospitable conditions and inequitable opportunities faced by rural workers and their families are among the key explanations.

Figure 3.27 Main challenges expressed by migrants around their children's schooling (%)



Source: Survey No. 2 on Migrant Rural Workers' Living Quality: Problems and Suggestion on Work and Business, China Statistical Information Network, 2006-10-25

In view of the increasing scope and seriousness of the migrant worker situation, a number of national government initiatives have been launched in recent years. An investigation into the problem of wage arrears for migrant rural workers has been conducted towards creating an action plan for labour contracts, legal aid and education for migrant rural workers. In 2006, the rural residents' old-age insurance system, which also covers migrant rural workers, was placed on the government agenda. Inclusive work-related injury and medical insurance schemes were also being formulated. Some migrant rural workers have been included in the basic public service system in the areas where they work. The State Council's "Several Opinions on Solving the Problems of Migrant Rural Workers" in 2006[40] proposed to improve their wages, employment conditions and social security, and reform the household registration system. In addition, a number of local governments have launched experimental programs to abolish or drastically limit the impact of the *hukou* system.

Despite these efforts, however, the status of migrant rural workers is poor compared to urban residents. Studies show that in 2006, the average quality of life index[41] for migrant rural workers was about 53 percent of the average level of urban residents. In other categories, the rights protection index, health and medical care index, and income and consumption index were 0.66, 0.64 and 0.64, respectively. In housing, rural migrants scored just 50 percent of the level for urban residents. The lowest index for rural migrants was on social security, at 25.1 percent of that of their urban counterparts.[42]

COMPULSORY EDUCATION: EXTRA COSTS AND PREJUDICE

Over 90 percent of migrant rural workers are young and middle-aged. Most of their children are of school-going age.[43] They face a choice of either educating them at city schools or leaving them behind in rural areas. The children left behind number about 20 million, according to rough estimates.[44] In provinces that send out the largest flows of migrant rural workers, up to 22 percent of the children have been left behind. They face problems in studies and emotional development.[45] Most can receive compulsory education in the rural areas, but the retention rate drastically drops in junior middle schools.[46]

The situation improves when children receive compulsory education in the cities where their parents work. According to a survey conducted by the National Bureau of Statistics, of those enrolled in city schools, around 72 percent are in public schools, 22 percent in private schools and only one percent can-

40 "*Several Opinions of the State Council on Solving the Problems of Migrant Rural Workers*, website of the Chinese government, March 27, 2006

41 This index was developed specifically to compare the quality of life of migrant workers with that of urban residents, in terms of protection of rights, health and health care services, labour, income and consumption, housing and social security. See Rural Development Institute of Chinese Academy of Social Sciences, and the Department of Rural Socio-economic Survey of National Statistial Bureau, 2006.

42 Rural Development Research Institute of the Chinese Academy of Social Sciences and Rural Social Economy Survey Department of the National Bureau of Statistics: "*2006-07: Analysis and Prediction on Rural Economic Situation of China,*" Beijing: Social Sciences Academic Press, 2007

43 National Bureau of Statistics, *"An Investigative Report on the Migrant Rural Workers' Living Quality"*, People's Daily, October 24, 2006. According to this report, the migrant rural workers aged from 16-25, 25-35 and 35-45 and above 45 accounted for 30.43%, 35.86%, 25.54% and 8.17% respectively of the workers surveyed.

44 There has not been any authoritative estimate of the number of children left behind in rural areas. It is estimated to be anywhere between 10 and 20 million, according to Tang Jun and Yang Tuan (2007).

45 Ye Jingzhong and James Murray (2005)

46 Duan Chengrong and Zhou Fulin: "Research on China's Left-behind Children", *Population Research,* 2005 2

not go to school or drop out for various reasons.[47] Of the migrant rural workers surveyed, 6.5 percent were satisfied with their children's education, 43.5 percent were fairly satisfied, 26 percent were neither satisfied nor dissatisfied and 24 percent were not satisfied.48

According to a survey by the State Council Research Office, the annual tuition fee for each primary school or junior middle school student in cities in the first few years of the new century was 2,450 Yuan on average, which is about one-fifth of the average income of a migrant worker's family. In addition, migrant rural workers had to pay a large amount of money, averaging 1,226 Yuan per year as hefty donations to schools[49] to obtain "transient student" status for their child. Ordinarily, migrant rural workers had to send their children to special schools designed for them, which are generally in poor conditions. See Figure 3.27 migrant workers' perceptions of key challenges.

The lack of affordable access to quality education for the children of rural migrants leaves them socially excluded, denied them the right to full development and violates their rights. Such inequality of opportunity can also lead to the intergenerational transmission of poverty and trigger further socioeconomic problems.[50]

47 "*Survey No. 2 on Migrant Rural Workers' Living Quality: Living and Education*", China Statistical Information Network, 2006-10-20

48 "Survey No. 3 on Migrant Rural Workers' Living Quality: Evaluation and Expectation of Urban Life," China Statistical Information Network, 2006-10-24

49 "Survey No. 2 on Migrant Rural Workers' Living Quality: Living and Education", China Statistical Information Network, 2006-10-20

50 Background paper by Dang Guoying and Xu Liping

PUBLIC HEALTH AND BASIC MEDICAL CARE: URGENT NEEDS

Employment conditions for migrant rural workers, whose work is concentrated in the informal sector, are generally harsh. They tend to be affected by epidemic and occupational diseases more than other groups of people. The Labor and Social Security Research Institute of Zhejiang Province evaluated the health conditions of migrant rural workers[51] and found that 25.4 percent overall, and up to 36.8 in the building industry, are employed in workplaces that do not meet occupational health standards.

A National Bureau of Statistics survey shows that 33 percent of rural workers are not satisfied with the medical services they receive.[52] When they are sick, 37.8 percent buy medicine by themselves in the drug store, 32 percent go to a regular hospital, and 20.5 percent go to private clinics. Without access to urban medical insurance systems, they often cannot afford to pay for care.[53] More than two-thirds of migrant workers do not go to the hospital due to cost.

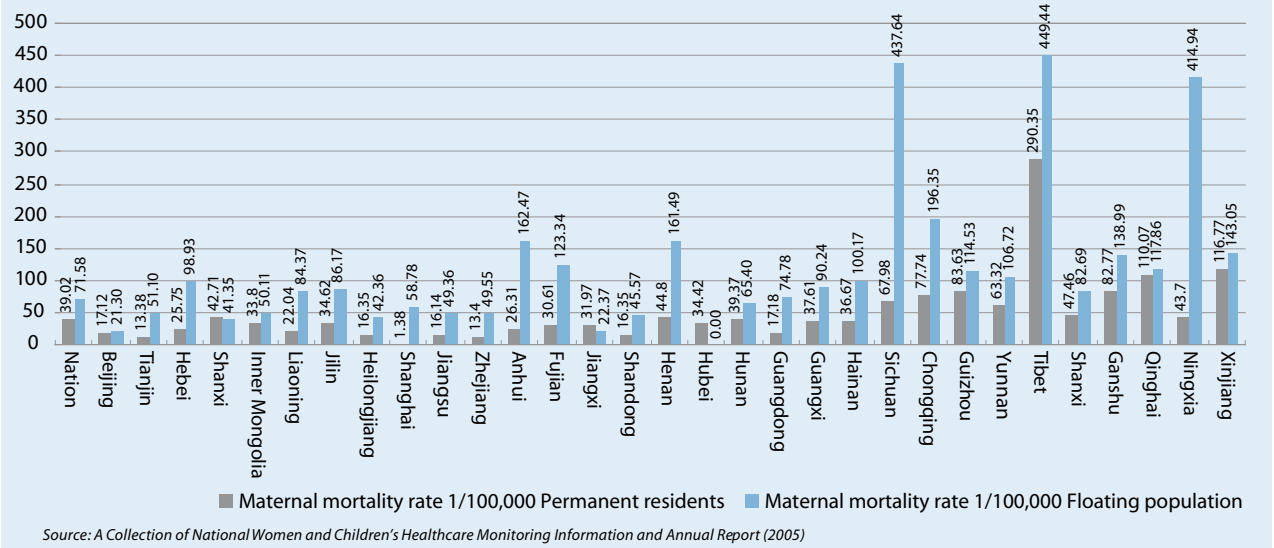
Maternal mortality rate demonstrates disparities in health outcomes. Among permanent urban residents, the maternal mortality rate is 25 per 100,000 births. But among members of the mainly migrant

51 Analytical Report on the Health Condition of Some of the Migrant Rural Workers in Hangzhou"

52 "Survey No. 3 on Rural Migrant Workers' Living Quality: Evaluation and Expectation of Urban life", China Statistical Information Network, 2006-10-24

53 "Survey No. 2 on Rural Migrant Workers' Living Quality: Living and Education", China Statistical Information, 2006-10-20

Figure 3.28 The maternal mortality rates of permanent residents and floating population in 2005 (1/100,000 people)



Source: A Collection of National Women and Children's Healthcare Monitoring Information and Annual Report (2005)

Table 3.11 : **Migrant rural workers' social insurance coverage and its source (%)**

	Solely paid by migrant workers	Paid by the employer	Jointly paid by migrant worker and their employers	Non-participants
Old-age insurance	6.56	11.89	8.18	73.37
Medical insurance	7.23	12.61	6.39	73.77
Unemployment insurance	2.55	8.41	4.39	84.65
Work-related insurance	4.62	23.09	4.83	67.46

Source: "No. 1 Survey on Migrant Rural Workers' Life Quality: Employment and Social Security", web.tongji.edu.cn, October 2006

floating population, the rate soars to 71.5 per 100,000 births (see Figure 3.28).

BASIC SOCIAL SECURITY: LIMITED ACCESS, INCOMPATIBLE SYSTEMS

Migrant rural workers frequently find themselves unable to access either rural or urban social security benefits, although more are being included in the urban basic social security system. In 2006, progress was made in extending basic medical insurance for employed urban residents to over 23 million migrant rural workers,[54] an increase of 18.8 million over the previous year.[55] The proportion of those covered is still low, however. A survey by the Chinese Academy of Social Sciences indicates that only a third have pensions or workplace injury schemes, while a mere one-fifth have health insurance coverage. These rates are all much lower than for employed urban residents. The proportions for enterprise supplementary insurance, workers' mutual aid insurance and commercial insurance were even lower—2.9 percent, 3.1 percent and 5.6 percent, respectively.[56] According to the National Bureau of Statistics, 74.8 percent of migrant rural workers are not covered by any insurance.[57] Of those with pension, medical, unemployment and work-related injury insurance, only a small portion had their employers buy the insurance (see Table 3.11.) The rest have to pay for all or part of their insurance premiums, except for workplace injury insurance, where over 70 percent of the participating migrant rural workers' cost is paid for by employers. This applies only to the third of rural migrant workers that have this insurance, however.

This is a very serious gap, since more than 35 million migrant workers are employed in high-risk industries. For instance, they make up nearly half of the 7 million workers in metal and non-metal mines, and nearly all workers in private coalmines. They comprise 80 percent of the country's 30 million construction workers, a third of labourers in factories producing dangerous chemicals, and almost all the employees in fireworks factories.[58] By the end of 2006, the number of workers buying work-related injury insurance was 102.7 million overall, including 25.4 million migrant rural workers, a more than 100 percent increase over the previous year. Despite this rapid expansion, however, most migrant rural workers are still not covered.

The generally low level of social pooling for social security makes the portability of benefits extremely difficult for workers who move from one locality to another. This hinders the participation of migrant workers. The root cause of limited pooling lies in a system that separates financial revenues and expenditure as well as social security management at the central and local levels. Starting in 1997, the central Government began building a unified old-age insurance system with standardized management of socially pooled funds. But huge gaps in past debts, economic development levels and population structures in different regions, as well as the configurations of interests among central and local governments, enterprises and individuals, have re-

54 *"Summary of the Work of Migrant Rural Workers in 2006"*, website of the Chinese government, 2007-1-23

55 Dang Guoying and Xu Liping (2007)

56 *"Face to Face of Theoretical Hot Spots (2006) No. 16: Behind Migrant Rural Workers Tide and Migrant Rural Worker Shortage— How to deal with the Problem of Migrant Rural Workers,* Beijing: Xuexi Publishing House and People's Publishing House, 2006

57 *"Survey No. 4 on Living Quality of Rural Migrant Workers: The Problems and Suggestions on Work and Business,* China Statistical Information Network, *2006-10-26.*

58 Li Yizhong (2007)

stricted raising social pooling levels. According to current regulations, workers moving from one region to another can only have their individual old-age insurance accounts transferred, not the social pooling accounts. It is already hard to transfer urban workers' social security accounts, and even harder for migrant rural workers.[59] According to the current policy, most migrants cannot settle down in cities. They have to return to their native place when they reach a certain age. Incompatible urban and rural social security schemes have little meaning to them under these circumstances.

Public employment service for migrant rural workers

Public employment services could be enormous value to migrant rural workers. The employment and occupational training helps them enhance their employment opportunities, raise vocational skills and increase their competitiveness in the labor market. A survey[60] by NBS shows that although half (51.4 percent of men and 48 percent of women) of the surveyed migrant rural workers took part in vocational training, they were mostly short-term pre-job training. The survey showed that the potential demand for such training is very strong. 40.7 percent of the surveyed said that they would attend trainings organized by the government if free; 16.0 percent said that they would attend if useful; 15.4 said that they would attend if jobs were guaranteed after training; and 9.7 percent they would attend if the fee was low enough. Regarding training programs that migrants have to pay for themselves, 41.0 percent said that they would attend it if the charge was reasonable[2].

Public services for left-behind family members of migrant rural workers

As migrant rural workers have restricted access to basic public services, few of them can afford to bring their families with them to the cities, resulting in groups of children, women and the elderly who are left behind.[61] According to the fifth National Census, in 2000 China had 18 million people over the age of 60 who had been left behind. Many are not healthy and continue to be burdened with low-paying farm work. Without a sound rural basic medical care and old-age insurance system, they face hardship. An estimate for the women of all ages left behind is larger, at 47 million.[62] Women do intensive farm work, handle household chores, and take care of both children and the elderly. This takes a heavy toll on their health, but high medical costs often restrict their access to medical services.

Problems faced by the landless and the urban poor

People who have lost their land and the urban poor constitute other vulnerable groups that have attracted wide attention. With the acceleration of urbanization and industrialization in China, an increasing number of farmers are losing their farmland—in 2005, the estimate was between 40 and 50 million.[63] They do not have stable incomes after their only source of security, land, is gone. Since their access to basic public services is also restricted, many plunge into poverty. One survey estimates that three out of five farmers who have lost land lead a life of hardship.[64]

Due to a competitive job market and their limited education, these farmers find it hard to secure a job. According to the National Bureau of Statistics, which surveyed 2,942 households (with 7,187 labourers) that lost farmland, only 197 received direct assistance from the Government to find new jobs. About a quarter became migrants; over half looked for local jobs in industries and farming. About 20 percent remained jobless.[65]

Rural residents who give away land are entitled to compensation, with which they are supposed to buy pension, medical and unemployment insurance. In

59 Liu Sheng, "Why migrant rural workers demand withdrawal from insurance frequently; social security system is facing the test of "flow", China Youth Daily, 2005-10-22.

60 *"Survey No. 2 on Migrant Rural Workers' Living Quality: Living and Education"*, China Statistical Information, 2006-10-20.

61 The elderly refer to those who are older than 60 (or 65) and stay at home when their children work outside. Women who have been left behind refers to those who stay at home and do productive and household chores that should have been shared by the couple,because their husbands work outside for a long period (Tang Jun and Yang Tuan, 2007).

62 Zhang Juncai and Zhang Qian: "Survey on the Abnormal Survival of 50 million Left-behind Women, *China Economic Weekly,* 2006-10-16.

63 Han Jun: "Employment and Social Security of Land-losing Farmers, China Economic Times, 2005-6-24

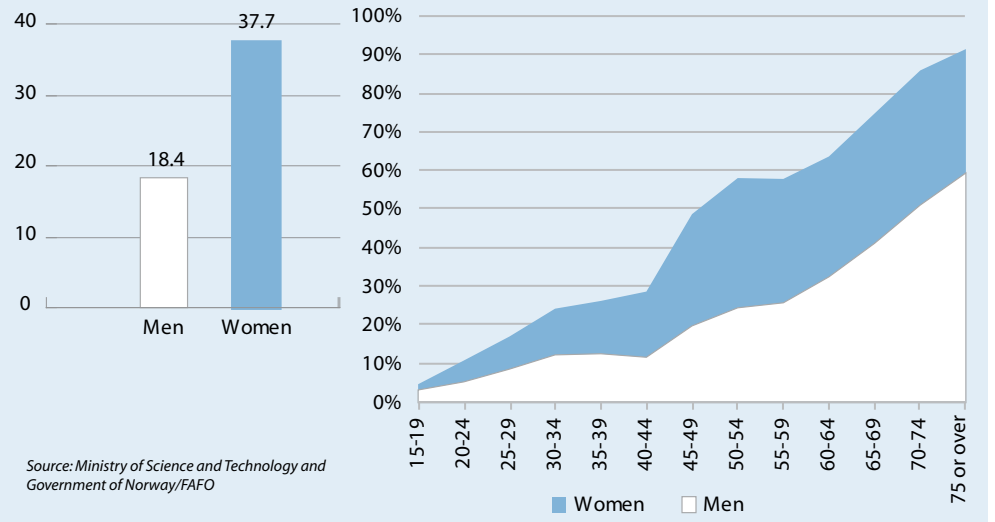
64 Xu Xiao: "Hope for the Realization of Allowing Negative Growth of GDP", China Securities, 2006-5-27

65 Han Jun (2005)

some cases, they are not willing to do so because of the traditional thinking that they should be supported by their children when they are old. In other cases, they cannot afford to buy insurance because the compensation they receive is too little. For these and other reason, the proportion of landless rural residents covered by social security schemes remains low.

The loss of farmland also weakens the custom of children supporting their elderly parents. If the parents happen to live in less developed areas, it is impossible for them to access the local urban social security schemes. Consequently, they neither have social nor family support. To extend the urban social security system to cover landless farmers is one of the biggest challenges in equalizing basic services in China.

Figure 3.29 Gender gap for functional illiteracy in western China



Source: Ministry of Science and Technology and Government of Norway/FAFO

The urban poor in China are officially defined as residents with incomes lower than the minimum living allowance standard. According to the 2006 "Statistical Communiqué on China's Civil Affairs Development," China had 22.4 million urban residents who lived on the minimum living allowance. They are typically found in economically depressed regions with financially weak local governments that issue comparatively low allowances. In 2006, the average urban subsistence allowance was 169.6 Yuan per person per month, which was about one-fifth of the average urban disposable income of around 980 Yuan per month.[66] Low allowances further deny the urban poor and their children equal opportunities to develop and grow, which is sure to lead and contribute to perpetuating poverty across generations.

The Gender Gap in Basic Public Services

The Asian Development Bank's 2006 China Gender Assessment[67] confirms that over the past six decades, China has made great strides in promoting gender equality, having consciously adopted economic, legal, administrative and cultural measures to equalize opportunities and human development outcomes between men and women.[68] But there persists a complex inter-play of traditional prejudice and discrimination with modern-day work and life practices. Gender gaps in basic public service provision can be found in a number of ways: in labour markets, education, health care and access to social security . One key finding is that women bear the greatest impacts of the other gaps identified in this report. In poor rural areas, poorer interior provinces and among migrant workers, women face the most limited access to basic public services.

GENDER GAP IN COMPULSORY EDUCATION

With overall education levels rising, the gender gap

66 Calculated according to urban residents' per capita annual disposable income in the National Bureau of Statistics *"Statistical Communique of the PRC on 2006 National Economy and Social Development"*

67 "People's Republic of China: Country Gender Assessment", Asian Development Bank, Manila, 2006

68 Peng Xizhe: *Social Policy and Gender Equality: Taking the Analysis of China's Pension System as an Example, Collection of Studies on Women*, 2003 (2)

in compulsory education has narrowed considerably. The female illiteracy rate has dropped rapidly since the 1990s, and the gap in average length of schooling between men and women has decreased. Survey data on functional literacy, however, show that large disparities remain among adults in the western provinces. A 2004-5 survey of 44000 households across 11 western provinces demonstrated tremendous progress in literacy, with female illiteracy rates dropping from over 91 percent in the oldest category (75 years and over) to 4.8 percent in the youngest (15 to 19 years old). But women are twice as likely to be functionally illiterate as men.[69]

At the primary school level, the gender gap in enrollment has basically been eliminated. At the end of 2006, the net primary school enrollment rate of school-age children reached 99.25 percent for boys and 99.29 percent for girls. The drop-out rate for children aged 7 to 14 years has fallen dramatically across China in the last decade, from 13.16 percent in 1990 to 2.68 percent in 2000. In urban areas, the slight gender gap in drop-out rates that existed in 1990 had been reversed by 2000, with girls dropping out less frequently than boys. But in rural areas, the female drop-out rate of 3.13 percent was still notably higher than the male rate of 2.58 percent.[70]

69 "Monitoring Social and Economic Development of the Western Regions of China"Ministry of Science and Technology and Government of Norway/FAFO

70 Asian Development Bank, China Country Agenda Assessment, p. 27

There are stark disparities in the western provinces when it comes to overall educational attainment (see Figure 3.30.). The share of women who have received no schooling is 31 percent, twice the rate for men. Men have a higher share of attainment at all levels, though their advantage decreases steadily from 91 percent at the lowest level to 68 percent at the highest.

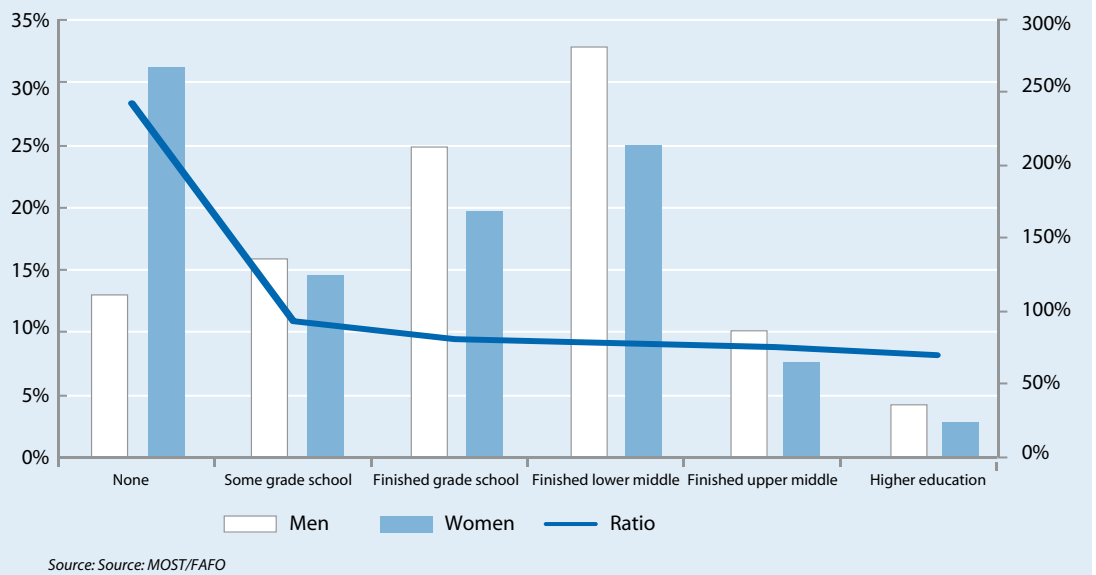
Breaking literacy data down by income level shows that while the male-female gap in absolute terms falls with rising income, in relative terms it actually increases. On the one hand, the fact that female and male illiteracy rates are 56 percent and 34 percent, respectively, in the poorest fifth of the population means that there are a lot more illiterate women in this group than in the wealthiest fifth, where illiteracy is 17 percent versus 6 percent for women and men, respectively. But on the other hand, illiteracy is nearly three times as high for women in the richer segment, while in the poorer group it is about 70 percent higher. This suggests that even if progress benefits everyone, inherent biases may still exist so that men benefit more, at the expense of women's development.

GENDER GAPS IN HEALTH SERVICE

Since the reform era began, women's health has steadily improved, but their life security index[71] de-

71 An indicator adopted by the *Report on the Evaluation of China's Gender*

Figure 3.30 Gender gap in highest educational attainment in western China



Source: Source: MOST/FAFO

Table 3.12: **China's Sex Ratio at Birth 1982-2005**

Year	Gender ratio at birth
1982 (3rd National Census)	108.5
1987 (% sample survey)	110.9
1990 (4th National Census)	111.3
1995 (% sample survey)	115.6
2000 (5th National Census)	116.9
2005 (% sample survey)	118.9

Source: Chinese Government's Main Measures to Control the Imbalance in Gender Ratio at Birth, Website of China Children's Information Center, 2007-5-25.

clined from 94.1 in 1990 to 93.5 in 2004.[72] This was attributable to the relatively high sex ratio at birth and the mortality rates of baby and young girls.

China's estimated sex ratio at birth has risen from 108.5 in 1982 to 118.9 in 2005 (see Table 3.12), deviating increasingly from the normal range of 103 to 107 and greatly impeding the rise of women's life security indicator.[73]

As China's infant mortality rate declines, the mortality rate of female infants remains consistently higher than that of male infants. In 1990 the 4th National Census found that the mortality rates of male infants and female infants were 28.5 per 1000 live births and 33.2 per 1000 live births, respectively. In 2000 the 5th National Census found that the male rate had declined markedly to 23.9 per thousand but the female rate rose slightly to 33.7 per thousand. This may well be an important reason for the slight decline of women's life security index between 1990 and 2004.

GENDER GAP IN BASIC SOCIAL SECURITY

Shortfalls related to gender are also apparent in the basic social security system.[74] Maternity insurance covered only 38.9 percent of urban workers in 2004, having increased only 0.2 percentage points over a five-year period.[75] Since women's participation in informal employment is considerably higher than men's, and this form of work generally carries fewer benefits than in formal sector labour, urban women's access to employment-based insurance programmes is markedly lower than men's. Labour statistics do not distinguish between the informal and formal sectors, but a recent report by the All China Women's Federation estimated that 62.9 percent of urban women workers are in the informal sector, a rate that is 8.4 percent higher than for men.[76] This explains the findings of another survey conducted in 2000 by the All-China Women's Federation and the National Bureau of Statistics. It indicated visible differences in the social security provided to male and female workers by employers (see Table 3.13).

Another issue is that the female retirement age is five years less than the male retirement age. This violates normal international practice and causes two serious problems for women workers. First, they must give up their full salaried employment earlier than men and live on their pensions, which implies a lower standard of living. Second, they are unable to accumulate the same funds in their pension accounts as men with the same salaries, and therefore receive a lower pension. One recent study calculated that because of this practice, the retirement pension of a man will be 13.7 percent higher than that of a woman whose employment and salary history are exactly the same until the age of 55, when she has to retire.[77] This calculation does not capture the full extent of the gap in pensions between urban men and women, however, because women tend to receive lower salaries than men.

Women migrant rural workers face even more serious problems. According to a 2006 investigative report issued by the National Coordination Group for Safeguarding Women's and Children's Rights, the

Equality and Women's Development. It is based on the weighted calculation of the birth gender ratio, the infant mortality rate, the mortality rate of children under five, and the mortality rate of pregnant and maternal women. See the Report on the Evaluation of China's Gender Equality and Women's Development (1995~2005 and the Collection of Studies on Women, 2006 (2).

72 Report on the Evaluation of China's Gender Equality and Women's Development (1995~2005) and the Collection of Studies on Women, 2006 (2).

73 Report on the Evaluation of China's Gender Equality and Women's Development (1995~2005) and the Collection of Studies on Women, 2006 (2).

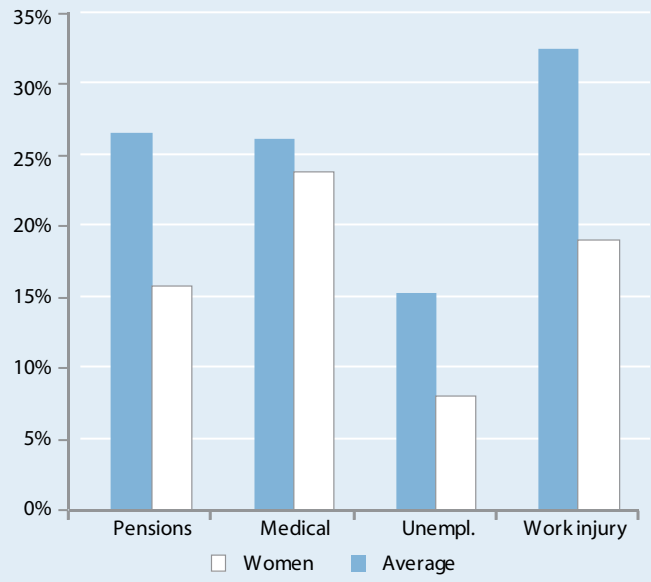
74 According to the Report on the Evaluation of China's Gender Equality and Women's Development (1995-2005),

75 Report on the Evaluation of China's Gender Equality and Women's Development (1995~2005) and the Collection of Studies on Women, 2006 (2).

76 http://www.china.com.cn/chinese/zhuanti/fnfzbg/1156335.htm

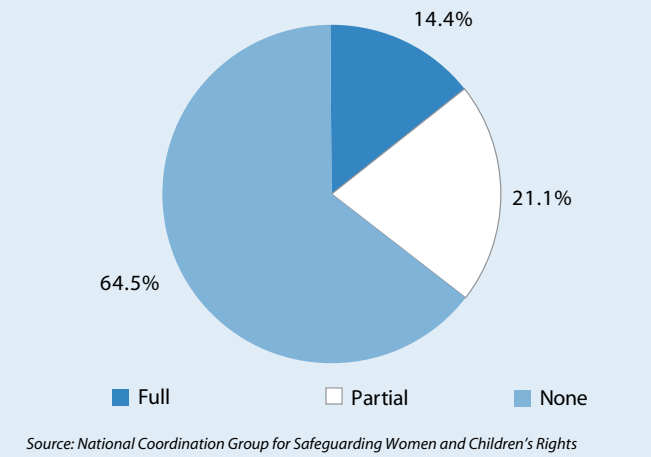
77 Tan Lin & Liu Bohong: Decade-Long Studies on Chinese Women (1995~2005) in Response to Beijing Plan of Action, Beijing, Social Sciences Publishing House, 2005.

Figure 3.31 Insurance coverage for migrant workers on average and women



Source: National Coordination Group for Safeguarding Women and Children's Rights

Figure 3.32 Compensation for female migrants during maternity leave



Source: National Coordination Group for Safeguarding Women and Children's Rights

proportion of women migrant rural workers participating in pension, unemployment and workplace injury insurance is only half of the participating proportion of the total group of migrant rural workers. This shows that the participating proportion of male migrant rural workers is much higher. The exception is health insurance, where the gap between women migrant rural workers and men migrant rural workers is a more modest 10 percent.

The report also shows that only 6.7 percent of female migrant workers have maternity insurance. A full 64.5 percent of women who gave birth received no payment during maternity leave, while only 14.4 percent received full pay and 21.1 percent received partial pay. The survey shows that only 36.4 percent of employers gave more than 90 days of maternity leave, and less than 13 percent of migrant women workers who gave birth had medical expense related to maternity reimbursed.[78]

As most rural social insurance programmes have only recently being implemented, it is too early to have gender-disaggregated data to compare access to these services for men and women. As noted earlier, the gender gap between men and women in access to education and health care tends to be related to the level of economic development; discrepancies are greatest in poorer rural areas and interior provinces. The same attitudes that drive this trend will likely also impede access by women in poor areas to rural social insurance programmes. Improving access of women in poor areas to rural social insurance programs will be instrumental in narrowing down the overall gender gaps in rural areas.

GENDER GAP IN PUBLIC EMPLOYMENT SERVICE

Unemployment rates for women are higher than for men, but in 2005, 17.9 million of the job-seekers registered with job agencies nationwide were women, accounting for 43.3 percent of the total. Successful female job-seekers placed through job service agencies totaled 9.7 million, accounting for only 44.6 percent of the total. That year, more than 3.6 million women participated in job training, accounting for 45.25 percent[79] of people receiving training.

Overall, women's employment rate in China is higher than in many countries in the world. Discrimination in the work place and labour market is not uncommon, however. In all age groups other than from 15 to 24 years old, women's employment rate is lower than men's. The reason for the higher rate in

78 Dang Guoying and Xu Liping (2007)
79 China Labor and Social Security Statistical Yearbook 2006.

Table 3.13: **Ratio of employers providing basic social security to female workers (%)**

	Medical insurance		Pension insurance		Unemployment Insurance		Injuries insurance	
	Female	Male	Female	Male	Female	Male	Female	Male
Provided	45.6	54.5	57.1	62.1	22.4	26.3	29.7	40.7
Not provided	52.6	43.6	40.7	35.3	70.3	66.3	62.8	52.6
Unclear	1.7	1.9	2.2	2.6	7.3	7.4	7.6	6.7
Total	100	100	100	100	100	100	100	100

Source: Men and Women in Chinese Society – Facts and Data compiled by the National Bureau of Statistics, the State Council Committee on the Work of Women and Children and the National Women's Research Institute, Chinese Women Net, 2007-6-7.

the 15 to 24 year-old group is that men have considerably higher enrollment rates in tertiary and higher education than women. In 2000, women's urban unemployment rate was 9.2 percent, higher than men's at 7.8 percent. The second national survey of women's status in China in 2002 pinpointed a widening income gap between men and women, with women urban employees earning only 70.1 percent of what men earned, a drop of 7.4 percent from 1990. In comparing the average wages of women and men working in the same sectors, women's pay was consistently lower than men's.[80]

PROTECTION OF WOMEN'S SPECIAL RIGHTS AND INTERESTS

According to the *Report on the Mid-Term Evaluation of the Implementation of the Program for the Development of Chinese Women (2001-2010)*, the proportion of enterprises that implemented "labor protection in four periods"[81] for women from 1999 to 2004 dropped from 95 percent to 33.5 percent. While the figure recovered slightly in 2005, overall it dropped by about 60 percentage points, implying two-thirds of all enterprises that initially participated were no longer doing so. In addition, the share of enterprises implementing the stipulations on banning female workers from being employed for prohibitive labour dropped from 85 percent in 1999 to 29.7 percent in 2005, or about 65 percentage points.

80 ADB 2006 page 14.

81 The four periods refer to before pregnancy, pregnancy, maternity leave and nursing hours.

Underlying Causes of Gaps in Basic Public Services

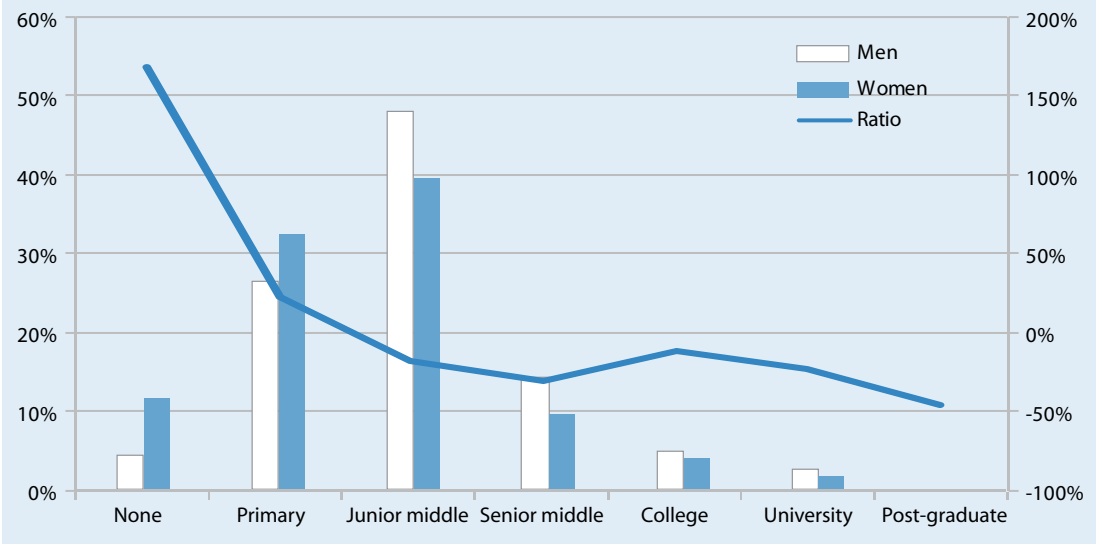
SYSTEMIC CAUSES IN URBAN AND RURAL AREAS

The rigid urban-rural structure of public service institutions continues. Urban-rural gaps in public service delivery result from deep-rooted systemic factors. In the case of rural-urban disparity, the provisioning of rural basic public services has long stressed self-reliance, with only a secondary role for state financing. This has been partly institutionalized by the *hukou* system, which fosters inequalities in basic rights and opportunities between urban and rural populations. In recent years, household registration has been eased, and rural-to-urban labour flows have grown. The dual mode of public service delivery, however, has not fundamentally changed. Health care, social security and many other essential services still distinguish between "urban" and "rural" systems, with a tendency for the former to receive more public funding and the latter to be more self-financed. This slows the process of narrowing disparities.

State financial support is still focused on cities. During the 10th Five-Year Plan, the absolute amount of rural investment from the state budget increased greatly, but the proportion of spending in rural areas decreased. From 1996 to 2000, the proportion was around 9.3, and for 2001 to 2005 was about 8 percent.[82] An important factor restricting the development of rural compulsory education has been the lack of clarity on the spending responsibilities of

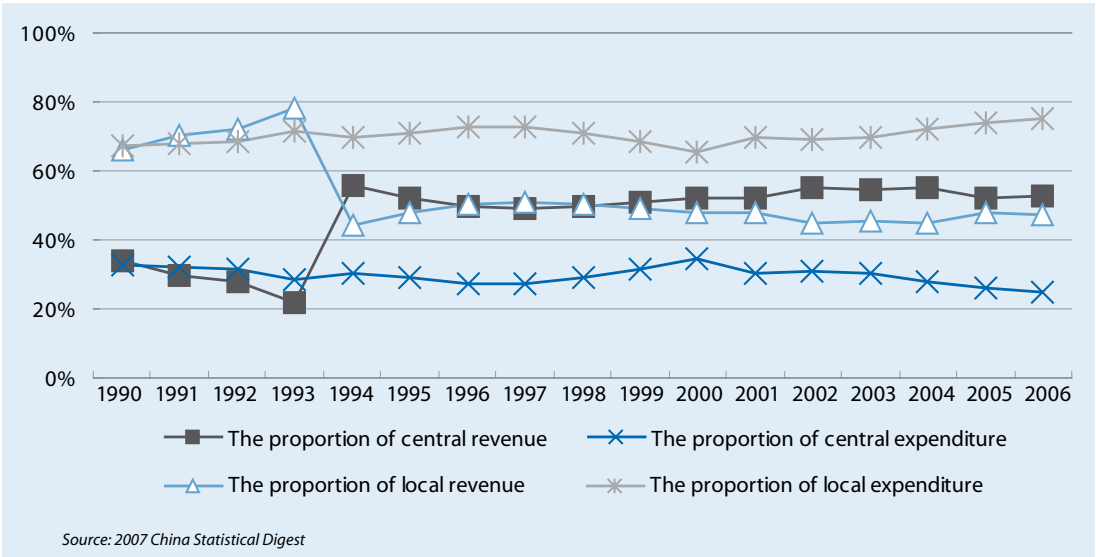
82 Han Jun (2007)

Figure 3.33 Gender gaps in educational status of employed people



Source: China Labor Statistical Yearbook 2006.

Figure 3.34 Changes in the ratio of central and local financial revenues and expenditures (1990-2006)



Source: 2007 China Statistical Digest

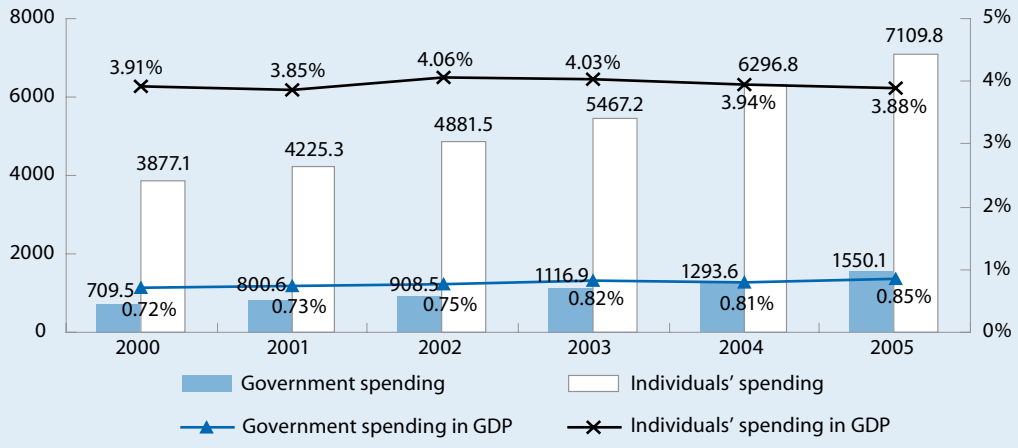
each level of government, leading to the absence of reliable funding mechanisms, which is one reason why education funding per student in urban areas is still so much higher than in rural ones.

Expectations for the rural collective economy are unrealistic. With many county and township governments facing difficult circumstances, the rural collective economy frequently is called on to share the responsibility of providing basic public services. Except in the developed eastern coastal areas, this is wishful thinking. In 2006, the State Council Development Research Centre surveyed over 2,749 villages in 166 townships, 57 counties (cities), 20 prefecture-level cities and 17 provinces (municipalities and autonomous regions) and found wide variations in financial strength among villages. Nearly half the villages surveyed had a budget of less than 50,000 Yuan per year; nearly 40 percent could not pay their debts.[83] In the western region, more than 91 percent of villages had annual revenues of less than 100,000 Yuan. This contrasted with the eastern region, where one-third of the villages had annual revenues exceeding 1 million Yuan.[84]

83 The subject group of "Promoting the construction of socialist new countryside" of the State Council Development Research Center, "A General Report on the Advance of the Construction of Socialist New Countryside – a survey over 2,749 villages in 17 provinces (municipalities and autonomous regions)," *Reform*, 2007(6).

84 Han Jun (2007)

Figure 3.35 Government and individual health expenditures (milion Yuan and %)



Source: China Yearbook of Statistics 2006 and Statistical Digest of China's Public Health 2007. The individuals' health expenditure includes social health and residents' individual health expenditures.

SYSTEMIC AND POLICY CAUSES FOR REGIONAL DISPARITIES

Effective institutions and mechanisms are not in place to equalize fiscal capacities between regions. Fiscal equalization is one of the most important preconditions for equalizing basic public services. Widening gaps in economic development combined with uneven fiscal relationships between central and local governments have produced widening regional fiscal disparities.

Since the tax-sharing reform in 1994, local financial revenue has mainly depended on the performance of the local economy. The central Government continues to collect the bulk of the country's revenue. Of the revenues transferred to local governments, the scale-of-transfer payment supports equalization is too small. In 2006, the proportion of central financial revenues accounted for around 53 percent of total revenues, but expenditures at the central level only accounted for about 25 percent of the country's total expenditures. Local revenue was only 47 percent of the total, but financed 75 percent of the total expenditures (see Figure 3.34).[85]

Tax rebates from the central Government to local governments comprise the bulk of central-local financial transfer payments, so that fast-growing regions with strong tax bases and the lowest need for transfers often receive the largest rebates. For instance, in 2003, the total tax rebate in the eastern region accounted for more than 50 percent of the total tax rebate. Value-added and consumption tax rebates made up 52.6 percent of the total rebate; and the rebate for income tax took up over 70 percent of the total. Even after the financial transfer payment, the per capita financial capacity in the western region is only about 48.3 percent of that in the eastern region.

Changed demands on public finance are not adequately reflected in the structure of government expenditures. The gradual equalization of basic public services across the regions requires a large-scale increase in inputs, which in turn depends on sound public finance institutions. Though important progress has been made in establishing fiscal institutions in line with the market economy, inputs for basic public services are still too small. There is still a long way to go in fully establishing the public finance system.

China's tax revenues increased from 113 billion Yuan in 1978[86] to 5.1 trillion Yuan in 2007;[87] although these numbers have not been adjusted for changes in prices, the scale of the increase is indicative of the magnitude of the strengthening of the government's fiscal position. Looking at numbers like these, some scholars argue that limited public finance can no lon-

85 *China Statistical Abstract 2007*

86 The Ministry of Finance, *2005 China Fiscal Yearbook*, China State Finance Public House, 2006; State Statistical Bureau, *2007 China Statistical Abstract*, China Statistics Press 2007.

87 "China Statistical Abstract 2008", Beijing 2008

ger be seen as a constraint on provision of adequate basic public services.[88] In spite of marked expansion of the absolute amount of government inputs, the proportion of spending on science and technology, culture, education and health did not grow between 1992 and 2005. The education budget, including the collected associated fees for urban education, accounted for 14.9 percent of total expenditures in 2005, a slight decrease from the previous year. The Government's stated wish to boost education spending from 2.8 percent to 4 percent of GDP has gone unrealized, even though the current level remains far below the average for developing countries.

In health, the Government has increased year-on-year spending, but the public share is low (see Figure 3.41) at only about 0.82 percent of GDP, compared to a world average of 2.6 percent.[89] If this share is increased to at least 1.5 percent of GDP, and systems for channeling additional funding are reformed, China could go a long way in eventually guaranteeing essential health care for all its citizens.

The financial capacities and responsibilities of local governments are mismatched. In 2006, the Government decided to more clearly define the responsibilities of central and local governments, and establish tax and fiscal systems that balance the responsibilities and financial capacities of local governments. This initiative is still under readjustment. Although the main responsibility for providing basic public services lies with local governments, many of them lack the resources to meet their obligations. At present, the country's tax-sharing system needs improvements to reflect intergovernmental governance rights and financial capacities. While the central and provincial governments have strong financial positions, responsibilities are often relegated to lower level governments. This mismatch expands regional disparities in basic public services.

ABSENCE OF A UNIFIED NATIONAL POLICY ON MIGRANT RURAL WORKERS

The barriers posed by the *hukou* system to equalizing access to public services within urban areas are well documented. More equitable access for migrant rural workers requires the gradual easing of the system. Furthermore, as China's population ages, the benefits of a demographic boom will slow, and competition for low-wage labour will intensify. This calls for far-sighted solutions to emerging problems, such as the insufficient transfer of rural labourers into urban areas.[90] A unified national policy and programmes on rural migrants would be a step forward. The national Government must be involved in eventually making basic social security entitlements portable or transferable. A proposal for making educational vouchers available to children of migrants requires a national scheme to make it work.[91]

The provision of services to migrant rural workers is a complex issue. One consideration is the capacity of the local government; another is differing needs among workers themselves. The Government on the whole has recognized that migrant rural workers are contributing to economic development and are also taxpayers. They should have access to the same services as employed urban residents. So far, this has been the responsibility of the local government where they work. Several cities in developed provinces are moving to integrate their migrant populace on their own. Shenzhen, which had a permanent population of 8.3 million, with nearly 1.8 million as *hukou* holders and the rest comprising a "floating" population largely consisting of migrant rural workers, has integrated the provision of some services into the system for employed urban residents. The system of indicators of people's well-beings adopted in 2006 in Shenzhen included the proportion of migrant rural workers participating in work-related injury insurance and medical care insurance, as well as the hours of training each migrant worker receives.

Changshu City in Jiangsu Province has established a uniform subsistence allowance system in both rural and urban areas; Yiwu City in Zhejiang Province has integrated 800 villages into about 300 urban commu-

88 Wang Yiming, "Policy Orientation of Current Economic Operation", *Outlook Weekly*, 21th issue, 2007.

89 The data for China are from "*2006 Statistical Communique of China's Health Development*. The World Bank data are from Xia Jiechang's "Policy Thought on Raising the Basic Public Service Level: An Analysis From the Perspective of Public Finance", Economy and Management, 2007 (1)

90 Cai Fang (2007)

91 After the State Council stipulated in May 2001 that local governments must assume responsibility for nine-year compulsory education for the children of migrants, there has been progress in a few cities such as Beijing. By 2004, for example, 62 percent of the city's 370,000 migrant children were enrolled in public schools, and 25 percent in unauthorized migrant schools (Chan and Buckingham 2007).

nities, and unified the urban and rural public service system in 2003. But there are limits to the absorption capacity of cities. In Suzhou City, for instance, there is an annual increase of about 50,000 children of migrant rural workers. If 1,000 children were to be accommodated in one school, there would be a need to build 50 schools every year in just one city. The city is capable of accomplishing such a task but is concerned that this would lead to a further rapid increase in the influx of further migrants with children. The central Government needs to promulgate nationally unified policies stipulating that providing services should be an important component of the annual budget of each level of the government.

OTHER PROBLEMS WITH EQUALIZING BASIC PUBLIC SERVICES

Lack of an overarching Government strategy for service equalization

Although the Government's commitment to gradual public service equalization is clear, there is not yet an *integrated* programme that embodies this commitment and will translate it into results within a defined period. As discussed below, the causes of gaps in delivery of public services are much more complex than the services themselves; they include issues in the fiscal system, institutional structure, government administration, and so on. Reform of the fiscal sector would have very large and immediate influences on the availability of funding for basic public services. Reform of the functions of local governments, and the relationship between various levels of government, would also directly affect public services. But there is not a clear set of public service commitments and targets that can ensure that fiscal and administrative reforms are consistent with the equalization goal.

The basic public services are also cross-cutting in nature: access to health is influenced by social security reforms, while health and education services are also linked through nutritional programmes or other mass public health interventions done by mobilizing the school system (such as vaccination). A reliable long-term agenda for equalizing delivery cannot consist solely of a collection of sectoral strategies, each covering one service or aspect of the problem.

Furthermore, the delivery of public services involves thousands of different government, civil society and private organizations, from the centre in Beijing to the grass-roots level in remote rural areas. At the highest level of government, for example, 18 different ministries are engaged in providing health services, all of which need to be engaged in preparing a strategy to reform the sector. In the absence of a clear overarching commitment by the government to a defined set of goals, it is inevitable that inconsistent or even contradictory policies and programmes will be implemented. At best, this piecemeal approach will do little to narrow existing service shortfalls, and at worst it may aggravate inequality.

Absence of an enforceable common legal framework

Current legislation[92] on basic public services is highly diversified. Policies, regulations and rules are made by various departments of the government at different levels, and there has been little effort to harmonize them. For example, there are no nationally unified institutional arrangements for old-age insurance. The central Government usually gives some general instructions, while sub-national governments makes polices and regulations according to their own fiscal capacities and preferences. This strengthens decentralization, but also leads to high variance in eligibility, governmental inputs, coverage, benefit levels, and practices across regions, rural and urban areas, and industries. Different systems inevitably lead to differing records on service provision across regions/sectors.

A second problem is that few basic public services are regulated by national laws, falling instead under local and departmental rules. Even when there is a national legislation, as in compulsory education, enforcement is a challenge. Shortfalls in education funding, for example, have occurred despite the 1995 Education Law, which stated that

92 China's legislation on compulsory education is relatively complete, including the Education Law of the People's Republic of China and the Compulsory Education Law of the People's Republic of China. In terms of public employment service, the Employment Promotion Law of the People's Republic of China and the Law of the People's Republic of China on Employment Contracts are in effect. As for public health, the Law of the People's Republic of China on Prevention and Treatment of Infectious Diseases and the Food Hygiene Law of the People's Republic of China have already been implemented.

"the proportion of budgetary education funds as a share of GDP should increase with the growth of the national economy and fiscal revenue." Another case involves the State Council's decision on establishing urban employees' basic medical insurance for all enterprises, public service units, private non-enterprise units, etc. Whether or not Township and Village Enterprises (TVEs) and individual economic organizations should be included could be decided by local governments. Though most covered their categories, several constraints were imposed, and some social groups, like migrant rural workers, were excluded. For example, small enterprises, whose employees are mostly migrant rural workers, are more often than not excluded. While local autonomy makes the supply of basic public services more flexible, it also becomes harder to enforce nationally set goals.

Thirdly, adequate fiscal resources are crucial for equalizing basic public services, but one of the main sources of revenue—the inter-governmental transfer—is still regulated by transitional rules made by the Ministry of Finance in 1995 ("Management Method on Fiscal Transfer in Transitional Period") and revised in 2002. Because of this legal problem inter-governmental transfers are unpredictable and ad hoc, with no systematic guarantees on their amount and frequency of transfers, or mechanisms to monitor shortages, and the role of the central and provincial public finance in balancing fiscal capacities across regions cannot be brought into full play, As a result expenditures on basic public services are still highly dependent on local economic development, further exacerbating inter-regional disparities.

Incomplete transformation of grass-roots government functions

County and township governments are the "front-line" providers of basic public services. Yet financial relationships among the different tiers of local governments have not been aligned to ensure better service delivery. This covers relationships between counties, prefectures and provinces on the one hand, and between counties and townships on the other. There are excessive layers of financial reporting, and blurred lines of accountability for transfer payments, subsidies and the use of funds. Indirect and complicated coordination between provincial and county treasuries weakens the ability of the former to adjust local financing and guarantee grass-roots service provision.[93]

At the grass-roots, governments undertake not only responsibilities to provide services, but also steer local economic growth strategies to expand local tax bases and raise revenues. The second imperative has tended to overshadow the first, leading local governments to pay insufficient attention to transforming themselves into service-oriented governments. Traditionally, township governments have employed a large number of staff because they have monopolized the delivery of public services, from financing and production to management and monitoring. That governments have a role in ensuring service provision does not mean that they should be in-charge of all aspects. They can easily cooperate, for example, with civil society organizations or the private sector to contribute to aspects of service delivery.

The reform of township governments is particularly crucial to equalizing services. In order to reduce costs and improve efficiency, township governments must adopt the provision of services for rural residents as their main responsibility. There is still a long way to go to reach this point.

Untapped potential of non-state actors

The role of non-state actors, including civil society organizations, communities and the private sector, in providing services is quite underdeveloped, weakening effectiveness. The previous state dominance in service delivery has been sharply cut back through market liberalization, privatization and decentralization, but clear delineation of the roles of new non-state actors has not yet been formulated, even as the role of these new types of service providers grows steadily. While in the aftermath of SARS the state has moved to strengthen capacities to manage sudden outbreaks of contagious disease, for example, allowing civil society organizations to play a role in grass-roots service delivery, public education and outreach

93 Liu Shangxi (2007)

to difficult-to-reach groups in the population could make this effort more effective and allow the state to focus on strengthening itself where it has the greatest advantages.

Governments typically face three types of constraints in public service delivery, all of which leave useful roles for additional actors such as civil society organizations. The first is information: The distance between the state apparatus and people needing services can distort both the content and speed of the flow of information required for effective service provisioning. The second constraint is capacity. States may lack the financial and human resources to undertake desired development actions. A third issue relates to incentives. Unlike the private sector, which is primarily guided by a profit motive, bureaucratic and political incentives are not as clearly defined, and may be misaligned with development objectives. These three constraints combine to make service delivery less effective, and inhibit the equalization of public services in rural areas.

That the government should bear the *responsibility* for the provisioning of basic services does not mean that the government itself has to *provide* services. Even when the Government does take charge of delivery, non-governmental actors can make a large contribution by representing the voices of users and monitoring service quality. At times, as many countries have found, non-state actors can often be more effective service providers.

Community or non-governmental involvement in local service provisioning is not unheard of in China, however, the status of communities as legitimate organized units remains ambiguous. They are not formal administrative bodies within the state's institutional structure, even though some function like an extension of government organs in terms of management and funding. Much more can be done to promote the engagement of autonomous communities, since anecdotes from several provinces suggest that they can provide quality public services.

Like communities, civil society organizations are not motivated by profits, and in a sense share the public welfare ethos of governments. Various civil society organizations, including charity federations and private non-business units mostly embedded in industries, have contributed to eliminating poverty, caring for the old, supporting children, helping the reemployment of laid-off workers, protecting the environment, etc. They can often sidestep cumbersome governmental bureaucracy to respond to needs in a flexible and spontaneous manner.

Starting a civil society organization remains difficult, however. Their registration is highly regulated, forcing many groups to operate without due legal status. There is not yet a critical mass of organizations oriented towards providing basic public services, and they struggle to recruit, finance and train staff. Because they are a relatively new concept, there is little public appreciation of their contributions. Local government officials lacking this understanding may be reluctant to facilitate the work of civil society groups and do not proactively bring CSOs' initiatives into full play.

At the same time, the Chinese social landscape offers unique opportunities for civil society organizations to create new operational models that may not resemble those in other countries. One role that would be appreciated is helping to express the interests of local people, particularly in rural areas, as the users of basic public services. Due to historic and institutional reasons, mechanisms to facilitate this kind of communication have not received sufficient attention, limiting feedback on actual needs and assessments of services. The prevalence of profit motives in health care provision, and the financial independence from the state of many clinics and hospitals, have created a situation in which much health care provision takes place without adequate oversight from above. While strengthening the government's regulatory oversight of medical care providers is an important long-term goal, this situation also makes it essential for service users to have channels to express their concerns. Without these, it is much more difficult to ensure efficient and high-quality delivery of the most necessary services. If a package of basic public services is enshrined as a right of all citizens in China, there is a role for civil society groups to work with the government in ensuring this right is fulfilled, including at the grass-roots.

Lack of appropriate performance appraisal systems

Institutionalized systems to monitor and evaluate the effectiveness of public services, and link the appraisal and promotions of government officials to their performance in service delivery, can serve as a powerful incentive mechanism to equalize access. At present, transparent and rules-bound government performance assessment systems are still at an experimental stage. There are two major problems. *First*, these systems have historically not been assigned much importance, and hence have not been institutionalized and made mandatory. *Second*, the existing assessment methods are opaque and subjective; in most cases, the superior administrative units evaluate their subordinates. This non-transparent, top-down approach leaves no room for a systematic solicitation of people's feedback on public services. Not much has been done to engage the users of services to obtain and respond to their feedback. In several developing countries, civic initiatives that scientifically poll users of public services in order to name and shame officials responsible for shortfalls have been a powerful instrument in deterring public sector inefficiency and corruption.

In China, there has been a widespread tendency to evaluate performance based on economic indicators (like GDP) rather than on targets and indicators measuring the quality of basic public services. Even when targets are set, there is a tendency to rely on quantitative measures such as inputs, number of staff, number of buildings, and so on, which frequently do not capture important distinctions in quality that is directly related to outcomes. Devising indicators and targets that assess quality is more difficult, but it is essential, as is the use wherever possible of outcome indicators.

After evaluating various gaps in basic public services and their underlying causes, this chapter has prioritized the needed crosscutting fiscal, policy and institutional reforms to support achievement of the goal of equalization. This does not imply a lack of endorsement of the more "micro" interventions required to improve the quality of public service systems that already exist. To ensure sustained provisioning of quality services, public policy must go beyond issues of funding and governmental directives.

POLICY RECOMMENDATIONS

IN TODAY'S SOCIETY, PEOPLE AND THE STATE WOULD BE WELL UPHELD. —HAN FEIZI (CIRCA 300 BC)

CHAPTER 4

POLICY RECOMMENDATIONS

WOULD LIVE A PEACEFUL LIFE, GOVERNED, IF FAIRNESS IS

In facing the new challenges that have emerged over three decades of rapid economic growth, the Chinese Government has launched a number of policies to improve basic public services in rural areas, and in the central and western regions, which have lagged behind the rest of the country. The role and responsibility of the government have been shifting towards establishment of a basic public service system that will benefit 1.3 billion people. These initiatives have contributed to building a public service system that will be crucial in ensuring equitable human development across the country. But large gaps in services remain, many of which are rooted in policies, institutions and attitudes that have existed for decades. Overcoming them will require major, comprehensive reforms.

This report offers a series of policy recommendations to equalize basic public services within a relatively short timeframe, and to make delivery systems effective and sustainable. Stemming from the analysis in the preceding chapters, they comprise the following.

1. **Reaffirm the right of all Chinese citizens to a clearly defined set of basic public services framed by common standards.**

2. **More clearly set out the responsibility of the Government to provide basic public services, and make the fulfillment of that responsibility the cornerstone of public administration reform and capacity building.**

3. **Implement reforms in the public finance system to ensure that adequate resources are available for equalization, and that they are allocated to government units where they are most needed.**

4. **Establish an integrated rural-urban system of basic public services to eliminate structural obstacles to equitable service provision for the rural population.**

5. **Clearly delineate the mandates and authorities for basic public service provision at all levels of government—central, provincial and sub-provincial.**

6. **Introduce a nationally unified policy architecture for the equitable provision of basic public services to rural migrant workers.**

7. **Strengthen the incentives of government officials to effectively deliver basic public services by making public service delivery a key component of new systems of performance appraisal and monitoring**

8. **Enhance the role of non-state actors in providing and monitoring basic public services, and in giving voice to the needs and expectations of consumers.**

9. **Replace the scattered departmental/local regulations, rules and laws that currently govern public services with a systematic, coherent, and enforceable legal and regulatory framework.**

Recommendation 1

Reaffirm the right of all Chinese citizens to a clearly defined set of basic public services framed by common standards.

The Constitution of the People's Republic of China states that social insurance, medical insurance, social assistance, basic education and employment are all basic rights of citizens, which implies the right to an accessible package of basic public services of good quality. Ensuring this right is one of the Government's most important responsibilities, but in practice, the details of upholding it have not been clearly defined, and the type, level and quality of services have varied among citizens.

In the recommendations below, this report proposes a number of measures aimed at ensuring that the existing large gaps in basic public service delivery are reduced and eventually eliminated, based on clear and universal minimum standards. These recommendations are motivated by the recognition that in this new period of Chinese development, as demand for basic public services expands rapidly and the Government's fiscal capacity far exceeds past levels, systemic change is necessary to respond to these shifts and build up a public service oriented government. **In the new era, real access to basic public services of good quality should be acknowledged as a fundamental right of all Chinese people and a bedrock responsibility of the Chinese government.**

Realizing the right of all citizens to "real" access to basic services of good quality will require more than simply increasing government spending. As described in Chapter 3, there are deeply rooted institutional causes of current gaps in services that can only be overcome through far-reaching reforms. "Real" access refers not only to physical access to service providers, but also to financial affordability for all, including the poor, and legal entitlements to use services without exclusion due to registration status, gender, social origin or any other issue. That these services must be of good quality is also an essential component of the right to have them, as many of the most serious gaps in service provision today relate to large differences in quality across regions and groups. Any public service that is recognized as basic is one for which it is possible and necessary to define minimum quality standards that all providers, even in the most remote and poor areas of the country, are required to meet.

This goal will not be achieved in a short time. It poses many technical and administrative challenges, and will entail a considerable, although manageable, adjustment to current government expenditures. This report has focused on a small number of basic public

services with the most immediate and direct connections to human development. No time should be lost in ensuring that all Chinese people can access them.

Although the four basic public services discussed here have been presented separately, they are so closely intertwined that it would be best to consider them as one package. For example, schools are often the best venue for delivering public health services to children. There are powerful links between improving health care services and providing more effective medical insurance, including through access to preventive medicine that greatly reduces long-term insurance costs. Achieving the equalization of any of these services will require achieving equalization for *all* of them.

1.1 The State should guarantee access to a core set of essential health services for all Chinese citizens, women and men, in urban and rural areas, in wealthier and poorer regions, including migrant workers and their families.

This goal can be fully achieved only in the medium term, but many key steps should be taken now.

The government should carefully but urgently define a core package of essential medical insurance, public health functions, public health services and essential clinical services, including quality standards for each, to which all Chinese citizens will be guaranteed access. These should be free or mostly subsidized for those who cannot afford them. This report has noted that at present, many essential health services are not affordable for large numbers of people. Out-of-pocket medical expenses must be reduced.

In the near term, the coverage of medical insurance programmes should be broadened until they become universal. Key public health functions and services, including protection from communicable and non-communicable diseases, should be provided through an appropriate combination of free services and subsidies for the poor.

In the medium term, the types of medical services covered by insurance programmes should be expanded to include outpatient treatment, treatment of chronic illness and preventative care. The reimbursement rate for all health insurance programmes, including the new rural cooperative medical service, should be sharply increased from the current average of around 30 percent to at least 70 percent. This should include caps on total household expenditures in a year. The role and resources of the Medical Financial Assistance programme should be expanded to cover households too poor to pay a share of the costs. These steps can be made more efficient by expanding the level and size of insurance pooling, allowing better risk management and facilitating the portability of benefits.

High costs and the over-prescription of health care services are partly the result of changed economic incentives, as service providers enjoy increasing demand and relatively weak supervision, but face hard budget constraints. Equitable quality in health care services can only be ensured through a combination of nationally secured funding, more active and effective regulation, and the monitoring of all health care providers, including medical staff, clinics and hospitals, and the manufacturers and distributors of medicines and medical equipment.

Building sufficient monitoring capacity nationally can only be done in the medium term, but should be made a high priority in overall health sector reform to reduce costs and increase the reliability of care. Clear standards should be set and compliance carefully tracked. It is also important to ascertain the views of local people who use these services, through cooperation with civil society organizations and surveys of user satisfaction.

1.2 Building on the existing government policy to provide free compulsory education for all, the state should set national minimum standards and guarantee access for all Chinese children, girls and boys, in urban and rural areas, in wealthier and

poorer regions, including migrant workers and their families.

There is already a strong foundation for this objective, so it can be achieved in the near term. The Government should define national minimum quality standards for key educational inputs, such as teacher qualifications, teacher-student ratios, the amount and quality of equipment, and other aspects.

Equally importantly, however, it must move beyond input indicators as the only assessment criteria, and adopt indicators that measure the quality of actual results, such as completion rates, testing results, and surveys of households on their satisfaction with the accessibility and quality of compulsory education services.

Accessibility will only be guaranteed if the central Government gives long-term assurances that adequate funding will be reliably provided to local governments unable to afford the costs of maintaining sufficient teaching staff, building facilities and teaching equipment, while providing free tuition, textbooks and other schooling fees.

To ensure affordability and increase completion rates for poorer families, a policy of waived or subsidized housing and meal fees should be initiated and expanded, building on initiatives in the western region. Programmes should be piloted to provide free breakfasts and lunches to students, as international experience has demonstrated that these can generate strong incentives for attendance, while improving students' health and ability to take advantage of educational opportunities.

1.3 Guarantee access to adequate social insurance and protection, including a basic old-age pension, minimum living standards assistance, workplace injury insurance, maternal health benefits and health insurance, for all Chinese citizens, women and men, in urban and rural areas, in wealthier and poorer regions, including migrant workers and their families.

Creating a fully unified and comparable national social insurance system in a country as large and diverse as China is a major undertaking that can only be done gradually. It is imperative, however, that the Government at least begin to articulate a vision and start taking steps to establish an institutional structure for the eventual equalization of programmes and benefits across urban and rural areas, regions and groups.

An important feature of such a system is that it would allow the portability of benefits as workers and their families change residences and employment status. As a more integrated national labour market evolves, it is essential that workers be able to consistently maintain their pensions, health and other insurance benefits.

Core ambitions should be for all elderly citizens, whether in urban or rural areas, to receive a minimum pension of comparable adequacy; for urban and rural minimum living standard allowances to be implemented at comparable levels; and for urban and rural health insurance programmes to offer comparable benefits. These would contribute towards the ultimate goal of creating a unified national social insurance scheme, and be espoused and publicized by senior levels of government in the very near term.

Large gaps in GDP and income across regions mean that even the partial equalization of benefits will require compensatory inputs from the central budget, and mechanisms to strengthen the equalization function of intra-provincial transfers to ensure

financial viability in poorer regions. The two major drivers of the current large discrepancies in coverage—the links between employment and benefits, and between local economic development and the availability of programme funding—will have to be mitigated to guarantee minimum acceptable benefits for all. This profound level of restructuring will inevitably be challenging and time-consuming, making it important to understand the need to begin as soon as possible (see also Recommendation Three).

1.4 Guarantee access to a core package of useful, relevant basic employment services for all Chinese citizens, women and men, in urban and rural areas, in wealthier and poorer regions, including migrant workers and their families.

As part of a broader effort to enhance the value of public employment services by strengthening the connections between training and market demands for skills, the Government should in the medium term aim to bridge gaps in access to these services across the urban-rural divide and among regions, with a particular focus on ensuring access for migrant workers in urban areas. This will naturally include matching employees with employers, and tailoring vocational training programmes to evolve with labour demand.

Employment services should also encompass the immediate strengthening of support mechanisms for the protection of migrant workers' rights after they have been employed. This could comprise informing them of their entitlements under the law, providing legal aid, and ramping up inspections of employers' adherence to employment, social security and work safety legislation.

Recommendation 2

More clearly set out the responsibility of the Government to provide basic public services, and make the fulfillment of that responsibility the cornerstone of public administration reform and capacity building.

Achieving the goal of more equitable and higher quality basic public service provision should be the key focus of reforming the administrative system around a human development orientation. This recommendation lays out some of the main steps that this goal will require. Further recommendations below elaborate many of these points in greater detail.

2.1 The Government's policy goal of basic public service equalization should be explicitly grounded in its core values of equity and justice, as a basis for taking strong actions to overcome resistance to reform.

In a market economy, polarization and mediation of the demands of different groups are inevitable. The formulation and implementation of public policies must transcend narrow group interests, however, and take a broad approach to public welfare.

This requires the Government to adopt as soon as possible the principles of social equity and justice as clear and compelling rationales for their policies. With this approach, the Government can frame a balanced programme of shared responsibilities and provide a guaranteed package of basic public services to everyone, while prioritizing services for rural areas, less-developed areas and vulnerable social groups so that equalization is achieved.

It is often difficult to deter sectoral or departmental

interests from prevailing in policy choices, even to the detriment of the public interest. This requires the Government to uphold institutionalized norms and procedures in making public policy.

In the medium term, measures should be taken to: (1) streamline and reorganize current government departments, so that decision-making, implementation and supervision can be independently exercised to avoid conflicts of interest and placing of narrow departmental interests above the public interes, and to promote cooperation and mutual supervision among departments; (2) formulate the Administrative Procedure Law as soon as possible to standardize the behavior of government departments; (3) establish a legislative/regulatory challenge system to ensure fairness in making laws and laying down regulations; and (4) establish mechanisms to solicit systematic feedback from stakeholders on the consequences of alternative public policies to ensure their reasonableness and fairness.

Strenuous efforts should be made to correct divergence from intended policy objectives *throughout* implementation. There must also be an accountability system in place to prevent the prevailing bureaucratic practice of devising coping strategies in response to official policies in order to ensure the realization of the planned objectives.

Box 4.1: Using modern technologies to strengthen government capacity for public service delivery

Modern technologies must be deployed to break old institutional modes and ways of doing things. The Beijing Municipality provides an example. At present, community medical centres in Beijing are under construction, but the plan is to have all centres in the city networked, so that patients' records of medical treatment and doctors' prescriptions can be updated online. This will greatly improve the efficiency of basic public medical services—and increase openness and transparency. In general, the greater use of information and communications technology should be prioritized to establish a uniform information platform for basic public services. This can eventually pave the way for service-oriented, e-government administration that could create new ways of addressing capacity constraints and serve the people better.

2.2 Formulate a national strategic plan that sets out the technical specifics needed for equalizing basic public services.

Considering the magnitude of widening inequalities in China, the Government needs a full strategic plan for better positioning the basic public service system to reflect modern China's growing and evolving needs, and gradually narrow gaps between urban and rural areas, regions and social groups. This should be developed as soon as the vision and guiding principles for the reforms have been agreed.

The plan should clearly specify: (1) the minimum standards for the level and quality of basic services that will be guaranteed for all within a realistic time-frame, defined by appropriate criteria for monitoring; (2) synchronized institutional arrangements to reduce overlapping mandates and duplication of efforts by various departments of the government at different levels; (3) reforms of public finance to make sure that the policy goal of basic public service equalization is financially feasible; (4) a clear timetable for achievement of key steps toward equalization; and (5) indicators and targets, covering inputs, such as spending; outputs, such as measures of access to services; and outcomes, such as measurements of real improvements in the welfare of the population.

2.3 Adapt the Government's administrative system to the requirements of its responsibilities for providing basic public services for all.

Clear divisions of labour and cooperation between the upper and lower levels of government are needed to eliminate overlapping and improve efficiency in providing basic public services. The individual and shared responsibilities of central and local governments should be stipulated. Where responsibilities are shared, the division must be well defined.

These measures should aim at eliminating the problems of "one responsibility, many departments." For example, reform of the health care system is an urgent objective that now involves too many departments, making progress more difficult. Improving the efficiency of policy-making is a challenging task, but a guiding principle should be that one responsibility be mandated to one department. The common practice of super-ministries, each with a number of executive agencies, is a way out, as it separates decision-making from policy implementation and fosters horizontal coordination within the Government.

Administrative reform will take considerable time and effort to design and carry out, but it is important that it proceed swiftly enough so that momentum is not lost, and it becomes a lingering issue hampering the successful realization of a unified system of equal basic public services for all.

2.4 Reform of government-owned public service units should be planned with the aim of equalizing basic public services.

Public service units are an important component of China's public service system. Since the 1980s, China has begun to reform these units, but the results have not been encouraging. The main reform agenda of reducing expenditures and unnecessary personnel is politically difficult to pursue. A questionnaire on reform by the China Institute for Reform and Development in 2006[1] revealed that nearly 80 percent of experts interviewed believed that progress in the reform of public service units is inextricably linked to broader reform of the public administration system.

1 Field research for NHDR, unpublished.

Recommendation 3

Implement reforms in the public finance system to ensure that adequate resources are available for equalization, and that they are allocated to government units where they are most needed.

Given the crosscutting links between fiscal reforms and the equalization of basic public services, the Government needs to review and adjust the patterns and levels of its social expenditures. China's year-on-year tax revenues have been increasing even more phenomenally than its annual economic growth rates. There is thus a clear opportunity, at this point in Chinese history, to put in place a durable system of basic public services for all of the country's 1.3 billion people. Adequate funding alone is not sufficient to equalize basic public services, but it is necessary, and steps towards ensuring sufficient funding at all levels of government should begin with the following reforms as soon as possible.

3.1 Revamp the financial control system at the provincial and sub-provincial levels.

The reform of the financial management systems of counties and towns is critical to ensuring that a package of basic public services fulfills the rights that are guaranteed in China, given that most services are delivered at the local level. Medium-term reform measures comprise the following.

(1) Placing county finances directly under the purview of provincial governments would treat county and prefecture finance on the same level. The provincial government could directly adjust its financial relations with county governments. Apart from collecting and reporting the total budget of the governed counties, the prefectural financial department should no longer interfere with the structure of county finances, including fiscal transfers and systemic adjustments. This

will reduce the layers of financial bureaucracy. The provincial treasury will take responsibility for various transfer payments and subsidies, enhancing financial efficiency.

(2) Experiments in the reform of financial management systems in towns and townships should continue, along with further standardization of the fiscal relations between counties and towns and townships, so that those with underdeveloped economies and limited fiscal revenues could be uniformly managed by county treasuries, while other towns will implement the township finance model of "managed by the county but used by the town";

(3) Strengthening the responsibility of the provincial governments for the allocation of local finances through incentive and constraining mechanisms, forging a firmer tie between the provincial and county treasuries to allow more direct and effective provincial government guidance and coordination of the county finance, gradually forming a rational fiscal capacity distribution pattern at all levels of government through the full use of vertical and horizontal transfers. All these steps have the aim of ultimately reinforcing the ability of grassroots governments to guarantee basic public services[2].

3.2 Improve the transfer payment system between the central and local treasuries.

One of the main disadvantages of the existing system of transfer payments is that rebates allow more prosperous regions to fare better than less-developed provinces. Other types of transfers are simply insufficient to make provincial fiscal resources comparable, leading to variations in service quantity and quality. Some reform measures could thus include:

(1) Immediately adjusting the structure of transfers by increasing the share of "general" fiscal transfers for the purpose of fiscal equalization;

(2) In the near term, establishing a transfer oversight and appraisal system to enhance the effectiveness of transfers from the central treasury; and

(3) In the medium term, strengthening the management of earmarked transfers while gradually relieving various ministries and committees of their spending responsibility for basic public services and strengthening their policy-making, planning and supervisory functions.

3.3 Raise the total amount of fiscal resources invested in basic public services.

Bringing basic public services for rural residents and migrant workers in line with those available to urban dwellers, and reducing payment burdens borne by individual households, will depend on a marked increase in fiscal resources over time. The responsibility for ensuring sufficient resources must fall on the central Government as the ultimate guarantor of the equal right of all Chinese citizens to quality basic public services.

While rises in spending will need to accompany the expansion of services over the longer term, significant immediate increases of fiscal resources will be required to address the most critical gaps in the current system. This will also lend credibility and momentum to the equalization and unification of basic public services as an integral part of the Chinese Government's guiding vision for the coming decades.

2 Liu Shangxi, "Equalization of Basic Public Services: Objectives and Required Policies", China Economic Times, 12 June 2007

Recommendation 4

Integrate the rural and urban systems of basic public services to eliminate structural obstacles to equitable service provision for the rural population.

The wide gap in basic public services between urban and rural areas, as analysed in Chapter 3, has become one of the most serious obstacles to the balancing of urban and rural development. The absence of adequate institutions has led up to poor public service delivery to rural residents in general and the poor population in particular, and become a serious constraint on the development of their capacities.

4.1 Comprehensively promote the reform of rural compulsory education, with an emphasis on ensuring that adequate funding is available to local governments.

In 2007, the Chinese government started to offer free compulsory education to all rural children throughout the country. "This is a milestone in the history of China's education development and of great significance to and far-reaching impact on the improvements of the whole population."[3] Nonetheless insufficient funding continues to be a major problem with the development of rural compulsory education. Moving forward, the responsibility of each level of government for spending on rural compulsory education should be better defined and the following actions taken in the near term.

(1) Ensure that tuition exemption does not weaken the finances of schools by transferring the original tuition and miscellaneous expenses into the investments of central, provincial, city and county governments on an automatic and clearly defined basis.

(2) Further increase investments in compulsory education from the central and provincial treasuries to reduce gaps in the conditions and quality of compulsory education in rural and urban areas.

(3) In order to ensure the stability of teachers in village schools, bring the subsidy for them into the government budget, and ensure timely and full payments.

(4) In poverty-stricken counties, central and provincial governments should enlarge the scale of transfer payments, and ensure enough funds through institutionalized measures and intensified capabilities to implement policies. The central and provincial treasuries should assume all expenses (including miscellaneous expenses) for compulsory education in poverty-stricken counties.

In addition, the full abolition of fees and the quality of education need to be continually monitored by provincial and central authorities to make balanced development of urban and rural compulsory education a reality. Programmes to encourage qualified urban teachers to serve in rural areas may need to be renewed and expanded in order to maintain a reasonably similar level of education quality even in poorer parts of the country.

4.2 Further expand and complete the new rural cooperative medical system and construct a sound rural health service network.

The new rural cooperative medical service is a deep-reaching initiative that needs to be continually expanded and provided with a more secure financial foundation. In the near term, the programme should guarantee insurance coverage for serious illnesses, as well as for the prevention and treatment of common and frequently occurring diseases.

In the medium term, central and provincial governments should gradually increase the proportion of state financing to maintain the

3 Wen Jiabao, "Government Work Report at the 5th Session of the 10th National People's Congress, 5 March 2007, accessed on www.gov.cn.

confidence of the rural population, and strengthen the management and supervision of funds through checks and balances covering the management of the service, the insured and service providers. The operation of insurance funds should be standardized, and the efficiency of their utilization increased.

Over the longer term, enlarging the number of designated medical institutions would expand choices and reduce costs for rural people. Insured farmers who have left their homes should be allowed to see doctors in qualified hospitals in other places, and expenses should be reimbursable where they use services. The establishment of a three-tier rural health service network should be intensified to stabilize the position of rural medical care workers and improve the qualifications of rural doctors. This would involve increased production and better distribution of qualified rural medical workers, according to the actual needs of rural areas in general and rural areas in remote regions in particular.

The ultimate goal should be to further enhance the accessibility of rural basic medical care and health services so that, as a general rule, rural residents can be cured of relatively minor ailments in their own villages, common diseases can be treated in towns, and serious diseases can be dealt with in county hospitals.

4.3 Guarantee the minimum living allowance in rural areas.

The Chinese Government has been determined to establish the minimum living allowance system in all rural areas since 2007. Due to dispersed residents, high mobility and dramatic variations in incomes, the system must stretch to reach large populations across wide areas. To ensure better targeting and prevent abuse, the following measures should be considered.

(1) Central and provincial governments should prepare codes and regulations for the rural subsistence allowance system as soon as possible. Minimum per capita basic living expenditures should be calculated at local levels according to local needs and economic development, in order to determine the allowance, subject to strict review by higher levels to ensure the correct application of regulations.

(2) In the medium term, the major source of funding for allowances should be budgets specified and reasonably divided among the different levels of the government. Considering the difficulties faced by county and town treasuries, guaranteeing the provision of allowances makes it necessary to reduce their burdens by relying more on the transfer payments of the central and provincial treasuries.

(3) Communication and cooperation among the departments in charge of finance, civil affairs, education, labour security, health, population, judicial administration, agriculture, science and technology, etc., should also be intensified to better coordinate pro-rural policies and offer comprehensive assistance instead of discrete activities.

4.4 Intensify experiments with new types of old-age insurance for rural residents.

Due to the country's family planning policy and the exodus of young rural labourers into cities and towns, the share of the aging population in rural areas is larger than in urban areas. Traditional sources of support—family and land—are both being weakened, requiring fresh solutions.

In the short term, the objective of providing basic social security for everyone in the near future requires that the rural old-age insurance system be incorporated as an indispensable component of the government's social and economic development plan, with overall arrangements and a clear action plan to proceed. The responsibilities of the central and local treasuries in guaranteeing rural old-age pensions should be clearly defined in order to ensure allocation of adequate resources.

The supervision of the rural old-age insurance

Box 4.2 "Use money for doing things", and upgrade the quality and efficiency of public services through market mechanisms.

Xian'an District Government in Hubei Province reformed the "7 stations and 8 institutes" in township governments to reduce inefficiency and waste in line with the principle of "using money for doing things", and launched a sweeping innovation of rural public service systems through market mechanisms.

Under this reform authorities in township and county governments jointly determine annual rural public service projects, and invite public bidding. All qualified enterprises, public institutions, social agencies and individuals can participate through open and fair competition. Having to take part in market competition to survive and develop has markedly changed the attitudes and intensified the sense of service of personnel from the "7 stations and 8 institutes". The upgrading in services in support of the "Three Nong " (agriculture, farmers and rural areas, three terms that in Chinese all start with the same character "nong") has led to steady increases in service quality and people's satisfaction. Xian'an District Henggouqiao Town Agricultural Technology Station, Farm Machinery Station, Operation Management Station, and Water Management Station have been merged into the "Agricultural Service Center" after overall system transformation, leading to strong gains in efficiency..

The "using money for doing things" reform has effectively combined the personnel, properties and materials of the "7 stations and 8 institutes". What had been cumbersome "government-run" institutions have now mostly become dynamic private-run service centers or economic entities. After these units were separated from the government's personnel management and budgetary support the government administration began to back out in an orderly way, and the price monopoly in the public service field has been gradually destroyed, providing a favorable environment for the introduction and development of the role of non-governmental public service entities. *Source: Song Yaping (2006)[1].*

1 Song Yaping, "Practice of and Thoughts on Comprehensive Matching Reform in Villages and Towns of Hubei Province --- Several Cognitions on "Using money for doing things", Decision and Information , 10th issue in 2006.

management system should be gradually enhanced, and the system designed to be feasible under likely future demographic trends in urban and rural areas. A multiple participant financing mechanism should be introduced that combines personal contributions, collective subsidies and government allowances. This would create a system mainly sustained by individual accounts, but supplemented by overall planning and regulation of funds.

4.5 Optimize the allocation of grass-roots public resources by deepening the reform of township governments.

The mid- to long-term goal should be for township governments to make the provision of basic public services for rural residents their principal responsibility. As the organizer of rural public resources, they are now under heavy pressure to provide services. Changes in the management and operation of affiliated public service units should all be designed to support township governments to: (1) promote the development of rural social undertakings, improve capacities to provide basic public services and readjust rural relations; (2) explore innovations in social administration, and maintain order and stability in rural areas; and (3) integrate various available resources, improve the efficiency of service delivery, and provide more, better and cheaper services.

Further advances in the financial management system of towns and townships should be immediately pursued and completed in the medium term. Rural taxation and fee-levy reforms in recent years have standardized township revenues. Some places, mainly in central and western China, have now conducted pilots with the county managing township budgets. These have proved that this approach is more effective in controlling the spending of the

township government. It is conducive to a public service orientation, the reduction of administrative costs and the control of overstaffing. Further reforms should aim at increasing fiscal transfers from the county to less-developed township treasuries in line with responsibilities for service delivery.

Innovations in the existing rural public service system should be explored to optimize the allocation of rural public resources. For historical reasons, many township governments still have too many public service units that are overstaffed and inefficient. A fundamental cause of this is that government funding is allocated to these public service units only on the basis of the size of their staff. An experimental reform in Xian'an District in Hubei Province has demonstrated that this practice can be changed to one in which government funding is allocated to public service units according to the services they have actually delivered. This has not only downsized public service units, but also improved their efficiency. It may have opened a new route for reform of township governments and their public service units. (Box 4.2)

Recommendation 5

Clearly delineate the mandates and authorities for basic public service provision at all levels of government—central, provincial and sub-provincial.

Since responsibilities for most social service expenditures are assigned to local governments with varying fiscal capacities, gaps in social service investment between wealthier and poorer areas are very large. In fact per capita government social spending is distributed across provinces even more unequally than per capita income.[4] Largely because of disadvantages from location, the economies of the central and western regions have always lagged behind those in the eastern coastal areas, with correspondingly vast inter-regional differences in social spending, as noted in Chapter 3.

The central Government, primarily, and provincial governments are the only possible sources of the fiscal resources needed to rectify this situation. *The principle that local governments should deliver services, and higher levels of government should ensure adequate financing should be immediately affirmed* as a core concept underpinning the division of public service responsibilities between the central and local governments. This is particularly important at present when the central Government is launching important new basic public service policy initiatives, such as free compulsory education and the expansion of rural social insurance. Establishing policy goals without making needed financing available to local governments has resulted in severe fiscal pressures on many.

5.1 Rationally divide the responsibilities of central and local governments in compulsory education.

Many counties and towns in China, particularly those in central and western China, are under financial stress. The central and provincial governments should thus take on additional responsibilities for compulsory education in less-developed areas. The central Government should immediately pursue two actions.

(1) Absorb all new expenditures for compulsory education, as well as the tuition and incidental fee exemptions for rural areas (including counties) in the central and western regions.

(2) Pledge to narrow unreasonable gaps in funding, such as by covering all shortfalls that amount to at least the difference between a provincial Government's spending per capita and 80 percent of the national average for spending per capita. Provincial governments should also increase fiscal investments in compulsory education. City and county governments should mainly take responsibility for quality management and partial funding of school infrastructure, etc.

4 "Challenges for China's Public Spending: Toward Greater Effectiveness and Equity", OECD, Paris, 2006

5.2 Clarify and rationalize the division of work between the central and local governments in public health and basic medical services.

Dividing the responsibility for public health and medical care between the central and local governments should follow the principle that the responsibility for public health should be on the shoulders of the central Government, with provincial governments standing ready to supplement as necessary. The cost of basic medical care, however, is best jointly co-financed by provincial, municipal and county governments.

In the medium term, the spending responsibilities of both the city (prefecture) and county governments as well as the share of personal expenditures on health care should significantly decline, with the share of the latter reduced by improving existing systems of basic medical insurance.

ublic health and basic medical care should have separate budgets. The central and provincial governments should cover the former, while provincial, city (prefecture) and county governments can rationally share the latter, with special transfers from the central budget to poverty-stricken areas.

The longer term objective should be to gradually increase the proportion of China's budgetary spending on medical services from currently less than one percent of GDP to an internationally comparable ratio of three percent, and substantially reduce the share of costs absorbed by private individuals. The increases have to be split between the central and provincial governments.

5.3 Rationally divide the work of central and local governments in providing basic social security.

In principle, the central Government should be responsible for planning and executing social security programmes. But at present, local governments are in charge of managing all basic social security payments, leading to wide divergences in policies and regulations.

The central Government must assume responsibility for issuing guidelines, putting in place institutions and helping design the framework for a national social security system that covers both urban and rural residents, while boosting transfer payments to provincial treasuries. When improving the social security system for urban residents, the central Government should take effective measures to reach migrant rural workers.

5.4 Divide the work of central and local governments in public employment services.

Generally speaking, local governments should manage public employment services, with provincial and central governments providing special subsidies for job training. Special attention needs to be paid to training for peasant workers in their places of origin (including vocational education and training for rural middle-school students before employment). To a large extent, the competitive advantages of the more advanced areas derive from the low cost of incoming peasant workers. The training of these workers in their places of origin thus bears a strong cross-regional externality. It is reasonable in principle but infeasible to ask the cities to subsidize the training of incoming workers.

Consequently, the central and provincial financial departments should grant a special subsidy to rural areas according to the number of departing migrant workers and the scope of the training they are receiving. In addition, the Government should establish an employment aid system for areas, industries and groups struggling with particular difficulties.

Recommendation 6

Introduce a nationally unified policy architecture for the equitable provision of basic public services to rural migrant workers.

The estimated 200 million migrant workers and their families are a sizeable demographic group, whose access to basic public services must be addressed if the national goals of equalization are to be met. But the *hukou* (residence registration) system in use since the planned economy years still hinders access despite a number of local reform efforts. As migrants move around the country, a unified national policy architecture must be in place to guarantee that they can obtain services irrespective of where they choose to locate.

The cost to urban governments of providing additional and better quality services to migrant workers and their families may be significant, possibly necessitating additional financial support from higher levels of government. For proper decisions to be made on providing this support, accurate demographic data for migrants and their families will be needed from all urban governments. The old practice of keeping migrants "invisible" in government reporting will need to end; it is now imperative to establish a national system for collecting and storing demographic information on migrant rural workers.

The large contribution that migrant workers are making to China's urban economies is well known and widely documented. They are the predominant labour group in many vital economic sectors, such as construction, manufacturing, and wholesale and retail trade. A recent research report found that in 2005 migrant rural workers contributed 24.0 percent of China's GDP and 21.9 percent of GDP growth.[5] The fact that urban governments have been able to benefit from the contributions of all residents, regardless of their *hukou* status, while providing vastly lower levels of public services to some because of their *hukou* status, reflects an unusual transitional situation that need not and should not be sustained. The time has arrived to establish the principle that all residents are entitled to equitable services from local governments.

6.1 Comprehensively solve the problem of compulsory education for children of migrant rural labourers.

The Chinese Government has stipulated that local governments in places with an influx of migrant rural workers should be responsible for providing compulsory education to children living with their parents, while the local governments in migrants' places of origin should provide compulsory education for children left behind. Host local governments face a dilemma, however, because any guarantee to provide quality education without commensurate pledges elsewhere in the country may induce an even larger swell of migration.

(1) To help deal with this potential problem, local governments should factor in the immense contributions that rural migrants make to the local economy, and be willing in return to invest in the building of additional school space and other costs to better accommodate their children. If state-run education resources prove insufficient, the threshold of entry for private schools into compulsory education should be lowered, or the government should purchase services from private schools to meet growing demands.

(2) A national educational voucher system should be developed that entitles each student eligible for compulsory education to attend schools in any district of the country. Government funding could then be adjusted based on the number of such vouchers.

5 Yan Yulong, Li Xiaoyun, "An Quantitative Estimate of Migrant Workers' contributions to Economic Growth and Their Share of the Benefits", Volume 24, Issue 1, Statistical Research, 1 Jan 2007

6.2 Establish the basic social security system, including medical services, for migrant rural workers.

Medical insurance: Under the current system for basic medical services, migrant rural workers have two options. The first is to participate in the new rural cooperative medical care system in their places of origin, and the second is to participate in special urban basic medical insurance for migrant workers in the places to which they have relocated. Municipal governments have developed special health insurance schemes for migrants that collect very low contributions from employers and employees, and provide very limited benefits, much lower than those under employee basic medical insurance and resident basic medical insurance plans. These are managed by the same agencies, but maintain separate contribution funds for migrants. Therefore a number of steps are now necessary.

In the near term, for migrant rural workers willing to participate in the new rural cooperative medical service in places where they have permanent registered residence, effective measures should be taken so that their medical expenses can be reimbursed in their places of origin.

For migrant rural labourers willing to participate in the urban basic medical service, governments should decrease the minimum premium so that most can afford the required personal contributions. Priority access to urban basic medical insurance should be given to women, particularly for maternity insurance, enabling migrant rural women workers to enjoy the same maternity insurance as urban women workers. Such systems are at the heart of human development-oriented public policy.

Over the medium term, areas where conditions permit should explore ways to connect the rural cooperative medical service and the urban basic medical system. Eventually, this will lay the foundation for a uniform network of basic medical services that allows the portability of health insurance benefits across locations, and the creation of a viable individual account based system for the floating population.

Work-related injury insurance: As required by the Ministry of Labour and Social Security[6], as of the end of 2006, all migrant rural workers with formal labour contracts were to be covered by work-related injury insurance. However only approximately 41 million of the total 200 million migrant workers have participated in this scheme so far, and the involvement of the remaining 160 million workers is highly uncertain. Laws and regulations need to be expeditiously completed and enforced to make work-related injury insurance mandatory, while regulating the participation in insurance schemes of all firms in dangerous industries.

This requires action on multiple fronts. Migrant rural workers should be encouraged to protect themselves, and defend their own rights and interests through legal means. Employers should be required to cover their employees with work-related injury insurance. Since laws and rules have been established, governments should intensify their enforcement and provide legal aid as necessary. Enterprises employing migrant workers should be registered only after they are ready to cover all their employees with work-related injury insurance. There should be concerted supervision of enterprises known to employ large numbers of migrants, notably in the construction industry.

Old-age insurance: A transitional pension system suited for migrant rural labourers with casual, changing forms of employment needs to be piloted in the medium term. A combination of social pooling and individual accounts can be adopted that will initially allow the individual retirement accounts of migrants to be transferred across different regions and subsequently managed in tandem with social pooling accounts.

6 Now "Ministry of Human Resources and Social Security".

Box 4.3: **Hainan Province started a comprehensive skills training program for its rural labor force.**

In 2006, the Department of Personnel, Labor and Social Security of the Hainan Provincial Government initiated a comprehensive skills training program for its rural labor force, offering pre-employment training, vocational training for the purpose of exporting labor services and training for upgrading rural workforce in the labor market.

According to the "Implementation Plan Carrying out Skills Training for Rural Labor Force" issued by the Department of Personnel, Labor and Social Security of the Hainan Provincial Government, the objectives of the plan are to offer; pre-employment training for 50,000 rural residents; training for an additional 150,000 rural residents for the purpose of exporting their labor services; training for a further 50,000 rural residents for improving their competitiveness in the labor market. The ultimate goal is to enable 80% of the trainees to be employed in non-farming sectors.

The pre-employment training is offered to rural residents above the age of 16 on labor laws and regulations, labor rights and interests, practical skills, production safety, basic knowledge of urban life and tips for looking for jobs.

The training for the purpose of exporting labor services is targeted at rural residents who do not have farming work to do and are willing to migrate to work in other places. They are trained in accordance with the requirements of the potential employers.

Training for the purpose of improving the competitiveness of migrant workers in the labor market is designed for migrant workers moving from Hainan to regions where skilled workers in the manufacturing, construction, environmental sanitary, catering and hospitality. Applicants who pass a basic skills test receive free training to improve their competitiveness in the labor market.

All cities and counties in Hainan Province are conducting surveys on available labor resources as the basis for running the above training programs.

Source: Hainan Daily, 2006-7-11.

6.3 Strengthen public employment services for migrant rural labourers.

The State Council's "Opinions on Solving the Problems of Migrant Rural Workers" states, "The public employment service network in counties and towns shall be established and perfected to provide services for employment and displacement of farmers. Urban public job agencies shall be open to migrant rural workers and shall provide information on government policy, employment information and instructions, and introduce jobs to them for free." Since 2006, the Government has planned to train eight million rural labourers every year, free-of-charge, to help them gain employment in urban areas.

To complement this programme, an information network involving "employment information cards" should be established as soon as possible to better support migrants' employment needs. A comprehensive information exchange platform reflecting changes in labour market demand and supply should be constructed over the medium term.

Public employment services in urban and rural areas and in different regions can eventually be linked, so that migrant rural workers can enjoy the same services as urban residents, such as job introductions, vocational training, employment and unemployment registration, and labour contract management. Hainan Province has set a good example in this regard (Box 4.3).

Employment services for migrant workers should also promote the enforcement of national legislation and the protection of equal rights by informing workers of their entitlements, providing legal aid and strengthening inspections of employers' adherence to the rules.

Recommendation 7

Strengthen the incentives of government officials to effectively deliver basic public services by making public service delivery a key component of new systems of performance appraisal and monitoring.

As explained in Chapter 3, a functioning performance appraisal system can be a powerful incentive guiding the behaviour of government departments responsible for basic public services. It can be instrumental in equalizing services, improving efficiency, encouraging government staff to fulfill their responsibilities and establishing a foundation for enhanced government accountability.[7]

In the medium term, an effective accountability system should be put in place to enforce service equalization, guarantee the fulfillment of responsibilities, check corruption and ensure public interests. The system should be based on incentives for public servants to do their duties and embody the ethos of responsible governance, a precondition for the effectiveness and efficiency of public policy implementation. A well-functioning accountability system assures the quality of policy decision-making, well-functioning government and the legitimacy of the administration.

In recent years, the Chinese Government has strengthened the administrative accountability system and made progress toward institutionalizing it in some sectors and some geographical locations . The next step is to link appointment and promotion of cadres to assessment of their performance in basic public service provision, through creating indicators of public service provision that will form the basis for placing performance in public service provision at the heart of the government's assessment system . This will change government officials' perception of GDP as a hard indictor and the provision of public services as a soft one, as well as their habit of being responsible to their superiors but not to meeting the needs of the general public.

Creating an accountability system requires a framework of the responsibilities for service provision at different levels of government. Beyond that, China should move immediately towards a scientific governmental performance appraisal system that incorporates the following traits.

(1) Evaluation of the Government's performance should go beyond economic indicators such as GDP, and give a prominent position to performance in basic public service delivery, including compulsory education, public health and basic medical care, social security programmes and public employment services. Targets set in public service provision should increasingly be outcome-oriented, and not just about quantitative inputs such as the number of staff, number of buildings, and so on, which may not accurately portray the quality of services on offer (see Figure 4.1).

(2) The system should clearly identify appraisal methods and procedures. An institutional framework, including legislation, should be in place.

(3) Evaluation methods should be innovative, open and transparent, and involve the participation of users of basic public services and civil society organizations. The latter can be a powerful resource for the central Government in ensuring awareness of and adherence to national laws and policies, as well as swiftly identifying and remedying transgressions. One approach is to request service users to publicly rate the performance of service providers.

To establish statistical systems for data for the purpose of monitoring the equalization of basic public services: For this new assessment system to work it will be necessary to broaden and strengthen statistical systems that provide key data for monitoring progress in basic public service equalization. Progress in equalizing basic public services across urban

7 Wen Jiabao in a speech delivered at a TV conference on the "Improvement of the Government's Operations and Promotion of Administrative Innovations" on 4 September 2006, www.xinhuanet.com, 2006-09-07.

Figure 4.1 Performance assessment indicator system of basic public services

Targets	Fields	Indicators
Basic Public	Compulsory education	Per capita governmental spending on education and combined gross enrollment and completion rates, national standardized test scores, student continuation ratios
	Unemployment insurance	Participation rate and per capita expenditures, average length of support, client satisfaction
	Old age insurance	Participation rate and per capita expenditures, coverage of old-age insurance and fiscal expenditure on old-age insurance, average pension, client satisfaction
	Medical Insurance	Participation rate and coverage of basic medical insurance, per capita health expenses, percent of out-of-pocket expenditures
	Social relief	Participation rate and per capita expenditures, coverage of minimum living subsidy system and fiscal input in social relief and aid, support mechanisms for beneficiaries' rehabilitation
	Public health and basic medical care	Fiscal expenditure, affordability, user satisfaction, average cost, rates of mortality, communicable disease
	Public employment service	Reemployment rate, number of unemployed trained subsidies for
	Public participation	Satisfaction of the general public and disclosure of job labor

Source: Sun Liping and Bi Xiangyang, NHDR Background Paper, 2007.

and rural China, across regions, for migrant workers and their families, and among social groups will be impossible to monitor and assess without reliable statistical data. They need to be disaggregated across these dimensions at the national, provincial and sub-provincial levels. Some particularly serious issues relate to gender-disaggregated data on access to public services, including medical services and social insurance; urban-rural disaggregated data on income, health and education outcomes, and access to public services; and accurate data on the conditions of migrant workers in urban areas and their access to public services. Building the capacity for better collection and analysis of such data should therefore be a top priority.

Recommendation 8

Enhance the role of non-state actors in providing and monitoring basic public services, and in giving voice to the needs and expectations of consumers.

Increasingly, involving non-state or civil society actors in partnering with state agencies to deliver services has helped redress government shortfalls by bridging the information divide, alleviating capacity constraints through alternative channels of service delivery, and checking the growth of perverse incentives through demands for accountability. The introduction of market forces into the provision of health care and education, and the increased financial independence of providers, has reduced the government ability to oversee service providers, and created a strong need for new mechanisms to express public feedback, a role that civil society organizations play effectively in many countries. In

Box 4.4 CSO Involvement in HIV/AIDS Care

AIDS Care China (ACC) is a community-based, civil society organization that focuses on providing assistance to People Living with HIV and AIDS (PLWHA) in China. ACC was established as a counseling center in Guangzhou in 2002 and in just five years, ACC is now recognized internationally as a leading example of best practice in ensuring access to services, improving treatment literacy, bolstering the full participation of persons living with HIV, and ensuring quality care. On December 1, 2006, ACC's accomplishments were recognized with the United Nations' Red Ribbon Award on World AIDS Day.

The major innovation of ACC is a service provision model built on partnerships involving PLWHA, CSOs, doctors, nurses, health facility managers, and the Government's Center for Disease Control and Prevention (CDC). By creating 23 Red Ribbon Centers in hospitals in the four provinces of Guangdong, Guangxi, Hubei, and Yunnan provinces, ACC has been able to establish a system of comprehensive outreach to persons living with HIV that facilitates their treatment; provides counseling, shelter and support; gives information and training for treatment literacy, and healthy living; and defrays costs (through provision of shelter and transport costs) of treatment. Equally important, the Red Ribbon Centers provide critical support to doctors and nurses by tracking patients and managing appointments (through a sophisticated software program designed by ACC), maintaining confidential and comprehensive patient information for use by medical staff, and providing supportive counseling on OIs and ARVs. For persons living with HIV, the Red Ribbon Center is the equivalent of "one stop service" where virtually all interactions with the medical system can be managed – and for doctors and nurses, it is a "one stop service" to support their efforts to provide the best possible treatment. One of the most important lessons learned by AIDS Care China, says its Director, is that, "the doctors have their areas of expertise; community members and people living with AIDS, we have our own areas of expertise. It is not a competition. Rather, we are here to complement each other's work."

Source: Discussions with AIDS Care China (2007)

recent years, profound changes have taken place in the relationship between China's state agencies and civil society organizations, in parallel to continual advances in the market economic system and shifts in the role of the Government. It is now possible and necessary to establish a diverse, multistakeholder participation mechanism for providing basic public services. Box 4.4 presents one example of a civil society organization that is working closely with government in order to improve care to a vulnerable population group, people living with HIV/AIDS.

8.1 Clarify the relationship between state agencies and civil society organizations, and create a multistakeholder participation mechanism for providing and overseeing basic public services, with a gradually expanding role for civil society organizations.

There is a wealth of international experience in engaging non-state actors (markets, private for-profit enterprises, non-governmental organizations, civil society groups, etc.) in the delivery of basic public services. The models vary and depend on context. China can certainly choose and adapt some of the more suitable experiences, especially ways to enhance the "quality" of services. There are several overarching principles that could be applied to ensure adequate and efficient delivery: (1) Governments will be ultimately responsible for guaranteeing the supply of services in case of market and/or civil society failures; (2) the incentives that market forces create and civil society adaptability will be fully harnessed to ensure an adequate and effective supply; and (3) the advantages of state agencies and non-state actors will be taken into account based on specific economic and social contexts.

Box 4.5 Functions of Communities in Basic Public Service

Case Study Dengxinxiang Community, Tianshui Street, Xiacheng District, Hangzhou City, Zhejiang Province

Each community in Hangzhou has about 1,800-3,000 households. Community financial departments provide support for residents who are in need, particularly vulnerable groups and the elderly. Dengxinxiang Community is an example of what has been achieved through this work by communities. In 2004, 680 enterprise retirees were transferred to this community, and the community authorities established a self-governing association of "enterprise retirees managed by the community", and continued to receive additional retired people every month. The community has launched "round-the-clock" and "all-around" services for five types of old people, namely old people living alone, heirless old people without support, senile people, disabled old people, and old people in difficulties. The community has arranged full-time workers to visit the elderly people in special difficulties and handle some urgent issues at their home at least once every day, and has set up two 24-hour hot lines. Residents have found that many of their difficulties are being solved in a timely way by their community. In addition, the community authorities have installed an electronic bulletin board in the corridor of each building, where residents can get useful information, including community notices, information about good deeds in the community, weather forecasts and so on.

Source: Public Service Investigation Group of China (Hainan) Institute for Reform and Development (2007).

8.2 Leverage market forces and non-governmental flexibility in providing basic public services.

Giving markets a role in basic public services must take place only after careful thought. The ultimate responsibility for ensuring citizens equitable access to quality services unequivocally rests with their national Government. That said, if supported by suitable institutions, market competition and incentives can greatly enhance the efficiency of provision of certain services because government institutions: (1) are insufficiently concerned with expenditure efficiency, even when they seek to maximize the public interest, not profits; (2) use monopolistic supply systems that produce services that are more expensive and less innovative than what a competitive environment would provide; (3) operate through governmental bureaucracies with lots of departments with overlapping functions and conflicts of interest, and lose sight of the actual development results they are mandated to deliver.

When these factors are in play, certain public functions can be transferred to market players through competitive bids, contracts, franchises or public-private partnerships. Aspects of service delivery that are not suitable for delegation to the market, however, could be undertaken by non-governmental organizations that share the non-profit ethos of governments but are typically more flexible. Their involvement in service delivery can be encouraged through a range of incentives such as the reduction and exemption of taxes, or the provision of subsidies and fiscal transfers. At the same time, while civil society actors can fill a tremendously important niche on specific issues or areas, they cannot be tasked with consistently providing broader sets of services to the entire population. The core task of ensuring equity in access to basic public services must therefore always remain with the Government, supported and spurred on by non-state actors where gaps exist and innovation is needed.

8.3 Legitimize the status and role of communities in supplying basic public services.

After many years of far-reaching structural changes in China involving enterprises, housing, public welfare and medical systems, benefits for families and individuals have been separated from their traditional

sources in work units. Fortunately, community organizations have stepped in to fill this void. Their status, however, remains legally unrecognized. They are neither administrative nor public institutions within the formal institutional framework. Some increasingly look like executive agencies of the government because of their organizational structure, financial sources and management.

The government should step in to accept the positive roles that community organizations play and duly recognize them. The ultimate goal would be to help create a pool of autonomous communities that not only complement the state's obligations to equalize basic public services, but in some cases, do certain jobs even better.

Recommendation 9

Replace the scattered set of regulations, rules and laws that currently govern public services with a systematic, coherent, and enforceable legal and regulatory framework.

Public services in China are currently governed by a three-tier policy and regulatory system comprising laws, regulations and departmental rules. This set-up has played an important role in the supply of basic public services. But there is tremendous variation in laws and regulations for different public services. To elevate loose guarantees to enforceable laws and establish a legal foundation for gradually equalizing services, the existing laws, regulations and rules must be integrated into a national legal framework.

9.1 Standardize the legal system for basic public services and legally enshrine the responsibilities of the central and local governments.

The Constitution states that old-age insurance, medical insurance, social aid, basic education and employment, etc., are all basic rights of citizens. This stipulation constitutes the main legal foundation for promoting the equalization of basic public services. A legal system covering basic public services will have to be based on this, and effectively integrate all existing laws and rules on compulsory education, public health and basic medical care, basic social security and public employment services.

This framework must include three sets of laws: (1) basic public service laws related to social security, compulsory education, public health and employment promotion; (2) public finance laws such as the Transfer Payment Law, Budget Law, Budgetary Revenues and Expenditures Law, Public Financial Balance Law and Governmental Purchasing Law; and (3) administrative laws such as the Central-Local Relations Law, Administrative Reconsideration Law, information disclosure regulations, Administrative Licensing Law and rules for assessing the Government's performance in delivering public services.

These laws must delineate the responsibilities of the central and local governments, and each level of government should have access to the same set of national laws and procedures. This will be necessary for the goal of equalization.

9.2 Accelerate the drafting of legislation on public finance, with promotion of basic public service equalization one of its key purposes.

At present, the legal system for public finance in China is still incomplete. Related provisions in the existing Budget Law present principles more than clear statements of budgetary authority and responsibility. Most importantly from the perspective of improved public service provision, the main legal regulation governing the fiscal transfer system is the 2002 General Metho d for General Financial Transfer Payments, amended on the basis of the Method for General Financial Transfer Payments in the Transitional

Period introduced in 1995. This regulation exists at the ministry and committee levels, and does not have the legal standing to achieve the necessary changes. An authoritative law regulating intergovernmental fiscal transfers is still lacking, and there are no related provisions in the Budget Law either, making it impossible for transfers to play their proper role in promoting the equalization of basic public services. International experience has shown the value of drafting laws governing the fiscal transfer system. China urgently needs distinct legislation on public finance towards the equalization goal.

Another priority should be legislation to increase the budget oversight responsibility of the National People's Congress, and introduce greater transparency and accountability to the process of budget formulation and implementation.

9.3 Strengthen legislation on relations between the government and civil society organizations.

After many years of reform, there is a need for a legal framework to regulate the actions and interactions between the Government, market agents and civil society organizations. Although there are some regulations in place—such as the "Regulation on the Administration of Registration of Social Organizations," the "Interim Regulation on the Administration of Registration of Private Non-enterprise Entities" and the "Law on the Organization of Specialized Agricultural Cooperatives"—there is still uncertainty as to the status of civil society organizations. Procedural laws, including the existing "Regulation on the Administration of Registration of Social Organizations," lack systematic regulations on the actual content of citizen's associations; they do not clarify the status and functions of civil society organizations in public service delivery. In practice, the registration and administration of Chinese civil society organizations requires dual management systems that are of no use for the development of civil society organizations. In terms of thoroughness, authoritativeness and enforceability, these laws are far from enough to regulate these organizations in a society characterized by diversity.

The legal status of civil society organizations must be clarified through regulations so that their strengths can be increasingly leveraged in basic public service provision. Over time, increased civic and non-state participation in public service systems will help transform government functions by encouraging scrutiny of their services and greater openness to feedback on performance.

Along with the development of the market economy in China, establishing basic public service institutions systems for the benefit of its 1.3 billion people is the road China has to take. In terms of the size of the population it is to impact on, this effort is unprecedented in the world's history. In terms of its role in the building of an all-round well-off society, it will be as spectacular as the market-oriented economic reform in the past 30 years. In any case, China is making great efforts toward establishing a basic public service system that will benefit 1.3 billion people, which will have significant and far-reaching impact on China's human development.

STATISTICAL APPENDIX

Table 1 2006 China's Human Development Index (HDI) by province

Ranking		Life expectancy index	Education index	GDP index	HDI
	China	0.792	0.826	0.724	0.781
1	Shanghai	0.886	0.929	0.937	0.917
2	Beijing	0.852	0.924	0.915	0.897
3	Tianjin	0.832	0.929	0.881	0.881
4	Zhejiang	0.828	0.855	0.838	0.84
5	Jiangsu	0.815	0.853	0.821	0.83
6	Guangdong	0.805	0.861	0.819	0.828
7	Liaoning	0.806	0.884	0.775	0.822
8	Shandong	0.815	0.84	0.789	0.815
9	Hebei	0.792	0.867	0.733	0.797
10	Heilongjiang	0.79	0.873	0.725	0.796
11	Jilin	0.802	0.863	0.72	0.795
12	Fujian	0.793	0.821	0.772	0.795
13	Shanxi	0.778	0.866	0.702	0.782
14	Inner Mongolia	0.748	0.829	0.761	0.779
15	Henna	0.776	0.834	0.693	0.768
16	Hubei	0.768	0.84	0.692	0.767
17	Hainan	0.799	0.818	0.684	0.767
18	Chongxing	0.779	0.832	0.681	0.764
19	Hunan	0.761	0.849	0.675	0.762
20	Shaanxi	0.751	0.84	0.677	0.756
21	Guangxi	0.772	0.842	0.65	0.755
22	Xinjiang	0.707	0.836	0.712	0.752
23	Jiangxi	0.733	0.841	0.658	0.744
24	Sichuan	0.77	0.803	0.654	0.742
25	Anhui	0.781	0.783	0.646	0.737
26	Ningxia	0.753	0.785	0.673	0.737
27	Qinghai	0.684	0.751	0.672	0.702
28	Gansu	0.708	0.731	0.623	0.687
29	Yunnan	0.675	0.756	0.627	0.686
30	Guizhou	0.683	0.74	0.554	0.659
31	Tibet	0.656	0.554	0.652	0.621

Note: All the HDIs are estimated by CIRD's project team

Table 2 Data for calculating 2006 China's Human Development Index (HDIs) by province

	Life expectancy	Combined school enrolment ratio (%)	Adult literacy ratio (%)	Per capita GDP (Yuan)	Per capita GDP
National	72.5	66.56	90.69	16084	7660
Beijing	76.10	86.10	95.53	50467	24034.89
Tianjin	74.91	87.03	95.9	41163	19603.87
Hebei	72.54	72.88	93.58	16962	8078.15
Shanxi	71.65	68.54	95.58	14123	6726.07
Inner Mongolia	69.87	67.33	90.64	20053	9550.23
Liaoning	73.34	73.51	95.88	21788	10376.53
Jilin	73.10	69.39	94.79	15720	7486.64
Heilongjiang	72.37	71.76	95.03	16195	7712.86
Shanghai	78.14	88.48	95.08	57695	27477.22
Jiangsu	73.91	74.60	90.64	28814	13722.66
Zhejiang	74.70	76.98	89.8	31874	15179.98
Anhui	71.85	67.62	83.7	10055	4788.69
Fujian	72.55	68.98	88.69	21471	10225.56
Jiangxi	68.95	70.59	90.79	10798	5142.54
Shandong	73.92	70.20	90.87	23794	11331.88
Henan	71.54	67.57	91.36	13313	6340.31
Hubei	71.08	71.70	90.17	13296	6332.22
Hunan	70.66	67.66	93.48	11950	5691.18
Guangdong	73.27	68.61	94.89	28332	13493.11
Guangxi	71.29	64.62	93.99	10296	4903.47
Hainan	72.92	64.49	90.5	12654	6026.46
Chongqing	71.73	68.86	90.3	12457	5932.64
Sichuan	71.20	66.12	87.44	10546	5022.53
Guizhou	65.96	59.57	81.21	5787	2756.06
Yunnan	65.49	59.78	83.5	8970	4271.96
Tibet	64.37	57.41	54.35	10430	4967.28
Shaanxi	70.07	70.77	90.65	12138	5780.72
Gansu	67.47	63.98	77.73	8757	4170.52
Qinghai	66.03	63.98	80.7	11762	5601.65
Ningxia	70.17	66.45	84.56	11847	5642.13
Xinjiang	67.41	64.20	93.34	15000	7143.75

Notes: the data on average life expectancy of different provinces/municipalities/autonomous regions are results of the 5th national census in 2005 taken from "China Statistical Yearbook 2006", combined school enrolment ratios are calculated on the data in Table 6, and adult literacy ratios and per-capita GDP are taken from "China Statistical Yearbook".

Table 3 2006 school enrolment ratios by province

	Net primary school enrolment ratio	Gross junior high school enrolment ratio	Gross high school enrolment ratio	Gross university and college enrolment ratio	Combined school enrolment ratio
National	99.27	97	59.8	22	66.56
Beijing	99.96	112.7	98	53	86.10
Tianjin	99.38	115.8	101.6	53	87.03
Hebei	99.41	111.4	57.1	34.99*	72.88
Shanxi	99.63	98.98	69	22	68.54
Inner Mongolia	99.73	102.7	63	19.4	67.33
Liaoning	99.77	108.1	62.8	35.3	73.51
Jilin	99.22	98.9	59	30	69.39
Heilongjiang	98.89	119	53.8	30	71.76
Shanghai	100	107.3	109.6	57	88.48
Jiangsu	99.86	100	76.7	35.6	74.60
Zhejiang	99.99	99.72	90.2	36	76.98
Anhui	99.72	114.8	53.5	19	67.62
Fujian	99.84	107.8	64.38	21	68.98
Jiangxi	99.64	118.3	62.36	21.8	70.59
Shandong	99.96	114.3	64.2	21.4	70.20
Henan	99.86	113.5	55.6	18.3	67.57
Hubei	99.49	115.4	66	24.9	71.70
Hunan	99.53	114.1	55.2	18.8	67.66
Guangdong	99.72	100	61	25.6	68.61
Guangxi	99.25	104.7	48	18.27*	64.62
Hainan	99.81	98.1	45.2	22	64.49
Chongqing	99.92	108.3	63	21	68.86
Sichuan	97.09	106.2	59.8	18.27*	66.12
Guizhou	98.62	100.5	37.7	11	59.57
Yunnan	96.57	98.2	39.34	14	59.78
Tibet	96.54	82.2	36.6	16.3	57.41
Shaanxi	99.36	113	68.9	22	70.77
Gansu	98.89	100.08*	53.00*	16.5	63.98
Qinghai	97.05	89.4	55.4	22.48	63.98
Ningxia	99.27	96.84	62.2	20.56	66.45
Xinjiang	99.16	98.8	49.1	19.5	64.20

** means data are not available. These gaps are filled with Eastern Region, Central Region and Western Region averages according to the region that the province/municipality/autonomous region belongs to. Sources: Primary school net enrolment ratios are from "An Analysis of the Statistical Abstract on China Education Development in 2007", junior middle school net enrolment ratios are from DevInfo, and senior middle school and higher learning enrolment ratios are calculated with data from "China Education Yearbook 2007, with the data of some provinces as of 2007.*

Table 4 Illiteracy and semi-illiteracy rates by province

	Illiterate in the population aged 15 years and above (%)		
	Average	Male	Female
National	9.31	4.87	13.72
Beijing	4.47	2.19	6.67
Tianjin	4.1	1.59	6.5
Hebei	6.42	3.33	9.5
Shanxi	4.42	2.62	6.24
Inner Mongolia	9.36	5.31	13.51
Liaoning	4.12	2.08	6.18
Jilin	5.21	3.1	7.34
Heilongjiang	4.97	2.77	7.19
Shanghai	4.92	1.74	8.02
Jiangsu	9.36	4.04	14.15
Zhejiang	10.2	5.09	15.27
Anhui	16.3	8.69	23.74
Fujian	11.31	4.42	18.07
Jiangxi	9.21	4.34	13.96
Shandong	9.13	4.26	13.92
Henan	8.64	5.17	11.97
Hubei	9.83	4.93	14.69
Hunan	6.52	3.1	9.94
Guangdong	5.11	1.95	8.34
Guangxi	6.01	2.44	9.79
Hainan	9.5	4.39	14.9
Chongqing	9.7	5.47	13.84
Sichuan	12.56	7.06	18.04
Guizhou	18.79	9.61	28.27
Yunnan	16.5	9.89	23.42
Tibet	45.65	33.46	57.17
Shaanxi	9.35	5.55	13.04
Gansu	22.27	13.8	30.66
Qinghai	19.3	11.92	26.8
Ningxia	15.44	8.93	22.07
Xinjiang	6.66	5.3	8.05

Source: China Statistical Yearbook 2007.

Table 5 Demographics of provinces in 2006

	Year-end population (million)	Birth rates (‰)	Death rates (‰)	Natural growth rates (‰)	Gender ratio (female=100)
National	1,314.48	12.09	6.81	5.28	102.71
Beijing	15.81	6.26	4.97	1.29	97.21
Tianjin	10.75	7.67	6.07	1.6	96.81
Hebei	68.98	12.82	6.59	6.23	102.17
Shanxi	33.75	11.48	5.73	5.75	102.27
Inner Mongolia	23.97	9.87	5.91	3.96	104.05
Liaoning	42.71	6.4	5.3	1.1	102.02
Jilin	27.23	7.67	5	2.67	102.42
Heilongjiang	38.23	7.57	5.18	2.39	103.23
Shanghai	18.15	7.47	5.89	1.58	98.71
Jiangsu	75.50	9.36	7.08	2.28	94.92
Zhejiang	49.80	10.29	5.42	4.87	101.87
Anhui	61.10	12.6	6.3	6.3	103.67
Fujian	35.58	12	5.75	6.25	102.03
Jiangxi	43.39	13.8	6.01	7.79	105.13
Shandong	93.09	11.6	6.1	5.5	100.88
Henan	93.92	11.59	6.27	5.32	102.8
Hubei	56.93	9.08	5.95	3.13	102.47
Hunan	63.42	11.92	6.73	5.19	103.85
Guangdong	93.04	11.78	4.49	7.29	105.06
Guangxi	47.19	14.44	6.1	8.34	109.18
Hainan	8.36	14.59	5.73	8.86	109.93
Chongqing	28.08	9.9	6.5	3.4	102.56
Sichuan	81.69	9.14	6.28	2.86	103.23
Guizhou	37.57	13.97	6.71	7.26	106.99
Yunnan	44.83	13.2	6.3	6.9	107.15
Tibet	2.81	17.4	5.7	11.7	95.76
Shaanxi	37.35	10.19	6.15	4.04	101.19
Gansu	26.06	12.86	6.62	6.24	102.53
Qinghai	5.48	15.24	6.27	8.97	103.15
Ningxia	6.04	15.53	4.84	10.69	103.84
Xinjiang	20.50	15.79	5.03	10.76	102.41

Source: China Statistical Yearbook 2007.

Table 6 Per capita GDP and per capita income (Yuan)

	Per capita GDP	Urban residents' per capita disposable income	Rural residents' per capita net income
National	16,084	11,759.45	3,587.04
Beijing	50,467	19,977.52	8,275.47
Tianjin	41,163	14,283.09	6,227.94
Hebei	16,962	10,304.56	3,801.82
Shanxi	14,123	10,027.7	3,180.92
Inner Mongolia	20,053	10,357.99	3,341.88
Liaoning	21,788	10,369.61	4,090.4
Jilin	15,720	9,775.07	3,641.13
Heilongjiang	16,195	9,182.31	3,552.43
Shanghai	57,695	20,667.91	9,138.65
Jiangsu	28,814	14,084.26	5,813.23
Zhejiang	31,874	18,265.1	7,334.81
Anhui	10,055	9,771.05	2,969.08
Fujian	21,471	13,753.28	4,834.75
Jiangxi	10,798	9,551.12	3,459.53
Shandong	23,794	12,192.24	4,368.33
Henan	13,313	9,810.26	3,261.03
Hubei	13,296	9,802.65	3,419.35
Hunan	11,950	10,504.67	3,389.62
Guangdong	28,332	16,015.58	5,079.78
Guangxi	10,296	9,898.75	2,770.48
Hainan	12,654	9,395.13	3,255.53
Chongqing	12,457	11,569.74	2,873.83
Sichuan	10,546	9,350.11	3,002.38
Guizhou	5,787	9,116.61	1,984.62
Yunnan	8,970	10,069.89	2,250.46
Tibet	10,430	8,941.08	2,434.96
Shaanxi	12,138	9,267.7	2,260.19
Gansu	8,757	8,920.59	2,134.05
Qinghai	11,762	9,000.35	2,358.37
Ningxia	11,847	9,177.26	2,760.14
Xinjiang	15,000	8,871.27	2,737.28

Source: China Statistical Yearbook 2007.

Table 7 Employment structures of provinces, 2004-2005

	2004			2005		
	Primary	Secondary	Tertiary	Primary	Secondary	Tertiary
National	46.9	22.5	30.6	44.8	23.8	31.4
Beijing	6.9	26.4	66.7	6.8	24.6	68.6
Tianjin	19.3	40.1	40.6	18.9	40.6	40.5
Hebei	47.1	28.9	24	45.1	30.2	24.7
Shanxi	43.8	25.4	30.8	43.5	26.1	30.4
Inner Mongolia	54.5	14.9	30.6	53.8	15.6	30.5
Liaoning	36.8	24.8	38.4	36.3	25.5	38.2
Jilin	46.5	18.6	34.9	47.7	18.4	34
Heilongjiang	49.1	20.4	30.5	48.4	20.9	30.7
Shanghai	8.3	39.5	52.2	7.1	38.7	54.2
Jiangsu	31	36.2	32.7	27.8	38.5	33.7
Zhejiang	26.9	39.7	33.4	24.7	41.8	33.5
Anhui	52.3	20.2	27.5	51	21.9	27.1
Fujian	40.3	29.4	30.3	37.6	31.2	31.2
Jiangxi	48	20.3	31.8	45.9	22	32.1
Shandong	44.4	27.6	28	40.2	30.5	29.3
Henan	58.1	20.4	21.5	55.4	22.1	22.5
Hubei	44	18.9	37.1	42.4	19.5	38.1
Hunan	55.2	15.9	28.8	53.6	17.5	28.9
Guangdong	35.7	29.1	35.2	32.9	30.7	36.4
Guangxi	57.8	10.8	31.3	56.2	11.2	32.6
Hainan	58	10.1	31.9	57	10.6	32.4
Chongqing	47.6	20.1	32.3	45.3	21.5	33.2
Sichuan	52.8	17.5	29.6	50.6	18.4	31
Guizhou	59.6	9.8	30.6	57.4	10.3	32.3
Yunnan	71.3	9.1	19.6	69.4	10	20.6
Tibet	63.7	9.4	26.9	61.4	9.2	29.3
Shaanxi	51.2	17.3	31.5	50.8	18.5	30.7
Gansu	58.5	13.8	27.7	57.2	13.7	29.1
Qinghai	51.2	16.5	32.3	49.2	17.4	33.5
Ningxia	49.9	21.4	28.7	48.4	22.3	29.3
Xinjiang	54.2	13.2	32.6	53.3	13.3	33.4

Sources: China Statistical Yearbook 2005 and 2006.

Table 8 Revenues of provinces in 2006

	Total revenues (billion Yuan)	Total expenditures (billion Yuan)	Per capita revenues (Yuan)	Per capita expenditures (Yuan)
Total	1,830.36	3,043.13	1,392.46	2,315.08
Beijing	111.72	129.68	7,066.11	8,202.65
Tianjin	41.70	54.31	3,879.51	5,052.30
Hebei	62.05	118.04	899.59	1,711.16
Shanxi	58.34	91.56	1,728.512	2,712.80
Inner Mongolia	34.34	81.21	1,432.53	3,388.12
Liaoning	81.77	142.27	1,914.47	3,331.18
Jilin	24.52	71.84	900.49	2,638.11
Heilongjiang	38.68	96.85	1,011.89	2,533.41
Shanghai	157.61	179.56	8,683.60	9,892.92
Jiangsu	165.67	201.33	2,194.28	2,666.56
Zhejiang	129.82	147.19	2,606.84	2,955.54
Anhui	42.80	94.02	700.53	1,538.84
Fujian	54.12	72.87	1,521.00	2,048.05
Jiangxi	30.55	69.64	704.129	1,605.06
Shandong	135.63	183.34	1,456.93	1,969.53
Henan	67.92	144.01	723.14	1,533.31
Hubei	47.61	104.70	836.26	1,839.11
Hunan	47.79	106.45	753.59	1,678.52
Guangdong	217.95	255.33	2,342.50	2,744.35
Guangxi	34.26	72.95	725.96	1,545.91
Hainan	8.18	17.45	978.63	2,087.76
Chongqing	31.77	59.43	1,131.47	2,116.29
Sichuan	60.76	134.74	743.77	1,649.4
Guizhou	22.68	61.06	603.71	1,625.34
Yunnan	38.00	89.36	847.58	1,993.27
Tibet	1.46	20.02	518.17	7,124.44
Shaanxi	36.25	82.42	970.50	2,206.64
Gansu	14.12	52.86	541.88	2,028.37
Qinghai	4.22	21.47	770.87	3,917.20
Ningxia	6.14	19.32	1,015.84	3,198.82
Xinjiang	21.95	67.85	1,070.55	3,309.62

Sources: China Statistical Yearbook 2005 and 2007.

Table 9 Urban residents' income structures by province in 2006 (Yuan)

	Per capita disposable income	Per capita total income	Income structure			
			Salary income	Net operating income	Property income	Transfer income
National	11,759.45	12,719.19	8,766.96	809.56	244.01	2,898.66
Beijing	19,977.52	22,417.16	16,284.17	236.37	270.52	5,626.09
Tianjin	14,283.09	15,476.04	9,259.72	742.97	165.05	5,308.3
Hebei	10,304.56	10,887.19	7,065.29	779.27	113.49	2,929.14
Shanxi	10,027.7	10,793.89	7,877.3	377.03	159.43	2,380.14
Inner Mongolia	10,357.99	10,811.87	7,552.68	955.6	209.77	2,093.82
Liaoning	10,369.61	11,230.03	6,611.44	688.16	146.49	3,783.94
Jilin	9,775.07	10,245.28	6,576.52	786.22	117.26	2,765.28
Heilongjiang	9,182.31	9,721.9	6,028.06	1,032.13	99.33	2,562.37
Shanghai	20,667.91	22,808.57	16,016.4	958.5	300.26	5,533.42
Jiangsu	14,084.26	15,248.66	9,501.35	1,259.84	259.57	4,227.9
Zhejiang	18,265.1	19,954.03	13,015.77	2,172.13	888.78	3,877.35
Anhui	9,771.05	10,574.51	7,430.86	680.25	148.27	2,315.13
Fujian	13,753.28	15,102.39	10,164.49	956.46	508.74	3,472.69
Jiangxi	9,551.12	10,014.61	6,897.94	653.39	106.95	2,356.34
Shandong	12,192.24	13,222.85	10,442.06	558.18	220.66	2,001.96
Henan	9,810.26	10,339.2	6,861.49	770.4	129.72	2,577.6
Hubei	9,802.65	10,533.34	7,573.56	486.9	122.79	2,350.08
Hunan	10,504.67	11,146.07	7,401.73	929.83	287.22	2,527.3
Guangdong	16,015.58	17,725.56	13,031.33	1,339.38	565.47	2,789.37
Guangxi	9,898.75	10,624.3	7,419.4	890.81	189.81	2,124.28
Hainan	9,395.13	10,081.7	6,954.45	727.12	231.24	2,168.9
Chongqing	11,569.74	12,548.91	9,266.42	525.23	192.87	2,564.39
Sichuan	9,350.11	10,117	6,675.99	644	260.22	2,536.79
Guizhou	9,116.61	94,39.31	6,507.12	886.32	120.92	1,924.96
Yunnan	10,069.89	10,848.1	6,881.39	536.72	467.25	2,962.74
Tibet	8,941.08	9,540.86	7,512.25	389.88	217.95	1,420.78
Shaanxi	9,267.7	9,938.19	6,958.23	309.04	175.41	2,495.52
Gansu	8,920.59	9,586.46	7,008.4	403.57	32.14	2,142.35
Qinghai	9,000.35	9,803.13	6,316.64	564.08	62.93	2,859.48
Ningxia	9,177.26	10,002.03	6,450.79	978.99	89.19	2,483.06
Xinjiang	8,871.27	9,689.07	7,490.69	594.81	58.39	1,545.18

Source: China Statistical Yearbook 2007.

Table 10 Rural residents' income structures by province in 2006 (Yuan)

	Net income	Income structure			
		Salary income	Household net operating income	Property income	Transfer income
National	3,587.04	1,374.8	1,930.96	100.5	180.78
Beijing	8,275.47	5,047.39	1,957.09	678.81	592.19
Tianjin	6,227.94	3,247.92	2,707.35	126.37	146.29
Hebei	3,801.82	1,514.68	2,039.64	107.72	139.78
Shanxi	3,180.92	1,374.34	1,622.86	74.51	109.21
Inner Mongolia	3,341.88	590.7	2,406.21	84.81	260.16
Liaoning	4,090.4	1,499.47	2,210.84	141.8	238.3
Jilin	3,641.13	605.11	2,556.7	187.74	291.58
Heilongjiang	3,552.43	654.86	2,521.51	145.69	230.38
Shanghai	9,138.65	6,685.98	767.71	558.17	1126.8
Jiangsu	5,813.23	3,104.77	2,271.37	178.51	258.58
Zhejiang	7,334.81	3,575.14	3,084.28	311.6	363.8
Anhui	2,969.08	1,184.11	1,617.76	52.78	114.43
Fujian	4,834.75	1,855.53	2,481.62	113.52	384.09
Jiangxi	3,459.53	1,441.34	1,863.5	35.13	119.57
Shandong	4,368.33	1,671.54	2,409.78	127.6	159.4
Henan	3,261.03	1,022.74	2,108.26	40.37	89.66
Hubei	3,419.35	1,199.16	2,095.15	25.91	99.13
Hunan	3,389.62	1,449.65	1,743.39	42.49	154.09
Guangdong	5,079.78	2,906.15	1,693.64	220.87	259.12
Guangxi	2,770.48	974.32	1,705.75	22.45	69.96
Hainan	3,255.53	555.72	2,486.94	49.44	163.43
Chongqing	2,873.83	1,309.91	1,349.57	27.29	187.07
Sichuan	3,002.38	1,219.51	1,586.54	52.84	143.5
Guizhou	1,984.62	715.49	1,112.81	36.93	119.38
Yunnan	2,250.46	441.81	1,631.6	82.19	94.85
Tibet	2,434.96	568.39	1,410.51	156	300.06
Shaanxi	2,260.19	848.26	1,219.33	52.56	140.04
Gansu	2,134.05	637.37	1,291.85	52.56	152.27
Qinghai	2,358.37	653.3	1,374.36	100.66	230.05
Ningxia	2,760.14	823.09	1,662.07	53.35	221.63
Xinjiang	2,737.28	254.07	2,323.01	58.69	101.51

Source: China Statistical Yearbook 2007.

Table 11a Per capita living expenses of urban residents by province in 2006 (Yuan)

	Total	Food	Clothing	Household facilities and services	Medical expenses
National	8,696.55	3,111.92	901.78	498.48	620.54
Beijing	14,825.41	4,560.52	1,442.42	977.47	1,322.36
Tianjin	10,548.05	3,680.22	864.89	634.39	1,049.33
Hebei	7,343.49	2,492.26	849.58	460.27	737.43
Shanxi	7,170.94	2,252.5	1,016.69	441.82	589.97
Inner Mongolia	7,666.61	2,323.55	1,168.93	464.55	555
Liaoning	7,987.49	3,102.13	846.91	362.1	767.13
Jilin	7,352.64	2,457.21	907.61	318.65	671.44
Heilongjiang	6,655.43	2,215.68	971.44	319.37	634.3
Shanghai	14,761.75	5,248.95	1,026.87	877.59	762.92
Jiangsu	9,628.59	3,462.66	886.82	647.52	600.69
Zhejiang	13,348.51	4,393.4	1,383.63	615.45	852.27
Anhui	7,294.73	3,091.28	869.55	336.99	441.42
Fujian	9,807.71	3,854.26	784.71	525.65	513.61
Jiangxi	6,645.54	2,636.93	725.72	451.32	357.03
Shandong	8,468.4	2,711.65	1,091.22	526.29	624.06
Henan	6,685.18	2,215.32	919.31	431.02	520.57
Hubei	7,397.32	2,868.39	877.01	401.22	517.19
Hunan	8,169.3	2,850.94	868.23	513.63	632.52
Guangdong	12,432.22	4,503.86	719.26	633.03	707.86
Guangxi	6,791.95	2,857.4	477.67	360.62	401.06
Hainan	7,126.78	3,097.71	375.42	405.81	369.33
Chongqing	9,398.69	3,415.92	1,038.98	615.74	705.72
Sichuan	7,524.81	2,838.22	754.93	505.83	449.87
Guizhou	6,848.39	2,649.02	832.74	446.53	329.77
Yunnan	7,379.81	3,102.46	745.08	335.14	600.08
Tibet	6,192.57	3,107.9	734.83	211.1	221.7
Shaanxi	7,553.28	2,588.91	768.47	478.58	612.3
Gansu	6,974.21	2,408.37	854	403.8	562.74
Qinghai	6,530.11	2,366.42	724.96	420.31	542.93
Ningxia	7,205.57	2,444.98	874.39	480.7	578.75
Xinjiang	6,730.01	2,386.97	953.03	364.11	472.35

Source: China Statistical Yearbook 2007.

Table 11b Per capita living expenses of urban residents by province in 2006 (Yuan)

	Transportation and telecommunications	Educational, cultural and recreational services	Cultural and recreational commodities	Housing	Miscellaneous commodities and services
National	1,147.12	1,203.03	310.26	904.19	309.49
Beijing	2,173.26	2,514.76	809.41	1,212.8	621.74
Tianjin	1,092.87	1,452.17	432.74	1,368.2	405.99
Hebei	875.43	827.72	243.91	864.92	235.88
Shanxi	825.18	1,007.92	260.58	830.38	206.48
Inner Mongolia	928.48	1,052.65	307.47	802.26	371.19
Liaoning	797.64	853.92	206.67	909.42	348.23
Jilin	815.02	890.22	235.27	984.95	307.56
Heilongjiang	665.01	843.94	209.7	755.32	250.37
Shanghai	2,332.83	2,431.74	702.85	1,435.72	645.13
Jiangsu	1,203.45	1,467.36	404.61	997.53	362.56
Zhejiang	2,492.01	1,946.15	448.58	1,229.25	436.37
Anhui	788.25	869.23	200.7	694.17	203.83
Fujian	1,232.7	1,321.33	370.62	1,233.49	341.96
Jiangxi	600.16	894.58	212.52	742.93	236.87
Shandong	1,175.57	1,201.97	354.57	838.17	299.48
Henan	762.08	847.12	231.62	737	252.76
Hubei	763.14	997.74	221.3	752.56	220.08
Hunan	965.09	1,182.18	269.64	871.7	285
Guangdong	2,394.66	1,813.86	406	1,254.69	405
Guangxi	785.01	850.9	230.76	826.86	232.43
Hainan	1,154.87	791.24	206.84	743.6	188.8
Chongqing	976.02	1,449.49	354.83	954.56	242.26
Sichuan	1,009.35	976.33	221.29	728.43	261.85
Guizhou	775.07	938.37	226.57	627.23	249.66
Yunnan	1,076.93	754.69	190.87	585.35	180.07
Tibet	694.21	359.34	35.93	612.67	250.82
Shaanxi	824.46	1,280.14	280.33	746.59	253.84
Gansu	703.07	1,034.42	277.38	716.35	291.46
Qinghai	753.07	793.72	199.33	653.04	275.66
Ningxia	774.57	846.72	284.18	890.97	314.49
Xinjiang	765.72	819.72	230.45	698.66	269.45

Source: China Statistical Yearbook 2007.

Table 12a Per capita living expenses of rural residents by province in 2006 (Yuan)

	Total	Food	Clothing	Housing
National	2,829.02	1,216.99	168.04	468.96
Beijing	5,724.5	1,878.95	451.63	859.37
Tianjin	3,341.06	1,212.62	265.3	664.43
Hebei	2,495.33	915.5	167.87	531.66
Shanxi	2,253.25	867.65	227.61	305.02
Inner Mongolia	2,771.97	1,082.07	184.6	352.85
Liaoning	3,066.87	1,162.53	242.98	509.66
Jilin	2,700.66	1,082.28	191.16	343.97
Heilongjiang	2,618.19	923.7	198.96	560
Shanghai	8,006	3,023.53	417.57	1,658.07
Jiangsu	4,135.21	1,728.99	223.26	641.06
Zhejiang	6,057.16	2,218.88	368.68	1,202.02
Anhui	2,420.94	1,045.19	138.37	378.65
Fujian	3,591.4	1,621.92	213.31	563.85
Jiangxi	2,676.6	1,312.28	131.02	373.42
Shandong	3,143.8	1,191.32	198.12	548.05
Henan	2,229.28	911.48	159.77	443.59
Hubei	2,732.46	1,278.88	146.69	377.28
Hunan	3,013.32	1,463.33	137.69	420.96
Guangdong	3,885.97	1,887.17	151.15	633.99
Guangxi	2,413.93	1,196.07	79.91	424.88
Hainan	2,232.19	1,191.09	75.15	252.34
Chongqing	2,205.21	1,150.98	113.28	254.17
Sichuan	2,395.04	1,216.19	133.3	328.58
Guizhou	1,627.07	838.42	88.56	265.54
Yunnan	2,195.64	1,071.13	93.62	435.87
Tibet	2,002.24	965.83	184.85	467.79
Shaanxi	2,181	850.2	138.59	340.63
Gansu	1,855.49	865.99	97.23	251.79
Qinghai	2,178.95	938.50	170.81	366.36
Ningxia	2,246.97	929.15	159.1	414.65
Xinjiang	2,032.36	810.74	187.03	371.56

Source: China Statistical Yearbook 2007.

Table 12b Per capita living expenses of rural residents by province in 2006 (Yuan)

	Household facilities and services	Transportation and telecommunications	Education, culture, recreation and related services	Medical care
National	126.56	288.76	305.13	191.51
Beijing	303.46	698.14	844.08	575.80
Tianjin	122.41	441.32	315.59	263.24
Hebei	115.84	285.70	265.38	166.34
Shanxi	98.29	224.23	339.75	142.66
Inner Mongolia	98.02	361.83	398.47	232.76
Liaoning	112.22	337.08	354.59	267.86
Jilin	105.11	295.99	346.79	256.28
Heilongjiang	79.26	267.05	279.69	253.84
Shanghai	481.04	779.88	919.94	549.44
Jiangsu	199.48	465.17	544.14	232.3
Zhejiang	288.25	664.81	731.65	459.39
Anhui	116.8	237.15	290.74	165.02
Fujian	167.33	431.4	333.55	162.26
Jiangxi	105.68	250.93	287.51	159.14
Shandong	158.73	352.19	408.84	221.8
Henan	105.08	220.83	198.58	140.55
Hubei	135.53	246.07	292.34	172.44
Hunan	129.8	249.7	341.70	196.54
Guangdong	148.6	443.46	303.37	197
Guangxi	110.09	239.48	198.17	123.91
Hainan	87.86	205.68	238.47	110.92
Chongqing	117.98	186.57	189.73	159.68
Sichuan	114.13	203.63	196.64	160.31
Guizhou	64.91	122.47	138.13	76.76
Yunnan	83.81	157.25	177.89	138.16
Tibet	125.14	104.3	64.27	54.37
Shaanxi	94.88	216.66	296.07	195.61
Gansu	78.69	174.6	228.43	127.35
Qinghai	94.69	255.82	118.66	192.77
Ningxia	104.32	226.41	168.85	187.6
Xinjiang	73.04	209.46	157	189.69

Source: China Statistical Yearbook 2007.

Table 13a Number of durable consumer goods for every 100 urban households by province in 2006

	Furniture	Motorcycles	Bicycles	Powered bicycles	Cars
National	79.7	25.3	117.57	12.61	4.32
Beijing	95.06	6.13	191.11	6.62	18.14
Tianjin	95.27	6.27	189	15.47	4.6
Hebei	87.75	31.96	197.7	17.78	4.5
Shanxi	82.76	26.69	156.35	9.28	4.01
Inner Mongolia	75.67	27.61	180.31	8.67	4.49
Liaoning	41.66	7.09	102.9	4.99	1.56
Jilin	24.75	17.18	103.16	2.31	1.97
Heilongjiang	42.18	10.78	83.23	1.39	1.55
Shanghai	107.31	2.81	123.45	28.66	4.91
Jiangsu	81.13	26.77	155.52	41.12	5.46
Zhejiang	87.16	31.84	122.5	34.75	11.03
Anhui	69.63	20.64	116.58	13.42	0.88
Fujian	89.97	49.47	117.05	8.73	2.52
Jiangxi	75.49	22.85	108.89	9.01	1.16
Shandong	93.47	46.63	168.16	25.07	6.15
Henan	73.96	27.7	166.67	21.92	1.61
Hubei	89.69	17.83	89.4	6.05	1.72
Hunan	83.23	16.08	43.84	4.55	2.05
Guangdong	87.13	72.24	103.94	6.24	12.9
Guangxi	85.35	57.49	129.37	13.08	2.37
Hainan	57.76	54.11	72.35	6.25	5.01
Chongqing	108	3.33	5.67	0.67	1.67
Sichuan	104.23	8.04	68.69	6.78	2.97
Guizhou	70.31	7.46	17.27	0.06	2.07
Yunnan	77.24	28.92	101.5	8.09	8.67
Tibet	127.28	18.5	92.21	4.37	4.33
Shaanxi	69.88	15.89	109.51	5.29	0.75
Gansu	86.68	13.95	135.23	8.12	0.67
Qinghai	65.14	7.07	35.26	1.01	2.35
Ningxia	19.85	19.44	131.87	4.9	0.93
Xinjiang	63.52	16.59	95.42	3.4	2.08

Source: China Statistical Yearbook 2007.

Table 13b Number of durable consumer goods for every 100 urban households by province in 2006

	Washing machines	Electric fans	Refrigerators	Freezers	Color TV sets
National	96.77	174.59	91.75	6.93	137.43
Beijing	106.89	134.14	104.77	10.85	155.3
Tianjin	96.8	107.53	98.27	13.87	135.87
Hebei	97.91	141.03	93.6	15.69	126.73
Shanxi	102.06	83.86	88.62	9.59	114.99
Inner Mongolia	95.91	61.11	86.81	14.94	113.35
Liaoning	89.29	71.54	89.37	8.36	123.54
Jilin	97.8	67.61	85.07	10.46	128.86
Heilongjiang	92.89	53.17	78.93	11.35	114.62
Shanghai	97.6	232.97	104.21	2.1	178.66
Jiangsu	100.3	208.15	92.92	4.47	157.98
Zhejiang	93.06	258.37	99.27	4.79	181.02
Anhui	97.49	237.23	92.23	4.4	133.96
Fujian	102.09	244.88	99.7	2.5	169.37
Jiangxi	95.68	242.45	90.95	3.51	143.96
Shandong	95.09	168.11	92.09	14.9	120.4
Henan	99.14	184.97	87.18	7.5	127.19
Hubei	96.21	217.68	96	5.83	135.79
Hunan	96.74	237.42	90.85	5.05	129.6
Guangdong	97.76	291.56	94.09	1	160.07
Guangxi	88.43	293.82	84.6	4.79	138.42
Hainan	61.81	190.59	71.63	5.3	124.22
Chongqing	103.67	190.33	105	3.67	164.33
Sichuan	100.14	210.72	94.36	3.34	141.6
Guizhou	98.51	95.75	88	6.19	125.23
Yunnan	94.3	32.31	81.07	2.69	125.89
Tibet	75	7.35	68.49	8.11	104.66
Shaanxi	98.13	131.24	86.5	2.49	130.14
Gansu	98.92	56.03	82.84	5.07	114.96
Qinghai	99.01	11.48	84.4	7.63	113.27
Ningxia	92.95	66.13	81.22	1.39	109.75
Xinjiang	92.97	55.6	82.65	7.33	107.97

Source: China Statistical Yearbook 2007.

Table 13c Number of durable consumer goods for every 100 urban households by province in 2006

	DVD players	Tape Recorders	Video recorders/ players	Laptop computers	Hi-fi sound systems	Video cameras	Cameras	Pianos	Other musical instruments
National	70.15	37.7	15.08	47.2	29.05	5.11	47.99	2.31	7.07
Beijing	75.01	65.26	45.96	95.7	37.37	18.9	112.66	4.55	12.35
Tianjin	56.87	38.07	23.27	59.2	27.67	7.87	59.53	1.27	3.2
Hebei	53.21	42.6	15.05	42.68	23.98	4.24	48.54	1.47	5.48
Shanxi	52.38	37.56	12.58	35.24	17.24	2.77	36.31	1.42	5.52
Inner Mongolia	55.94	44.78	7.91	26.82	14.59	3.07	36.85	1.18	7.59
Liaoning	52.92	39.78	19.75	34.98	20.99	6.23	43.93	2.09	5.94
Jilin	59.38	42.29	17.35	34.74	13.81	4.56	42.67	1.24	7.03
Heilongjiang	53.93	35.27	11.54	28.36	13.11	4.41	33.66	1.78	6.37
Shanghai	98.8	53.21	24.15	90.58	47.9	11.32	86.47	5.01	7.52
Jiangsu	65.64	34.39	17.44	52.48	28.86	5.76	47.6	2.66	4.43
Zhejiang	70.16	38.91	18.15	64.83	36.47	6.24	52.51	2.48	8.99
Anhui	62.97	36.68	12.94	33.89	22.26	3.22	38.25	2.01	7.63
Fujian	82.8	32.1	14.19	63.12	31.06	4.67	49.49	4.04	7.88
Jiangxi	62.66	24.89	10.6	37.33	25.52	3.02	37.93	1.49	6.12
Shandong	66.95	53.49	18.57	52.71	24.22	6.44	58.3	3.45	9.86
Henan	61.83	34.87	8.08	35	18.02	3.38	39.08	1.8	6.67
Hubei	75.47	27.62	9.19	47.31	32.7	2.89	38.95	1.93	5.68
Hunan	71.36	26.79	8.84	39.44	32.07	3.6	36.85	1.45	7.65
Guangdong	91.97	41.54	15.74	74.45	54.99	7.56	65.61	3.75	9.61
Guangxi	84.02	30.88	9.51	46.9	34.7	3.17	37.05	1.62	6.03
Hainan	69.97	29.67	10.04	33.45	26.24	2.33	24.64	1.92	3.29
Chongqing	81.67	23.33	19.33	70	46	6.67	51.33	2	8
Sichuan	86.93	27.26	10.95	38.06	31.46	3.07	41.63	1.84	5.2
Guizhou	81.97	20.95	10.58	29.81	39.12	2.66	33.83	1.91	5.69
Yunnan	82.99	40.94	17.74	32.36	37.78	3.33	47.21	2.43	5.1
Tibet	72.81	62.42	24.32	9.54	22.77	2.25	33.62	0.58	2.28
Shaanxi	66.7	34.22	13.06	34.88	23.95	3.05	42.89	1.59	9.03
Gansu	63.17	46.84	12.83	28.68	24.39	2.5	39.12	1.53	8.24
Qinghai	67.71	30.87	9.46	30.56	19.46	3.28	37.56	2.27	5.44
Ningxia	64.18	25.04	5.7	26.41	19.89	1.34	28.68	1.32	4.92
Xinjiang	66.53	47.81	12.98	28.7	18.86	3.12	39.15	1.96	6.78

Source: China Statistical Yearbook 2007.

Table 13d Number of durable consumer goods for every 100 urban households by province in 2006

	Microwave ovens	Air conditioners	Electric heaters	Electric cooking appliances	Showers	Range hoods	Sterilizers	Dishwashers
National	50.61	87.79	37.78	113.19	75.13	69.78	16.72	0.68
Beijing	90.83	157.09	36.7	142.2	98.07	94.57	9.94	0.9
Tianjin	77.93	115.67	22.53	100	87.07	86.07	2.4	0.33
Hebei	44.22	86.72	21.39	80.06	71.59	77.17	4.55	0.65
Shanxi	26.92	28.79	12.12	50.28	41.12	68.78	2.64	0.44
Inner Mongolia	28.35	9.04	6.21	160.91	45.03	65.77	1.73	0.23
Liaoning	44.55	14.97	15.09	91.3	61.5	79.78	5.01	0.59
Jilin	38.97	5.29	12.67	130.32	42.87	82.77	5.97	0.61
Heilongjiang	29.9	6.95	8.9	170.26	32.23	75.88	4.5	0.62
Shanghai	95.89	174.65	82.16	188.78	92.99	83.67	13.13	0.2
Jiangsu	78.84	132.06	54.33	128.31	84.07	80.82	7.31	0.63
Zhejiang	60.06	152.42	44.76	117.14	91.41	88.83	21.55	0.63
Anhui	47.28	94.66	46.57	104.21	68.32	59.88	7.09	0.51
Fujian	74.3	145.94	24.21	148.71	103.48	68.55	39.66	0.93
Jiangxi	41.47	78.5	86.14	88.42	85.26	46.92	10.67	0.54
Shandong	46.32	82.03	30.9	96.6	73.97	88.87	6.88	1.38
Henan	32.04	100.62	40.22	84.23	53.57	57.96	8.8	0.56
Hubei	49.51	107.33	68.21	111.09	78.14	61.92	14.02	1.05
Hunan	37.75	85.96	83.12	76.42	70.66	38.72	22.97	0.67
Guangdong	64.91	174.79	14.88	133.8	108.22	83.9	84.07	0.97
Guangxi	48.17	82.67	32.94	133.03	94.57	52.71	56.84	0.81
Hainan	24.7	55.54	0.15	140.44	75.27	56.23	53.95	0.62
Chongqing	81.67	174.33	50	81.67	102.67	49.33	16.33	0.67
Sichuan	47.53	86.66	49.07	115.79	91.1	43.9	11.05	0.22
Guizhou	39.3	9.73	65.31	99.39	58.27	39.68	28.31	0.57
Yunnan	42.33	1.16	38.11	146.67	73.57	74.87	11.88	1.05
Tibet	15.02	3.41	30.26	10.86	10.69	12.98	3.64	0.71
Shaanxi	40	80.37	26.62	107.98	66.26	66.9	4.93	0.3
Gansu	33	3.85	13.52	91.48	58.9	82.9	3.35	0.47
Qinghai	42.88	0.82	23.38	60.24	48.44	81.09	4.79	0.72
Ningxia	33.07	5.86	11.05	135.63	64.74	67.48	3.43	-
Xinjiang	24.15	8.62	8.79	83.37	65.73	78.22	5.38	1.01

Source: China Statistical Yearbook 2007.

Table 13e Number of durable consumer goods for every 100 urban households by province in 2006

	Drinking apparatuses	Vacuums	Health fitness equipment	Telephones	Mobiles	Fax machines
National	44.61	13.96	5	93.32	152.88	1.34
Beijing	58.85	41.65	10.97	107.68	206.07	2.7
Tianjin	43.07	23.73	4.33	91.47	143.73	0.87
Hebei	43.55	13.35	5.74	92.05	136.53	0.87
Shanxi	40.06	6.54	2.26	95.53	122.52	0.62
Inner Mongolia	31.89	11.07	2.34	89.32	140.33	0.44
Liaoning	26.74	22.22	3.73	92.04	116.8	0.78
Jilin	33.47	15.96	5.08	86.86	156.7	0.65
Heilongjiang	34.78	15.88	2.81	84.89	128.26	1.07
Shanghai	57.11	51.9	11.02	101.9	200.3	5.81
Jiangsu	51.5	18.72	5.82	131.52	132.01	2.39
Zhejiang	55.61	17.56	7.13	95.81	182.63	2.87
Anhui	31.52	8.42	3.71	94.57	135.62	0.73
Fujian	38.61	7.5	7.26	101.51	183.48	1.72
Jiangxi	40.04	4.91	2.45	84.97	147.22	0.27
Shandong	68.43	17.95	6.59	90.77	164.3	1.23
Henan	46.41	5.85	3.28	89.73	137.97	0.55
Hubei	33.22	8.11	3.23	90.87	139.04	0.65
Hunan	36.79	4.98	5.75	84.68	146.02	1.52
Guangdong	47.47	13.38	8.9	100.11	205.51	3.56
Guangxi	49.19	7.71	4.51	89.88	157.51	0.94
Hainan	32.84	2.63	1.79	98.28	141.13	1.02
Chongqing	53.33	11.67	7	95	187	1
Sichuan	44.53	6.96	3.04	88.33	146.85	0.36
Guizhou	59.93	5.9	2.53	86.88	140.43	0.96
Yunnan	65.04	8.16	4.15	83.23	153.86	0.94
Tibet	23.81	2.22	0.4	86.23	91.36	0.22
Shaanxi	38.82	6.91	2.91	81.76	150.81	0.23
Gansu	43.4	7.12	2.09	71.92	143.18	-
Qinghai	34.8	7.83	2.96	85.52	148.19	1.43
Ningxia	36.1	7.1	1.67	84.08	136.83	0.66
Xinjiang	36.42	16.79	3.33	87.7	126.56	0.61

Source: China Statistical Yearbook 2007.

Table 14a Number of durables for every 100 rural households by province in 2006

	Furniture	Washing machines	Electric fans	Refrigerators	Air conditioners	Cooker hoods	Bicycles	Motorcycles
National	313.99	42.98	152.08	22.48	7.28	7.03	98.74	44.59
Beijing	240.13	95.47	152.4	100.8	59.73	44.13	186	37.33
Tianjin	168.83	95.67	139.5	79.67	46.33	21.83	181.5	55
Hebei	242.79	77.24	162.45	32.62	5.45	4.88	177.93	61.5
Shanxi	297.48	69.52	59.14	17.57	1.86	3.81	108	53.9
Inner Mongolia	171.41	46.5	21.12	20.58	0.39	1.65	61.17	60.49
Liaoning	149.31	68.04	60.95	32.22	0.53	7.62	105.66	50.05
Jilin	92.38	65.06	22.69	17.56	0.31	0.75	65.19	50.31
Heilongjiang	76.03	67.68	22.59	19.33	0.27	5.49	72.41	37.01
Shanghai	234.83	89	298.67	93.67	98.83	64.67	176.67	73.67
Jiangsu	319.26	77.18	246.38	50.88	44.50	21.85	159.71	61.53
Zhejiang	366.93	54.19	298.30	71.44	47.59	40.74	127.37	64.48
Anhui	301.03	37	208.81	26.87	7.52	2.42	111.84	40.94
Fujian	294.12	49.89	202.69	45.93	14.56	12.03	62.64	80.82
Jiangxi	276.57	7.39	185.47	12.33	2.61	2.41	95.71	48.33
Shandong	348.88	49.57	180.88	33.62	5.12	6.74	168.67	68.95
Henan	322.33	62.36	178	15.50	6.62	0.74	136.19	43.36
Hubei	380.42	30.12	194.18	19.18	5.39	3.73	80.55	45
Hunan	517.41	29.76	206.33	16.54	3.3	1.62	51.11	33.03
Guangdong	493.01	31.88	302.81	27.54	20.27	17.11	111.6	89.73
Guangxi	209.83	6.41	250.09	8.61	0.95	1.04	88.57	62.21
Hainan	189.17	5.83	132.36	7.92	0.83	0.56	43.61	85.28
Chongqing	358.33	27.67	162	20.11	3.44	1.44	13.89	15.78
Sichuan	517.55	45.43	183	14.73	1.8	1.23	44.93	27.85
Guizhou	454.78	33.79	49.73	10.4	0.67	1.21	8.48	15.85
Yunnan	120.79	24.67	9.13	7.50	0.04	1.08	30.88	22.96
Tibet	561.67	10.21	0.42	6.88	-	-	37.08	17.08
Shaanxi	260.14	57.84	92.97	9.68	1.85	0.90	113.42	38.11
Gansu	327	41.89	27.78	7.22	0.5	0.5	100.89	42.78
Qinghai	301.67	45.83	4.5	20.5	-	0.5	37	56.83
Ningxia	430.33	49.33	27.67	12.33	-	1.17	121.67	67.33
Xinjiang	256.84	32.32	22.45	25.1	0.32	1.16	83.42	49.29

Source: China Statistical Yearbook 2007.

Table 14b Number of durables for every 100 rural households by province in 2006

	Telephones	Black and white televisions	Color televisions	Video players/ recorders	Recorders	Cameras	Desktop computers
National	64.09	17.45	89.43	2.97	10.28	4.18	2.73
Beijing	104.27	2.13	133.2	9.47	21.6	30.4	36.13
Tianjin	86.33	1.67	118	7.50	17.67	10	8.5
Hebei	78.64	12.64	106.24	3.14	10.83	3.6	2.02
Shanxi	72.14	10.52	98.38	2.24	12.9	5.05	1.38
Inner Mongolia	40.73	12.86	90.49	0.68	14.66	3.64	0.53
Liaoning	90.98	5.29	106.67	5.19	10.21	6.3	3.17
Jilin	72.19	5.94	99.31	1.94	7.44	2.5	0.31
Heilongjiang	72.72	7.54	101.16	0.89	10.13	2.59	1.43
Shanghai	103.67	18.83	166.83	14.17	25.17	21.5	38
Jiangsu	92.97	24.56	118.12	5.65	11.85	8.5	11.09
Zhejiang	96.67	16.41	141.52	10.19	12.26	10.19	15.93
Anhui	79.23	27.19	91.84	2.42	7.13	2.84	1.16
Fujian	91.7	8.96	114.84	4.01	5.93	5.11	7.53
Jiangxi	64.65	29.67	90.04	1.92	3.22	1.76	1.1
Shandong	85.9	15.14	98.36	3.19	11.55	6.86	2.43
Henan	53.36	20.93	88.76	0.6	5.45	1.71	1.02
Hubei	57.27	20.94	92.12	0.76	4.55	1.76	2.33
Hunan	60.24	28.38	80.92	1.38	5.08	2.24	0.95
Guangdong	85.78	5.7	108.44	3.71	6.99	6.95	10.23
Guangxi	62.38	25.97	87.19	1	5.54	1.73	0.87
Hainan	51.53	2.36	85.14	7.22	8.61	0.56	1.11
Chongqing	65.06	21.78	84	3.5	4.28	1.06	0.44
Sichuan	60.63	25.98	86.4	1.73	6.45	2.68	0.75
Guizhou	38.88	10.49	74.02	0.4	1.7	0.49	0.67
Yunnan	29.92	12.92	77.54	2.5	7.58	2.17	0.42
Tibet	21.46	1.04	57.29	6.25	49.38	1.04	0.21
Shaanxi	63.24	19.41	94.19	1.04	7.75	2.43	0.72
Gansu	61.56	13.94	89.44	0.78	28.94	2.39	0.44
Qinghai	56.5	10.83	86.50	1	31.33	2.33	0.17
Ningxia	59.67	20.17	98.67	0	17	2.33	0.17
Xinjiang	40.97	32.06	68.32	9.23	44.13	3.55	0.26

Source: China Statistical Yearbook 2007.

Table 15 Per student education funds for ordinary primary schools by province in 2005

	Average of urban and rural primary schools			Rural primary schools		
	Total	Budgetary	Budgetary funds for public uses	Total	Budgetary	Budgetary funds for public uses
National	1,822.76	1,327.16	166.46	1,572.57	1,204.88	142.25
Beijing	7,100.98	4,619.52	1,235.38	6,544.80	5,152.04	1,193.54
Tianjin	4,294.73	3,518.92	411.62	3,404.76	2,951.07	379.78
Hebei	1,764.47	1,440.57	140.54	1,679.83	1,405.41	138.27
Shanxi	1,564.09	1,256.66	177.70	1,539.25	1,295.67	181.11
Inner Mongolia	2,441.31	1,846.70	227.57	2,782.95	2,195.19	245.66
Liaoning	2,348.69	1,731.11	355.88	2,135.67	1,646.95	336.97
Jilin	2,495.74	1,715.13	253.59	2,476.45	1,806.90	253.58
Heilongjiang	2,498.20	2,204.08	277.42	2,442.57	2,287.29	286.66
Shanghai	9,767.45	7,940.77	1,865.70	8,222.59	7,293.14	1,296.87
Jiangsu	2,845.84	2,032.86	95.09	2,436.80	1,863.10	58.88
Zhejiang	3,983.28	2,497.84	295.29	3,692.38	2,412.99	263.54
Anhui	1,268.94	990.39	63.50	1,158.05	944.63	65.37
Fujian	2,252.82	1,574.96	170.02	2,088.23	1,522.34	144.31
Jiangxi	1,293.44	1,003.76	103.96	1,239.39	1,006.35	103.13
Shandong	1,791.10	1,390.31	95.88	1,624.37	1,330.44	82.58
Henan	972.74	744.46	100.07	880.88	701.65	101.71
Hubei	1,330.77	982.45	96.58	1,130.50	898.10	96.72
Hunan	1,634.06	1,282.57	137.64	1,540.51	1,257.83	125.50
Guangdong	2,200.07	1,305.60	233.68	1,669.84	1,000.95	187.48
Guangxi	1,299.01	1,038.79	59.22	1,174.66	963.93	47.72
Hainan	1,491.55	1,289.49	239.85	1,398.39	1,261.15	245.84
Chongqing	1,731.02	874.04	222.99	1,473.82	826.56	202.45
Sichuan	1,392.96	847.82	132.76	1,254.81	806.86	116.39
Guizhou	1,019.89	885.91	70.90	913.96	807.84	67.52
Yunnan	1,649.84	1,274.90	158.46	1,592.16	1,269.75	161.23
Tibet	3,095.76	2,480.68	394.45	2,895.37	2,355.03	416.64
Shaanxi	1,306.75	1,091.17	104.98	1,279.55	1,099.21	104.39
Gansu	1,215.78	1,006.92	121.03	1,114.69	948.85	122.02
Qinghai	2,112.37	1,904.25	377.29	2,062.27	1,909.12	444.58
Ningxia	1,496.96	1,173.92	182.88	1,378.90	1,160.77	175.72
Xinjiang	2,418.05	1,721.97	288.26	2,318.20	1,714.60	284.93

Source: Education Finance Statistical Yearbook 2006.

Table 16 Per student education funds for ordinary junior middle schools by province in 2005

	Average of urban and rural junior middle schools			Rural junior middle schools		
	Total	Budgetary	Budgetary funds for public uses	Total	Budgetary	Budgetary funds for public uses
National	2,277.32	1,497.92	232.61	1,819.92	1,314.64	192.75
Beijing	9,087.89	5,515.76	1,794.44	7,639.35	5,998.03	1,679.43
Tianjin	4,636.38	3,525.42	469.08	3,154.82	2,633.92	357.22
Hebei	1,803.09	1,371.84	169.34	1,608.98	1,289.52	158.19
Shanxi	1,858.35	1,373.53	237.41	1,691.41	1,385.69	240.63
Inner Mongolia	2,572.61	1,835.57	385.13	2,422.38	1,994.11	436.07
Liaoning	2,971.37	2,150.64	487.16	2,284.04	1,778.78	431.74
Jilin	2,603.46	1,669.25	333.19	2,084.50	1,540.97	374.23
Heilongjiang	2,329.62	1,875.99	285.07	1,786.53	1,615.43	307.89
Shanghai	12,255.10	8,421.50	2,114.13	10,217.47	7,910.18	1,998.21
Jiangsu	3,092.65	1,823.30	114.25	2,372.71	1,581.59	66.34
Zhejiang	5,642.21	3,216.47	460.24	4,981.64	3,017.06	400.18
Anhui	1,398.99	922.75	76.98	1,179.87	884.92	83.07
Fujian	2,259.65	1,478.73	232.93	1,968.74	1,337.88	182.94
Jiangxi	1,559.26	1,074.62	129.73	1,474.53	1,106.44	138.81
Shandong	2,489.04	1,803.72	130.48	2,167.88	1,676.95	101.21
Henan	1,255.59	908.05	154.19	1,065.78	838.43	139.36
Hubei	1,713.26	1,137.76	124.56	1,469.62	1,049.81	126.12
Hunan	1,941.43	1,341.57	173.04	1,776.80	1,344.55	161.33
Guangdong	3,312.50	1,807.03	373.55	2,311.56	1,310.24	276.76
Guangxi	1,628.42	1,067.18	96.96	1,413.50	962.09	83.25
Hainan	2,106.40	1,459.42	358.36	1,796.88	1,469.97	443.86
Chongqing	2,486.30	1,145.65	334.98	2,161.33	1,157.01	338.61
Sichuan	1,705.71	924.38	137.53	1,507.87	917.92	138.52
Guizhou	1,317.04	1,010.96	170.15	1,090.60	905.86	178.60
Yunnan	1,946.25	1,450.98	230.80	1,747.71	1,404.04	223.06
Tibet	5,252.34	2,911.89	344.01	-	-	-
Shaanxi	1,419.96	1,045.77	162.33	1,271.31	997.71	139.48
Gansu	1,517.54	1,112.26	184.65	1,418.24	1,087.05	206.16
Qinghai	2,447.42	2,069.91	491.75	2,146.37	1,923.59	583.37
Ningxia	2,230.87	1,561.62	319.07	1,987.57	1,629.96	378.95
Xinjiang	2,744.94	1,815.37	437.19	2,282.95	1,712.19	414.08

Source: Education Finance Statistical Yearbook 2006.

Table 17 Education level of ordinary primary schools by province in 2006

	Number of teachers	Postgraduate education	Undergraduate education	With college diplomas	Senior middle school level	Proportion of qualified teachers (%)
National	5,587,557	2,158	510,232	2,955,535	2,056,326	98.87
Beijing	48,207	88	19,128	22,512	6,352	99.74
Tianjin	39,951	26	6,331	23,231	10,156	99.48
Hebei	315,278	23	33,308	189,025	90,908	99.36
Shanxi	193,386	71	16,961	104,924	70,123	99.32
Inner Mongolia	116,582	55	16,378	61,829	37,249	99.08
Liaoning	155,848	97	14,433	79,209	61,104	99.36
Jilin	134,450	372	29,266	71,820	32,241	99.44
Heilongjiang	160,511	113	19,271	91,647	48,083	99.13
Shanghai	37,500	17	10,137	22,442	4,809	99.75
Jiangsu	260,510	29	30,758	150,781	77,440	99.42
Zhejiang	163,843	30	27,972	94,218	40,355	99.23
Anhui	256,368	30	14,098	115,761	125,475	99.61
Fujian	163,350	6	5,901	85,717	70,177	99.05
Jiangxi	195,538	56	12,747	78,805	100,094	98.04
Shandong	381,673	235	49,283	183,667	146,866	99.58
Henan	478,153	92	28,426	239,477	206,183	99.17
Hubei	209,342	129	22,461	102,841	80,729	98.48
Hunan	247,567	64	16,864	123,340	105,246	99.17
Guangdong	407,584	215	38,870	255,666	110,798	99.50
Guangxi	206,912	25	6,478	110,249	86,492	98.23
Hainan	51,635	11	1,980	27,239	21,962	99.14
Chongqing	113,724	22	11,461	67,480	33,380	98.79
Sichuan	306,886	73	20,478	168,297	113,896	98.65
Guizhou	188,762	5	3,999	86,452	89,452	95.31
Yunnan	222,022	24	11,050	112,907	91,159	96.90
Tibet	15,961		334	9,207	5,752	95.81
Shaanxi	184,573	104	12,323	105,297	64,210	98.57
Gansu	135,491	42	7,802	61,998	62,045	97.34
Qinghai	28,124	41	3,138	18,130	6,442	98.67
Ningxia	33,108	1	4,769	16,804	11,156	98.86
Xinjiang	134,718	62	13,827	74,563	44,992	99.05

Source: China Education Statistical Yearbook 2006.

Note: The proportion of qualified teachers indicates the number with senior middle school level and above education, over the total number of teachers, multiplied by 100 percent.

Table 18 Education level of ordinary primary school teachers in cities by province in 2006

	Number of teachers	Postgraduate education	Undergraduate education	With college diplomas	Senior middle school level	Proportion of qualified teachers (%)
National	828,197	1,285	210,828	471,516	142,355	99.73
Beijing	21,942	48	10,479	9,155	2,230	99.86
Tianjin	16,146	12	3,537	9,084	3,462	99.68
Hebei	33,762	13	8,633	19,653	5,405	99.83
Shanxi	35,946	41	7,402	21,716	6,758	99.92
Inner Mongolia	24,768	39	6,736	13,652	4,261	99.68
Liaoning	43,365	79	10,012	26,008	7,174	99.79
Jilin	20,721	195	9,797	8,266	2,450	99.94
Heilongjiang	30,615	88	8,906	16,474	5,011	99.56
Shanghai	19,450	13	5,542	11,665	2,216	99.93
Jiangsu	55,706	21	10,987	33,504	11,012	99.67
Zhejiang	44,369	20	13,252	23,990	7,014	99.79
Anhui	35,811	20	5,370	20,504	9,863	99.85
Fujian	17,740	4	2,278	11,543	3,865	99.72
Jiangxi	14,269	19	3,011	7,425	3,750	99.55
Shandong	54,691	84	18,464	27,991	8,065	99.84
Henan	43,756	43	9,606	27,306	6,713	99.80
Hubei	37,204	119	10,999	18,823	4,107	91.52
Hunan	26,348	23	6,478	14,752	5,041	99.80
Guangdong	91,157	177	24,074	55,408	11,413	99.91
Guangxi	17,270	22	2,333	11,115	3,715	99.51
Hainan	6,125	9	1,149	4,042	915	99.84
Chongqing	11,802	6	3,884	6,334	1,515	99.47
Sichuan	28,917	39	7,576	15,824	5,344	99.54
Guizhou	14,304	1	1,732	8,527	3,901	99.00
Yunnan	12,776	13	3,290	6,816	2,621	99.72
Tibet	1,682		99	1,146	392	97.32
Shaanxi	22,213	61	5,053	13,741	3,306	99.77
Gansu	13,768	27	2,416	8,595	2,636	99.32
Qinghai	3,279	5	766	1,813	669	99.21
Ningxia	5,986	1	1,831	3,051	1,066	99.38
Xinjiang	22,309	43	5,136	13,593	3,468	99.69

Source: China Education Statistical Yearbook 2006.

Note: The proportion of qualified teachers indicates the number with senior middle school level and above education, over the total number of teachers, multiplied by 100 percent.

Table 19 Education level of ordinary primary school teachers in counties and towns by province in 2006

	Number of teachers	Postgraduate education	Undergraduate education	With college diplomas	Senior middle school level	Proportion of qualified teachers (%)
National	1,238,757	425	130,562	766,049	335,837	99.53
Beijing	11,347	22	4,253	5,427	1,618	99.76
Tianjin	15,075	12	1,936	9,026	4,024	99.49
Hebei	60,692	2	8,666	39,072	12,894	99.90
Shanxi	29,506	3	3,104	19,024	7,285	99.69
Inner Mongolia	32,663	3	4,649	19,996	7,847	99.49
Liaoning	18,802	18	1,321	11,574	5,827	99.67
Jilin	32,704	120	8,655	17,381	6,443	99.68
Heilongjiang	31,217	9	4,059	20,632	6,430	99.72
Shanghai	17,494	4	4,504	10,420	2,489	99.56
Jiangsu	75,613	5	11,550	47,693	16,176	99.75
Zhejiang	66,952	5	10,328	41,331	14,875	99.38
Anhui	36,655	9	2,716	21,209	12,680	99.89
Fujian	44,908	1	2,012	27,866	14,866	99.64
Jiangxi	38,197	12	3,860	20,715	13,399	99.45
Shandong	75,193	92	11,993	42,568	20,390	99.80
Henan	72,255	15	5,833	46,474	19,750	99.75
Hubei	32,127	3	4,366	19,525	8,084	99.54
Hunan	58,113		3,694	34,632	19,517	99.54
Guangdong	109,986	19	7,016	76,489	26,086	99.66
Guangxi	50,735	2	1,919	33,464	15,086	99.48
Hainan	12,956	2	388	7,949	4,590	99.79
Chongqing	41,927	13	4,540	27,376	9,740	99.38
Sichuan	107,680	22	7,466	66,322	33,291	99.46
Guizhou	42,375	2	890	23,569	17,261	98.46
Yunnan	42,636	4	3,137	25,992	12,985	98.79
Tibet	3,897		104	2,210	1,455	96.72
Shaanxi	22,707	8	1,882	15,282	5,390	99.36
Gansu	25,056	2	1,695	13,979	9,102	98.89
Qinghai	5,548	12	682	3,932	879	99.22
Ningxia	6,379		1,215	3,791	1,359	99.78
Xinjiang	17,362	4	2,129	11,129	4,020	99.54

Source: China Education Statistical Yearbook 2006.

Note: The proportion of qualified teachers indicates the number with senior middle school level and above education, over the total number of teachers, multiplied by 100 percent.

Table 20 Education level of ordinary primary school teachers in rural areas by province in 2006

	Number of teachers	Postgraduate education	Undergraduate education	With college diplomas	Senior middle school level	Proportion of qualified teachers (%)
National	3,520,603	448	168,842	1,717,970	1,578,134	98.43
Beijing	14,918	18	4,396	7,930	2,504	99.53
Tianjin	8,730	2	858	5,121	2,670	99.10
Hebei	220,824	8	16,009	130,300	73,609	99.59
Shanxi	127,934	27	6,455	64,184	56,080	99.07
Inner Mongolia	59,151	13	4,993	28,181	25,141	98.61
Liaoning	93,681		3,100	41,627	48,103	99.09
Jilin	81,025	57	10,814	46,173	23,348	99.22
Heilongjiang	98,679	16	6,306	54,541	36,642	98.81
Shanghai	556		91	357	104	99.28
Jiangsu	129,191	3	8,221	69,584	50,252	99.12
Zhejiang	52,522	5	4,392	28,897	18,466	98.55
Anhui	183,902	1	6,012	74,087	102,932	99.53
Fujian	100,702	1	1,611	46,308	51,446	98.67
Jiangxi	143,072	25	5,876	50,665	82,945	97.51
Shandong	251,789	59	18,826	113,108	118,411	99.45
Henan	362,142	34	12,987	165,697	179,720	98.98
Hubei	140,011	7	7,096	64,493	65,541	97.95
Hunan	163,106	41	6,692	73,956	80,688	98.94
Guangdong	206,441	19	7,780	123,769	73,299	99.24
Guangxi	138,907	1	2,226	65,670	67,692	97.61
Hainan	32,554		443	15,248	16,457	98.75
Chongqing	59,995	3	3,037	33,770	22,125	98.23
Sichuan	170,289	12	5,436	86,151	75,261	97.99
Guizhou	132,083	2	1,377	54,356	68,290	93.90
Yunnan	166,610	7	4,623	80,099	75,553	96.20
Tibet	10,382		131	5,851	3,905	95.23
Shaanxi	139,653	35	5,388	76,274	55,514	98.25
Gansu	96,667	13	3,691	39,424	50,307	96.66
Qinghai	19,297	24	1,690	12,385	4,894	98.42
Ningxia	20,743		1,723	9,962	8,731	98.42
Xinjiang	95,047	15	6,562	49,841	37,504	98.82

Source: China Education Statistical Yearbook 2006.

Note: The proportion of qualified teachers indicates the number with senior middle school level and above education, over the total number of teachers, multiplied by 100 percent.

Table 21 Education level of ordinary junior middle school teachers by province in 2006

	Number of teachers	Postgraduate education	Undergraduate education	With college diplomas	Proportion of qualified teachers (%)
National	3,463,478	8,647	1,415,008	1,913,017	96.34
Beijing	29,958	631	23,563	5,485	99.07
Tianjin	26,533	184	15,652	9,443	95.27
Hebei	208,902	166	95,120	108,590	97.59
Shanxi	119,964	288	42,624	70,922	94.89
Inner Mongolia	66,258	133	30,490	33,299	96.47
Liaoning	103,425	170	42,816	56,836	96.52
Jilin	68,643	721	42,130	24,742	98.47
Heilongjiang	106,740	306	49,283	53,723	96.79
Shanghai	33,332	360	27,495	5,367	99.67
Jiangsu	190,280	329	88,391	95,177	96.65
Zhejiang	111,540	165	74,619	35,340	98.73
Anhui	152,801	231	55,727	91,380	96.42
Fujian	98,462	186	45,278	50,965	97.94
Jiangxi	114,222	212	38,129	69,633	94.53
Shandong	260,512	637	119,685	133,029	97.25
Henan	284,540	670	84,173	187,252	95.63
Hubei	167,572	681	65,043	91,746	93.97
Hunan	183,779	196	65,084	110,975	95.91
Guangdong	228,956	667	91,329	128,845	96.46
Guangxi	116,325	199	29,279	82,335	96.12
Hainan	22,044	48	8,979	12,255	96.54
Chongqing	68,575	110	36,692	30,054	97.49
Sichuan	189,524	237	70,731	109,787	95.37
Guizhou	100,153	83	25,124	71,131	96.19
Yunnan	104,419	86	39,988	60,741	96.55
Tibet	6,574	13	3,602	2,737	96.62
Shaanxi	115,656	485	36,364	72,926	94.92
Gansu	74,025	87	19,462	50,019	93.98
Qinghai	13,802	111	5,836	7,430	96.92
Ningxia	15,802	24	10,230	5,234	98.01
Xinjiang	80,160	231	32,100	45,619	97.24

Source: China Education Statistical Yearbook 2006.

Note: The proportion of qualified teachers indicates the number with college diplomas and above in their education, over the total number of teachers, multiplied by 100 percent.

Table 22 Education level of ordinary junior middle school teachers in cities by province in 2006

	Number of teachers	Postgraduate education	Undergraduate education	With college diplomas	Proportion of qualified teachers (%)
National	607,972	5022	411,268	184,252	98.78
Beijing	14,038	531	11,427	1,945	99.04
Tianjin	9,830	138	7,013	2,482	98.00
Hebei	29,568	79	20,660	8,600	99.23
Shanxi	26,343	187	15,681	10,065	98.44
Inner Mongolia	18,643	108	10,973	7,276	98.47
Liaoning	37,065	160	25,025	11,508	99.00
Jilin	15,140	448	11,595	2,997	99.34
Heilongjiang	30,484	234	19,957	9,926	98.80
Shanghai	17,709	223	14,668	2,793	99.86
Jiangsu	39,145	265	25,615	12,370	97.71
Zhejiang	31,948	102	24,957	6,683	99.36
Anhui	24,639	93	13,302	10,906	98.63
Fujian	12,792	58	9,036	3,605	99.27
Jiangxi	11,542	76	6,419	4,800	97.86
Shandong	45,013	183	33,575	10,846	99.09
Henan	33,141	370	20,663	11,781	99.01
Hubei	28,227	334	18,819	8,498	97.96
Hunan	20,051	82	12,667	7,115	99.07
Guangdong	52,128	527	36,424	14,636	98.96
Guangxi	12,094	160	6,833	4,959	98.83
Hainan	3,906	6	2,976	905	99.51
Chongqing	7,922	44	6,516	1,275	98.90
Sichuan	21,204	64	14,367	6,397	98.23
Guizhou	10,686	26	6,299	4,206	98.55
Yunnan	8,145	55	5,959	2,066	99.20
Tibet	1,130	6	624	449	95.49
Shaanxi	15,202	310	10,196	4,552	99.05
Gansu	9,357	30	5,440	3,715	98.16
Qinghai	1,825	10	1,058	712	97.53
Ningxia	3,909	21	3,028	827	99.16
Xinjiang	15,146	102	9,496	5,357	98.74

Source: China Education Statistical Yearbook 2006.

Note: The proportion of qualified teachers indicates the number with college diplomas and above in their education, over the total number of teachers, multiplied by 100 percent.

Table 23 Education level of ordinary junior middle school teachers in counties and towns by province in 2006

	Number of teachers	Postgraduate education	Undergraduate education	With college diplomas	Proportion of qualified teachers (%)
National	1,356,263	2,232	555,879	756,795	96.95
Beijing	9,239	80	7,134	1,949	99.18
Tianjin	9,924	9	5,741	3,589	94.11
Hebei	80,817	46	37,085	42,202	98.16
Shanxi	32,755	58	10,605	20,614	95.49
Inner Mongolia	30,544	18	13,478	16,123	96.97
Liaoning	15,429	9	6,452	8,609	97.67
Jilin	28,745	179	17,573	10,629	98.73
Heilongjiang	28,634	53	12,715	15,042	97.12
Shanghai	15,197	134	12,562	2,426	99.51
Jiangsu	72,677	43	37,980	32,778	97.42
Zhejiang	63,309	54	40,573	21,813	98.63
Anhui	39,530	49	15,792	22,773	97.68
Fujian	47,280	107	21,914	24,255	97.88
Jiangxi	39,186	64	13,289	23,996	95.31
Shandong	111,144	304	47,379	60,078	96.96
Henan	92,873	195	28,435	61,300	96.83
Hubei	43,954	195	16,787	24,512	94.40
Hunan	65,520	27	22,703	40,762	96.90
Guangdong	118,652	72	40,545	73,935	96.54
Guangxi	77,906	45	18,021	56,793	96.09
Hainan	12,387	41	4,474	7,418	96.33
Chongqing	42,985	61	22,742	19,264	97.86
Sichuan	105,313	142	39,525	61,438	96.00
Guizhou	47,872	42	11,940	34,257	96.59
Yunnan	50,941	23	21,722	27,827	97.31
Tibet	5,391	7	2,940	2,273	96.83
Shaanxi	19,749	39	7,191	12,022	97.48
Gansu	24,288	11	6,584	16,625	95.60
Qinghai	4,570	64	2,052	2,345	97.61
Ningxia	5,666	2	3,830	1,769	98.85
Xinjiang	13,786	59	6,116	7,379	98.32

Source: China Education Statistical Yearbook 2006.

Note: The proportion of qualified teachers indicates the number with college diplomas and above in their education, over the total number of teachers, multiplied by 100 percent.

Table 24 Education level of ordinary junior middle school teachers in rural areas by province in 2006

	Number of teachers	Postgraduate education	Undergraduate education	With college diplomas	Proportion of qualified teachers (%)
National	1,499,243	1,393	447,861	971,970	94.80
Beijing	6,681	20	5,002	1,591	98.98
Tianjin	6,779	37	2,898	3,372	93.04
Hebei	98,517	41	37,375	57,788	96.64
Shanxi	60,866	43	16,338	40,243	93.03
Inner Mongolia	17,071	7	6,039	9,900	93.41
Liaoning	50,931	1	11,339	36,719	94.36
Jilin	24,758	94	12,962	11,116	97.63
Heilongjiang	47,622	19	16,611	28,755	95.30
Shanghai	426	3	265	148	97.65
Jiangsu	78,458	21	24,796	50,029	95.40
Zhejiang	16,283	9	9,089	6,844	97.91
Anhui	88,632	89	26,633	57,701	95.25
Fujian	38,390	21	14,328	23,105	97.56
Jiangxi	63,494	72	18,421	40,837	93.44
Shandong	104,355	150	38,731	62,105	96.77
Henan	158,526	105	35,075	114,171	94.21
Hubei	95,391	152	29,437	58,736	92.59
Hunan	98,208	87	29,714	63,098	94.59
Guangdong	58,176	68	14,360	40,274	94.03
Guangxi	26,325	4	4,425	20,583	95.01
Hainan	5,751	1	1,529	3,932	94.97
Chongqing	17,668	5	7,434	9,515	95.96
Sichuan	63,007	31	16,839	41,952	93.36
Guizhou	41,595	15	6,885	32,668	95.13
Yunnan	45,333	8	12,307	30,848	95.21
Tibet	53		38	15	100.0
Shaanxi	80,705	136	18,967	56,352	93.49
Gansu	40,380	46	7,438	29,679	92.03
Qinghai	7,407	37	2,726	4,373	96.34
Ningxia	6,227	1	3,372	2,638	96.53
Xinjiang	51,228	70	16,488	32,883	96.51

Source: China Education Statistical Yearbook 2006.

Note: The proportion of qualified teachers indicates the number with college diplomas and above in their education, over the total number of teachers, multiplied by 100 percent.

Table 25 Proportion of ordinary primary school teachers in terms of professional titles by province in 2006

	Number of teachers	Senior middle school teachers	Senior primary school teachers	Grade 1 primary school teachers	Grade 2 primary school teachers	Grade 3 primary school teachers	Proportion of qualified teachers (%)
National	5,587,557	28,212	2,530,930	2,307,148	387,455	23,818	94.45
Beijing	48,207	228	25,131	20,680	404	67	96.48
Tianjin	39,951	342	27,866	10,829	332	28	98.61
Hebei	315,278	965	140,053	142,631	16,189	428	95.24
Shanxi	193,386	452	64,208	90,144	19,406	1106	90.66
Inner Mongolia	116,582	2,226	63,817	38,773	5,383	229	94.72
Liaoning	155,848	2,317	107,986	35,031	5,297	229	96.80
Jilin	134,450	733	73,958	52,535	5,304	294	98.79
Heilongjiang	160,511	3,520	81,954	62,747	6,355	778	96.79
Shanghai	37,500	189	22,365	13,060	408	13	96.09
Jiangsu	260,510	1,072	134,968	97,632	13,074	355	94.85
Zhejiang	163,843	1,080	72,287	71,621	4,945	359	91.73
Anhui	256,368	429	124,770	109,925	10,410	389	95.93
Fujian	163,350	551	67,801	81,719	8,983	261	97.53
Jiangxi	195,538	801	92,063	78,993	13,664	844	95.31
Shandong	381,673	5,156	206,420	139,704	14,607	547	96.01
Henan	478,153	1,806	178,745	222,261	46,366	2,573	94.48
Hubei	209,342	2,066	132,442	63,074	7,248	668	98.16
Hunan	247,567	916	139,604	93,623	6,114	457	97.23
Guangdong	407,584	772	193,570	135,705	28,148	4,983	89.11
Guangxi	206,912	270	88,647	84,833	25,782	1,262	97.04
Hainan	51,635	91	16,661	24,099	7,040	787	94.27
Chongqing	113,724	142	40,461	58,252	9,478	222	95.45
Sichuan	306,886	790	128,071	150,728	12,615	385	95.34
Guizhou	188,762	108	49,855	91,796	29,158	3,429	92.36
Yunnan	222,022	143	84,899	102,569	22,613	556	94.94
Tibet	15,961	14	1,721	7,504	2,482	186	74.60
Shaanxi	184,573	302	52,327	86,113	30,415	897	92.13
Gansu	135,491	187	45,776	56,403	16,395	436	87.97
Qinghai	28,124	150	13,112	10,002	2,214	102	90.95
Ningxia	33,108	139	15,401	14,088	2,192	63	96.30
Xinjiang	134,718	255	43,991	60,074	14,434	885	88.81

Source: China Education Statistical Yearbook 2006.

Note: The proportion of qualified teachers indicates the number with the title of Grade 3 primary school teachers and above, over the total number of teachers, multiplied by 100 percent.

Table 26 Proportion of ordinary primary school teachers in terms of professional titles in cities by province in 2006

	Number of teachers	Senior middle school teachers	Senior primary school teachers	Grade 1 primary school teachers	Grade 2 primary school teachers	Grade 3 primary school teachers	Proportion of qualified teachers (%)
National	828,197	8,874	430,135	291,922	36,487	3,686	93.11
Beijing	21,942	165	12,485	8,482	120	8	96.89
Tianjin	16,146	140	11,957	3,626	151	16	98.41
Hebei	33,762	190	19,059	11,441	1,274	53	94.83
Shanxi	35,946	123	14,786	14,351	3,010	166	90.24
Inner Mongolia	24,768	876	13,036	7,886	1,183	50	92.99
Liaoning	43,365	451	28,448	11,402	996	35	95.31
Jilin	20,721	271	11,350	7,890	824	13	98.20
Heilongjiang	30,615	1,480	17,305	9,611	1,235	80	97.05
Shanghai	19,450	101	11,594	6,958	219	4	97.05
Jiangsu	55,706	394	29,399	20,320	1,733	69	93.19
Zhejiang	44,369	678	20,469	17,887	1,098	63	90.59
Anhui	35,811	193	20,114	12,569	1,261	49	95.46
Fujian	17,740	152	7,582	7,452	1,081	59	92.03
Jiangxi	14,269	173	7,193	5,171	841	86	94.36
Shandong	54,691	1,042	26,292	21,607	1,929	99	93.19
Henan	43,756	320	20,733	17,331	2,719	123	94.22
Hubei	37,204	734	23,831	10,537	779	72	96.64
Hunan	26,348	270	16,542	8,048	626	50	96.92
Guangdong	91,157	386	42,912	27,582	6,534	1,566	86.64
Guangxi	17,270	69	8,937	4,992	1,328	188	89.83
Hainan	6,125	61	2,159	2,495	689	146	90.61
Chongqing	11,802	64	5,027	5,589	495	63	95.22
Sichuan	28,917	223	14,382	11,831	525	27	93.33
Guizhou	14,304	24	5,697	5,511	1,274	214	88.93
Yunnan	12,776	43	5,972	4,256	881	193	88.80
Tibet	1,682	9	448	946	77	1	88.05
Shaanxi	22,213	72	9,435	9,796	1,513	71	94.03
Gansu	13,768	59	6,800	5,408	609	18	93.65
Qinghai	3,279	15	1,992	896	89	22	91.92
Ningxia	5,986	31	3,337	2,127	277	3	96.48
Xinjiang	22,309	65	10,862	7,924	1,117	79	89.86

Source: China Education Statistical Yearbook 2006.

Note: The proportion of qualified teachers indicates the number with the title of Grade 3 primary school teachers and above, over the total number of teachers, multiplied by 100 percent.

Table 27 Proportion of ordinary primary school teachers in terms of professional titles rural areas by province in 2006

	Number of teachers	Senior middle school teachers	Senior primary school teachers	Grade 1 primary school teachers	Grade 2 primary school teachers	Grade 3 primary school teachers	Proportion of qualified teachers (%)
National	3,520,603	11,447	1,492,002	1,524,515	284,594	15,193	94.52
Beijing	14,918	24	6,854	7,277	163	31	96.19
Tianjin	8,730	47	5,984	2,556	103	4	99.59
Hebei	220,824	579	90,269	108,096	12,063	283	95.68
Shanxi	127,934	263	39,743	62,356	13,634	824	91.31
Inner Mongolia	59,151	697	33,327	19,504	2,736	106	95.30
Liaoning	93,681	1,433	66,940	18,984	3,687	175	97.37
Jilin	81,025	252	43,555	32,832	3,397	177	99.00
Heilongjiang	98,679	1,004	47,523	41,969	4,181	569	96.52
Shanghai	556	2	306	187	13	-	91.37
Jiangsu	129,191	267	65,487	49,319	7,925	196	95.36
Zhejiang	52,522	52	21,935	24,373	1,871	137	92.09
Anhui	183,902	155	84,477	83,755	7,904	176	95.96
Fujian	100,702	146	39,309	53,563	5,992	163	98.48
Jiangxi	143,072	335	65,229	59,944	10,209	615	95.29
Shandong	251,789	2,665	142,208	89,302	9,046	294	96.71
Henan	362,142	1,120	129,596	173,650	37,144	2,067	94.87
Hubei	140,011	706	87,921	43,593	5,293	498	98.57
Hunan	163,106	434	89,182	64,160	4,364	282	97.13
Guangdong	206,441	274	91,961	74,740	14,687	2,384	89.15
Guangxi	138,907	100	53,845	61,493	19,477	803	97.70
Hainan	32,554	17	9,489	16,084	4,800	542	95.02
Chongqing	59,995	23	18,843	30,901	6,693	112	94.29
Sichuan	170,289	211	64,848	86,228	9,190	289	94.41
Guizhou	132,083	50	27,751	67,525	23,929	2,213	91.96
Yunnan	166,610	57	56,852	80,964	19,531	343	94.68
Tibet	10,382		381	4,736	1,914	142	69.09
Shaanxi	139,653	162	35,685	65,536	25,947	593	91.60
Gansu	96,667	90	30,056	39,839	12,856	342	86.05
Qinghai	19,297	81	7,825	7,401	1,867	61	89.31
Ningxia	20,743	69	9,073	9,074	1,639	60	96.01
Xinjiang	95,047	132	25,548	44,574	12,339	712	87.65

Source: China Education Statistical Yearbook 2006.

Note: The proportion of qualified teachers indicates the number with the title of Grade 3 primary school teachers and above, over the total number of teachers, multiplied by 100 percent.

Table 28 Proportion of ordinary junior middle school teachers in terms of professional titles by province in 2006

	Number of teachers	Senior middle school teachers	Grade 1 middle school teachers	Grade 2 middle school teachers	Grade 3 middle school teachers	Proportion of qualified teachers (%)
National	3,463,478	267,523	1,331,390	1,370,002	229,740	92.35
Beijing	29,958	3,938	12,401	12,148	160	95.62
Tianjin	26,533	5,385	11,537	7,828	848	96.48
Hebei	208,902	12,630	78,561	89,196	11,013	91.62
Shanxi	119,964	4,940	36,133	51,951	12,147	87.67
Inner Mongolia	66,258	6,542	28,206	22,483	3,658	91.90
Liaoning	103,425	27,323	46,616	21,807	2,920	95.40
Jilin	68,643	6,956	35,286	22,839	2,133	97.92
Heilongjiang	106,740	14,037	48,899	34,515	5,109	96.08
Shanghai	33,332	2,605	19,370	9,751	107	95.50
Jiangsu	190,280	13,789	79,600	69,789	9,027	90.50
Zhejiang	111,540	8,348	49,217	41,383	3,864	92.18
Anhui	152,801	12,568	60,432	58,368	10,236	92.67
Fujian	98,462	8,075	33,146	46,507	5,450	94.63
Jiangxi	114,222	13,854	41,023	43,381	7,799	92.85
Shandong	260,512	25,860	106,512	104,312	11,694	95.34
Henan	284,540	20,652	90,753	134,495	25,875	95.51
Hubei	167,572	15,701	89,203	49,712	8,272	97.20
Hunan	183,779	8,570	84,504	76,171	5,548	95.11
Guangdong	228,956	9,633	95,954	78,119	13,369	86.08
Guangxi	116,325	4,066	41,135	52,448	12,572	94.75
Hainan	22,044	1,428	6,911	9,816	972	86.77
Chongqing	68,575	3,053	22,811	31,774	5,916	92.68
Sichuan	189,524	9,749	67,750	91,142	9,397	93.94
Guizhou	100,153	4,271	23,429	43,866	16,859	88.29
Yunnan	104,419	6,080	35,747	43,734	10,415	91.91
Tibet	6,574	74	935	3,412	710	78.05
Shaanxi	115,656	5,052	29,542	49,198	17,755	87.80
Gansu	74,025	1,988	19,998	29,783	9,627	82.94
Qinghai	13,802	1,205	6,080	4,152	565	86.96
Ningxia	15,802	2,361	6,062	5,251	583	90.22
Xinjiang	80,160	6,790	23,637	30,671	5,140	82.63

Source: China Education Statistical Yearbook 2006.

Note: The proportion of qualified teachers indicates the number with the title of Grade 3 middle school teachers and above, over the total number of teachers, multiplied by 100 percent.

Table 29 Proportion of ordinary junior middle school teachers in terms of professional titles in cities by province in 2006

	Number of teachers	Senior middle school teachers	Grade 1 middle school teachers	Grade 2 middle school teachers	Grade 3 middle school teachers	Proportion of qualified teachers (%)
National	607,972	107,439	262,420	184,182	14,498	93.51
Beijing	14,038	2,805	6,179	4,456	14	95.84
Tianjin	9,830	2,927	3,767	2,700	32	95.89
Hebei	29,568	5,621	12,700	8,483	740	93.15
Shanxi	26,343	3,220	10,271	8,722	1,372	89.53
Inner Mongolia	18,643	2,558	7,701	5,131	607	85.81
Liaoning	37,065	9,333	16,507	8,976	458	95.17
Jilin	15,140	3,370	7,007	3,964	299	96.70
Heilongjiang	30,484	7,106	13,046	7,906	1,277	96.23
Shanghai	17,709	1,562	10,987	4,625	61	97.32
Jiangsu	39,145	5,924	16,207	14,000	499	93.58
Zhejiang	31,948	4,759	14,890	9,982	324	93.76
Anhui	24,639	4,286	10,109	7,425	893	92.18
Fujian	12,792	2,171	4,477	4,686	270	90.71
Jiangxi	11,542	3,306	4,494	2,903	310	95.42
Shandong	45,013	7,368	19,068	15,621	891	95.41
Henan	33,141	6,709	12,636	10,478	1,393	94.19
Hubei	28,227	7,177	12,985	6,559	517	96.50
Hunan	20,051	3,283	10,024	5,388	256	94.51
Guangdong	52,128	5,791	23,949	15,550	1,452	89.67
Guangxi	12,094	1,753	5,319	3,557	496	91.99
Hainan	3,906	494	1,392	1,531	81	89.55
Chongqing	7,922	1,042	3,363	2,925	135	94.23
Sichuan	21,204	3,117	9,047	7,342	421	93.98
Guizhou	10,686	1,768	3,931	3,647	467	91.83
Yunnan	8,145	1,302	3,652	2,574	172	94.54
Tibet	1,130	51	376	532	28	87.35
Shaanxi	15,202	2,290	5,891	5,504	407	92.70
Gansu	9,357	1,004	4,166	3,180	237	91.77
Qinghai	1,825	366	899	438	27	94.79
Ningxia	3,909	1,015	1,845	877	41	96.65
Xinjiang	15,146	2,961	5,535	4,520	321	88.06

Source: China Education Statistical Yearbook 2006.

Note: The proportion of qualified teachers indicates the number with the title of Grade 3 middle school teachers and above, over the total number of teachers, multiplied by 100 percent.

Table 30 Proportion of ordinary junior middle school teachers in terms of professional titles in counties and towns by province in 2006

	Number of teachers	Senior middle school teachers	Grade 1 middle school teachers	Grade 2 middle school teachers	Grade 3 middle school teachers	Proportion of qualified teachers (%)
National	1,356,263	90,895	540,713	545,457	83,752	92.96
Beijing	9,239	837	3,763	4,192	78	96.01
Tianjin	9,924	1,754	4,574	2,769	355	95.24
Hebei	80,817	4,262	31,742	33,887	3,925	91.34
Shanxi	32,755	977	9,979	14,596	2,950	87.02
Inner Mongolia	30,544	2,352	13,529	10,750	1,764	92.96
Liaoning	15,429	4,434	7,074	2,931	324	95.68
Jilin	28,745	2,546	15,562	9,331	750	98.07
Heilongjiang	28,634	3,869	14,656	8,197	951	96.64
Shanghai	15,197	1,021	8,135	5,020	40	93.54
Jiangsu	72,677	5,379	31,929	26,641	3,054	92.19
Zhejiang	63,309	3,271	27,962	24,548	2,404	91.91
Anhui	39,530	3,499	15,871	14,580	2,395	91.94
Fujian	47,280	3,793	16,573	21,909	2,514	94.73
Jiangxi	39,186	5,033	14,483	14,593	2,339	93.01
Shandong	111,144	11,073	45,921	44,160	5,327	95.80
Henan	92,873	6,970	31,183	42,992	7,434	95.38
Hubei	43,954	4,183	24,782	11,487	2,354	97.39
Hunan	65,520	2,939	30,938	27,104	1,715	95.69
Guangdong	118,652	3,056	52,342	41,011	7,693	87.74
Guangxi	77,906	2,023	28,066	35,447	8,578	95.13
Hainan	12,387	755	3,804	5,638	533	86.62
Chongqing	42,985	1,746	14,438	20,432	3,414	93.13
Sichuan	105,313	5,447	39,165	49,743	5,172	94.51
Guizhou	47,872	2,015	12,172	21,537	7,214	89.69
Yunnan	50,941	3,509	19,432	21,148	3,829	94.07
Tibet	5,391	23	559	2,845	682	76.22
Shaanxi	19,749	938	5,827	9,019	2,320	91.67
Gansu	24,288	593	6,728	10,423	2,705	84.19
Qinghai	4,570	423	2,209	1,247	178	88.77
Ningxia	5,666	720	2,178	2,137	180	92.04
Xinjiang	13,786	1,455	5,137	5,143	581	89.34

Source: China Education Statistical Yearbook 2006.

Note: The proportion of qualified teachers indicates the number with the title of Grade 3 middle school teachers and above, over the total number of teachers, multiplied by 100 percent.

Table 31 Proportion of ordinary junior middle school teachers in terms of professional titles in rural areas by province in 2006

	Number of teachers	Senior middle school teachers	Grade 1 middle school teachers	Grade 2 middle school teachers	Grade 3 middle school teachers	Proportion of qualified teachers (%)
National	1,499,243	69,189	528,257	640,363	131,490	91.33
Beijing	6,681	296	2,459	3,500	68	94.64
Tianjin	6,779	704	3,196	2,359	461	99.13
Hebei	98,517	2,747	34,119	46,826	6,348	91.40
Shanxi	60,866	743	15,883	28,633	7,825	87.21
Inner Mongolia	17,071	632	6,976	6,602	1,287	90.78
Liaoning	50,931	13,556	23,035	9,900	2,138	95.48
Jilin	24,758	1,040	12,717	9,544	1,084	98.49
Heilongjiang	47,622	3,062	21,197	18,412	2,881	95.65
Shanghai	426	22	248	106	6	89.67
Jiangsu	78,458	2,486	31,464	29,148	5,474	87.40
Zhejiang	16,283	318	6,365	6,853	1,136	90.11
Anhui	88,632	4,783	34,452	36,363	6,948	93.13
Fujian	38,390	2,111	12,096	19,912	2,666	95.82
Jiangxi	63,494	5,515	22,046	25,885	5,150	92.29
Shandong	104,355	7,419	41,523	44,531	5,476	94.82
Henan	158,526	6,973	46,934	81,025	17,048	95.87
Hubei	95,391	4,341	51,436	31,666	5,401	97.33
Hunan	98,208	2,348	43,542	43,679	3,577	94.85
Guangdong	58,176	786	19,663	21,558	4,224	79.47
Guangxi	26,325	290	7,750	13,444	3,498	94.90
Hainan	5,751	179	1,715	2,647	358	85.19
Chongqing	17,668	265	5,010	8,417	2,367	90.89
Sichuan	63,007	1,185	19,538	34,057	3,804	92.98
Guizhou	41,595	488	7,326	18,682	9,178	85.77
Yunnan	45,333	1,269	12,663	20,012	6,414	89.03
Tibet	53	-	-	35	-	66.04
Shaanxi	80,705	1,824	17,824	34,675	15,028	85.93
Gansu	40,380	391	9,104	16,180	6,685	80.14
Qinghai	7,407	416	2,972	2,467	360	83.91
Ningxia	6,227	626	2,039	2,237	362	84.54
Xinjiang	51,228	2,374	12,965	21,008	4,238	79.22

Source: China Education Statistical Yearbook 2006.

Note: The proportion of qualified teachers indicates the number with the title of Grade 3 middle school teachers and above, over the total number of teachers, multiplied by 100 percent.

Table 32 Proportion of primary schools that reached the standard of experiment teaching and apparatus in different regions and provinces (%)

	2006			2007		
	Average	Urban	Rural	Average	Urban	Rural
National	52.75	73.00	51.69	54.27	73.80	53.14
Eastern China	57.94	78.00	55.97	58.41	76.77	56.31
Central China	47.31	67.95	46.45	48.06	70.87	47.07
Western China	54.68	69.34	54.21	57.78	70.87	57.33
Beijing	70.99	76.07	68.58	43.81	50.68	35.79
Tianjin	72.34	81.68	69.12	81.85	81.42	82.00
Hebei	73.45	87.23	72.94	73.79	88.13	73.19
Shanxi	58.47	78.99	56.03	60.48	78.01	57.79
Inner Mongolia	92.65	92.27	93.23	92.52	93.59	91.02
Liaoning	58.28	70.73	55.58	73.11	81.61	71.30
Jilin	76.60	82.55	75.38	79.26	82.32	78.51
Heilongjiang	61.82	81.50	60.99	61.43	85.86	60.13
Shanghai	65.42	83.92	63.99	64.96	78.45	63.61
Jiangsu	32.55	71.12	28.77	32.08	70.58	28.00
Zhejiang	29.67	41.03	29.22	27.79	42.59	27.22
Anhui	43.56	74.59	42.57	45.68	76.29	44.67
Fujian	45.11	70.13	43.65	43.90	69.43	42.65
Jiangxi	46.09	60.40	45.02	44.69	59.78	43.53
Shandong	33.51	47.67	32.67	32.07	49.10	31.08
Henan	58.14	69.47	57.92	62.48	71.06	62.28
Hubei	58.26	80.94	57.59	58.64	84.12	57.84
Hunan	58.27	78.90	57.12	57.91	82.79	55.71
Guangdong	30.43	67.64	29.18	32.03	75.87	30.61
Guangxi	72.07	87.69	70.44	74.22	88.79	72.47
Hainan	54.80	57.36	54.72	60.43	60.27	60.44
Chongqing	66.12	87.60	65.51	69.50	94.64	68.65
Sichuan	53.07	78.13	52.31	56.69	81.15	55.80
Guizhou	76.87	66.67	77.18	77.86	60.45	78.39
Yunnan	59.99	76.38	59.69	62.37	74.57	62.12
Tibet	23.98	42.86	23.36	30.32	57.69	29.49
Shaanxi	47.29	62.70	46.82	52.44	67.94	51.90
Gansu	40.20	61.90	39.75	39.76	62.06	39.30
Qinghai	19.25	41.18	18.85	15.99	48.94	15.41
Ningxia	31.86	60.00	30.43	31.24	63.49	29.35
Xinjiang	47.23	56.74	46.55	57.94	51.47	58.41

Source: Statistical analysis of China's educational development in 2007, Department of Development Planning, Ministry of Education, February 2008.

Table 33 Proportion of ordinary primary schools that set up computer networks in different regions and provinces in 2006 and 2007 (%)

	2006			2007		
	Average	Urban	Rural	Average	Urban	Rural
National	9.77	51.09	7.61	11.24	55.27	8.68
Eastern China	21.37	66.26	16.97	24.58	69.21	19.47
Central China	5.90	39.80	4.48	6.92	44.13	5.30
Western China	5.34	34.37	4.41	5.94	38.08	4.84
Beijing	77.33	86.26	73.09	85.26	89.17	80.70
Tianjin	30.89	65.27	19.05	38.88	70.36	28.27
Hebei	20.03	64.88	18.36	21.40	67.00	19.51
Shanxi	12.52	60.34	6.84	17.99	65.59	10.67
Inner Mongolia	95.53	97.60	92.43	97.07	98.89	94.53
Liaoning	44.36	66.67	39.52	52.12	75.48	47.14
Jilin	44.95	68.84	40.03	54.00	72.53	49.44
Heilongjiang	15.72	54.50	14.08	20.00	61.18	17.81
Shanghai	21.76	70.05	18.04	23.70	65.13	19.57
Jiangsu	12.30	61.19	7.51	14.25	61.93	9.20
Zhejiang	2.16	11.11	1.81	2.37	18.52	1.75
Anhui	6.50	39.38	5.45	7.27	40.00	6.20
Fujian	10.31	52.99	7.83	10.72	65.29	8.05
Jiangxi	10.77	52.39	7.64	12.58	57.37	9.13
Shandong	2.13	20.82	1.01	2.57	23.18	1.37
Henan	4.70	38.93	4.06	7.40	35.69	6.71
Hubei	3.09	40.96	1.95	3.47	44.78	2.17
Hunan	14.77	46.53	12.50	16.47	49.10	13.58
Guangdong	4.84	40.89	3.63	6.55	55.87	4.96
Guangxi	1.90	13.17	0.72	2.99	19.06	1.07
Hainan	3.31	31.21	2.44	2.30	28.54	1.50
Chongqing	13.90	68.60	12.35	15.57	66.67	13.84
Sichuan	9.89	53.71	8.56	11.18	59.07	9.44
Guizhou	4.50	27.86	3.79	4.60	28.86	3.86
Yunnan	0.28	7.36	0.15	0.32	6.94	0.18
Tibet	5.34	25.00	4.69	7.35	26.92	6.76
Shaanxi	6.21	46.31	4.97	8.53	51.18	7.04
Gansu	4.75	39.12	4.04	5.26	44.68	4.45
Qinghai	4.12	68.63	2.94	4.11	74.47	2.87
Ningxia	3.58	29.57	2.26	5.98	58.73	2.88
Xinjiang	4.71	20.69	3.58	4.21	21.50	2.97

Source: Statistical analysis of China's educational development in 2007, Department of Development Planning, Ministry of Education, February 2008.

Table 34 Number of computers for every 100 primary school pupils by province in 2006 and 2007

	2006			2007		
	Average	Urban	Rural	Average	Urban	Rural
Beijing	20.09	21.35	18.80	16.49	16.18	17.34
Tianjin	8.71	8.67	8.74	9.02	8.99	9.03
Hebei	5.83	6.42	5.74	5.96	6.28	5.90
Shanxi	5.96	8.81	4.74	6.50	9.02	5.07
Inner Mongolia	14.73	17.63	11.67	16.15	19.68	12.76
Liaoning	7.05	9.09	6.51	7.86	9.56	7.32
Jilin	7.33	9.00	6.70	8.05	9.25	7.52
Heilongjiang	6.19	8.98	5.76	7.01	8.72	6.60
Shanghai	4.99	8.80	4.24	5.20	8.26	4.43
Jiangsu	4.77	9.80	3.49	5.24	10.10	3.83
Zhejiang	2.14	4.01	1.85	2.54	4.48	2.22
Anhui	3.37	4.26	3.15	3.59	4.29	3.40
Fujian	6.27	8.95	5.54	6.30	8.79	5.65
Jiangxi	5.36	7.81	4.65	5.70	8.32	4.93
Shandong	2.18	6.39	1.57	2.28	6.17	1.72
Henan	1.97	5.14	1.71	2.15	5.01	1.87
Hubei	1.64	4.61	1.35	1.67	4.29	1.35
Hunan	2.98	6.04	2.32	3.10	6.25	2.35
Guangdong	3.37	5.64	3.05	3.39	6.12	3.03
Guangxi	3.61	4.43	3.28	4.01	4.62	3.74
Hainan	1.62	6.69	1.21	1.76	6.55	1.34
Chongqing	4.51	9.46	4.05	4.67	9.85	4.12
Sichuan	2.76	5.20	2.51	2.94	5.23	2.64
Guizhou	1.63	4.00	1.44	1.68	3.82	1.50
Yunnan	1.20	4.82	0.95	1.35	5.04	1.08
Tibet	2.90	5.33	2.67	3.27	5.81	3.02
Shaanxi	3.63	5.92	3.23	4.12	6.17	3.72
Gansu	2.22	5.09	1.91	2.57	5.29	2.26
Qinghai	3.40	6.42	2.92	3.66	6.50	3.23
Ningxia	3.42	5.97	2.82	3.74	6.57	2.97
Xinjiang	2.69	4.41	2.24	3.07	4.80	2.61

Source: Statistical analysis of China's educational development in 2007, Department of Development Planning, Ministry of Education, February 2008.

Table 35 Proportion of junior middle schools that reached the standard of experiment teaching and apparatus by province

	2006			2007		
	Average	Urban	Rural	Average	Urban	Rural
Beijing	75.27	67.83	78.60	57.62	59.02	56.18
Tianjin	77.39	70.40	80.88	79.62	64.75	86.85
Hebei	87.69	85.11	87.91	87.85	84.59	88.15
Shanxi	87.49	89.93	86.67	89.75	91.59	88.98
Inner Mongolia	94.35	96.51	91.82	94.77	96.40	92.98
Liaoning	75.13	75.19	75.12	89.67	88.83	89.85
Jilin	89.88	89.53	89.97	90.84	90.28	91.01
Heilongjiang	69.60	71.96	69.41	70.42	78.20	69.58
Shanghai	84.72	82.37	85.10	84.40	83.04	84.68
Jiangsu	63.63	77.79	59.56	64.45	78.65	60.00
Zhejiang	61.77	71.43	60.44	56.44	69.09	54.74
Anhui	68.80	75.72	67.88	69.79	75.17	69.12
Fujian	76.88	76.54	76.94	77.05	82.72	76.24
Jiangxi	59.03	64.78	57.61	58.87	62.98	57.84
Shandong	53.70	63.72	52.64	54.46	65.50	53.29
Henan	73.72	65.09	74.17	76.76	75.41	76.85
Hubei	75.92	83.61	75.22	75.35	81.71	74.65
Hunan	78.53	76.75	78.86	77.98	82.30	77.06
Guangdong	63.00	63.51	62.97	63.96	64.71	63.92
Guangxi	83.14	82.94	83.18	82.52	84.88	81.97
Hainan	70.62	64.43	71.21	75.87	64.82	77.00
Chongqing	76.84	90.16	76.05	78.07	90.41	77.19
Sichuan	65.33	71.56	65.01	67.67	79.84	66.95
Guizhou	80.69	63.69	82.08	79.76	53.85	82.04
Yunnan	81.01	67.31	81.83	81.22	70.09	81.80
Tibet	37.84	38.46	37.70	45.83	33.33	48.15
Shaanxi	75.49	81.87	74.91	80.96	86.23	80.48
Gansu	54.50	60.00	54.19	53.84	59.77	53.50
Qinghai	15.97	15.79	15.98	16.06	29.41	15.38
Ningxia	60.40	65.31	59.45	63.95	68.00	63.11
Xinjiang	53.02	55.00	52.77	55.89	47.43	57.12

Source: Statistical analysis of China's educational development in 2007, Department of Development Planning, Ministry of Education, February 2008.

Table 36 Proportion of junior middle schools that set up computer networks by province in 2006 and 2007

	2006			2007		
	Average	Urban	Rural	Average	Urban	Rural
Beijing	85.48	80.00	87.94	87.53	83.61	91.57
Tianjin	42.29	60.80	33.07	50.67	61.48	45.42
Hebei	52.81	69.50	51.42	56.85	76.03	55.06
Shanxi	41.14	65.32	32.95	53.80	72.41	46.04
Inner Mongolia	94.56	96.90	91.82	96.65	98.40	94.74
Liaoning	58.58	74.94	55.08	64.61	83.87	60.42
Jilin	70.40	86.91	66.10	75.85	87.20	72.37
Heilongjiang	40.43	55.14	39.20	45.00	63.16	43.04
Shanghai	56.42	79.05	52.67	59.96	79.11	56.03
Jiangsu	35.38	62.18	27.67	40.64	64.42	33.19
Zhejiang	10.80	30.36	8.11	15.02	32.73	12.65
Anhui	24.39	36.74	22.75	27.98	40.91	26.35
Fujian	34.64	56.98	31.16	41.16	66.67	37.50
Jiangxi	32.81	63.79	25.15	38.22	64.52	31.70
Shandong	10.81	37.54	7.98	12.52	41.85	9.42
Henan	13.98	35.85	12.84	23.81	36.89	23.00
Hubei	21.31	54.80	18.25	23.92	58.74	20.07
Hunan	41.57	54.50	39.15	46.11	57.01	43.77
Guangdong	20.03	45.97	18.41	22.73	56.47	21.00
Guangxi	5.93	18.48	3.24	7.54	21.95	4.20
Hainan	21.27	44.33	19.08	18.68	40.70	16.43
Chongqing	44.12	72.13	42.45	48.50	79.45	46.30
Sichuan	32.16	53.55	31.08	37.11	60.91	35.69
Guizhou	22.52	33.93	21.58	21.53	28.57	20.91
Yunnan	3.78	15.38	3.08	4.60	17.76	3.78
Tibet	14.86	15.38	14.75	22.92	13.33	24.69
Shaanxi	30.60	47.95	29.03	39.03	58.68	37.24
Gansu	23.47	46.67	22.14	28.68	44.83	27.78
Qinghai	20.73	42.11	19.53	26.76	47.06	25.74
Ningxia	23.10	48.98	18.11	40.82	76.00	33.61
Xinjiang	11.32	30.63	8.84	10.61	22.86	8.83

Source: Statistical analysis of China's educational development in 2007, Department of Development Planning, Ministry of Education, February 2008.

Table 37 Number of computers for every 100 junior middle school pupils by province in 2006 and 2007

	2006			2007		
	Average	Urban	Rural	Average	Urban	Rural
Beijing	13.77	10.95	16.66	13.15	11.44	17.53
Tianjin	6.70	5.95	7.14	7.66	7.20	7.91
Hebei	5.76	5.67	5.78	6.41	6.07	6.47
Shanxi	8.31	10.81	7.06	9.05	10.58	8.05
Inner Mongolia	18.95	21.72	15.80	21.64	24.19	18.95
Liaoning	6.55	8.72	6.10	7.61	9.07	7.22
Jilin	10.34	11.72	9.78	10.92	12.42	10.23
Heilongjiang	4.88	6.08	4.72	5.42	5.84	5.33
Shanghai	7.83	12.24	6.89	8.66	11.41	7.83
Jiangsu	6.13	10.51	5.03	6.36	10.36	5.23
Zhejiang	3.74	4.44	3.62	4.63	4.19	4.71
Anhui	4.38	3.80	4.55	5.17	4.20	5.47
Fujian	7.20	9.84	6.51	7.77	10.07	7.14
Jiangxi	5.89	7.09	5.45	6.58	7.72	6.15
Shandong	3.64	5.18	3.41	4.39	5.45	4.21
Henan	3.84	4.32	3.79	4.79	4.73	4.80
Hubei	3.81	6.37	3.53	4.15	6.13	3.85
Hunan	4.18	6.63	3.76	4.54	6.48	4.13
Guangdong	6.07	4.19	6.37	6.74	4.38	7.12
Guangxi	4.46	4.22	4.56	5.04	5.16	4.99
Hainan	3.94	6.98	3.64	4.59	7.59	4.28
Chongqing	4.09	4.55	4.04	4.24	5.63	4.09
Sichuan	4.37	4.05	4.41	4.50	4.32	4.53
Guizhou	4.19	4.98	4.11	4.28	4.68	4.24
Yunnan	2.88	4.47	2.76	3.39	4.56	3.29
Tibet	2.11	4.71	1.75	3.13	4.39	2.96
Shaanxi	5.18	4.36	5.30	5.67	4.21	5.92
Gansu	4.03	4.06	4.02	4.66	4.14	4.73
Qinghai	5.87	3.28	6.30	6.20	4.11	6.53
Ningxia	6.52	7.89	6.06	6.95	7.87	6.57
Xinjiang	4.85	4.78	4.86	5.50	5.78	5.42

Source: Statistical analysis of China's educational development in 2007, Department of Development Planning, Ministry of Education, February 2008.

Table 38 Per capita health expenses by province, 2004-2005 (Yuan)

	Budgeted			Final		
	2004	2005	2006	2004	2005	2006
National	71.03	87.41	109.66	64.31	79.14	100.36
Beijing	389.44	458.20	581.02	362.13	426.68	550.65
Tianjin	181.98	186.21	232.36	179.08	181.98	221.20
Hebei	57.65	69.88	80.43	51.61	65.81	72.78
Shanxi	74.83	92.29	114.46	67.14	83.97	105.07
Inner Mongolia	78.20	94.34	122.20	73.30	87.50	117.84
Liaoning	64.24	82.78	104.78	60.45	81.38	102.39
Jilin	70.35	82.35	104.34	62.83	76.22	98.86
Heilongjiang	62.65	79.58	100.61	61.78	73.33	95.16
Shanghai	246.84	293.59	338.84	258.41	293.29	338.83
Jiangsu	92.61	108.78	130.04	83.94	100.41	118.58
Zhejiang	119.91	144.54	183.86	111.80	132.46	167.74
Anhui	37.54	46.59	63.54	34.23	40.89	56.90
Fujian	70.95	79.05	101.575	66.43	73.35	95.755
Jiangxi	48.40	59.70	76.70	41.05	50.66	66.41
Shandong	51.37	62.25	83.05	49.26	58.83	78.76
Henan	38.41	48.96	66.73	34.72	44.57	65.39
Hubei	49.11	65.04	87.48	43.84	54.57	79.00
Hunan	36.03	46.63	63.73	29.47	38.65	54.588
Guangdong	106.03	110.72	135.58	87.80	89.58	111.308
Guangxi	51.45	66.96	82.80	45.03	55.78	70.78
Hainan	74.04	85.15	102.15	66.34	78.73	91.04
Chongqing	45.34	63.84	92.62	38.62	54.24	70.47
Sichuan	47.23	61.79	71.09	39.26	60.36	70.38
Guizhou	54.97	75.52	83.11	50.07	69.21	79.95
Yunnan	89.37	108.24	130.64	81.98	100.69	127.42
Tibet	258.35	334.07	397.51	232.58	256.64	288.05
Shaanxi	56.51	69.15	93.78	48.83	58.34	77.205
Gansu	59.74	76.85	97.12	51.20	68.79	89.09
Qinghai	139.93	222.73	247.89	117.62	163.19	211.29
Ningxia	87.23	106.06	143.86	74.05	90.62	116.03
Xinjiang	107.74	138.31	161.15	99.30	128.81	146.08

Sources: China Fiscal Yearbook 2005, pp. 288-323; China Population Statistical Yearbook 2005, p. 3; China Fiscal Yearbook 2006, pp. 322-357; China Population and Employment Statistical Yearbook 2006, p. 73; China Fiscal Yearbook 2007, pp. 322-358; China Population Statistical Yearbook 2007, p. 3.

Table 39 Total health expenses, 1980-2006

	1980	1990	1995	2000	2003	2004	2005	2006
Total (100 million yuan)	143.2	747.4	2,155.1	4,586.6	6,584.1	7,590.3	8,659.9	9,843
Government expenditures	51.9	187.3	387.3	709.5	1,116.9	1,293.6	1,552.5	1,778.9
Social expenses	61.0	293.1	767.8	1,171.9	1,788.5	2,225.4	2,586.4	3,210.9
Individual expenses	30.3	267.0	1,000.0	2,705.2	3,678.7	4,071.4	4,521.0	4,853.5
Structure of funding source (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Government expenditures	36.2	25.1	18.0	15.5	17.0	17.1	17.9	18.1
Social expenses	42.6	39.2	35.6	25.5	27.2	29.3	29.9	32.6
Individual expenses	21.2	35.7	46.4	59.0	55.8	53.6	52.2	49.3
Percentage of total health expenses in GDP (%)	3.17	4.03	3.54	4.62	4.85	4.75	4.73	4.67
Per capita health expenses (yuan)	14.51	65.4	177.9	361.9	509.5	583.9	662.3	828
Urban residents	-	158.8	401.3	828.6	1,108.9	1,261.9	1,122.8	1,145.1
Rural residents	-	38.8	112.9	209.4	274.7	301.6	318.5	442.4

Sources: China Health Statistics Digest 2007, Statistical Communiqué of China's Health Sector Development 2007.

Table 40 Distribution of health workers, 1980-2006

	1980	1990	2000	2005	2006
Number of technical health workers for every 1,000 residents	2.85	3.44	3.63	3.48	3.59
Cities	8.03	6.59	5.17	4.96	5.15
Counties	1.81	2.15	2.41	2.16	2.18
Number of medical care staff	1.17	1.56	1.68	1.51	1.55
Cities	3.22	2.95	2.31	2.13	2.20
Counties	0.76	0.98	1.17	0.96	0.96
Number of doctors	0.72	1.15	1.30	1.21	1.25
Cities	2.14	2.42	1.93	1.81	1.88
Counties	0.44	0.63	0.79	0.68	0.68
Number of nurses	0.47	0.86	1.02	1.05	1.11
Cities	1.83	1.91	1.64	1.66	1.75
Counties	0.20	0.43	0.54	0.51	0.53

Notes: Cities include municipalities, and cities at both the prefecture and country levels; the number of doctors and nurses in 2005 and 2006 refers to those with licenses.

Source: China Health Statistics Digest.

Table 41 Number of hospital beds for every 1,000 residents, 2003-2006

	2003	2004	2005	2006
National	2.34	2.40	2.45	2.54
Eastern China	-	2.72	2.81	2.91
Central China	-	2.21	2.23	2.32
Western China	-	2.21	2.24	2.33
Beijing	6.14	6.31	6.41	6.54
Tianjin	4.08	4.15	4.18	4.10
Hebei	2.21	2.16	2.24	2.37
Shanxi	3.02	3.11	3.10	3.23
Inner Mongolia	2.58	2.59	2.69	2.77
Liaoning	3.80	3.85	3.85	3.92
Jilin	3.04	3.04	3.08	3.19
Heilongjiang	2.93	3.02	2.96	3.07
Shanghai	5.57	5.64	5.75	5.53
Jiangsu	2.36	2.46	2.54	2.68
Zhejiang	2.58	2.74	2.85	2.99
Anhui	1.75	1.78	1.84	1.93
Fujian	2.09	2.18	2.16	2.28
Jiangxi	1.79	1.80	1.79	1.85
Shandong	2.22	2.35	2.51	2.62
Henan	1.97	2.00	2.02	2.09
Hubei	2.13	2.13	2.14	2.21
Hunan	2.03	2.07	2.12	2.23
Guangdong	2.23	2.35	2.45	2.55
Guangxi	1.70	1.75	1.76	1.84
Hainan	2.15	2.15	2.13	2.24
Chongqing	1.91	1.92	1.94	2.03
Sichuan	2.07	2.11	2.13	2.19
Guizhou	1.48	1.52	1.50	1.60
Yunnan	2.15	2.26	2.31	2.37
Tibet	2.26	2.25	2.41	2.60
Shaanxi	2.63	2.62	2.69	2.81
Gansu	2.21	2.24	2.30	2.40
Qinghai	3.05	3.05	2.92	2.99
Ningxia	2.55	2.70	2.80	2.98
Xinjiang	3.69	3.86	3.86	4.00

Sources: China Health Statistics Digest, 2004-2007.

Table 42 Number of township hospital beds and number of health workers for every 1, 000 rural residents, 2003-2006

	Number of township hospital beds				Number of health workers in township hospitals			
	2003	2004	2005	2006	2003	2004	2005	2006
National	0.76	0.77	0.78	0.81	1.19	1.18	1.16	1.16
Eastern China		0.94	0.92	0.93		1.43	1.35	1.35
Central China		0.71	0.72	0.76		1.20	1.22	1.22
Western China		0.69	0.70	0.74		0.94	0.91	0.92
Beijing	1.28	1.21	1.13	1.29	1.83	1.75	1.86	2.20
Tianjin	0.57	0.59	0.59	0.59	1.35	1.32	1.33	1.31
Hebei	0.80	0.73	0.70	0.75	0.99	0.90	0.85	0.86
Shanxi	0.93	0.96	0.92	0.98	1.27	1.25	1.25	1.26
Inner Mongolia	0.87	0.87	0.91	0.96	1.41	1.36	1.38	1.38
Liaoning	0.93	0.94	1.00	1.03	1.18	1.18	1.12	1.11
Jilin	0.82	0.81	0.82	0.84	1.72	1.73	1.69	1.66
Heilongjiang	0.63	0.67	0.64	0.67	1.13	1.14	1.13	1.11
Shanghai	3.51	3.84	4.49	2.65	3.36	3.32	3.81	1.76
Jiangsu	1.28	1.35	1.33	1.30	2.01	2.03	1.92	1.83
Zhejiang	0.64	0.64	0.62	0.60	1.19	1.20	1.23	1.24
Anhui	0.74	0.72	0.72	0.74	1.02	1.01	0.99	1.00
Fujian	0.77	0.72	0.78	0.78	1.03	0.96	0.99	0.94
Jiangxi	0.58	0.59	0.59	0.62	1.00	0.99	0.99	0.97
Shandong	0.78	0.80	0.86	0.92	1.30	1.30	1.30	1.35
Henan	0.64	0.66	0.68	0.68	1.02	1.05	1.05	1.05
Hubei	0.71	0.74	0.87	0.96	1.56	1.60	1.60	2.00
Hunan	0.71	0.69	0.70	0.79	1.33	1.26	1.26	1.26
Guangdong	0.91	1.28	0.95	1.03	1.77	2.38	2.38	1.87
Guangxi	0.51	0.53	0.52	0.55	0.82	0.84	0.84	0.85
Hainan	0.70	0.69	0.92	0.93	1.26	1.28	1.28	1.51
Chongqing	0.66	0.68	0.70	0.74	1.08	1.09	1.09	1.08
Sichuan	0.84	0.85	0.86	0.90	1.15	1.09	1.09	1.05
Guizhou	0.44	0.44	0.43	0.47	0.68	0.60	0.60	0.57
Yunnan	0.66	0.69	0.67	0.69	0.72	0.71	0.71	0.66
Tibet	0.73	0.76	0.89	1.12	0.71	0.80	0.80	0.84
Shaanxi	0.66	0.64	0.67	0.75	1.00	0.97	0.97	0.96
Gansu	0.63	0.65	0.64	0.69	0.79	0.78	0.78	0.78
Qinghai	0.59	0.61	0.58	0.59	0.91	0.88	0.88	0.72
Ningxia	0.44	0.50	0.54	0.47	0.97	0.97	0.97	0.87
Xinjiang	1.05	1.07	1.04	1.39	1.49	1.46	1.46	1.64

Sources: China Health Statistics Digest, 2004-2007.

Table 43a Basic social security schemes in 2005

	Old-age insurance for the urban employed					Medical insurance for the urban employed				
	Eligible groups		Number of participants	Combined participation rate (%)	Participation rate of the employed (%)	Eligible groups		Number of partici-pants	Combined participation rate (%)	Participation rate of the employed (%)
	Retirees	Number of employed people				Retirees	Number of employed people			
Beijing	1.922	7.363	3.647	56.0	0.495	1.922	7.363	4.197	61.9	57.0
Tianjin	1.362	2.484	2.006	80.2	0.808	1.362	2.484	1.808	77.8	72.8
Hebei	2.138	6.614	5.237	80.9	0.792	2.138	6.614	4.226	64.2	63.9
Shanxi	1.281	4.406	2.852	67.4	0.647	1.281	4.406	2.519	57.1	57.2
Inner Mongolia	0.917	3.503	2.529	76.7	0.722	0.917	3.503	2.060	66.1	58.8
Liaoning	3.822	8.650	8.328	95.7	0.963	3.822	8.650	5.842	69.3	67.5
Jilin	1.587	4.142	3.250	79.6	0.785	1.587	4.142	2.091	49.4	50.5
Heilongjiang	2.531	6.769	5.457	82.7	0.806	2.531	6.769	4.325	64.8	63.9
Shanghai	2.913	6.123	5.393	91.8	0.881	2.913	6.123	4.527	80.6	73.9
Jiangsu	3.275	12.152	10.376	87.2	0.854	3.275	12.152	8.211	72.9	67.6
Zhejiang	1.765	9.043	8.013	89.0	0.886	1.765	9.043	4.765	59.2	52.7
Anhui	1.549	5.454	3.470	67.3	0.636	1.549	5.454	2.744	55.3	50.3
Fujian	0.924	555.5	3.208	63.2	0.577	0.924	5.555	2.558	51.4	46.0
Jiangxi	1.448	468.8	2.820	63.1	0.602	1.448	4.688	2.017	45.1	43.0
Shandong	2.504	13.286	10.539	82.5	0.793	2.504	13.286	6.848	54.6	51.5
Henan	2.364	9.101	6.198	71.0	0.681	2.364	9.101	4.874	56.0	53.6
Hubei	2.742	7.435	5.976	79.0	0.804	2.742	7.435	3.549	49.3	47.7
Hunan	1.880	6.829	5.234	82.5	0.766	1.880	6.829	3.568	57.8	52.2
Guangdong	2.579	16.127	15.649	96.0	0.970	2.579	16.127	10.550	66.0	65.4
Guangxi	1.202	4.277	2.153	52.7	0.503	1.202	4.277	2.036	52.2	47.6
Hainan	0.351	1.217	0.844	77.1	0.694	0.351	1.217	0.628	55.6	51.6
Chongqing	1.129	3.538	1.896	62.2	0.536	1.129	3.538	1.458	50.9	41.2
Sichuan	2.749	8.021	5.627	73.7	0.702	2.749	8.021	4.268	60.1	53.2
Guizhou	0.797	2.817	1.320	50.8	0.469	0.797	2.817	1.290	49.9	45.8
Yunnan	1.261	4.104	1.768	48.2	0.431	1.261	4.104	2.252	59.8	54.9
Tibet	0.058	0.316	0.046	20.6	0.146	0.058	0.316	0.104	40.8	33.0
Shaanxi	1.412	4.459	2.684	64.1	0.602	1.412	4.459	2.474	59.4	55.5
Gansu	0.754	2.634	1.422	58.3	0.540	0.754	2.634	1.304	52.1	49.5
Qinghai	0.254	0.815	0.430	56.1	0.528	0.254	0.815	0.416	58.0	51.0
Ningxia	0.219	0.877	0.515	61.6	0.588	0.219	0.877	0.473	58.9	54.0
Xinjiang	1.150	3.604	2.131	63.5	0.591	1.150	3.604	2.236	67.5	62.0

Source: China Labour and Social Security Yearbook 2006.

Table 43b Basic social security schemes in 2005

	Unemployment insurance for the urban employed			Work-related injury insurance for the urban employed		
	Number of employed people	Participants	Rate of participation (%)	Number of employed people	Participants	Rate of participation (%)
Beijing	7.363	3.575	48.6	7.363	3.039	41.3
Tianjin	2.484	1.975	79.5	2.484	1.629	65.6
Hebei	6.614	4.612	69.7	6.614	3.614	54.6
Shanxi	4.406	2.885	65.5	4.406	1.514	34.4
Inner Mongolia	3.503	2.222	63.4	3.503	1.102	31.5
Liaoning	8.650	6.077	70.3	8.65	4.746	54.9
Jilin	4.142	1.994	48.1	4.142	1.367	33.0
Heilongjiang	6.769	4.596	67.9	6.769	2.575	38.0
Shanghai	6.123	4.661	76.1	6.123	5.237	85.5
Jiangsu	12.152	8.383	69.0	12.152	6.802	56.0
Zhejiang	9.043	4.447	49.2	9.043	4.531	50.1
Anhui	5.454	3.603	66.1	5.454	1.482	27.2
Fujian	5.555	2.666	48.0	5.555	2.391	43.0
Jiangxi	4.688	2.307	49.2	4.688	1.536	32.8
Shandong	13.286	7.711	58.0	13.286	5.787	43.6
Henan	9.101	6.819	74.9	9.101	4.040	44.4
Hubei	7.435	3.915	52.7	7.435	2.303	31.0
Hunan	6.829	3.827	56.0	6.829	2.282	33.4
Guangdong	16.127	10.991	68.2	16.127	16.051	99.5
Guangxi	4.277	2.199	51.4	4.277	1.444	33.8
Hainan	1.217	0.567	46.6	1.217	0.689	56.6
Chongqing	3.538	1.882	53.2	3.538	1.541	43.6
Sichuan	8.021	3.805	47.4	8.021	2.705	33.7
Guizhou	2.817	1.293	45.9	2.817	0.658	23.4
Yunnan	4.104	1.803	43.9	4.104	1.669	40.7
Tibet	0.316	0.067	21.2	0.316	0.019	6.0
Shaanxi	4.459	3.267	73.3	4.459	1.492	33.5
Gansu	2.634	1.60	60.7	2.634	0.701	26.6
Qinghai	0.815	0.332	40.7	0.815	0.205	25.2
Ningxia	0.877	0.372	42.4	0.877	0.235	26.8
Xinjiang	3.604	2.024	56.2	3.604	1.391	38.6

Source: China Labour and Social Security Yearbook 2006.

Table 44 Minimum living standard allowances in different provinces in 2006

	Number of people covered		Percent of the total population	
	Urban	Rural	Urban	Rural
Beijing	151,770	75,863	1.14	3.06
Tianjin	151,275	37,280	1.86	1.43
Hebei	871,386	665,151	3.29	1.57
Shanxi	869,800	715,044	5.99	3.72
Inner Mongolia	724,082	427,541	6.21	3.47
Liaoning	1,409,971	518,503	5.60	2.96
Jilin	1,336,076	685,146	9.27	5.35
Heilongjiang	1,453,472	730,143	7.11	4.11
Shanghai	351,377	125,322	2.18	6.11
Jiangsu	430,921	1,049,593	1.10	2.89
Zhejiang	89,088	496,451	0.32	2.29
Anhui	1,009,242	270,966	4.45	0.71
Fujian	196,779	674,006	1.15	3.64
Jiangxi	1,002,202	1,046,557	5.97	3.93
Shandong	622,486	481,614	1.45	0.96
Henan	1,353,515	1,990,449	4.44	3.14
Hubei	1,419,854	151,289	5.69	0.47
Hunan	1,350,552	492,657	5.50	1.27
Guangdong	388,646	1,339,024	0.66	3.89
Guangxi	568,740	369,542	3.48	1.20
Hainan	165,130	153,430	4.29	3.40
Chongqing	812,788	42,936	6.20	0.29
Sichuan	1,652,718	1,580,278	5.90	2.94
Guizhou	511,701	76,845	4.96	0.28
Yunnan	730,305	147,377	5.34	0.47
Tibet	44,124	2,319	5.59	0.11
Shaanxi	803,652	940,726	5.50	4.14
Gansu	727,433	581,216	8.98	3.24
Qinghai	211,617		9.84	0.00
Ningxia	218,012	37,846	8.39	1.10
Xinjiang	772,178	26,333	9.93	0.21

Sources: China Civil Affairs Statistical Yearbook 2007, China Statistical Yearbook 2007.

Table 45 Medical care assistance by province in 2006

	Number of people covered		Percent of the total population	
	Urban	Rural	Urban	Rural
Beijing	10,713	33,494	0.3	2.1
Tianjin	6,561	44,195	0.08	1.4
Hebei	27,281	333,807	0.08	1.7
Shanxi	20,974	290,899	0.1	0.8
Inner Mongolia	30,615	245,618	0.1	1.5
Liaoning	65,559	380,867	0.3	2.0
Jilin	53,625	253,986	0.3	2.2
Heilongjiang	215,995	461,974	0.4	2.0
Shanghai	41,187	21,631	1.1	2.6
Jiangsu	63,910	569,983	0.3	1.1
Zhejiang	15,612	408,504	0.2	1.6
Anhui	15,009	412,165	0.06	1.9
Fujian	10,857	192,966	0.07	1.1
Jiangxi	118,583	582,587	0.06	1.0
Shandong	42,744	793,698	0.7	2.2
Henan	92,385	1,251,507	0.1	1.6
Hubei	26,361	700,741	0.3	2.0
Hunan	54,248	562,564	0.1	2.2
Guangdong	251,401	1,090,841	0.2	1.4
Guangxi	5,791	651,138	0.04	3.2
Hainan	915	147,870	0.03	2.1
Chongqing	45,983	467,003	0.02	3.3
Sichuan	200,545	1,573,342	0.3	3.1
Guizhou	4,629	516,758	0.7	2.9
Yunnan	33,126	816,722	0.04	1.9
Tibet	7,103	232,668	0.2	2.6
Shaanxi	18,435	470,031	0.9	1.2
Gansu	50,789	253,784	0.1	2.0
Qinghai	116,670	258,831	0.6	1.4
Ningxia	37,545	230,717	5.4	7.8
Xinjiang	186,979	1,333,224	1.4	6.7

Sources: China Civil Affairs Statistical Yearbook 2007, China Statistical Yearbook 2007.

Table 46 Rates of participation of urban employed and migrant workers in basic social insurance in 2005

	Participation of urban employed people (%)	Participation of migrant workers (%)	Differences
Old-age insurance	74.30	26.63	47.77
Basic medical insurance	56.80	26.23	30.57
Unemployment insurance	60.40	15.35	45.05
Work-related injury insurance	48.10	32.54	15.56

Sources: Basic information on employment and social security for migrant workers from the National Statistics Bureau, and the China Labour and Social Security Yearbook 2006.

Table 47 Public employment services by province in 2006

	Number of unemployed people	Registered unemployment rate (%)	Job centres	Job centre working staff	Employment training centres	Employment trainers	Full-time employment trainers	Fiscal subsidies (100 million yuan)
Beijing	10.4	2.0	632	0.4	19	1,198	458	1.5
Tianjin	11.7	3.6	166	0.1	19	476	80	0.1
Hebei	28.7	3.8	2,360	0.7	212	2,315	1,323	1.0
Shanxi	15.6	3.2	317	0.3	83	984	410	0.4
Inner Mongolia	18.0	4.1	1,281	0.3	114	887	359	0.8
Liaoning	54.1	5.1	2,113	0.5	124	2,309	972	3.5
Jilin	26.3	4.2	1,411	0.4	83	856	375	0.3
Heilongjiang	31.2	4.3	1,258	0.3	133	1,368	715	2.6
Shanghai	27.8	4.4	493	0.5	—	—	—	—
Jiangsu	40.4	3.4	3,584	1.2	119	3,434	1,119	2.9
Zhejiang	29.14	3.5	2,538	0.6	158	2,231	758	3.8
Anhui	28.24	4.2	2,030	0.6	63	1,358	606	0.9
Fujian	15.14	3.9	1,017	0.3	122	1,496	427	1.7
Jiangxi	25.3	3.6	1,445	0.4	116	2,075	934	4.0
Shandong	43.7	3.3	2,150	0.7	145	3,232	1,614	2.4
Henan	35.4	3.5	1,536	1.1	159	2,698	855	1.4
Hubei	52.6	4.2	918	0.3	118	2,446	1,288	3.0
Hunan	43.3	4.3	932	0.3	310	7,537	3,744	5.0
Guangdong	36.2	2.6	1,899	0.9	214	4,089	1,794	4.7
Guangxi	20.0	4.1	392	0.2	106	1,245	298	0.3
Hainan	5.2	3.6	62	0.0	30	441	301	4.1
Chongqing	15.4	4.0	392	0.1	41	856	327	1.2
Sichuan	36.1	4.5	1,775	0.5	160	3,145	1,116	2.4
Guizhou	12.1	4.1	449	0.2	73	729	250	0.3
Yunnan	13.8	4.3	1,715	0.4	115	1,741	811	1.5
Tibet	—	—	28	0.0	—	—	—	—
Shaanxi	21.5	4.0	2,380	0.6	133	2,828	1,899	0.6
Gansu	9.7	3.6	817	0.2	101	913	442	0.7
Qinghai	3.7	3.9	314	0.1	25	400	287	1.4
Ningxia	4.2	4.3	262	0.1	23	111	58	0.4
Xinjiang	11.6	3.9	784	0.2	94	1,790	694	0.8

Sources: China Population and Employment Statistical Yearbook 2007, China Labour Statistical Yearbook 2007.

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