

**MARKETIZATION AND PERCEPTIONS OF SOCIAL
PROTECTION IN CHINA'S CITIES**

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INTRODUCTION

China's efforts to reform its lagging state-owned sector and make its enterprises more competitive have been a major focus of research for more than two decades. In recent times, however, increasing attention is being given to associated reforms designed to replace China's old social insurance system, colloquially known as 'the iron rice bowl', with a social protection regime that is better suited to the needs of a market economy. We use the term social protection to refer to "the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks and enhancing their capacity to protect themselves against hazards and interruption/loss of income" (ADB, 2001). The manner in which China approaches the social protection transition is of importance for at least three reasons.

The first is the emerging recognition that marketization and opening up to the outside world is a gilt-edged sword where there are both winners and losers (Milanovic, 2003). In this respect, while the process of marketization in China has overall had a positive effect on the living standards of the urban populace, it has also had its casualties and it is important to provide a safety net to protect those who have lost from the reforms. Second, sitting alongside its traditional function of providing a safety net, there is increasing recognition that social protection schemes such as medical and pension insurance plans can encourage access to the labor market and, at the firm level, be used as a human resources tool to motivate and retain staff (Sarfati and Bonoli, 2002). This has ramifications for the social policy preferences of Chinese managers as they grapple with not only the implications of new social protection regulations for the competitiveness of their enterprise, but also how the regulations are perceived by their employees and the effect this is having on their labor market decisions (Zhu and Nyland, 2004).

Third, more generally, the manner in which the Chinese government manages the social protection needs of its citizens is an important barometer for the legitimacy of its chosen reform path. This is of particular relevance at the present point in time when it is mounting a campaign to sell the benefits of increased economic integration with the outside world, most visibly reflected in membership of the World Trade Organization, against a backdrop at home of widespread disaffection amongst those who have been disenfranchised by economic restructuring. This disaffection is manifest in periodic outbreaks of organized resistance, which are being highlighted by leftist elements opposed to the reforms to argue against privatization (Zweig, 2001). To contain the danger that opposition from disenfranchised groups will stall the reforms, it is important to be aware how the reforms are perceived amongst strategic elements of the populace. An improved understanding of these perceptions can also assist in realizing other, more limited, goals such as improved labor market policies (Zhu *et al.* 2004, p. 142).

In this paper we add to the existing perception-based research through utilizing a survey of approximately 9,200 people across 32 Chinese cities conducted in September 2003 to explore three inter-related issues. These are (a) how different segments of the urban population perceive recent changes in the level of social protection; (b) the extent to which different groups in the urban population are satisfied with recent reforms to medical and pension insurance; and (c) how the preferred form of social protection scheme varies between different elements of the urban population. The study differs from extant research on perceptions of social protection in China in four main respects.

First, most existing studies of attitudes to social insurance reform have relied on interviews with workers in a limited number of state-owned enterprises (SOEs) (see e.g. Bu and Xu, 1999; Mok and He, 1999; Mok *et al.* 2002). This is understandable given that workers in SOEs, once regarded as the 'labour aristocracy' under Mao, have been amongst the biggest losers from reforms to social insurance. However, focus on the decreased social security afforded to workers in SOEs tells only part of the story. This is because an increasing number of people are being

employed outside the state-owned sector¹ and these people, especially those working in the private sector, would enjoy very little protection from the vicissitudes of the market, if not for the reforms.

Second, existing studies of perceptions of social protection tend to survey attitudes in one or two of the major cities such as Beijing (BSPRI, 2003), Guangzhou (Mok and He, 1999) or Shanghai (Wong and Lee, 2000, 2001; Zhu *et al.* 2004). While giving special attention to the social protection needs of residents in these cities makes sense given their size and because the market reforms have generally progressed further in these cities than other parts of China, the perceptions of people in these cities need not be typical of China's urban population as a whole. Our study has the advantage that it utilizes survey data from broad cross-section of China's urban population. This allows us to compare the attitudes of those living in the economically more advanced coastal provinces with the perceptions of those living in the interior provinces where income levels are generally lower. Third, the few existing studies which survey the attitudes of the urban population as a whole rather than workers in SOEs are mostly dated in light of the rapid progress that has been made with social insurance reform in the last few years. For instance, in the most comprehensive academic studies of perceptions of social protection to this point, Wong and Lee (2000, 2001) surveyed the attitudes of residents across 13 urban districts of Shanghai in 1996. But, over the last decade Shanghai has been in the vanguard of social insurance reform in China, meaning that current perceptions might well differ from perceptions in 1996 when the reforms were in their relative infancy.

Fourth, with the exception of Zhu *et al.* (2004), none of the existing studies use appropriate multivariate quantitative methods to test whether there are statistically significant variations in attitudes towards social protection between respondents possessing different characteristics. We use ordered probit regressions to examine whether age, education, gender, income, marital status, occupation and subjective well-being have any statistically significant effects on one's attitude towards social protection. Moreover, because subjective well-being, operationalized here as satisfaction with living standards, is potentially an endogenous variable, we also test for endogeneity and report results corrected for the endogeneity of perceived living standards where appropriate.

MARKETIZATION AND SOCIAL PROTECTION IN CHINA

The conceptual underpinning of our study is situated in the literature on marketization and social protection. There is an ongoing debate over whether the extensive social protection regimes established in OECD countries can be preserved in the face of globalization. There is a general recognition that a slowing of productivity growth in manufacturing and an aging demographic profile in the OECD combined with global integration of financial and product markets are imposing serious constraints on policy makers in the developed world. Some argue that the emergence of this combination of factors is incompatible with generous social protection regimes because globalization is making international capital markets so competitive that countries cannot afford to allocate the resources needed to provide adequate social protection (Bryan & Farrell, 1996; Greider, 1997; Tanzi, 2002). Others starting from the Polanyi (1944) position that marketization increases insecurity and, in turn, generates demands for new forms of social insurance, argue that the increasing volatility of global capitalism make it more important than ever for governments to sustain effective social protection arrangements to protect their citizenry (Hirst & Thompson, 1999; Stiglitz, 1999; Rodrik, 1998, 1999). The latter view suggests that the presence of an effective social protection regime is a major factor determining the extent to which governments can manage the pain associated with structural reform and other costs concomitant with globalization.

¹ According to a report from the Ministry of Labour and Social Security (2003), 45% of workers in urban areas of China are now employed in the private sector.

While the traditional focus of this literature has been on the OECD, in recent times a new awareness has emerged of the strategic importance of social protection in developing countries. Ortiz (2001) suggests that three factors are responsible for this interest. First, post-socialist countries have found that the comprehensive welfare programs maintained with state planning are incompatible with the new emphasis on market forces and that state intervention is needed to provide protection from the vagaries of the market. Second, marketization has undermined the role of traditional family and community safety nets. Third, globalization has made countries more vulnerable to exogenous shocks. This third point has been reinforced by the failure of developing countries in Asia to effectively deal with the social costs of the Asian Financial Crisis in the late 1990s. The Asian Financial Crisis represents a watershed because in the fallout from the crisis, the major multilateral financial agencies underwent a sea change in their thinking on the marketization and social protection debate (Lee and Rhee, 1999). While the working assumption of the international financial and development institutions prior to the crisis was that social protection arrangements were a burden on the market, in response to criticism about their handling of the crisis the Asian Development Bank (ADB), International Monetary Fund (IMF) and World Bank have come to accept that social protection regimes have an important role in global market economies. This new perspective is apparent in publications such as Framework for Operations on Social Protection in Asia and the Pacific (ADB, 2001); Social Dimensions of the IMF's Policy Dialogue (IMF, 2001) and From Safety Net to Springboard (World Bank, 2001).

Social protection (*shehui baozhang tizhi*) in China consists of three categories; namely, social insurance (*shehui baoxian*), social provision of services (*shehui fuwu*) and social relief (*shehui jiuji*) (see Croll, 1999, p. 684). Social insurance refers to protective arrangements for industrial injuries, maternity, pensions, medical and unemployment insurances. Social services refer to public services such as education, health and housing as well as specialized support services for the aged and disabled. Social relief refers to assistance in cash and kind to the aged and others without familial support. Before the market reforms, social protection coverage in China was limited. Entitlements depended on whether one lived in an urban or rural area and within urban areas entitlements further depended on the ownership status of the enterprise for which one worked. In urban areas social protection was a danwei-based (organization-based), defined-benefit and was restricted mainly to workers in the public sector such as those employed by SOEs. For those fortunate enough to work in the public sector, coverage was comprehensive. According to the Labor Insurance Regulations of the People's Republic of China promulgated in 1951, workers in the public sector were entitled to enterprise-funded industrial injury, maternity, medical and pension insurance as well as a range of other entitlements associated with 'cradle to grave socialism' such as free health care, free schooling for the children of employees and even death and funeral subsidies for the dependents of employees (see Wang, 2001). The result was that organizational units in the public sector resembled mini welfare states, which provided subsidized housing and owned and operated a myriad of cultural and recreational facilities including crèches, hospitals, kindergartens and schools for the benefit of their employees (Zhu *et al.* 2005).

With the commencement of market reforms in the late 1970s, it became apparent that danwei-based welfare provision was inappropriate for the emerging needs of China's economy and that there was a need for change. One of the biggest issues motivating reform was that danwei-based welfare provision placed an enormous financial burden on the organizational unit, at a time when increasing attention was being given to how to improve the competitiveness of SOEs. A Labor and Social Security Research Institute Study found that in 1998 58 per cent of the total SOE payroll comprised social protection expenses, compared with 19 per cent in collective-owned enterprises, 20 per cent in foreign-invested enterprises and 18 per cent in privately owned enterprises (LASSRI, 2001, p. 79). The financial costs of providing cradle to grave welfare were exacerbated by the rapid increase in the cost of health and aged care including spiralling pension costs in the 1980s and first half of the 1990s. The pressure this placed on the public sector meant that several SOEs facing financial difficulties were unable to meet their welfare commitments. This problem first emerged in the mid-1980s and was widespread throughout China from the mid 1990s (Saunders and Shang, 2001). The financial problems confronting SOEs have resulted in large numbers of workers being laid-off from the state sector. According to official figures there were 26

million workers laid off from SOEs between 1998 and 2002 (Armitage, 2003). At the beginning of 2004 Zheng Silin, Minister of Labour and Social Security, announced that the government anticipates that a further three million workers in SOEs will lose their jobs each year between 2004 and 2006 (*Business Daily Update*, January 9, 2004). The scale of restructuring has led to widespread demonstrations, protesting against unpaid wages and loss of welfare entitlements, which has the potential to threaten social stability (Morris *et al.* 2001).

The other important reason why the danwei-based welfare provision was unsustainable is that it provided no protection for workers in the private sector. While this was not a major issue prior to the market reforms because the private sector at that point was negligible, private enterprises have undergone significant growth since the 1990s. According to the State Administration for Industry and Commerce, between 1993 and 2002 the number of registered private enterprises increased from 238,000 to 2.4 million; the number of employees in private enterprises increased from 3.7 million to 34.1 million and total registered capital increased from 68.1 billion RMB to 2,475.6 billion RMB (Zhang and Liu, 2003). Many see the development of non-state enterprises and in particular private enterprises in the service sector as a vehicle to absorb both laid-off workers from the state-owned sector and surplus labor from the countryside (see e.g. Song and Chu, 1997). The danwei-based welfare system impeded the development of the service sector because it hindered labor mobility. As social protection was tied to the firm and benefits were non-transferable, employees were referred to as 'unit people' (*danwei ren*), rather than 'social people' (*shehui ren*). Because social insurance entitlements were not portable, this discouraged workers from moving across enterprises, industries and sectors.

In response to these problems, beginning in the 1980s, the state has gradually reformed the provision of social protection, transforming the work unit welfare regime into a unified social welfare regime where separate social organizations assume responsibilities for the provision of welfare benefits and services. The new social protection regime is financed jointly by individuals, enterprises and government. It, at the same time, reduces the level of coverage which workers in the public sector enjoyed and increases the level of coverage for urban workers outside the public sector. In this respect Guan (2000) described the new social protection regime as 'societalisation' (*she hui hua*), meaning that it is a society-wide scheme in which all employees receive the same level of social protection unless the base cover has been supplemented by their employer. The social protection reforms have three objectives. One is to alleviate enterprises in the public sector of the full responsibility for welfare provision and ensure that the burden of social protection is distributed equitably across enterprises and individuals from different ownership categories. The second is to ensure that workers across ownership categories receive the same level of social protection. The third is to establish a link between the contribution individuals make towards their own insurance entitlements and what one actually receives, in order to provide increased incentives to work (Zhu *et al.* 2005).

Reform of social insurance has been at the forefront of the social protection reform package. Because China does not have a national social insurance law, provincial and local governments have formulated detailed rules in accordance with broad national guidelines and local circumstances (Zhu, 2002). The two major social insurances are pensions and medical insurance. The national regulations mandate that employers contribute 20 per cent of payroll for pension insurance, although the amount varies between provinces from 15 per cent to 30 per cent. On average, employees contribute 5 per cent of payroll for pension insurance. Employers are also required to contribute 12 per cent of payroll for medical insurance (this rate was 5.5 per cent before 2001), while employees contribute on average 2 per cent of payroll for medical insurance. On average employers contribute 2 per cent of payroll for unemployment insurance and 1 per cent of payroll for each of industrial injury and maternity insurance. Employees contribute 1 per cent of payroll to unemployment insurance, but industrial injury and maternity insurance are financed solely by employer contributions (Zhu, 2002; Whiteford, 2003).

Overall, the market reforms in China have generated a classic example of what Polanyi (1944) described as the double movement of market economies. The new social protection regime is

designed to assist workers in both the state and non-state sector to both take advantage of the increased opportunities afforded by the marketization process, and, at the same time, handle the associated added insecurities. There are increased opportunities to work in enterprises with diverse ownership forms. The new social protection regulations make it possible to take advantage of these opportunities through facilitating labor mobility across enterprises. There are also added insecurities in the form of retrenchment and potentially prolonged unemployment. Studies suggest that the burden of retrenchment in China has fallen most heavily on the disadvantaged. Appleton *et al.* (2002) found that the risk of retrenchment has been higher for females, the less educated, the low skilled and the middle-aged which are precisely the people who find it most difficult to find re-employment. The Chinese government has been cautious and pragmatic in their approach to reform, attempting to synchronize economic restructuring with reforms to social protection (Wong and Lee, 2001). Mindful that the disadvantaged are shouldering the burden of restructuring and that policies need to be put in place to protect them from the vicissitudes of the market, restructuring has been gradual compared with the reforms in Central and Eastern Europe. This approach has been designed to reduce the costs of economic restructuring and get the urban population on side. In the end, though, how China's urban population responds to the opportunities and challenges of the market and whether they are willing to accept the pain associated with structural reform will depend to a significant degree on how they perceive the changes to the social protection regime. This is the issue which we address in the remainder of this paper.

EXISTING STUDIES ON PERCEPTIONS OF SOCIAL PROTECTION IN CHINA

There are several studies on the social protection perceptions of workers in SOEs and/or workers laid-off from SOEs. Bu and Xu (1999) examined attitude changes among workers in two SOEs located in Shanghai using data collected in 1988 and 1994. Their findings rejected the pessimistic view that SOE workers have become alienated by the reforms because of the threat that it poses to their economic security and social status. While aware that their enterprise could no longer guarantee job security and provide comprehensive welfare benefits, Bu and Xu (1994) found that workers had not lowered their dedication to the productive goals of the enterprise and were still receptive to managerial authority. Mok *et al.* (2002) examined the attitudes of workers in SOEs and workers laid-off from SOEs towards declining welfare entitlements and increased job insecurity based on a questionnaire administered in 11 SOEs in Beijing, Shenyang and Zhejiang between 1996 and 1999. Their results suggest that most laid-off workers had limited access to social security benefits and few welfare entitlements with the exception of medical insurance. In contrast to Bu and Xu, Mok *et al.* (2002, p. 411) concluded that their study "provides evidence of the strong sense of destitution and betrayal experienced by most state workers. It is clear that the adoption of a market economy and the reforms introduced in the industrial sector have marginalized state workers".

Similar perception research is reported in Mok and He (1999), who examined changes in living standards and perceptions of social protection based on interviews with workers in SOEs and workers laid off from SOEs in Guangzhou in 1997. They reported that state workers perceive their living standards have fallen behind those in the non-state sector and expressed frustration with being forced to accept lower levels of social protection. Chan and Qiu (1999) examined the changing structure of social support in China, focusing on material aid and guidance in job search. Their study was also based on a survey of laid-off workers in Guangzhou and was administered at the same time as that of Mok and He (1999). Chan and Qiu (1999) found that while SOEs still had an important role in workers' economic lives, informal social networks were playing an increasingly prominent role as a social buffer against the insecurities of the market. Cook and Jolly (2002) explored the perceptions of workers laid-off from the state-owned sector based on interviews conducted in three cities. Most of the interviewees responded that they considered social security benefits to be inadequate and that this had forced them to take lowly-paid jobs - which they had formerly despised - to make ends meet; restrict their diet and spend less on educating their children and looking after their elderly parents.

While most studies have examined the social protection perceptions of workers in SOEs, Zhu *et al.* (2004) considered how attitudes towards social protection differ across ownership forms based on a survey of 300 workers in enterprises of different ownership categories administered in Shanghai in 2002. Of the respondents in the Zhu *et al.* (2004) survey, 32 per cent were in SOEs, 36 per cent were in foreign-invested enterprises, 19 per cent were in shareholding enterprises and 13 per cent were in privately-owned enterprises. Their main finding is that ownership form does have a statistically significant effect on employee perception of social protection reform. In multiple regression analysis, relative to respondents in foreign-invested enterprises, who were treated as the reference category, employees in private and shareholding firms were statistically more likely to be satisfied with the new social protection regulations while the coefficient on the variable for employees in SOEs was statistically insignificant.

There are relatively few studies which explore the social protection perceptions of the urban population as a whole. Tang (2001) examined satisfaction with reform based on a survey of 1820 urban residents across six cities, conducted in 1999. He found that the educated were more likely to support reform, while manual workers and the unemployed were concerned about their loss of welfare entitlements and considered that the reforms were progressing too fast. On a larger scale, the State Statistical Bureau surveyed 40,000 urban families in 2000 in preparation for the White Paper on Labor and Social Security published in April 2002. The survey found that increasing social inequality, which has characterized the marketization process, was a concern to many respondents (White Paper, 2002). Wong and Lee (2000, 2001) conducted an attitude survey of Shanghai residents in 1996 and their results are generally consistent with those reported in the White Paper. Their findings indicate that while residents in Shanghai positively rate economic reform in light of the benefits it has brought, they are also concerned about the large income disparities it has caused. Wong and Lee (2000, 2001) concluded that economic reforms have not transformed people's beliefs to be in line with the market system and that residents of Shanghai are still in favor of a large role for the state in welfare, rather than having to shoulder a heavier welfare responsibility themselves. Findings from the Beijing Social Psychology Research Institute surveys of 1000 residents across eight districts of Beijing in 2001 and 2002 support this conclusion. When asked who should be responsible for the individual's economic and social security, respondents ranked the government first, the organization second and the individual third. These results suggest that in spite of almost a quarter of a century of market reforms, China's urban population retain a strong pro-welfarist orientation (BSPRI, 2003).

THE EMPIRICAL STUDY

Overview of the Data

The objective of our empirical study is to examine the attitudes of urban residents towards recent changes in the social protection regime, the attitudes of urban residents towards the recent reforms to medical and pension insurance and the preferred form of social protection among the urban populace. Levels of satisfaction with the new social protection arrangements can be expected to differ between different segments of the urban population, depending on the relative opportunities and challenges presented by the marketization process. Therefore, we also explore the effects of the characteristics of the individual, including satisfaction with living standards, on variations in perceptions of social protection across the urban population.

The data to conduct this analysis were provided by the China Mainland Marketing Research Company (CMMRC), which conducts an annual survey of approximately 10,000 urban residents. The CMMRC surveys ask respondents a number of questions relating to their perceptions of recent changes in economic circumstances and living standards as well as background characteristics of the respondent such as age, education, gender, income and occupation. CMMRC employs multistage stratified random sampling to ensure a representative sample in terms of age, gender and income. The respondents were interviewed either in person or via

telephone by a trained CMMRC interviewer and all responses were checked for accuracy both by a supervisor on location and subsequently at the CMMRC offices in Beijing before being entered into the data base. This study employs data from the CMMRC survey conducted in September 2003, which contained information on 206 questions from 10,716 respondents across 32 Chinese cities.ⁱ We used data from between 59.1 per cent and 76.4 per cent of the respondents depending on the specific question of interest after removing missing observations.

Table 1 about here

The characteristics of the survey respondents are reported in Table 1. The mean age of respondents in the sample was 39 years, 51.2 per cent were female, 30.2 per cent were single and 26 per cent lived in one of the coastal provinces. The median household income of respondents was in the range 2001 RMB to 2250 RMB per month while the median personal income of respondents was in the range 1001 RMB to 1250 RMB per month. Of the respondents, 14.8 per cent had a four year higher degree, 11.4 per cent had completed a polytechnic level education and 28 per cent had completed senior middle school. In terms of occupation 35.6 per cent of respondents were in professional occupations, 31.3 per cent were manual, semi-skilled or technical workers, 15.9 per cent were retired and 8.8 per cent were unemployed. Satisfaction with standard of living was measured on a five point scale from 1 (extremely satisfied) to 5 (extremely dissatisfied). The mean satisfaction rating was 3.09 (SD = 1.00).

Table 2 about here

Table 2 provides an overview of the respondents' attitudes towards social protection.ⁱⁱ The first variable in Table 2, 'perceptions of changes in social protection' examines respondents' perception of changes in the level of social protection coverage in the two years prior to the survey. Perceptions were measured on a five point scale from 1 (significant improvement) to 5 (considerable fall). Of the respondents, 4.8 per cent considered there had been a significant improvement, 47.3 per cent considered there had been some improvement, 35 per cent perceived no change, 10.9 per cent thought there had been a slight fall and 1.9 per cent thought there had been a considerable fall. The high percentage of respondents who considered there had been either no change or some improvement paints a more positive picture of how people perceive the reforms than most of the studies which have just focused on workers from the state-owned sector.

Of the five-pronged social insurance reforms covering industrial injuries, maternity, medical, pensions and unemployment, employers and employees are required to make the largest contributions as a proportion of payroll to medical and pension insurance. Thus, respondents were asked specifically about their level of satisfaction with the medical and pension insurance reforms. A five point scale from 1 (extremely confident) to 5 (extremely not confident) was used to measure respondents' confidence that the reforms to pension insurance would be sufficient to ensure basic living standards in the future. The responses were that 5 per cent were extremely confident, 35.1 per cent were quite confident, 37.1 per cent were ambivalent, 17.8 per cent were not confident and 5.1 per cent were extremely not confident. Similarly, a five point scale was used to measure satisfaction with the medical insurance reforms scaling from 1 (extremely unsatisfied) to 5 (extremely satisfied). The responses were generally similar to perceptions of pension insurance. Of the valid responses, 1.6 per cent were extremely satisfied, 19.1 per cent were satisfied, 49.9 per cent were ambivalent, 23.5 per cent were unsatisfied and 4.9 per cent were extremely unsatisfied. Consistent with the perceptions of changes in social protection, an interesting insight that emerges is that less than a third of respondents (28.4 per cent on pension insurance and 22.9 per cent on medical insurance) expressed a lack of confidence in pension insurance or lack of satisfaction with medical insurance.

Respondents were also asked about their preferred social protection scheme. Specifically, respondents were asked whether or not they were in favor of four alternative schemes, each of which placed a hurdle on the provision of social protection. Two of the schemes – ‘support for a social protection scheme restricted to those who passed financial situation testing’ and ‘support for a social protection scheme for poor people’ are similar in purpose and scope. The first of these refers to those whose income falls below a prescribed minimum standard of living. All cities across China prescribe a minimum welfare payment which is a baseline for survival and while it varies depending on local conditions, it is normally in the range 200 RMB to 300 RMB per month.ⁱⁱⁱ The second relies somewhat on respondents’ subjective perception of what it means to be ‘poor’ and is likely to be inclusive of people earning more than 200-300 RMB per month. The other two schemes emphasise individual responsibility, restricting support to those who have worked and those who have made contributions respectively.

The conclusion that emerges is that support for these selective schemes is very low with each of the schemes attracting less than 20 per cent support. Respondents considered that social protection should not be restricted to low income earners and, at the same time, should not be restricted to those who have worked or have made contributions. This shows a strong welfarist orientation in people’s perceptions regarding state intervention which is consistent with Wong and Lee’s (2000, 2001) findings for Shanghai and the results of the studies of the Beijing Social Psychology Research Institute for Beijing (BSPRI, 2003). Overall, while the majority of respondents thought that social protection had either remained the same or improved in the two years prior to the study and were generally satisfied with reforms to medical and pension insurance, the lack of support for selective social protection schemes is indicative of a lingering iron ricebowl mentality.

What Explains Perceptions of Changes in Social Protection?

In this section we use an ordered probit model to regress the variable depicting ‘perceptions of changes in social protection’ on each of the characteristics of the respondents set out in Table 1. Of the variables in Table 1, ‘satisfaction with standard of living’ is potentially endogenous. This will be the case if the individual’s satisfaction with his or her living standards is based on the same human capital, job-related and personal factors which influence perceptions of changes in social protection. In order to test whether satisfaction with living standards is endogenous we calculated the Hausman test, which suggested that satisfaction with living standards was an endogenous variable.^{iv} On this basis we estimated a structural probit equation. The estimation proceeded in two stages. In the first stage we estimated a reduced form probit regression for satisfaction with standard of living. In the second stage we estimated a structural probit regression for perceptions of change in social protection after substituting estimates for satisfaction with standard of living. The number of dependent children living with the respondent was introduced as an additional exogenous variable to ensure that the structural probit regression was properly identified. If the structural probit regression is identified exactly, the parameter estimates from this procedure will be consistent (Lee, 1979).

Table 3 about here

Table 3 shows the ordered probit results, corrected and uncorrected for endogeneity of satisfaction with standard of living. Coefficients for the uncorrected model show that the perception there has been an overall decrease in social protection over the past two years is a function of having a lower monthly household income, being employed as a middle professional, a lower professional, a technical worker or a semi-skilled worker (but not as a senior professional or manual worker), being unemployed, being retired and being dissatisfied with your current standard of living. Coefficients corrected for the endogeneity of satisfaction with living standard show that in addition to the above factors with the exception of satisfaction with living standards, the perception there has been a decrease in social protection over the past two years is a function of having a lower

personal income, being employed as a senior professional or as a manual worker (i.e., being employed *per se*), relative to the reference category which is people not in the labor force, and living in a non-coastal region. Note that when we correct for the endogeneity of satisfaction with living standards, this variable ceases to be significant.

Overall, these results conform with prior expectations. On the whole, respondents who perceive an overall decrease in the level of social protection in the two years prior to the survey are segments of the urban population which have been disadvantaged by a social protection regime which tries to shift more responsibility to the individual. This is true for those with low household and personal incomes, the unemployed, the retired and those living in non-coastal regions. The results for the retired and unemployed are consistent with evidence from existing surveys. Several studies have found that low income and inadequate access to social services is a major problem for the unemployed (Mok and He, 1999; Cook and Jolly, 2000; Mok *et al.* 2002). This is also true for the retired. For instance, in a survey of the concerns of 1223 households across eight cities, including Beijing, Guangzhou and Shanghai, conducted by researchers at Nanjing University in 2002, insufficient income among retirees was considered the major problem.^v Of the other variables, while each of the occupational categories are statistically significant, we find that age, gender, education level and marital status have no effect on respondents' perceptions of change in social protection. Our findings for age, gender and education level are consistent with those of Zhu *et al.* (2004), who also found that these variables were statistically insignificant in explaining satisfaction with social protection policies in their sample of workers in state and non-state enterprises in Shanghai. Our results differ from Zhu *et al.* (2004) though, in that they also found occupation to be a statistically insignificant predictor.

What Explains Satisfaction Levels with Pension and Medical Insurance?

Table 4 shows the results where confidence in pension insurance and satisfaction with medical insurance are regressed on the characteristics of the respondents using an ordered probit model. In both cases, a Hausman test indicated that satisfaction with standard of living was endogenous ($p. <0.0001$) so we report both uncorrected and corrected results. Beginning with the pension insurance model, the coefficients corrected for the endogeneity of satisfaction with living standards show that increases in a respondent's level of confidence that the pension insurance system can ensure future basic living is a function of being older, having a higher household income, being retired, being a non-coastal resident and being satisfied with one's standard of living. The finding that those who are satisfied with their living standards are statistically more likely to have confidence in the ability of the pension insurance scheme to provide in the future is expected. The result that those with higher household incomes will have more confidence in pension insurance is also expected because those with higher incomes benefit from higher enterprise and personal contributions to their individual accounts.

Table 4 about here

The result that respondents who are younger and not retired are less likely to be confident about the future viability of the pension scheme is interesting. At first this seems inconsistent with the findings for perceptions of changes in social protection where retirees were more likely to perceive a fall in social protection. The result, however, might reflect the fact that in interpreting future basic living standards the time horizon of those who have retired is shorter and therefore respondents who have retired may be less concerned with whether the pension insurance scheme can cope with China's aging population. The problem is reflected in the '1-2-4' phenomenon, where, because of the one-child policy, when people entering the workforce now retire, one child will have to support two parents and four grandparents. This is posing a much publicized unfunded liabilities problem for China's pension insurance scheme (Smyth, 2000). World Bank (1997) estimates suggest there will need to be a sharp increase in future contributions to meet the shortfall in accumulated funds when current workers retire. For younger respondents still working, the

unfunded liabilities problem confronting China's pension scheme looms as a major issue affecting their future living standards when they retire.

Results for the medical insurance model corrected for the endogeneity of satisfaction with living standards show that increases in a respondent's level of satisfaction with the medical insurance system is a function of having a higher personal income, having up to a senior middle school or polytechnic education, having a senior professional occupation and being satisfied with one's standard of living. The finding that those who have high personal incomes, those who occupy senior professional occupations and those who are satisfied with their current standard of living are more satisfied with medical insurance is expected. On income, similar to the pension insurance scheme, those with high incomes will benefit from higher enterprise contributions to their personal accounts and be better able to take out supplementary medical insurance purchased from commercial suppliers. The results for occupation reflect the fact that firms often use supplementary medical insurance and other forms of social insurance as a human resources tool to attract and retain senior professional and other talented staff (Zhu and Nyland, 2004).

The results for education are interesting. To the extent that education is correlated with income and those with higher human capital are better placed to thrive in the market, the results are unexpected. One would expect that those who are relatively less educated would be more vulnerable with a more competitive labour market which would accompany greater marketization compared to those with higher levels of human capital. If this was the case it would follow that the relatively less educated should be less satisfied with a social insurance regime which shifted responsibilities from the state to the individual (Duch, 1993). This is what studies have found for the post-socialist economies in Central and Eastern Europe. For instance, Gerber (2000) found that the less educated are less inclined to support market reform, using Russian opinion data collected in the mid-1990s. One explanation for why our results seem to differ from those of studies such as Gerber (2000) is that market forces were introduced much faster in Central and Eastern Europe than China. This reinforced the effect of disparities in human capital levels and made the less educated more vulnerable compared to what has occurred in China.

Determinants of Support for Alternative Social Protection Schemes

Table 5 reports the results of binary logistic models where the dependent variable is 'support for a social protection scheme restricted to poor people' and 'support for a social protection scheme restricted to people who have worked'. In the logistic model for 'support for a social protection scheme restricted to poor people', a Hausman test indicated that satisfaction with living standards was not endogenous ($p=0.93$). The model suggests that support for a social protection scheme that is totally provided by the government and that can only be enjoyed by poor people is a function of being a non-coastal resident. Until recently the government's regional policy has favored the coastal region over the central and western regions with the result that the non-coastal provinces have struggled to attract investment. As a result, per capita income in the central and western regions of China is considerably lower than on the eastern seaboard. In the logistic model for 'support for a social protection scheme restricted to people who have worked', a Hausman test found that satisfaction with living standards was an endogenous variable ($p<0.0001$). We present results both corrected and uncorrected for endogeneity of satisfaction with living standards. Support for a social protection scheme that is restricted to people who have worked is a positive function of education at different levels, being a coastal resident and being satisfied with one's current standard of living.

Tables 5 and 6 about here

Table 6 reports the results of binary logistic models where the dependent variable is 'support for a social protection scheme restricted to people who have made contributions' and 'support for a social protection scheme restricted to people who have passed financial situation testing'.

Hausman tests showed that in the first model perceptions of living standards was endogenous, but that perceptions of living standards was not endogenous in the latter. The first logistic model indicates that older respondents were less likely to support a social protection scheme restricted to people who have passed financial situation testing. In the second logistic model coefficients corrected for the endogeneity of satisfaction with living standard show that supporting a social protection scheme that can only be enjoyed by people who have made contributions is a function of being younger, being married and being satisfied with one's current standard of living.

DISCUSSION AND CONCLUSION

China's transition to a market economy has been a catalyst for its burgeoning economic superpower status. A recent article in the New York Times even went as far as to predict that the twenty-first century would be the Chinese century, given its potential for further economic expansion (Fishman, 2004). Such a prediction would have been unimaginable when the process of economic liberalization commenced in the late 1970s. China recognizes, though, that if this economic potential is to be fulfilled it is imperative that it pushes ahead with further marketization and opening up to the outside world which entails invariable structural adjustment costs. What is interesting in this process is how the Chinese have managed the interaction between markets and social protection. While other transitional economies in Central and Eastern Europe, acting on the advice of the major international lending agencies, pushed marketization through fast, China has adopted a more gradualist and experimental approach to reform. China's gradualist approach to economic reforms carries over to its experience with social protection. The Chinese government has attempted to address the problem of social protection through sharing the responsibilities for financing between the state, enterprise and individual and, in keeping with its more general approach to marketization, it has placed much emphasis on location specific trials as a means of fine tuning social protection reforms.

There are lessons in China's approach to balancing marketization and stability for other countries grappling with similar issues, given the emerging consensus on the strategic importance of social protection in developing countries. Those who have argued in the Polanyi tradition that we should not put our unbridled faith in the benefits of markets have held China up as a viable middle path (Rodrik, 2001; Stiglitz, 2002). In the fallout from the Asian Financial Crisis, this view is attracting increased support and, as discussed earlier, has even brought a shift in the position of the IMF and World Bank's stance, reflected in recent publications on the market social protection interface. China's gradualist approach has provided a basis for its reformers to take heed of the Polanyi (1944) position that marketization increases insecurity. The relatively slow pace of reform compared with what occurred in Europe, has enabled policy-makers to appreciate and, at least to some extent, respond to the fact that while the market caters for the social protection needs of the 'haves' it is less well-equipped to address the needs of the 'have-nots'. This occurs precisely at a time when the demands of the have-nots for further protection from the insecurities of the market are increasing. While the social protection regime China has put in place is far from perfect and, given its experimental form is evolving all the time, it has largely prevented the humanitarian disaster that befell the Central and Eastern European transitional economies such as Russia, where the state withdrew from social protection in the misguided belief that the market would fill the breach (Zhu and Nyland, 2004). In Russia in the period 1992 to 1996 GDP decreased by 40 per cent and industrial production by 50 per cent. The level of prices increased up to 26 times, and increases in nominal wages was much slower than increases in the consumer price index. This caused a decrease in real income by 26 per cent, accompanied by considerable stratification of society (Kazakevitch and Smyth, 2004).

An important component of the debate to this point over whether China's social protection reforms have been successful is the literature tracking the perceptions of segments of the population. The manner in which China's reforms are perceived at home is important because it provides a good indication of how the reforms are working on the ground and because in the end, if the reforms are to be successful China's policy-makers have to convince its own citizens that it is doing enough to

soften the costs of transition. Several perception studies based on surveys of a limited number of workers in the state-owned sector have argued that there is great resentment against the betrayal of the working class (Mok and He, 1999; Cook and Jolly, 2002; Mok *et al.* 2002). These studies have been used to support the view that the decline of the iron rice bowl has caused considerable social dislocation in the public sector and the curtailment of the welfare state on a level that is the equal of what has occurred in the OECD in the face of mounting global pressures. The argument is that the Chinese state is abrogating its responsibilities through encouraging 'commodification' or 'marketization' of social services (Mok and He, 1999).

The picture this latter argument paints, however, is somewhat misleading. Each of the challenges which Ortiz (2001) argues is driving the need for greater awareness of social protection in developing countries are manifest in China. These include transition from plan to market, mass migration and urbanization and the pressures of global integration. China is responding to these challenges through building a new social protection regime which attempts to protect all of its citizens from the insecurities of the market, not just those workers in the state-owned sector who were the privileged group prior to the reforms. Thus, while social welfare afforded those in the public sector has been watered down, the social protection given to those outside the public sector has improved. Our results suggest that perceptions of changes in social protection and satisfaction with medical and pension insurance are better than what most studies focusing on surveys of workers in the state-owned sector suggest. Nevertheless, responses on preferred forms of social welfare suggest a strong persistent preference for universal welfare and low preferences for the selective schemes which were on offer. Our results in this respect are in line with previous studies of urban perceptions such as Wong and Lee (2001, 2002) where respondents have emphasised the benefits from opportunities while being concerned about the growing income inequality of the market and the need for welfare protection.

The raw figures on perceptions of changes in social protection and satisfaction with pension and medical insurance mask considerable differences across segments of the urban population. The results from the modelling of people's preferences suggest that in general those who perceived a decline in social protection in the two years prior to the survey were those who are most vulnerable, or benefited the least, from the marketization process. This group include low income earners, the retired, the unemployed and those living in cities in non coastal provinces. A similar picture emerges in terms of satisfaction with medical and pension insurance reform with those best placed to benefit from the reforms such as high income earners and senior professionals being among the strongest supporters. Another finding is that those who are less satisfied with their current living standards are less likely to be satisfied with the pension and medical insurance schemes. Once we correct for the endogeneity of satisfaction with living standards, however, one's satisfaction with current living standards has no effect on perceptions of changes in social protection in the two years prior to the survey.

Consistent with the Polanyi position, these results indicate that there is a need to protect the groups who have been disadvantaged from the reform. Taken together our findings support the view that the market and state are complements and that fostering sustained growth requires sufficient social protection arrangements (Stiglitz, 1999; Rodrik, 1998, 1999, Wong and Lee, 2001). As Wong and Lee (2001, p. 115) emphasized: "This is especially important in China because the political state lacks legitimacy in the sense of Western style democracy. Transferring this idea into institutional ideas for social welfare, the state in the social consumption sphere seems to be indispensable especially when it retreats from the economic sphere". This brings us back to our starting point in the introduction. While our results suggest that the majority are satisfied with reforms to social protection, those strategic segments of the population that are not satisfied have the potential to side rail the reforms if not managed well. It is in this sense that the provision of adequate social protection for the have-nots is a true litmus test for the reforms.

Table 1: Profile of Survey Respondents

Variable Name	Description of Variable	Means and frequencies
Gender	A binary variable where 1=female, 0=male	51.2% female
Age	Age of respondent (years)	Mean = 39.11 (<u>SD</u> =13.90) in a range of 14-88
Personal income	Average monthly income of respondent (1=RMB 260 & below, 2=RMB261-500, 3=RMB501-750, 4=RMB751=1000, 5=RMB1001-1250, 6=RMB1251-1500, 7=RMB1501-1750, 8=RMB1751-2000, 9=RMB2001-2250, 10=RMB2251-2500, 11=RMB2501-2750, 12=RMB2751-3000, 13=RMB3001-3500, 14=RMB3501-4000, 15=RMB4001-5000, 16=RMB5001-7500, 17=RMB7501-10000, 18=RMB10001-15000, 19=RMB15001-20000, 20=RMB20001 & above)	Median = 5.00
Household Income	Average monthly income of household (1=RMB260 and above, 2=RMB261-500, 3=RMB501-750, 4=RMB751=1000, 5=RMB1001-1250, 6=RMB1251-1500, 7=RMB1501-1750, 8=RMB1751-2000, 9=RMB2001-2250, 10=RMB2251-2500, 11=RMB2501-2750, 12=RMB2751-3000, 13=RMB3001-3500, 14=RMB3501-4000, 15=RMB4001-5000, 16=RMB5001-7500, 17=RMB7501-10000, 18=RMB10001-15000, 19=RMB15001-20000, 20=RMB20001 and above)	Median = 9.00
Marital status	A binary dummy variable where 1=single, 0 otherwise.	30.2% single
Junior middle school	A binary dummy variable where 1=highest educational qualification is junior middle school or less, 0 otherwise.	20.7% completed junior middle level education
Senior middle school	A binary dummy variable where 1=highest educational qualification completed is senior middle school, 0 otherwise	28.0% completed senior middle level education
Polytechnic school	A binary dummy variable where 1=highest educational qualification completed is polytechnic school, 0 otherwise	11.4% completed polytechnic level education
Four year higher degree	A binary dummy variable where 1=highest educational qualification completed is a four year higher degree, 0 otherwise	14.8% completed a four year higher degree level education
Senior professional occupation	A binary dummy variable where 0=not having a senior professional occupation and 1=having a senior professional occupation	0.5% were senior professionals
Middle professional occupation	A binary dummy variable where 1=having a middle professional occupation, 0 otherwise.	9.3% were middle professionals
Lower professional occupation	A binary dummy variable where 1=having a lower professional occupation, 0 otherwise.	25.8% were lower professionals
Technical occupation	A binary dummy variable where 1=having a technical occupation, 0 otherwise.	14.1% were technical workers
Semi-skilled occupation	A binary dummy variable where 1=having a semi-skilled occupation, 0 otherwise	13.6% were semi-skilled workers
Manual occupation	A binary dummy variable where 1=having a manual occupation, zero otherwise.	3.6% were manual workers
Unemployed	A binary dummy variable where 1=being unemployed, zero otherwise.	8.8% were unemployed
Retired	A binary dummy variable where 1=being retired, zero otherwise	15.9% were retired
Coastal resident	A binary dummy variable where 1= being a resident in a coastal province, 0 otherwise.	26% were coastal residents
Dependent children	The number of dependent children living with the respondent.	Mean number of dependent children = 0.7 (<u>SD</u> =.70) in a range of 0-7
Satisfaction with standard of living	Respondent's level of satisfaction with living standard (1=extremely satisfied, 2=quite satisfied, 3=neither satisfied nor dissatisfied, 4=quite dissatisfied, 5-extremely dissatisfied).	Mean satisfaction rating = 3.09 (<u>SD</u> =1.00)

Table 2: The Attitudes of Respondents Towards Social Protection

Variable name	Description of the Variable	Means and frequencies
Perception of changes in social protection	Respondent's perception of the change in social protection in the past two years (1=significant improvement, 2=some improvement, 3=no change, 4=slight fall, 5=considerable fall.)	Mean perceived change rating = 2.58 (SD=.82)
Pension insurance can ensure future living	Respondent's perceived confidence that the current pension insurance system can ensure basic living standards in the future (1=extremely confident, 2=quite confident, 3=average, 4=not confident, 5=extremely not confident).	Mean perception rating = 2.83 (SD=.95)
Satisfaction with medical insurance system	Respondent's level of satisfaction with the current medical insurance system (1=extremely satisfied, 2=quite satisfied, 3=average, 4=unsatisfied, 5=extremely unsatisfied).	Mean satisfaction rating = 3.13 (SD=.84)
Support for a social protection scheme restricted to poor people	A binary dummy variable where 1=does favor a social protection scheme that is totally provided by the government and that can only be enjoyed by poor people, 0=does not favor a social protection scheme that is totally provided by the government and that can only be enjoyed by poor people.	9.0% supported such a scheme
Support for a social protection scheme restricted to people who have worked	A binary dummy variable where 1=does support a social protection scheme that can only be enjoyed by people who have worked, 0=does not support a social protection scheme that can only be enjoyed by people who have worked.	11.1% supported such a scheme
Support for a social protection scheme restricted to people who have made contributions	A binary dummy variable where 1=does support a social protection scheme that can only be enjoyed by people who have made social security contributions, 0=does not support a social protection scheme that can only be enjoyed by people who have made social security contributions.	18.9% supported such a scheme
Support for a social protection scheme restricted to people who have passed financial situation testing	A binary dummy variable where 1=does support a social protection scheme that can only be enjoyed by people who have passed means testing, 0=does not support a social protection scheme that can only be enjoyed by people who have passed means testing.	6.3% supported such a scheme

Table 3: What Explains Perceptions of Change in Social Protection?

Variable	Uncorrected		Corrected	
	Coefficient	Wald	Coefficient	Wald
Gender	.001	.001	-.027	.877
Age	.001	.200	.000	.009
Personal income	-.001	.043	-.018	7.187*
Household Income	-.106	13.453*	-.022	19.920*
Marital status	-.106	.233	.017	.223
Junior middle school	-.042	.968	-.002	.000
Senior middle school	-.005	.019	.060	.296
Polytechnic school	-.032	.524	-.009	.007
Four year higher degree	-.010	.057	-.030	.079
Senior professional occupation	.203	1.088	.573	6.094*
Middle professional occupation	.277	6.162*	.427	10.940*
Lower professional occupation	.257	5.906*	.256	4.407**
Technical occupation	.318	8.671*	.348	7.880*
Semi-skilled occupation	.276	6.589*	.281	5.176*
Manual occupation	.186	2.416	.251	3.508***
Unemployed	.372	10.041*	.416	9.962*
Retired	.298	7.148*	.240	3.607***
Coastal resident	-.043	1.965	-.102	8.852*
Satisfaction with standard of living	.384	881.482*	.380	665.256
- 2 Log Likelihood (Unrestricted)		19232.579		14977.319
- 2 Log Likelihood (Restricted)		18147.482		14151.056
- 2LR Statistic (19 df)		1085.097*		826.263*
Number of observations		8185		8185

Notes: *(**)(***) coefficient is statistically different from zero at the 99%(95%)(90%) level of significance; * coefficient on -2LR statistic is statistically different from zero at the 99% level of significance. A Hausman test using the number of dependent children as the instrument suggested that satisfaction with living standards was endogenous ($p < 0.0001$). Therefore, we report results both corrected and uncorrected for endogeneity of satisfaction with living standards. The reference category for occupations is people not in the labor market such as homemakers and students. The reference category for education is people with a three year higher degree.

Table 4: What Explains Satisfaction Levels with Pension and Medical Insurance?

Variable	Pension Insurance				Medical Insurance			
	Uncorrected		Corrected		Uncorrected		Corrected	
	Coefficient	Wald	Coefficient	Wald	Coefficient	Wald	Coefficient	Wald
Gender	.044	2.953***	.023	.608	.020	.560	.009	.094
Age	-.006	18.331*	-.005	10.414*	.001	.955	.003	2.165
Personal income	-.003	.303	-.008	1.241	-.105	5.553**	-.025	12.266*
Household Income	-.018	15.882*	-.026	25.423*	-.013	8.159*	-.022	16.579
Marital status	-.009	.082	.020	.271	-.032	.876	-.011	.081
Junior middle school	-.109	6.279**	-.106	.876	-.023	.253	-.298	6.556*
Senior middle school	-.019	.263	.006	.003	.027	.484	-.217	3.720**
Polytechnic school	-.014	.100	-.016	.020	.020	.186	-.251	4.786**
Four year higher degree	.060	2.141	.023	.049	.091	4.699**	-.162	2.219
Senior professional occupation	-.181	.861	.087	.143	-.330	2.729***	-.418	3.088***
Middle professional occupation	-.105	.847	-.009	.004	.042	.134	-.012	.081
Lower professional occupation	-.075	.484	-.052	.176	.055	.253	.057	.201
Technical occupation	.007	.004	.037	.085	.146	1.683	.158	1.492
Semi-skilled occupation	-.021	.037	.033	.068	.144	1.642	.154	1.427
Manual occupation	.058	.220	.120	.744	.077	.362	.081	.325
Unemployed	.053	.192	.107	.616	.173	1.919	.180	1.649
Retired	-.186	2.637***	-.219	2.834***	.093	.645	.019	.021
Coastal resident	.172	31.825*	.145	17.730*	.061	3.766**	.012	.108
Satisfaction with standard of living	.292	516.124*	.282	371.453*	.318	549.176*	.311	404.272*
- 2 Log Likelihood (Unrestricted)	20243.217		15562.761		15562.761		13515.593	
- 2 Log Likelihood (Restricted)	19461.851		14997.778		14997.778		12974.472	
- 2LR Statistic (19 df)	781.366*		564.984*		564.984*		541.121*	
Number of observations	7577		7577		7104		7104	

Notes: *(**)(***) coefficient is statistically different from zero at the 99%(95%)(90%) level of significance; * coefficient on -2LR statistic is statistically different from zero at the 99% level of significance. A Hausman test using the number of dependent children as the instrument suggested that satisfaction with living standards was endogenous for satisfaction levels with medical and pension insurance ($p < 0.0001$ in both cases). Thus, in both cases, we report results corrected and uncorrected for endogeneity of satisfaction with living standards. The reference category for occupations is people not in the labor market such as homemakers and students. The reference category for education is people with a three year higher degree.

Table 5: Determinants of Support for a Social Protection Scheme that can only be Enjoyed by Poor People and Determinants of Support for a Social Protection Scheme Restricted to People who have Worked

Variable	I		II			
	Restricted to Poor People		Restricted to People who have Worked			
	Coefficient	Wald	Uncorrected		Corrected	
	Coefficient	Wald	Coefficient	Wald	Coefficient	Wald
Constant	-2.606	19.150*	-2.744	21.033*	-3.215	30.301*
Gender	-.014	.024	.074	.780	.072	.749
Age	.004	.763	-.002	.147	-.002	.150
Personal income	-.007	.106	-.001	.002	.004	.036
Household Income	.004	.074	-.009	.354	-.005	.141
Marital status	.165	2.069	-.124	1.303	-.126	1.344
Junior middle school	.575	2.037	.834	4.384**	.811	4.140**
Senior middle education	.251	.401	.721	3.403***	.689	3.096***
Polytechnic education	.052	.017	.868	4.850**	.857	4.718**
Four year higher degree	-.069	.031	.639	2.781***	.630	2.694***
Senior professional occupation	-.147	.031	.469	.483	.393	.340
Middle professional occupation	-.117	.084	.443	1.188	.393	.932
Lower professional occupation	-.191	.263	.397	1.053	.350	.818
Technical occupation	.116	.096	.194	.243	.144	.134
Semi-skilled occupation	.024	.004	.269	.475	.223	.326
Manual occupation	.440	1.268	.016	.001	-.042	.010
Unemployed	.073	.034	-.023	.003	-.086	.042
Retired	-.396	1.074	.270	.463	.263	.437
Coastal resident	-.358	9.574*	.678	56.474*	.702	60.603*
Satisfaction with standard of living	.007	.022	-.155	13.867*	-.156	13.941*
- 2 Log Likelihood (Unrestricted)		3947.344		4415.973		4417.286
- 2 Log Likelihood (Restricted)		3874.582		4398.985		4394.972
- 2LR Statistic (19 df)		72.762*		16.988*		22.314*
Number of observations		6360		6344		6344

Notes: In 'I' dependent variable is support for a social protection scheme restricted to poor people. In 'II' dependent variable is support for a social protection scheme restricted to people who have worked. In 'I' a Hausman test, treating number of dependent children as the instrument, suggested that satisfaction with living standards was not endogenous ($p=0.931$). In 'II' a Hausman test, treating number of dependent children as the instrument, suggested that satisfaction with living standards was endogenous ($p<0.0001$). Reported results in 'II' are corrected and uncorrected for endogeneity of satisfaction with living standards. The reference category for occupations is people not in the labor market such as homemakers and students. The reference category for education is people with a three year higher degree. *(**)(***) coefficient is statistically different from zero at the 99%(95%)(90%) level of significance; * coefficient on -2LR statistic is statistically different from zero at the 99% level of significance

Table 6: Determinants of Support for a Social Protection Scheme that can only be Enjoyed by People who have Passed Means Testing and Determinants of Support for a Social Protection Scheme Restricted to People who have Made Contributions

Variable	I Satisfied Financial Situation Testing		II People who Have Made Contributions			
	Coefficient	Wald	Uncorrected		Corrected	
			Coefficient	Wald	Coefficient	Wald
Constant	-2.564	13.746*	-.275	.457	-.599	2.293
Gender	.082	.521	-.003	.002	-.006	.009
Age	-.016	5.775**	-.011	7.740*	-.011	7.665*
Personal income	.025	.954	.013	.637	.014	.812
Household Income	-.010	.257	-.020	2.835***	-.018	2.273
Marital status	.051	.127	-.377	17.578*	-.371	17.026*
Junior middle school	-.012	.001	-.223	.790	-.249	.981
Senior middle education	.167	.155	.033	.018	.002	.000
Polytechnic education	.378	.778	.050	.041	.022	.008
Four year higher degree	.312	.578	-.109	.007	-.034	.020
Senior professional occupation	-18.679	.000	.022	.002	.047	.009
Middle professional occupation	.117	.063	-.119	.177	-.082	.081
Lower professional occupation	.010	.001	-.082	.095	-.041	.023
Technical occupation	.002	.000	-.150	.303	-.108	.153
Semi-skilled occupation	-.285	.391	-.214	.627	-.172	.390
Manual occupation	.256	.273	-.499	2.692***	-.467	2.286
Unemployed	-.331	.416	-.445	2.240	-.416	1.902
Retired	-.178	.136	-.398	2.001	-.346	1.462
Coastal resident	.035	.070	.078	.995	.093	1.415
Satisfaction with standard of living	.032	.325	-.090	7.383*	-.092	7.691*
-2 Log Likelihood (Unrestricted)		2788.235		6254.445		6156.077
-2 Log Likelihood (Restricted)		2735.772		6164.865		6148.391
- 2LR Statistic (19 df)		52.463*		89.580*		7.686*
Number of observations		6335		6351		6351

Notes: In 'I' dependent variable is support for a social protection scheme restricted to people who have satisfied financial situated testing. In 'II' dependent variable Support for a social protection scheme restricted to people who have made contributions. The reference category for occupations is people not in the labor market such as homemakers and students. The reference category for education is people with a three year higher degree. In 'I' a Hausman test, treating number of dependent children as the instrument, suggested that satisfaction with living standards was not endogenous (p=0.587). In 'II' a Hausman test, treating number of dependent children as the instrument, suggested that satisfaction with living standards was endogenous (p<0.0001). Reported results in 'II' are corrected and uncorrected for endogeneity of satisfaction with living standards. *(**)(***) coefficient is statistically different from zero at the 99%(95%)(90%) level of significance; * coefficient on -2LR statistic is statistically different from zero at the 99% level of significance

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NOTES

- i The cities sampled were Beijing, Tianjin, Shijiazhuang, Taiyuan, Hohhot, Shenyang, Changchun, Harbin, Shanghai, Nanjing, Hangzhou, Hefei, Fuzhou, Nanchang, Jinan, Zhengzhou, Wuhan, Changsha, Guangzhou, Nanning, Haikou, Chongqing, Chengdu, Guiyang, Kunming, Lasa, Xi'an, Lanzhou, Xining, Yinchuan, Urumqi, Xiamen.
- ii All percentages in Table 2 and in the accompanying text are expressed as a percentage of valid observations.
- iii For the 32 cities in our sample, the minimum welfare payment was in the range 153 RMB per month (Hohhot) to 330 RMB (Hangzhou). Most were in the range 200-300 RMB per month. In Beijing it is 290 RMB per month and in Shanghai it is 280 RMB per month.
- iv We implemented the version of the Hausman test proposed by Davidson and MacKinnon (1989), which carries out the test by running an auxiliary regression. We used the number of dependent children living with the respondent as the instrument. In the second stage, the coefficient on the first stage residuals for satisfaction with standard of living was significantly significant ($p < 0.0001$).
- v <<http://www.minyi.org.cn/sqmy//sqmy040217-5.htm>>