Urban Poverty, Childhood Poverty and Social Protection in China:

Critical issues

Colette Solomon with Ren Yuan, Xu Fei and Katie Maher

CHIP

Childhood Poverty Research and Policy Centre

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Preface

This paper is one of a series of working papers, reports and policy briefings on different aspects of childhood poverty published by the Childhood Poverty Research and Policy Centre (CHIP). CHIP is a collaborative research and policy initiative involving academic institutions and Save the Children in China, India, Kyrgyzstan, Mongolia and the UK. It aims to:

- deepen understanding of the main causes of childhood poverty and poverty cycles, and increase knowledge of effective strategies to tackle it in different contexts
- inform effective policy to end childhood poverty, ensuring that research findings are widely communicated to policy-makers, practitioners and advocates
- raise the profile of childhood poverty issues and increase the urgency of tackling them through anti-poverty policy and action
- work globally to tackle chronic and childhood poverty in developing and transition countries.

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The views in this paper are those of the authors and do not necessarily represent those of CHIP, CPRC, DFID or Save the Children.

Contents

Executive Summary

This paper reviews the problem of urban poverty in China, particularly in relation to its impact on disadvantaged children. Estimate numbers of the urban poor range from between 12 million and 40 million. It focuses on the breakdown of social safety nets and related issues of social protection for disadvantaged urban children. While both rural and urban poverty have serious implications for development, there are specific critical concerns for urban poverty.

1. The review highlights a number of **key trends in the situation of urban poverty** in China:
   - While there is reported to be an overall decrease in rural poverty, urban poverty is rapidly increasing;
   - Since the 1990s, unlike the situation in previous decades, the urban poor includes large numbers of people who have the capacity and are willing to work;
   - There is a marked geographic imbalance in urban poverty within China, with western and inland areas most severely affected;
   - There is a growing wealth gap in China's cities, with urban poverty a serious concern even in the more prosperous cities;
   - Urban poverty is emerging as not only an economic concern but also a social problem. Poor and vulnerable people are subject to the 'trap' of urbanisation, in which they lack social protection and have little or no access to opportunities for greater economic and social security.

2. **The deterioration in economic and social security has largely emerged with the rapid socio-economic transition and social reconstruction.** This includes:
   - the laying off of workers and general unemployment;
   - the decline in traditional industries, including collective agriculture;
   - mass migration, in particular internal rural-urban migration;
   - the confiscation of land for urban development;
   - the breakdown of previous social security systems;
   - other factors related to the impact of globalisation.

3. **The review focuses on the state's social security system, called the Minimum Living Standard Scheme (MLSS) or *dibao*** which entitles eligible people to a basic payment.

- Those classified as 'covered' include: laid-off workers and other unemployed persons and their dependants; retired persons; and other citizens whose income does not meet the basic living standard of the city in which they live.
- While *dibao* is working to support socio-economically disadvantaged groups, there are certain limitations.
    - ➢ many migrants are excluded because it is based on urban household registration;
    - ➢ the urban poor are inadequately identified and covered;
    - ➢ the level and funding are low.
- There is a lack of data on how *dibao* is meeting the needs of children living in urban poverty.

4. **There is a lack of knowledge on the situation of children living in urban poverty.** Urban children may experience many forms of disadvantage and marginalisation. Disadvantaged urban children include out-of-school children, children of migrants, street children, and those affected by HIV/AIDS and disability.

- Despite data gaps on children living in poverty, some information is known and certain extrapolations can be made from data on urban poverty in general. The increasing privatisation of healthcare is excluding growing numbers of poor people. For example, studies in Shanghai (Liang, 2001; Dong, 2001/2002) have indicated that cost was the most significant factor restricting poor residents from seeking medical care.
- In a study conducted in Beijing, 75 per cent of poor families could not adequately cover the costs of their children's education (Lu and Wei, 2002; Hussain, 2003).
- Migrant children face particular difficulties. For example, the urban household registration system and differential school fees effectively exclude many children of unregistered migrants. One study in Beijing (Lu and Wei, 2002) found that at least 14 per cent of registered migrant children were unable to attend school. Another survey in Wuhan City (Xiao, 1999) found that a large number of migrant children had not been immunised.

5. **There are few social policies which specifically target disadvantaged children.**

   - While there are some measures to protect children through *dibao,* as well as education and medical treatment stipends, there is a need for anti-poverty child-focused policies and programmes which address the needs of children living in poverty.

6. **There is thus a critical need to develop social policy which is specifically focused on and inclusive of children living in urban poverty.**

   - A Comprehensive Lowest Living Security System, with adequate state financial resources, is proposed with mechanisms to ensure disadvantaged children are not excluded from accessing the system.
   - It is also recommended that community mobilisation and civil society involvement in social welfare provision for poor children be strengthened. There is also an important role for donors and NGOs in this respect.

1. Introduction

There has been substantial socioeconomic change and development in China since the introduction of the economic reforms over the last two decades. The transition from a centralised planned economy to a market economy has generated unprecedented national economic growth and private wealth for increasing numbers of people, as well as significant success in poverty reduction. Economic growth rates have been on average 9 per cent, while absolute poverty[1] has declined since the start of the economic reforms from 250 million in 1978 to 42 million in 1998, and approximately 35 million in 2000 (Cook, 2002). However, marked inequalities have arisen which are partly manifested in new risks and vulnerabilities to which certain groups and individuals, such as urban workers, have been exposed. Inequalities relate not only to income, but differential access to key services and other forms of social support.

Until the 1990s, poverty in China was largely a rural concern with the economic security of most urban residents guaranteed through their employment. However, urban poverty has emerged as a recent and rapidly growing form of poverty since the economic transition (Lu and Cook, 2000). Despite some variation among sources about the extent of poverty, most point to between 4 and 8 per cent of the urban population living in some degree of poverty, with estimated numbers ranging from 15 million to 31 million (Tang, 2002). A survey completed by the Ministry of Civil Affairs in December 2002[2] indicated that by November 2002, urban poverty affected around 1 in 20 urban residents. The study estimated that among 320 million 'non-agricultural' people, 19.98 million or 6.2 per cent experienced extreme poverty.

One aspect of the economic transition has been the restructuring of state enterprises and a decline in the productivity of the collective industrial sector (Cook, 2000a: 5). This has given rise to growing unemployment and new insecurities for urban workers. A second element of the period of transition has been the increase in migration, which reflects the poverty in rural areas, the state's weakening capacity to control the movement of people, and the growing urban demand for rural labour. Because of the marginalised status of migrants – eg they are generally only permitted to work in the 'residual' urban jobs which are usually the lowest paid and unattractive to urban residents (Knight *et al*, 1999) – they make up a substantial number of the urban poor in China. Migration has had direct implications for the wellbeing of (migratory) children, particularly in respect to their access to education.

A third element of the economic reforms has been substantial changes to the welfare system, particularly the move from state provision through the workplace to private insurance systems, the introduction of user fees and the privatisation of certain social services. This, together with the rising unemployment rate, has contributed not only to the growing vulnerability of many

1 Absolute poverty is measured against the minimum necessary to maintain a person's physical abilities, as opposed to relative poverty which is measured against the average living standards of a particular community or population.

2 'Ministry of Civil Affairs Survey: China 19.98 million urban residents in extreme poverty.' http://finance.sina.com.cn

families, but also to their inability to provide for their children. While indicators of child wellbeing[3] have generally improved, childhood poverty, like general poverty, appears to be more tenacious and chronic, with millions of children in poor families still lacking access to education and healthcare which affects not only their current wellbeing, but also has implications for their opportunities and prospects as adults (Lu and Wei, 2002). While childhood poverty is clearly an issue of growing concern in China, it has been little researched and there is only limited data available.

1.1 Key Terms

Poverty. Given the nature of children's development, a conceptualisation of childhood poverty needs to take a multi-dimensional approach because deprivation in one area (eg access to healthcare) can affect wellbeing in another (eg ability to learn). In this paper, we use poverty in its wider sense – to refer to material, health and educational deprivation among children living in urban areas in China. Children living in poverty include vulnerable groups such as children of migrants, street children, children affected by HIV/AIDS and children with disabilities.

Childhood Poverty. CHIP uses the term *childhood poverty* rather than child poverty to emphasise poverty during a specific period of the life cycle, rather than to refer to the poverty of children as a specific form of poverty. CHIP argues that the poverty of children is inseparable from adult poverty, and the poverty of families and communities. The reason for focusing on childhood is that it can have long-term effects – short periods of poverty in childhood can affect a person's future life as well as future generations (CHIP, 2003).

Intergenerational Poverty. Vleminckx *et al* (2001: 1) describe the phenomenon of intergenerational transmission of poverty as 'those who grow up in disadvantaged families are more likely to suffer unemployment, low pay, and poor health in adulthood and to transfer this poverty of opportunity to their own children. Thus, poverty can grind down generation after generation'. A high incidence of intergenerational transmission of poverty may indicate both economic and social policies which fail to tackle poverty and a high degree of inequality in society.

The rest of this section provides a contextual background to the issues which underpin and explain urban and childhood poverty. First broadly outlining the context of the economic reforms, it then goes on to discuss the new features of urban poverty in China, and the content and extent of pre-reform social welfare provision. Picking up some of these issues, section 2

3 For example, in 2001, the neonnatal tetanus rate decreased from 0.62 per cent to 0.28 per cent; the infant mortality rate has been reduced from 32 per cent in 2000, and the under-5 mortality rate has been reduced from 40 per cent in 2000 to 36 per cent in 2001 (Country Report on the Development of Children in China (2001-2002). Presented at the Sixth Ministerial Consultation on Children in the East Asia and the Pacific Region, Bali, Indonesia, May 5-7, 2003.

analyses more closely three main causes of urban and childhood poverty – the restructuring of state-owned enterprises, the reform of the urban social security system, migration. Section 3 goes on to discuss the scale and profile of urban childhood poverty. The discussion includes a consideration of poor children's access to health and education services, as well as paying particular attention to the circumstances of specific groups of deprived children, such as children of migrants and street children.

1.2 The context of new economic reforms

Integral to China's economic transition is market reform and the so-called 'open door policy', which has had direct implications for social provisioning.[4]

1. Market reform

The market reforms of the last two decades have entailed two fundamental shifts: from a dominant public ownership to a multiple ownership economy and from a centrally planned system to a market-oriented system.

From a dominant public ownership to a multiple ownership economy
The role of the public sector in the national economy has become weaker while the private sector, both the domestically-financed and that dependent on foreign investment, has become increasingly significant. This has had two significant impacts on social policy. First, the government has had less control over the financial resources and practices of many enterprises in social welfare, which was a key feature of the old welfare system. Second, the newly developing private sector was, and remains, outside the pre-reform 'welfare circle' – ie its employees are excluded from the state welfare system.

From a centrally planned system to a market-oriented system
First, China has restructured the state enterprise sector, leading to rising unemployment and the loss of associated welfare benefits (including pensions, health and education, and subsidised housing) which has affected millions of urban residents. Second, as a result of market reform, the government has ceased its price subsidy in respect of food and other basic commodities. Third, the market principle has been introduced to elements of social policy, such as social welfare.

4 This issue is explored in greater detail in 'Research on the problem of poor populations in large cities in China' (Wei, 2000)

2. Open Door Policy

From the early 1980s, China's international trade has increased; more foreign capital has flowed into China, as it has increasingly become part of the globalising world economy. In a bid to attract foreign investment, the government has restrained social expenditure in the areas of social security provisioning. It has also sought to be competitive in the international economy by reducing the labour costs of domestic products.

1.3 Main features of urban poverty

Urban poverty in contemporary China needs to be located within the broad economic transition of the past two decades, which has resulted in various changes which have variously affected different economic sectors and different groups of people. Cook (2002a: 616) has characterised China's gradual reform process as a 'transition to greater insecurity for many groups, together with a change in the nature and pattern of poverty and vulnerability'.

While poverty remains greatest in scale and severity in the rural areas of China, urban poverty has increasingly become a critical social and development concern. The causes and dynamics of urban poverty need to be considered within the context of economic restructuring, enterprise reform and migration. Since the socio-economic transition of the 1990s, various trends in urban poverty have been identified.

Firstly, a large proportion of the urban poor have both labour capacity and are willing to work, but are unable to find work. This reflects the impact of the restructuring and market-orientation of many state-owned enterprises (SOEs) which resulted in redundancies, unemployment and relatively little re-employment.

Secondly, the dismantling of the pre-reform social security system which was very comprehensive (it included medical insurance, subsidised housing and pensions) and other welfare provisions, which had near universal coverage in urban areas, and their replacement with increasingly privatised mechanisms, has increased both poverty and vulnerability in these areas (Cook, 2000; 2002).

Thirdly, there has been increased rural-urban migration as a result of both relaxed government controls on population movement and changing labour demands and opportunities, which are in turn partly related to the commodification and marketisation of agriculture which has increased poverty in many rural areas. At the same time, in more remote rural areas, poverty has increased because they are almost completely excluded from agriculture markets.

In order to understand the changing profile of current urban poverty in China, it is necessary to appreciate the extent of coverage of the pre-reform social security system, as its shrinkage must be considered to be a significant contributing factor to urban poverty.

1.4 The pre-reform social security system

The pre-reform social security system clearly differentiated between the entitlements of different population groups. In particular, it distinguished between the comprehensive 'iron rice bowl' security provided to urban state employees and the less generous benefits of relief and social assistance for the rest of the population – ie urban residents who did not belong to a work unit[5] *(danwei)* and most of the rural population (Cook, 2000a: 10). Thus, the discussion outlines the main elements of China's pre-reform social policy in both rural and urban areas, since the growing deprivation in rural areas has contributed to increased migration to urban areas.

In the rural areas, three main elements made up the pre-reform social security system.

1. *The guarantee of access to land.* Since the early 1950s, every rural family was assigned a piece of land. The rural population was organised into communes which also had access to agricultural land. Land security, with no landless poor in rural areas, was a 'striking effect that marks China from other developing countries' (Ahmad and Hussain, 1991: 252).
2. *Collective welfare.* Rural collective organisations provided most welfare for the rural population. In addition, the Five Guarantee system provided food, clothing, fuel, housing and funeral expenses for elderly people who had no family support. There was also collective support for people with temporary economic problems, generally involving provision of needed financial or material support by village authorities.[6] Another important programme for the rural population was the co-operative healthcare system.

5 Staff were allocated to work units in accordance to quotas set by central planners. The Communist Party and the work unit bosses exercised a great deal of powers over all aspects of the lives of workers.

6 Note that the nature and extent of collective support for those facing temporary economic difficulty varied between locations depending on the local economic situation and other factor.

3. *Poor relief programmes.* In areas with poor agricultural conditions, or those experiencing a poor year, the government exempted agricultural taxes. For extremely poor areas or in cases of natural disaster, the government also provided subsidies.

In rural areas, welfare provisions were paid by the collective under government regulation.

In the pre-reform system, almost all urban welfare programmes were the responsibility of the government, either directly from the budget or through state enterprises.[7] Thus, the pre-reform social security system in urban areas included the following fundamental elements:

1. *High employment rate.* Since the 1950s, the government guaranteed full and lifelong employment to urban residents; therefore, large visible unemployment did not exist in Chinese cities. The associated employment-based welfare benefits provided education, healthcare, housing and pension. These social programmes were financed by the enterprise, while eligibility was through membership to a work unit.
2. *Controlled prices.* In urban areas, the government controlled and kept prices low for basic food and household commodities, such as oil and cloth so that every household could maintain its basic needs.
3. *Labour insurance* was available to workers employed in state enterprises, including pensions, free medical care, paid sick leave and maternity leave, occupational and non-occupational injury and disability benefits, and funeral expenses. Labour insurance was a non-contributory system financed by the enterprises.
4. *Urban relief programmes* were targeted at those lacking the ability to work, such as orphans, the elderly and disabled without family or other sources of support (the 'Three Nos'). Poor or extremely poor households were also eligible for irregular assistance, whether in the form of financial, food, clothing or other material provisions. This residual system covered the minority of people who were not attached to a work unit.

Cook's (2000a) references to 'regular social welfare' *(shehui fuli)*, 'temporary relief' *(shehui jiuji)*, households in poverty *(pinkun hu)* and households in extreme poverty *(tekun hu)* refer to urban programmes. She also notes that both rural and urban residents in poverty and extreme poverty could receive relief and social assistance. According to Cook (*ibid*: 11):

'In urban areas this was a residual system covering a small minority of people without a work unit. For the rural population it was … the principal source of assistance from the state… although additional programmes of the collective rural economy … made a crucial contribution to improving rural welfare and security.'

7 The following draws mainly from Guan, X., 1994.

While this section has contextualised urban and childhood poverty by introducing the key issues which are directly relevant, the following discussion examines the specific causes and dynamics of urban poverty more closely.

2. Causes of Urban Poverty

Urban poverty in China has emerged in the last two decades largely as a result of specific elements of the economic reform process. In particular, state enterprise restructuring, the dismantling of the pre-reform (employment-based) welfare system and the increase in migration, have contributed to the growing poverty in China's urban areas, and also describe the particular features of urban poverty.

2.1 Restructuring of SOEs

In China, the state and urban collective enterprises have been the principal source of employment for urban residents. The pre-reform employment system which was known as the 'iron rice bowl' basically guaranteed urban residents lifelong full employment (and welfare benefits) through a work unit (danwei). However, since the 1990s, this sector has not only failed to provide to jobs to new labour force entrants, it has also made millions of existing workers redundant – these are the so-called 'laid-off' (*xiagang:* 'stood down') workers. Between 1994 and 2000, the public sector's share of employment dropped from 78.7 per cent to 45.1 per cent, while in 1996 alone, state units lost about 31.4 million jobs or 27.9 per cent of the total (Hussain, 2003). How did this come about?

The restructuring of SOEs must be seen in the context of China's broader commitment to liberalisation and growth. SOEs were regarded as highly inefficient because of their declining competitiveness and their increasing financial losses (Cook, 2000b: 229). This was exacerbated by the fact that SOEs lacked market incentives and had responsibility for all the social benefits of employees and their families. Recognising that drastic restructuring was necessary, SOEs were thus forced to become more market-oriented – eg removing centrally-set output quotas and subsidies and de-linking social benefits from the workplace (UNICEF, 2000). Thus, with the increasing focus on efficiency, some SOEs have been allowed to go bankrupt, while others have been sold to private investors. These changes have resulted in increasing job insecurity, workers being laid off, rising unemployment and the emergence of growing urban vulnerability and a new form of urban poverty – ie those with the ability to work but who are unable to find work (Cook, 1999: 21). (Previously, the urban poor were mainly regarded as those who were not attached to a work unit). Job insecurity largely arises because, unlike the pre-reform lifelong employment system, all new employees in state enterprises have become 'contract' workers with a fixed term contract, which is not secure and is liable to termination (Guan, 1994: 17). Furthermore, once workers are laid off, there is the very real possibility that they will not find other employment, leaving them vulnerable to poverty.

The number of officially registered urban unemployed[8] rose to 5.75 million in 1999, while the number of laid-off workers was 9.37 million, bringing the total number of unemployed to over 15 million or 8 per cent of the urban labour force (National Bureau of Statistics, 2000, cited in Cook, 2002). However, laid-off workers are not officially counted as unemployed, which means that some official reported rates of unemployment are an under-estimation. For example, the unemployment rate for 2000 rises from 7.6 per cent to 12.3 per cent when laid-off workers are added to the number of registered unemployed (Hussain, 2003).

According to Zhu Ling (cited in Cook, 2000b), in 1996, 84 per cent of the urban poor had already experienced a job change or unemployment as a result of restructuring; 40 per cent were employees of state or collective enterprises. Laid-off workers experience increased vulnerability and poverty along different dimensions. Firstly, they experience a decline in living standards, due to both the loss of income and welfare provision (Cook and White, 1998). Secondly, they obviously face difficulties in paying for an increasingly privatised education and healthcare system. Thirdly, and perhaps most importantly, laid-off workers and other unemployed persons have difficulty finding employment. An understanding of growing unemployment can be gleaned from the job promotion strategy advanced in the government's Ninth Five Year Plan (1996 – 2000). Estimates of the population of job seekers far exceeded numbers of persons expected to find work. While government re-employment efforts were put in place, millions of the state workers laid off each year have remained without work. Fourthly, apart from material deprivation, unemployed residents also experience various degrees of psychosocial stress as a result of their unemployment, which is still a relatively new phenomenon in Chinese society. In particular, laid-off workers report feelings of social isolation, insecurity and stigmatisation (Rofel, 1999). Women tended to be more prepared to accept different types of work, whereas men were influenced by loss of face in taking low status jobs, including those traditionally considered women's work. Many unemployed men felt guilty and inadequate when they had to rely on their wives for economic support. On the other hand, traditional gender stereotypes were reinforced, as women were losing their past status as valued socialist workers (Cook and Jolly, 2000).

From section 1.4, it is clear that the pre-reform social security system was both comprehensive and nearly universal in urban areas. Its dismantling and changing terms have contributed to the emerging new forms of urban poverty. In the following discussion, the recent reforms are outlined, as well as the implications for poverty and vulnerability, and the potential impact on children.

8 A distinction is made between those who have been officially laid off (*xiagang*: 'stood down') and those who are unemployed (shiye: 'lost their job'). The main distinction arises from the relationship with the work unit (Cook and Jolly, 2000), with the former still having some attachment to the work unit and continuing to receive certain benefits.

2.2 The reform of the urban social security system

The neo-liberal social policy reforms can broadly be characterised as comprising a reduction of the government's role in and decreasing public provision of social welfare, and the encouragement of the individual's responsibility for their own security and wellbeing. There is also a greater orientation towards targeted, rather than universal, social assistance programmes. The main reforms were premised on two main principles (Guan, 2000; Cook, 2000):[9]

Societalisation[10] **of the welfare system.** Whereas in the past, nearly all welfare programmes were funded by the government or through SOEs, a fundamental objective of the reforms is to reduce the government's financial and administrative responsibility and increase contributions from employers and employees which are paid into pooled and individual accounts.

Reduction of universal welfare provision in the state sector. Whereas in the pre-reform period, the state provided a universal welfare system, a fundamental principle of the reform has been the requirement that citizens contribute, to varying degrees, for services and benefits – eg social insurance, housing, health services and education, potentially putting these services beyond the reach of poor people.

These principles have given rise to the marketisation and privatisation of many social domains. For example, in housing, the government has given up all financial responsibility and converted it into a commercial service. The pre-reform housing policy (free provision of public housing and low rents) ceased in 1998, with most public housing being sold to tenants on the open market according to the government's new policy on the marketisation of housing (Gong and Li, 2003). By the mid-1990s, more than 10 per cent of urban families were either homeless or had inadequate accommodation (Cook and White, 1997). Increased labour mobility has clearly exacerbated problems of over-crowding and unhealthy living conditions. Although there is a lack of data specifically on children, it is reasonable to assume that such conditions must have health-related implications for children.

The reform of social security provision reflects the government's concern to try to ameliorate the negative impacts of the restructuring of state-owned enterprises, while limiting the welfare burden on the state. There are three main components to China's reformed social security provision.

9 Cook (2000) and Guan (2000) discuss these in greater detail.

10 Elsewhere, this is referred to as 'socialisation' *(shehuihua)*

1. Social insurance programmes

Starting in 2001, this scheme requires workers and employers to make compulsory contributions to cover part of the costs for these programmes, which cover pensions, healthcare, unemployment and work-related injury and maternity benefits services, with the government now only covering some of the costs. Given that this is a relatively small scheme which only has about 3.3 million beneficiaries, it clearly excludes the majority of poor residents.

2. Assistance for laid-off workers

As noted in the discussion above, millions of workers have been laid-off during the restructuring of SOEs. In response to this cause of growing urban poverty, for the period 1998 to 2000 the government provided a transitional basic living allowance plus payments of pension, health and unemployment contributions, which is now being phased out. Instead, laid-off workers are eligible for unemployment benefits or non-contributory social assistance (Cook, 2003). According to an interview with the Vice Minister for Labour and Social Security, Wang Dong Jin[11], in April 2001, the SOE living allowance is being phased out with a view to developing a more inclusive system that will merge with *dibao*, covering not only SOEs but all urban residents in need of social security support. The past SOE living allowance specifically targeted laid-off workers from state enterprises but did not cover other unemployed people. In addition, since 1998 there have been 'labour fairs' and re-employment centres which aim to provide laid-off workers with training and assistance in finding new work.

3. Means-tested (non-contributory) social assistance

While in pre-reform China, poverty relief was only directed at a minority of urban residents in the category 'Three Nos', the increase in urban poverty since the start of the economic transition compelled the government to expand its safety net provision and establish a means-tested social assistance programme, the minimum living standard scheme (MLSS or *dibao*). The programme provides a basic living allowance to individuals whose per capita household income falls below a locally-determined level. It has specifically targeted laid-off and unemployed workers, retirees without full pensions and the 'traditional' urban poor. It is financed by local governments and thus varies according to the financial capacity of each local government. The programme has, however, experienced various implementation problems. Because *dibao* has come to represent the cornerstone of income security, it is therefore the focus of the discussion below.

11 From http://www.moss.gov.cn/news/2001/04091.htm

Dibao

Cook (1999: 22) helpfully observes that *dibao* 'embodies a conceptual shift from granting ad hoc relief to individuals with specific 'needs' or lacking certain capabilities, to providing a universal entitlement to social assistance on a regular basis to anyone falling below a minimum living standard. As such, it represents the final state-provided safety net for those lacking employment and family support'. The *dibao* scheme functions as a basic social safety net within the social security system. It is still undergoing development, according to a four stage plan (Tang et al, 2000):

The *pilot stage* took place from June 1993 to May 1995. Shanghai took the initiative in experimenting with this system. By the first half of 1995, six cities of different sizes had established pilot programmes.

The *extension stage* took place from May 1995 to August 1997. By January 1997, 375 cities and towns (or 47.6 per cent of all cities) had established the scheme (Cook, 2000b: 242). The State Council affirmed the Ministry of Civil Affairs' work in promoting its establishment.

The *generalisation stage* was implemented from August 1997 to the end of 1999. In the report of the Fifteenth National Congress of the CPC, Jiang Zemin stressed the need to 'adopt a policy that will ensure the basic standard of living for urban residents in difficulty'.[12] By late October 1999, the population accessing dibao support had reached 2.82 million. However, by 1998, although 80 per cent of Chinese cities had established dibao, it only reached 20-25 per cent of the urban poor in these cities (Tang, 1999).

The fourth stage was the *improvement period*, carried out from late 1999 and into the present.[13] At the end of 2000, 4 million people were reached by this system, with funds totalling 2.72 billion Yuan.[14] By the end of 2002, coverage was estimated to be 19 million people.

The main limitations which have been identified in the design and operation of dibao are discussed now.

12 From the full text of Jiang Zemin's speech, titled 'Hold Hight the Great Banner of Deng Xiaoping Theory for an All-round Advancement of the Cause of Building Socialism

13 In his report at the 16th Party Congress, 8 November, 2002, Jiang Zemin stated: 'We should stick to and improve the basic old-age pension and medical insurance systems for urban workers, combining socially pooled funds with personal contributions. We should improve the systems of unemployment insurance and subsistence allowances for urban residents. We should try various channels to raise and accumulate social security funds. Reasonable standards for social security benefits should be set in light of local conditions. We should develop social relief and welfare programs in urban and rural areas; (People's Daily, November 18, 2002).

14 1 USD = 8.3 Yuan

1. Inadequate identification and coverage of the urban poor

Hussain (2003) notes that the two crucial indicators of the effectiveness of a poverty alleviation scheme – the percentage of those identified as urban poor who are covered by the system, and the discrepancy between actual and identified populations of urban poor – are not sufficiently met by *dibao*. Lu and Wei (2002) note that in 1999, after *dibao* was implemented in all cities and county townships, it reportedly reached only 20-25 per cent of eligible people. Another survey, conducted by the Ministry of Civil Affairs on urban poverty in 2000, similarly found that dibao reached only 23 per cent of the total population of urban poor. Similar results were reported in a recent study of the coverage rates of *dibao* in three inland cities (Hussain, 2003).

City	Region	Urban Poor	*Dibao* Recipients	% of total
Shenyang	Inland	130 000	38 000	29
Xining	Inland West	75 000	19 000	25
Bengbu	Inland	40 000	10 000	25

Inadequate coverage is clearly linked to the availability of resources. The poorest cities, due to their relatively weak economic base (partly a result of fiscal decentralisation), lack the capacity to allocate adequate funding for the scheme (Lu and Wei, 2002). The common response to funding shortages has been for local governments to tighten the eligibility criteria for *dibao* assistance (Hussain, 2003). There were two methods of restricting access: one was to assume that all people capable of working are earning an income, regardless of what they claim; and another was to assume that those entitled to the living allowance scheme for laid-off employees receive it even in cases where it is well-known that they do not.

There is also the problem that the number of identified poor is lower than the actual number. For example, in Bengbu, the actual number of people below the local poverty line was found to be twice as high as the 'identified' number *(ibid)*.

2. The level of dibao

It has been argued that the level of dibao is too low. This is partly, as already noted, because fiscal considerations cause poverty lines to be set at too low a level to ensure basic subsistence. *Dibao* restricts itself to making up the difference between household income per capita and the poverty line. It is not adjusted to take account of the number of household members (ie the scale effect) and their ages (Hussain, 2003), neither does it take into account the specific needs of families with special difficulties, such as single parent families and those with disabled members.

Consequently, it is often unable to solve the particular problems of different categories of poor households.

Not only is the actual MLSS benefit per person low, it also provides no healthcare insurance, not even against serious illness, giving rise to reports that some recipients forego medical care. At present, it also does not cover educational expenses,[15] despite the fact that the cost of schooling has risen sharply and presents poor families with unreasonable responsibilities, often leading to the withdrawal of children from school, despite the legal provision of compulsory education for the first nine years (Tang, 2002).

An issue that relates to the level of the MLSS benefit is the variation in what constitutes minimum living standards between different cities, together with variation in eligibility for MLSS in different cities.[16] Tang *et al* (2003: 132) note that in Lanzhou, all healthy-bodied persons from 18 to 50 years of age were eligible for dibao. Illegal drug users are not eligible while using drugs, but can receive the allowance if they agree to stop their drug use. In other cities, families with electric appliances such as television sets and refrigerators may be assessed as being above the poverty line (irrespective of their household income) and therefore ineligible for dibao benefits. In Beijing, owners of dogs are not eligible for dibao.

3. Local household registration

Eligibility for *dibao* is dependent on holding urban household registration. Owing to the strictly implemented household registration system, *dibao* excludes disadvantaged groups such as migrants, as well as those experiencing hardship through land requisition and other aspects of urbanisation – ie those without urban household registration.

4. Funding dibao

Dibao expenditure at the national level is very low (Hussain, 2003). Lu and Wei (2002) also note a large decline in state expenditure on social security as a percentage of GDP. In 1998, it was only 0.15 per cent of consolidated state expenditure. This reflects the state's general decline in state expenditure (as a percentage of GDP) on social security since the mid-1980s (Lu and Wei, 2002). If the number of persons accessing the scheme was increased four times, to give an estimated 100 per cent coverage, *dibao* expenditure would still only constitute 0.6 per cent of overall state expenditure. In other words, full coverage is affordable.

15 However, this is currently a subject of debate, into which CHIP's research will feed. This could lead to a revision where education expenses were included in *dibao* provisions.

16 Tang Jun *et al* (2003) provide a more detailed discussion in *Report on Poverty and Anti Poverty in Urban China.*

Overall, the current financial administration of the *dibao* scheme lacks social and financial responsibility. To function more efficiently and equitably, it requires a re-allocation of funding from central and provincial governments. The dependence on local government and contributions from enterprises which have varying financial capacities exacerbates regional differences in poverty (Cook, 2000b: 242). Currently, poorer districts, which have a larger poor population to support, also have the greatest financial strain (Hussain, 2003).

In conclusion, *dibao* reflects the state's general economic orientation which has emphasised rapid growth and neglected effective redistribution measures. At best, *dibao* is likely only to provide short-term relief of urban poverty and inequality, rather than make a significant impact on poverty reduction (Cook, 2000a). The fact that 'a great number of children in poor families … are trapped in permanent disadvantage if not in absolute poverty' (Lu and Wei, 2002: 33) may perhaps be taken as evidence of the lack of efficacy of measures, including *dibao*. It should, however, be noted that the current review was unable to locate specific and reliable data on the extent and situation of households with children who are receiving *dibao*.

As noted above, migrants are excluded from *dibao*. However, the extent of migration has not only contributed to an increase in the numbers of urban poor, it has also given rise to issues and concerns particular to this section of the urban population.

2.3 Migration

Migration could be regarded as the bridge between rural and urban poverty, as it is primarily rural poverty which is the impetus for much migration to urban areas. A discussion of migration thus needs to be prefaced by some understanding of rural poverty.

Between the 1970s and the mid-1980s, many rural economies developed faster than before because of the economic reforms in rural China which resulted in increases in average rural incomes (Guan, 1995). However, since the mid-1980s, rural development has slowed down again. Moreover, recent agricultural reforms, which are part of the broader economic transition, have exacerbated the economic difficulties of rural areas. Two particular changes have been critical. First, the de-collectivisation of agriculture has meant that the household has replaced the collective production unit as the basic economic unit in agriculture. On the one hand, this has meant that farmers are for the first time free to use land for cash crops such as fruit and nuts, or raise livestock and fish which are sold to non-state markets and thus have the potential to generate more income. On the other hand, this has increased the risks which they face, as

they become more dependent on world prices. Indeed, because world prices of agricultural commodities have dropped, agricultural incomes have stagnated and even declined (UNICEF, 2000). China's accession to the WTO is likely to lead to increasing vulnerability and even poverty for farmers in crops such as soy bean production, which are not globally competitive, forcing them to either diversify into other crops, return to subsistence-based crops or abandon agriculture altogether (Cook, 2000a).

Second, the development of rural enterprises has prompted many farmers to abandon agriculture in order to work in factories or start their own business (Guan, 1994). Again, while on the one hand, this has some (potential) benefits (eg it can be more profitable than farming, people have the freedom to choose an occupation outside agriculture), it also has new attendant risks (eg increased landlessness, future unemployment). Together with this (realised or potential) decline in rural incomes, there has been a growing incapacity of many local rural governments to generate revenue for social services, which has further increased the vulnerability of many rural residents in the poorest regions, where per capita income levels can be as low as 30 per cent of the average for urban residents (Cook, 2002: 618). In addition to the changing circumstances within rural areas and agriculture, increased rural-urban migration has also arisen as a result of relaxed government controls on population movement.

In pre-reform China, the household registration system effectively controlled migration by tying the entitlement to food and services to the place of registration – ie people who moved out of their areas without authorisation were unable to obtain food. In the reform period, these controls have been relaxed (at least in part because of the need to channel some rural labour to growth areas) (UNICEF, 2000). However, household registration continues to lag behind the actual movement of people to urban areas – it largely remains at the discretion of officials, resulting in migrants having different statuses (Ma, 1997). Tens of millions of rural-urban migrants,[17] sometimes referred to as the 'floating population' or 'liudong renkou', are generally not registered[18] in the cities to which they move and thus have limited legal rights and restricted access to school, health and other social benefits.[19] There is also a small proportion of migrants who may receive a new household registration and thus be indistinguishable from the local settled population, while a third group is granted temporary household registration which gives them the right to stay but not the full status of permanent residents. This suggests that, not only is the turnover rate for the majority of migrants high, but that they have no benefits and

17 There are estimated to be tens of millions of rural-urban migrants, with some estimates exceeding 100 million. No exact figure is available as many migrants are unregistered and/or mobile (Zhao, 2000). A potential problem with the term 'Imigrant' is that implies long-term migration whereas many 'floating populations' move temporarily between locations and maintain connections with their place of origin or departure.

18 Although migrants are officially required to register, compliance varies with locality and length of stay, and short-term migrants, casual labouters and self-employed workers are less likely to register.

19 Zhao (2000) provides further information on the situation of rural-urban migrants in China.

are restricted to the low-paid, temporary and casual jobs which permanent residents do not want to do (Hussain, 2003). They are therefore more likely to be laid off, but have no access to unemployment or poverty benefits. From the discussion in section 3.5 below, it is also clear that the children of migrants face particular constraints in accessing services such as education.

Nonetheless, despite their marginalised status, there has been a rise in migration since the early 1990s when there were fears of a 'blind wave' of farmers entering cities (Cook, 2002). In reality, as one study showed, over 90 per cent of migrants have jobs arranged before they leave their villages (Cai, 1998, cited in UNICEF, 2000). This usually occurs through the social networks which originate in their home villages, but are built and drawn upon in the migrant communities which have been established in most major cities. However, institutional and formal arrangements for migrants are largely lacking. Because of their employment and registration status, migrants are effectively excluded from many social services such as healthcare, housing and education for their children (Cook, 2000a). Thus, although they clearly play an important role in urban centres – often moving as a result of 'pull factors' such as new labour market demands and opportunities – migrants are treated as second class citizens, with little security and limited access to services (UNICEF, 2000).

While this section has discussed the three main transition-related causes of urban poverty in contemporary China, a significant 'tangential' factor – viz. demographic change – also needs to briefly be mentioned. Within the context of transition, China's birth control policies[20] and a rapidly ageing population have had two main poverty-related implications. Firstly, there are issues around the rising dependency ratio: the collapse of pension and healthcare entitlements, associated with enterprise restructuring, have increased the pressure of these only children to care for their aged relatives. Secondly, older people themselves face an increased incidence of poverty as they are forced to rely on their own, often insecure, resources (Cook, 2000a). In 2000, the proportion of the population over 60 was 10 per cent, of whom only 25 per cent were receiving a pension (Cook, 2000; 2002a).

This discussion has outlined the principle causes and features of urban poverty during China's economic transition. In the following section, the discussion turns to the specific issue of childhood poverty by relating it to these broader economic trends and reforms.

20 Family size was limited to one child in urban areas even if the first child was a girl, two in rural areas and was more relaxed in ethnic minority areas (UNICEF, 2000)

3. Scale of Urban Poverty

One of the main features of childhood poverty in China is its uneven spatial distribution, with the most notable dividing line between coastal and interior regions. Nonetheless, a focus on urban childhood poverty is justified partly on the grounds that rural and urban economic linkages are strong, and partly because of the particularities of emerging forms of childhood poverty in urban areas.

Childhood poverty needs to be understood not only against the unique backdrop of the one-child policy, but also in the context of the specificities of the socio-economic changes which have been underway over the last two decades. In other words, there are a number of direct and specific aspects of the reforms which had particular implications for the wellbeing of children. For instance, the impact of enterprise restructuring and the associated phenomenon of laid-off workers, the increase in migration and the shift away from state welfare provision have all contributed to the increasing socio-economic insecurity of urban children.

In the first part of the discussion below, the scale and characteristics of poverty among children is outlined, while the second part examines the circumstances of specific groups of children in urban areas of China.

3.1 The Scale of Poverty among Children[21]

Several characteristics have been noted in relation to poverty rates among urban children.

Uneven spatial distribution

There is an uneven distribution of poverty between coastal and interior regions and cities. For example, drawing on 1999 household data, Lu and Wei (2002) report that the childhood poverty rates in Beijing and Jiangsu provinces are negligible, while those of interior rural regions such as Henan and Gansu, are as much as 2.5 times higher. Poverty rates are higher among children in areas such as Liaoning province which has experienced both the benefits (eg foreign investment) and negative impacts (eg recession SOEs) of globalisation. The higher distribution of poverty reported among children in interior provinces such as Gansu and Sichuan, is perhaps attributable to the fact that while subject to the pressures of migration, they may not have experienced many of the advantages of economic reform.

Lu and Wei (2002) present the child poverty index for select provinces and regions.[22]

21 The following discussion largely draws on research undertaken by Lu and Wei (2002).

22 These results draw on Household Survey Data for 1999, and use per capita income as the index to measure child poverty.

Province	Region	Child poverty rate (% of child population)
Liaoning	Coastal	6
Jiangsu	Coastal	1
Beijing	Coastal	0
Henan	Interior	11
Sichuan	Interior	8
Gansu	Interior	9
Total		7

Household size and composition

The rate of poverty appears to increase as family size increases, and tends to be higher among families with more dependent family members (Wang, 2002). Although not always the case, children in smaller urban families tend to receive better care and have greater access to welfare. Lu and Wei (2002) suggest that due to the lack of welfare provisions specifically for children, families with more children tend to be more economically disadvantaged. They also note that single parent families have the highest poverty rate. While there are currently relatively few single parent families in China, changing economic and social pressures and greater population mobility, may increase the incidence. The overall poverty rate by household size is indicated in the table below.

Total sample	% of total	Poverty rate	% of average	Distribution
2 parents, 1 child	56	4	86	48
2 parents 2 children	8	7	141	12
2 parents, 3+ children	0.6	7	138	0.8
Single-parent family	2	12	225	4
Couple, no children	12	2	33	4
Extended family	21	8	147	31
Total	100	5	100	100

Source: These findings were reported by Lu Aiguo and Wei Zhong (2002) and draw on Household Survey Data (1999).

Age factors

Lu and Wei (2002) note different rates of poverty between age groups, with parents tending to give more time to the care of young children up to 5 years of age, and spending more time working when children are older. Older children are less dependent and more able to assist with household activities and work. Survey data from 1999 suggest that, despite an overall decline in the poverty head count index, the incidence of poverty is greatest among children in older age groups. Given the lack of general research on childhood poverty, the current review did not locate data on parents' access to childcare.

Age group	Proportion of sample	Headcount index
0 – 5 year old	17	7
6 – 15 year old	65	6
16 – 17 year old	18	6
Total	**100**	**6**

Source: These findings were reported by Lu Aiguo and Wei Zhong (2002) and draw on Household Survey Data (1999).

Following on from the discussion about the changing causes and profile of urban poverty in section 2 above, the following section outlines how poverty is experienced by different groups of poor children in urban areas.

3.2 Profile of Childhood Poverty: Social Policies Affecting Child Wellbeing

Market transition and external openness have affected the institutions of the previously centrally planned economy and the accompanying social provisions. In addition to the broad reforms (discussed in earlier sections), three pieces of government legislation specifically provide for the welfare of children: the 1986 Law of Compulsory Education stipulates that all children above six years of age have the right to nine years of compulsory education with free tuition; the 1991 Law for the Protection of Minors and 1994 Labour Law prohibit the employment of children under the age of sixteen. In addition, legislation also states that children who do not continue schooling after the initial nine years, should be provided with professional and skills training, and they should also be protected from disease and provided with necessary healthcare (Lu and Wei, 2002). However, a number of problems have been identified in respect of policies targeted at children.

The most serious problem is the gap between the formulation and implementation of policies. Another problem is that, while previous safety nets have disintegrated and the social environments in which children grow up are changing, the new policies do not necessarily address the new problems arising from the transition process *(ibid)*. Health and education of children have been identified as two areas with implementation gaps which have limited the overall effectiveness of social security provisions (Lu and Wei, 2002; Hussain, 2003). Thus, the following discussion focuses on policy related to education and healthcare for children, as well as addressing other key policy areas related to children's development, such as employment.

Before addressing these specific issues, a general observation can be made regarding the government's overall orientation and commitment to social spending and social policy. As already noted, the dynamics of poverty in contemporary China are associated not only with the government's economic policies, but also with its social policies. The largely growth-oriented macroeconomic policy has also informed recent social welfare policies. In general terms, the growth of government's social spending slowed down substantially during the reform period. Thus, the number of hospital beds increased between 1979 and 1997 by 2 per cent annually, down from 10 per cent each year between 1953 and 1978. The number of hospitals increased by only 0.3 per cent, compared to 12 per cent in the pre-reform period (CSY, 2000 cited in Lu and Wei, 2002).

While experiencing the indirect impacts of recent reforms in the welfare system, children are not a major focus of the current social security system. Although policies such as the laid-off stipend, unemployment insurance and medical insurance do affect the situation of poor children through their families' social security, few policies or regulations have been designed specifically to address social security for children.

The following discussion considers both the access of poor children to health and education services, as well as the main social policies in these two areas which affect children's wellbeing.

3.3 Poor urban children

Access to Health and Medical Treatment

Health problems have been highlighted as a major factor among poor urban children. Although disadvantaged children are generally considered to meet basic minimum living standards, they also face certain health risks. As the incidence of poverty increases for many groups in urban

areas and free healthcare provision becomes less universal, children may be denied medical treatment in the case of illness. However, there is very little research that has specifically focused on childhood poverty. So, while some studies are concerned with the healthcare of poor *families*, they might be used to extrapolate and speculate about the situation of poor *children* within such families.

Liang (2001) conducted a survey of poor families in Shanghai, and reported that 53 per cent believed illness was the main reason for poverty. About 50 per cent of families living in urban poverty claimed to have no medical insurance, while 35 per cent reported that they were in debt owing to illness, with an average household debt of 6574 *Yuan*. In his paper on Health Care Reform in Urban China, Dong (2001/2002) notes the findings of a recent survey of 1400 poor households in Shanghai. The interplay of unemployment (60 per cent) and disease (53 per cent) were noted as the main reasons for living in poverty. The lives of poor households were made more difficult as unemployed people were required to pay for their own healthcare expenses. Financial problems restricted many poor households from seeking medical care. [23] Tang (2002), in his survey of poor households in a number of Chinese cities,[24] supported the claim that most families did not access medical treatment when they were ill.

	Wuhan	Tianjin	Lanzhou	Chongqing
Those with chronic or hereditary disease	45%	61%	46%	43%

Clearly, then, adequate healthcare has financial implications for poor families which leads them to rationalise the medical attention which they seek. One can assume that parents are inevitably forced to forego necessary healthcare for their children. Another related concern is that family poverty and associated poor living conditions place children at a great risk of health problems. In crowded living spaces without toilets or running water children, children are more prone to disease. Parents and caregivers also often work long hours, leaving children to care for themselves, and thus increasing their risk of poor nutrition and physical harm.

According to Tang (2000), in impoverished families, adults generally refuse to go to hospital and ailments are thus likely to develop into more serious illness. This forms a vicious cycle of poverty, health deterioration and illness in which the health of children is also at risk – either directly or as poor health is transmitted from mother to child. The issue of mother and child healthcare has

23 The survey found that only 2.3 per cent of households were covered by health insurance. Poor households in Shanghai with no permanent resident status were not eligible for any healthcare coverage or financial assistance. Dong (2001/2002: 17-18) notes that financial difficulties are in part the result of 'health financing strategies that require patients to make financial contributions, as well as by the lack of adequate insurance available to the population.'

24 This study comprised a survey of 2354 poor households in Shanghai, Wuhan, Tianjin, Lanzhou and Chongqing, including 247 family case studies.

not received much attention and in-depth research. However, clearly, if women of childbearing age have poor access to healthcare services, the health of the next generation will be affected, with poor childhood health limiting later life and work capacity.

Throughout the period of economic reforms, there has been little progress in the development of universal healthcare. Access increasingly depends on the ability to pay. Furthermore, while the liberalisation of medicine prices, increasing imports and production by foreign enterprises in China have increased the diversity of available medicines, they have also pushed up prices, and created a barrier to quality health and medical treatment for much of the population (Lu and Wei, 2002). Healthcare systems sponsored by the state have, since the 1990s, been undergoing modifications intended to divide financial responsibility between government, employers and individuals. Previously, government and state enterprises covered these costs for urban residents. Now, state enterprises which still employ over 100 million workers, are covering less medical costs, which are at the same time, becoming more expensive (ibid). According to a CASS (2000, cited in Lu and Wei, 2002) study, between 1993 and 1998, medical service costs rose at a rate two to three times higher than the rate of increase of the average wage.

Although children are not covered under the state's regular medical insurance scheme, a healthcare stipend has been put into place to provide basic medical cover for disadvantaged children. The system varies between cities. In Shanghai, for example, the Shanghai Civil Affair Bureau, Shanghai Fiscal Bureau and Shanghai Medical Insurance Bureau jointly implemented a Health Care Stipend policy in 2000, by which three disadvantaged groups can apply for medical treatment stipends (Shanghai Civil Aid Release, No.33, 8 November, 2000.[25]

The first group is regular recipients of social security benefits who pay their own emergency registration fees and food expenses while in hospital, but who are subsidised for most or all of their basic medical costs. The second group is unemployed persons and those who cannot cover the costs of medical treatment when they are seriously ill. They pay their outpatient and emergency expenses. If the amount of basic in-hospital medical costs is above 1000 Yuan after reimbursement, the individual is subsidised with 25 per cent of the remaining medical expenses. The third group is 'especially disadvantaged' persons. Payments are regulated by the municipal government and vary from case to case. However, the definition for 'especially disadvantaged' populations is ambiguous. The medical stipend for disadvantaged children usually fits within both the second group, which is limited in its coverage, and the third group, which lacks clear definition. It has been shown that the existing medical stipend has not functioned effectively and further developments are required to satisfy the healthcare needs of disadvantaged children.

25 See http://www.91985.com/zwzs/yibao/yibao_nr.asp?lm_id=0&wz_id=1295

The urban medical stipend is clearly limited in its range and provides only a low level of support. While 'Pay First, Reimburse Later' is the general policy, the urban poor are unable to pay medical costs in advance. Although coverage is limited even in developed cities such as Shanghai, in many cities there are no systematic medical stipends at all, as many local governments are unable to provide an efficient medical stipend because they lack the financial resources.

In conclusion, then, there are problems not only with a lack of anti-poverty child-focused policies and programmes, but also inadequacies in respect of how existing policies are implemented. There has clearly been insufficient progress in building a social protection system with the flexibility to respond to the rapidly changing socio-economic environment and the situation of poverty and vulnerability which children experience. With social and economic transition, vulnerable children face new forms of risks, such as trafficking which social safety nets do not adequately address. There is thus a need to develop and implement policies aimed at longer-term change, as well as shorter-term strategies to address the urgent present circumstances of disadvantaged children.

Access to Education[26]

The restructuring of the economy has made education an increasingly important determinant of job opportunities and earnings.

Despite its rhetoric, the government did not keep its commitment to increasing public education expenditure to 4 per cent of GNP by the end of the 1990s. Instead, national education expenditure has remained at about 2.5 per cent of GNP over the past two decades.[27] Poor and disadvantaged children are most likely to bear the consequences of this lack of commitment. A study of poverty in Beijing carried out by the Beijing Administration Institute in 2001 found that 20 per cent of poor families could not afford their children's nine-year compulsory education; 30 per cent could not afford high school education or above; and 24 per cent could not afford the additional required costs of stationery. In total, 75 per cent of families living in poverty could not adequately cover the costs of their children's education (Lu and Wei, 2002; Hussain, 2003). (It is important to remember that Beijing has a lower rate of urban poverty than most other Chinese cities). Clearly, then, with the high cost of education expenses for some urban schools and the lack of consistency in the school fees payment system, many children have been excluded from school despite the government's policy of Compulsory Education for all children.

26 Lu and Wei (2002) focus on rural education. See also Mather, K. and Han, J.L. (2003) http://www.unesco.org/education/efa_report/.

27 United Nations Theme Group on Basic Education / United Nations Development Programme, China 2000/2001. http://www.unchina.org/theme/html/edu.shtml.

According to the Compulsory Education Law, children of six years-old and above, regardless of such factors as ethnicity, gender[28] and location, shall attend school and receive tuition-free education for a minimum of nine years. The state has also taken measures to strengthen support to disadvantaged groups in receiving compulsory education.[29] In order to help students from economically deprived families to complete their compulsory education, the government at all levels has implemented a grant-in-aid system in secondary and primary schools to reduce the economic burden of students by reducing or exempting them from miscellaneous fees, books and boarding expenses. In 2001, the central government increased this scheme from RMB 30 million to 100 million every year, mainly to support students in the western part of the country. This benefits one million primary and secondary school students every year. In addition, central finance earmarks RMB 200 million every year to carry out pilot work in introducing the system of providing free course books to students facing financial difficulties, benefiting 2.43 million primary and secondary school pupils every year.

Schools offer reduction or exemption of school fees to those officially recognised as poor and included in the *dibao* scheme. However, a large number of children living on the edge of the social security system are likely to be excluded. Schools vary in their own financial regulations for socio-economically disadvantaged students. Some schools link the school fees exemption with students' academic scores, so that only those with good grades qualify. In addition to the regular tuition fees which are subsidised by local government, children who do not have household registration in the district where they attend school are also required to pay 'school reception' fees.[30] These fees vary greatly, from several hundred to tens of thousands of *Yuan*. Furthermore, families may be required to cover the costs of a range of additional expenses, such as textbooks, exercise books, stationery, school uniforms, class activities and outings. There is no unified mechanism to regulate the amount of school reception and additional education expenses.

Marcus and Wilkinson (2002) have pointed out that, despite the many pressures on government budgets, basic health and education services are crucial, and ensuring access for all should be a priority. Considering the problems raised above, there is a proposal that an education fund is established to cover the schooling costs for low-income households with children (Hussain, 2003), and it is also being considered as part of *dibao* reform.

28 A study found equally high educational aspirations and similar performance for male and female only-children. They suggest that this gender equality in education is an unintended consequence of the one-child policy and that, under China's current economic transition, girl's educational opportunities and aspirations are probably better in one-child families (Tsui and Rich, 2002).

29 China Country Report on the Development of Children in China (2001-2002), Presented at 6th Ministerial Consultation on Children in the East Asia and the Pacific Region, Bali, Indonesia, May 5-7, 2003.

30 The Chinese term for these fees is *jiedu* which is here translated as 'school reception' fee.

3.4 Street children and other vulnerable groups of children

West (2002: 7) refers to street children as a 'particular symbol of the economic and social changes that have occurred since 1980'. The Chinese notion of 'children out of place' is premised on the ideal of children's time being well-managed and accounted for; conversely, children who are not in school are perceived as posing a social problem and labelled as 'out of place', of which street children are the most obvious group.

The term 'street children' includes a range of different children who are living and working on the street. Many of these children are out of school, living without family care and protection and engaged in exploitative work. By 2000, there was an official estimate of between 150,000 and 200,000 street children in Chinese cities (China Women, June 2000, cited in West, 2002). Although, as noted below, many factors explain the occurrence of street children, family poverty must be considered one of the most significant factors, which has been partly caused by the various dimensions of structural adjustment already discussed.

According to West and Yang (2001), research indicated that in the early 1990s, of a school drop-out rate of 10 per cent in impoverished rural areas, 18 per cent had moved to urban areas to look for odd jobs, such as garbage collection and flower selling. A study undertaken by Save the Children (Xiang and Zhu, 2000) among 120 street children in Kunming city indicated that:

- most of the children were aged between 9 and 15 years;
- nearly 80 per cent were boys;
- over 50 per cent had migrated from another province;
- half had received less than fours of primary school education, and none of the girls had completed primary school;
- half had spent some time in a detention centre.

Drawing on a case study in Zhengzhou by Liu (2002), several factors have been identified as giving rise to street work and life. Some children are drawn by a desire to make money. Liu suggests that children who choose to leave in pursuit of financial goals are less likely to face the same difficult circumstances as those of children who have been forced onto the streets. Others may leave home due to a variety of family problems, particularly family poverty. Incidental reasons, such as poor exam results, can also cause children to leave home and take to the streets (West and Yang, 2001). If such children can access timely support, it may be possible to resolve

their problems and prevent the long-term impacts which can occur through lack of education, healthcare, and family care and protection. It has been noted that child protection is a particular issue for street children. Many street children live in unhealthy environments which can have serious consequences on their health and survival. Many are engaged in illegal and unsafe work activities and have great difficulty accessing education.[31]

West and Yang (2001) note two developing areas of work with street children. First, is the development of alternative care for street children who are unable to return home, and draws on the work of Save the Children in welfare homes in Guangde, Anhui province. Second, there is the need to work toward improving the life opportunities of street children by providing livelihood and vocational training. Civil Affairs Departments have allocated a large amount of funds to the establishment of Protection Centres for street children, which provide a range of support and assist children to return home. As there are more and more children living and working on the street, existing support organisations have insufficient capacity to accommodate and help all children home.

Street children and other poor children face a range of social problems. They face discrimination and exclusion, as well as limited education and development opportunities (Han, 2000). Tang's research (2000) also suggests that the pressures of disadvantage and discrimination leave children vulnerable to depression and psychosocial problems.

Other disadvantaged urban groups, are children affected by HIV/AIDS (including both children who are HIV positive and those whose family members are HIV positive), by disability (including children who are disabled and those with disabled family members), and certain ethnic minority children. For example, children of the Uighur ethnic group, from western China, face particular social and economic difficulties when they migrate to urban areas. While Han[32] Chinese children may also experience limited access to social services and have little economic security, they do not face the language and cultural barriers or discrimination to which Uighur groups are vulnerable. These vulnerabilities limit the capacity of some minority groups to access education, employment, health and social services.[33]

With the restructuring of the economy, and the emergence of open and private commerce, a drugs and sex trade has also started. This and the greater mobility of the general population have

31 From a study by the Shijiazhuang Teacher's College School of Political Law. There is also information available from Shijiazhuang Youth and Children Protection and Education Centre / Shijiazhuang Research Centre for Street Children, host of the 2003 International Conference on the Protection of Street Children. (See http://www.child.sjz.net.cn).

32 The majority of Chinese people belong to the Han ethnic group, speak the 'Han' language of Mandarin, and learn and practice 'Han' Chinese culture. There are many other ethnic groups living in China with their own spiritual beliefs, languages and cultural practices.

33 These observations are drawn from Save the Children's research and workshops with Uighur children in Beijing in 2001.

created an escalating HIV/AIDS epidemic: by 2000, the Ministry of Health estimated that there were 500,000 cases nationwide (UNICEF, 2000). Unstable living conditions, a lack of education and limited access to health services, make migrant communities particularly vulnerable to HIV/AIDS (Save the Children (UK) China Programme, n.d.). Discrimination and illness can prevent household income-earners from working. When children's parents or other family members become ill, families are faced with large medical and health expenses and little or no income. As Save the Children (UK) China Programme's work to address HIV/AIDS has demonstrated, HIV/AIDS can also leave children without family care and protection and cause them to face many forms of discrimination. As growing numbers of children in China are affected directly or indirectly, the socio-economic impact of HIV/AIDS on children requires further consideration and study.

Disability is another dimension of vulnerability that is experienced directly or indirectly by children. In some cases, disabled children do not have equal access to the economic and social resources of their household. Even if their household is considered to be meeting minimum living standards, these resources do not always reach such children, as they are often regarded as a disgrace to their families (UNICEF, 2000). There often also appears to be a link between disability and migration (Save the Children China Programme, n.d.), although data is limited. Migrant children often suffer disabling injuries as a result of being left alone while their parents are at work. Moreover, because of the inability of migrants to pay for expensive healthcare, migrant children are more prone to develop disabling health conditions. Migrant children may also be affected indirectly by disability – ie through the disability of a parent, often injured in work accidents. Increased deprivation and poverty arises as the disability can prevent the parent from continuing in employment, and thus further limiting the educational access of migrant children.

3.5 Children of migrants

As already noted, migration in China has increased since the 1990s. Children are inevitably affected by migration – either because they are left behind in rural areas, or because they move with their parents from rural areas to cities. There are two main categories of migrant children: older children, who migrate independently[34] and those who migrate with their parents (West, 2002).

The children of migrants living in urban areas face other problems – eg education and healthcare – in addition to the poverty experienced by their families as a whole. In Beijing in

34 Since this group often makes up a large proportion of street children, which has already been discussed, the present discussion focuses on children who have accompanied migrating parents.

1999, one survey found that 14 per cent of registered migrant children were unable to attend school (Lu and Wei, 2000). (This is likely to be an under-estimation of the overall exclusion of migrant children, since the majority of residents are not registered). Most migrant children are not accepted into public schools because they lack the required *hukao* or urban household registration.[35] In order for children without local *hukao* to attend public schools, high 'out-of-catchment' fees are generally required. These differential fees effectively act as a barrier to migrant children attending school (UNICEF, 2000).

This has led many migrant communities to establish their own schools in many cities. However, migrant community schools face various problems. Many are staffed by teachers without adequate educational experience or formal qualifications, and teaching often tends to lack a formal structure. Because most schools are not legally recognised by the local government, they cannot provide students with officially recognised graduate certificates. Another common problem is that these schools tend to be poorly equipped. Community schools do, however, play an important role in that they allow children, who cannot access formal education, to gain basic literacy and numeracy. These schools thus serve as complementary and self-supporting community components of the present educational system (Wang, 2000; Zhou, 2000). Aside from their basic education function, they also provide supervision for children while their parents are at work.

For a long time, the education of migrant children and the emergence of community schools were overlooked. Recently, however, migrant community schools have received much attention, not all of which has been positive. In Beijing, for example, it has led to the closure of many migrant schools.

35 The situation has recently changed for some children in come cities, with the development of policy to protect the rights of all children to access education. In Beijing, for example, many children of internal migrants are being accepted into public schools.

Box 1: Beijing district shuts migrant schools

Beijing's Fengtai District Education Bureau ordered the closure of 50 unlicensed schools catering for 11,000 children of migrants in the area. Several smaller schools closed and some moved to other Beijing districts
(notably Daxing and Shijingshan), renting buses to transport children. However, most schools defied the order and reopened at the start of the new school semester.

According to a Beijing Daily report, the local authorities claimed that the schools were not up to standard. Moreover, they said that children whose parents have proper migration permits are entitled to enrol in
state schools.

Migrants to Beijing are now officially encouraged to send their children to state schools in host communities. In some areas, including Fengtai, fees for out of catchment students have been lowered. But significant administrative barriers remain. First, most parents lack the permits needed for their children to be eligible for mainstream schools. Second, parents also often lack a letter from the Education Bureau from the children's place of origin, confirming that the child will 'temporarily' be transferring to study elsewhere. Third, cost remains a significant barrier to entering state schools, In Fengtai, the outofcatchment fee is CNY 600 per year, down from CNY 1,200 a year ago.

Chen Enxian, a private entrepreneur who owns six migrant schools in Beijing said: "I invested CNY 140,000 in this school. All the buildings are high quality, I do not understand why they want to ban our schools." Mr Chen says that cost is not the major problem. According to him, Beijing state schools have their own textbooks and exam system which make it hard for children to reintegrate into schools in their home areas. Schools like his use appropriate textbooks and teaching methods.

Some major cities, like Wuhan, have started to create an enabling environment for schools catering to migrant children, including the provision of land and financial support.

by Cai Lingping

Source: China Development Brief, 2001

On the other hand, the issue has also received special attention by government, academia, media and other institutions which have contributed to more children without local *hukou* being allowed access to public schools. In the light of the new situation arising due to urbanisation, the state produced a series of policies and measures to ensure that migrant children receive compulsory education. In 2002, the Ministry of Education discussed ways of ensuring migrant children receive compulsory education.[36] Thus, at present, measures for solving the education problems of migrant children have taken shape, with the governments of the 'inflow' areas taking the main responsibility of management, and public primary and secondary day schools taking on the main responsibility for teaching. This has gone a long way to improving the compulsory education of migrant children.

Migrant children are also often forced into involvement in marginal activities, such as rubbish salvaging, sometimes alongside their parents (UNICEF, 2000). These activities are clearly potentially dangerous to child health – for example, children are prone to various accidents and injuries.

Migrant children's access to healthcare in urban areas has been described as inadequate. Liu and Zhan (2000) have reported on the poor quality of maternity care for migrant women in Wuhan. Urban-based migrant women have less pre-natal examinations, a higher rate of emergency births and stillbirths, and less awareness of post-natal healthcare than non-migrant women. Their survey found that 50 per cent of pregnant migrant women had one or no pre-natal examination, and only 30 per cent had more than two pre-natal examinations and gave birth in hospital. However, according to the Chinese Government White Paper on 'Protecting the Legitimate Rights and Interests of Women and Children', approximately 98 per cent of urban women and 70 per cent of rural women take pre-natal examinations.[37]

There is a general lack of data of the situation of healthcare for disadvantaged children and families. Moreover, there is a lack of data on the differences in healthcare between registered local and migrant children. Most surveys of healthcare provision focus on the general population, which in practice may mean the locally registered population, and exclude migrant families. A number of studies have, however, contributed to the available data on the healthcare of urban migrant children. Xiao (1999) conducted a survey of 238 pre-school children of migrants in Jiang'an District in Wuhan City, which showed that migrant children are in poor health compared to children registered as urban residents. Only 2.5 per cent of migrant children passed standard health examinations. There were also significant differences in the extent to which migrant children were covered by the healthcare system. A large number of migrant children

36 This is taken from the 'Country Report on the Development of Children in China (2001-2002)', presented at 6th Ministerial Consultation on Children in the East Asia and the Pacific Region, Bali, Indonesia, May 5-7, 2003.

37 Information Office of the State Council of the People's Republic of China, Beijing (http://www.china.org.cn/e-white/phumanrights19/p-7.htm).

have not accessed basic immunisation services and some epidemic diseases are reported to have emerged among migrant communities in some districts.[38]

3.6 Children and Work

Although the position of the Chinese government is that child labour is not a serious problem, anecdotal and observational evidence suggests that it may in fact be quite widespread (UNICEF, 2000). The care and protection of working children is one critical area requiring greater attention. Although the employment of children under 16 years of age is illegal, in practice, UNICEF's Beijing Office estimates that nearly 5 million 15 year-old children participate in paid work – ie about 25 per cent of all children in this age group, of which 56 per cent are girls. Save the Children (UK) China Programme's work with street children, migrant children and trafficked children has also identified some cases of children being coerced into unpaid work situations. Paid and unpaid labour for children in urban areas includes work on the streets (begging, collecting garbage, cleaning shoes etc.), in factories, domestic and entertainment settings.[39] The policy of nine-year compulsory education has had some impact in keeping children in school and reducing the likelihood of child labour (Lu and Wei, 2002). However, some of the most disadvantaged families are unable to pay school fees and children in poverty continue to miss out on schooling, and are forced to work.

3.7 Community responses to urban poverty

In the context of deteriorating state welfare provision, community efforts can contribute to addressing community poverty and disadvantage by building its capacity and resources to solve its own problems. There is some evidence to suggest that poor urban communities play a valuable role in addressing their own concerns.

For example, the voluntary committees of pensioners *(she qu)* have taken on greater responsibilities to respond to the shift away from work-based welfare service provision. The efforts of migrant communities in establishing their own schools in urban areas are another example of a successful community initiative that reflected a specific concern for the migrant community. Furthermore, the informal social networks among migrants are a source of

38 China's Ministry of Health has reported that China 'began inoculating children against six major epidemic diseases including polio, measles, diphtheria and pertussis in 1978' and 'a total of 85 percent of the country's children are protected'. It is noted, however, that 'providing vaccines to the children of migrant workers in cities is proving a major headache for health chiefs' (China Daily, 17 February 2002).

39 From unpublished reports on street children, migrant children and cross border trafficking prevention projects of Save the Children (UK) China Programme.

information about the availability of jobs in urban areas for prospective migrants, and represent an example of a particular type of community response.

Cook and Jolly (2000) investigated the coping strategies and support structures of laid-off workers in the cities of Beijing, Changchun and Ya'an. They found that, while the loss of welfare benefits place heavy burdens on poor families, and support networks are weakening, immediate and extended families may act as key support for people. Kin often provided food, clothing, contributions to schooling expenses and assistance with job seeking. Some neighbours and friends also assisted. Local institutions such as the Women's Federation, residents' committees and some (former) work units also provided occasional support in job seeking etc. While a number of community members reported that community responses were of real assistance, many expressed the view that support from family, neighbours and institutions was inadequate.

4. Implications and Conclusions

During the two decades in which China's economy has been undergoing transition to a market economy, the wealth and living standards of many people has increased significantly. On the whole, economic reforms are thus considered to be a success. However, the negative impacts and outcomes of economic reform cannot be ignored.

Current initiatives to restructure formal systems of social security and to expand basic 'safety nets' and social relief programmes are driven by a combination of factors. These include: a commitment to basic levels of wellbeing among the population; recognition of the relationship between social and economic development; and recognition that social stability and maybe even the legitimacy of the system itself requires that the negative social consequences of transition be addressed (Cook, 2000). Nonetheless, after the breakdown of the former social protection and welfare system, poor people have not been adequately covered by the alternative welfare provisions, which do not compensate for or respond to the changing features and causes of urban poverty. The *dibao* scheme and other educational, insurance and relief programmes have been developed in an effort to ameliorate urban poverty. However, as the shortcomings that have been highlighted indicate, these are largely inadequate in terms of both content and coverage. There have been various proposals regarding future social protection programmes in China.

For example, Tang (2001) has proposed that social support for urban poverty should consist of a basic living subsidy; a special needs subsidy; and a discretionary grant subsidy. The basic living subsidy would meet subsistence needs and help to pay for daily expenses such as food, clothing and transportation. The special needs subsidy would be provided according to individual needs, and cover areas such as education, housing, health and medical care. The flexible discretionary grant would mainly fund the purchase of durable household goods.

While urban poverty has received attention from both government and non-governmental initiatives, the specific issue of childhood poverty has not been systematically addressed; targeted research and social policy are therefore necessary. In line with Tang's proposal, a Comprehensive Minimum Living Standard Security Scheme is proposed, under which disadvantaged children are provided with effective protection, including education and healthcare. It is also recommended that social welfare policies are based on children's rights and specifically aim to improve the wellbeing of poor and deprived children.

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Directors: Dr Caroline Harper and Professor David Hulme

This paper reviews the problem of urban poverty in China in the context of China's socio-economic transition, and its implications for children. It focuses on three main areas of change - the reform of the social security system, the restructuring of stateowned enterprises and increased rural-urban migration, and their implications for urban poverty. The paper discusses two main aspects of child wellbeing - poor urban children's access to healthcare and education. Despite some measures such as the grant-in-aid system which aims to increase access to school of disadvantaged children, the range of costs poor families face continues to exclude some children. Migrant children without registration papers, in particular, face higher costs. Because access to services is increasingly determined by ability to pay, poor urban children's access to healthcare is also constrained.

The paper examines the *dibao* (Minimum Living Standards) scheme in detail, as well as educational, insurance and relief programmes and their implications for urban poor children. It recommends that current reforms develop a more comprehensive child-focused social policy which ensures that disadvantaged children have access key health and education services and provides stronger support to poor families.

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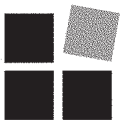

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