

1 Does China's Public Assistance Scheme Create Welfare Dependency?

2

3 **Abstract**

4 In China, there are increasing concerns among the public and academics on welfare
5 dependency caused the 'generous' of benefits of the Urban Minimum Living Standard
6 Scheme (UMLSS). This study examines this issue by analysing the levels of the
7 UMLSS according to international poverty measurements as well as reporting the life
8 experiences of MLSS beneficiaries in Guangzhou city. It concludes that the UMLSS
9 assistance is actually too low to reduce claimants' work motivation. Instead,
10 supplementary benefits associated with the UMLSS contributing to the recipients'
11 staying in China's public assistance scheme in order to gain access to basic housing,
12 health and educational services.

13

14 **Keywords**

15 Welfare Dependency; Minimum Living Standard Scheme; Global Absolute Standards;
16 Costs of Basic Needs, Supplementary Benefits

17

1 **Introduction**

2 The Chinese government established its first national public assistance scheme - the
3 Urban Minimum Living Standard Scheme (UMLSS) - in 1997 following its economic
4 reforms in the late 1970s. The scheme is especially important to tackle the economic
5 hardship of laid-off workers caused by a large scale reform on state-owned-enterprises
6 (Zhang, 2012). According to the State Council (1997), the UMLSS helped maintain
7 social stability and facilitated the economic reform. Accordingly, poor families can
8 apply for UMLSS if their incomes are below a region's poverty threshold. After seeing
9 the success of the UMLSS, the Chinese government introduced the Rural Minimum
10 Living Standard Scheme (RMLSS) in 2007 in order to address the financial needs of
11 farmers after the abolition of collective production teams and the consequences of
12 illegal land acquisitions.

13

14 However, there are increasingly concerns on welfare dependency, which has been
15 assumed to be caused by 'generous' UMLSS assistance. The public's anxiety has been
16 aroused by mass media's reports and further confirmed by academic research studies.
17 Zhou (2012) conducted a content analysis on newspaper articles published in the most
18 authoritative publication of the Ministry of Civil Affairs (MCA) from 1998 to 2011.
19 She found that 63% of the themes of the articles were about 'tightening means testing
20 and increasing home visits' and 23% were about 'tackling welfare dependency & work
21 disincentives'. For example, the following commentary portrayed UMLSS
22 beneficiaries as 'lazy people':

1

2 The 'golden content' of the UMLSS welfare is so high that it will create
3 beneficiaries who find it 'hard to quit' or will even 'raise lazy people'. Some
4 beneficiaries are reluctant to quit the UMLSS even after their incomes increase
5 and their situations improve. A minority of beneficiaries are normal in health and
6 intelligence, but they are keen to 'lie down and eat' the UMLSS welfare. [They]
7 refuse to 'stand on their own two feet' but depend on the UMLSS benefits and
8 additional welfare. (Global Times, 2013)

9

10 Chinese policy makers are also concerned the welfare dependency and have attempted
11 to use welfare-to-work measures to drive welfare claimants to the labour market (Ngok,
12 Chan & Peng, 2012). For example, Guangzhou city requires able-bodied beneficiaries
13 to perform unpaid community services for 3.5 days a week since 2005, including
14 picking up rubbish in streets, neighborhood patrols and directing traffic on roads. The
15 benefits of the UMLSS recipients will be terminated if they fail to perform these duties
16 twice a month.

17

18 The fears of the public and policy-makers are further supported by a number of
19 academic studies, which reported that the payments for UMLSS recipients are too
20 generous. By using indicators of the U.S. Department of Health and Human Services,
21 Liu and Lin (2015) defined 'welfare dependency' as the level of UMLSS benefits is
22 more than 50% of the total household income. Based on data gathered in ten provinces

1 in 2012, including 3,829 UMLSS households, they found that 43% of the UMLSS
2 households met the definition of 'welfare dependency'. By comparison, this
3 dependency rate was only 5.2% in the U.S. in 2011. As for long term dependency, the
4 definition of the U.S. Department of Health and Human Services (2014) is a welfare
5 claimant who is on benefit for more than 20 months. Liu and Lin (2015)'s study showed
6 that 96% of the Chinese households living on the UMLSS had never left the institution
7 and 85% had been claiming the benefits for more than two years. Other studies reported
8 a low work motivation among the UMLSS claimants. Han and Guo (2012) examined
9 1,209 UMLSS beneficiaries in six cities in 2007. For recipients with a work capacity,
10 the level of benefit was one of the significant factors predicting their possibility in
11 finding jobs. For every increase of 100 yuan of benefit, this would decrease their
12 possibility in getting jobs by 4%. In short, the mass media's portray and some academic
13 studies have generated an impression that public assistance beneficiaries can rely on
14 'generous' benefits to live a relatively 'comfortable' life.

15

16 On the other hand, some argue that the levels of UMLSS are actually too low to provide
17 poor recipients with a decent living, not to mention to reduce their work motivation.
18 The ratio of the average UMLSS thresholds to per-capita consumption in urban areas
19 significantly declined during 1999-2007 and they only returned to 22% in 2009 (Gao
20 and Zhai, 2012). Also in a declining trend, the level of the UMLSS thresholds was only
21 16% of the mean disposable income in urban China in 2010, while the same indicator
22 in Sweden was 35% (Gustafsson and Gang, 2013).

1

2 This study aims to contribute to the above debate on whether the UMLSS has created
3 welfare dependency in China. The first section of this article will review explanations
4 on welfare dependency, which also will be used to analyse the case of China. Then, it
5 will elaborate the intentions of the Chinese authoritarian state on the ‘minimum living
6 standard’. After that, the scope of the ‘minimum living standard’ will be assessed in two
7 ways: one is to compare the UMLSS thresholds in 1999-2014 to the World Bank’s (WB)
8 absolute standards and the ‘cost of basic needs’ (CBN) standards; while the other is to
9 use the life experiences of UMLSS beneficiaries in Guangzhou to illustrate the levels
10 of assistance and explain why poor people are difficult to leave the public assistance
11 scheme. Finally, this article will argue that due to the inability of the beneficiaries to
12 purchase health, housing and education services, supplementary benefits attached to the
13 status of UMLSS claimants is the main cause contributing to the dependency of poor
14 people.

15

16 **Explaining Welfare Dependency**

17

18 Welfare dependency has been widely debated in many Western countries. There are two
19 conflicting approaches explaining its causes, including ‘advocates who support
20 cultural/behavioral arguments and those who support structural/economic arguments’
21 (Jordan, 2004: 18). Behavioral and cultural explanations argue that individual problems,
22 family and neighborhood culture as well as rational choice lead poor people to live on

1 public benefits. This perspective was especially popular in the US from 1960s to 1980s.
2 George Gilder's *Wealth and Poverty* (1981) and Charles Murray's *Losing Ground:
3 American Social Policy 1950-1980* (1984) were regarded as 'Reaganite Bibles' (White,
4 2001: 224). According to Murray (1984), family breakdowns and worklessness were
5 caused by the US's attractive welfare system, which 'feeds the growth of the underclass,
6 by making it too easy for lone mothers to rear children, and removing the pressure on
7 single mothers to marry'. The culture of the underclass, which rejected the family and
8 work ethics of the mainstream society, was a 'disease' that was spread by people and
9 contaminated the life of entire neighborhoods (Murray, 1984). Murray further suggested
10 that poor people were rational actors, who chose to live on a comfortable welfare life
11 but refused to work (Jordan, 2004). Similarly, Gilder (1981: 127) criticised that welfare
12 benefits had weakened family duties, caused family breakdowns, and increased
13 dependency:

14 The moral hazards of the current programs are clear. Unemployment
15 compensation promotes unemployment. Aid for Families with Dependent
16 Children (AFDC) makes more families dependent and fatherless. Disability
17 insurance in all its multiple forms encourages the promotion of small ills into
18 temporary disabilities and partial disabilities into total and permanent ones. Social
19 security payments may discourage concern for the aged and dissolve the links
20 between generations.

21 Thus, he proposed the reduction of state benefits in order to tackle the negative
22 consequences of the welfare system.

1

2 It seems that there is a resurgence of the above ideas in both US and UK in recent years.

3 Barnichon and Figura (2016) stated that changes on welfare and social insurance in the

4 1990s had lowered the desire to work by 50 percent. The anti-poverty reforms

5 introduced by Democrats were criticized for reducing work motivation ‘since people

6 implicitly calculate the costs and benefits of productive behavior’ (Mitchell, 2015).

7 Therefore, any welfare improvements are undesirable as they will adversely affect

8 employment. As Mulligan put it, ‘The more you help low-income people, the more low-

9 income people you’ll have. The more you help unemployed people, the more

10 unemployed people you’ll have’ (quoted in Mitchell, 2015).

11

12 In order to tackle welfare dependency and enhance public assistance recipients’ work

13 motivations, accessing to benefits have been made conditional over the past two

14 decades. Social policy debates have ‘shifted from the causes of poverty to the details of

15 work requirements’ (Brezina, 2008: 26) such as job search activities, relevant training

16 courses, work placements, and unpaid community work.

17

18 In the UK, comprehensive workfare measures have been implemented since the New

19 Labour Government in 1997. The UK’s Coalition Government pointed that that more

20 than ‘one in four working-age adults in the UK do not work’ and as many as 2.6 million

21 of the population spent ‘at least half of the last 10 years on some form of out-of-work

22 benefit’ (Department for Work & Pensions, 2010: 9). Thus, its benefit reforms aimed at

1 'increasing work incentives and reducing the extent and costs of welfare dependency'
2 (Department for Work & Pensions, 2010: 3). Accordingly, it implemented more
3 stringent workfare policies by requiring lone parents to seek work if their youngest child
4 was five years old. Disabled people were also required to pass a stricter assessment test
5 in order to obtain higher benefits. According to Slater (2012), new workfare measures
6 was an 'expansion of the punitive elements of the state in respect of those living at the
7 bottom of the class structure' (958) and regarded 'family breakdown as the principal
8 root of all poverty in Britain' (962). The UK government's workfare policy has diverted
9 the public's attention away from some structural factors that 'produce and reproduce
10 poverty' (Hancock & Mooney, 2013: 59).

11

12 On the other hand, some argue that poverty is caused by economic and 'several
13 interrelated institutional environments' based on gender, class, or race (Jordan, 2004:
14 22). According to a study, the two main causes of poverty were 'family composition
15 changes' (eg, death or divorce) and 'labour market events' (e.g. job loss) (Corcoran, et
16 al, 1985: 532). In recent years, in-work poverty is an important explanation of
17 contemporary poverty as low wages means that 'employment is no longer a guaranteed
18 passport away from poverty' (Shildrick & Rucell, 2015: 5). In short, the welfare
19 dependency of poor people needs to be analysed in the context of the economic
20 problems of capitalism and some social changes that are beyond a person's control.

21

22 Welfare reforms over the past three decades in Western societies aim to address

1 concerns over welfare trap. The welfare trap theory assumes that taxation policies and
2 welfare benefits can keep claimants on social security system because ‘the withdrawal
3 of means tested benefits that comes with entering low-paid work causes there to be no
4 significant increase in total income’ (Bowman & Kearney, 2007). It seems that welfare
5 trap can be explained by either personal choice or poor people’s constraints in a market
6 economy. Some might argue that welfare beneficiaries will calculate the benefits of
7 living on public assistance and refuse to take up jobs. On the other hand, some might
8 put out that low wages and expensive housing, medical treatments, education force
9 welfare recipients to maintain their status as public assistance claimants in order to gain
10 access to basic necessities that are essential to human well-being.

11

12 Against the above debates on poverty and welfare trap, the following sections will
13 firstly examine the level of UMLSS to see whether it is too attractive to create welfare
14 dependency as suggested by liberal economic followers such as Murray and Gilder.
15 Then, qualitative data from a research study in Guangzhou city will be used to further
16 explore whether welfare trap plays a role in contributing to the welfare dependency of
17 MLSS beneficiaries, who had to rely on their public assistance status in order to access
18 basic social services.

19

20 **The Level of ‘Minimum Living Standard’: From Official Concept to** 21 **International Standards**

22 Free market followers argue that welfare dependency is an outcome of generous public

1 assistance benefits. This section will examine whether the level of China's MLSS is too
2 high to reduce claimants' work motivation. The discussion will start from the Chinese
3 government's interpretation of the concept of 'minimum living standard'. Then, level
4 of the UMLSS will be examined by two international poverty measurements – WB and
5 CBN standards.

6

7 After the economic reform was initiated in 1978, China was compelled to substitute
8 *danwei* or workplace-based welfare with an overarching social security system. High-
9 ranking leaders, however, have been extremely cautious about the standards of this
10 social security system. As early as 1980, Deng Xiao-ping (1980) rejected the idea of
11 'welfare state' in China because in his belief, 'development of production' should be
12 prioritised over 'improving people's living standards' by state welfare.

13

14 We are fundamentally poor and weak, with under-development of education,
15 science and culture. We oppose the argument for creating a welfare state in China
16 because it is impossible. We can only improve our living standards gradually on
17 the basis of developing production. It is wrong to develop production without
18 raising people's living standards, but it is also wrong - in fact impossible - to
19 improve people's living standards without developing production.

20

21 This rationale about the social security system deeply influenced the development of
22 the UMLSS. Since its establishment, the authorities have been very alert to the

1 possibility of welfare dependency produced by high standards of the UMLSS. As
2 pointed out by the Former Premier Zhu Rong-ji (2002):

3

4 The key is to confirm the UMLSS thresholds and the benefits of recipients at a
5 reasonable level. A high level would not only lead to the over-burdening of the
6 state but also produce a system for ‘raising lazy people’, which would undermine
7 the possibility of employment.

8

9 According to Duoji (2001: 87), a former government minister who was responsible for
10 establishing the UMLSS, the guidance for setting the UMLSS thresholds should stick
11 to the principle of ‘moving up from low levels’. This means that ‘levels of the UMLSS
12 should be lower than incomes from work in order to prevent the problem of raising lazy
13 people through the UMLSS’ (Duoji, 2001: 85). He worried that, ‘Otherwise, those
14 people with the ability to work would not fulfill their obligations but only settle for an
15 easy life’ (Duoji, 2001: 86).

16

17 These overwhelming concerns about welfare dependency led to an extreme
18 interpretation of ‘minimum living standard’. Duoji (1997: 253) defined this
19 ‘minimum’ level as the ‘minimum needs of the poor population for avoiding hunger
20 and cold’; while Zhu Rong-ji (2000) perceived it as the ‘basic survival conditions for
21 poverty-stricken families’.

22

1 It is clear from the above analysis of state discourses that the rationale behind the
2 ‘minimum living standard’ of the UMLSS resulted from the state strategy of prioritising
3 economic development and preventing welfare dependency. The next section will
4 further reveal the ‘minimum’ extent of UMLSS thresholds using quantitative evidence.

5

6 Since the UMLSS thresholds are set up by local authorities, there is no single poverty
7 line across urban China. The Ministry of Civil Affairs (MCA) averages local UMLSS
8 thresholds and publishes a national figure every year, which is illustrated in Diagram 1
9 (National Bureau of Statistics, various years). Although these average national figures
10 cannot show the variations in different localities, they give us a national picture about
11 the living standard of the UMLSS beneficiaries. Moreover, the national figures can be
12 compared with other poverty lines to show the living conditions of poor people in China.
13 In this section, the average of UMLSS thresholds will be compared with those of the
14 WB and the CBN standard.

15

16 *Comparison with the WB Standards*

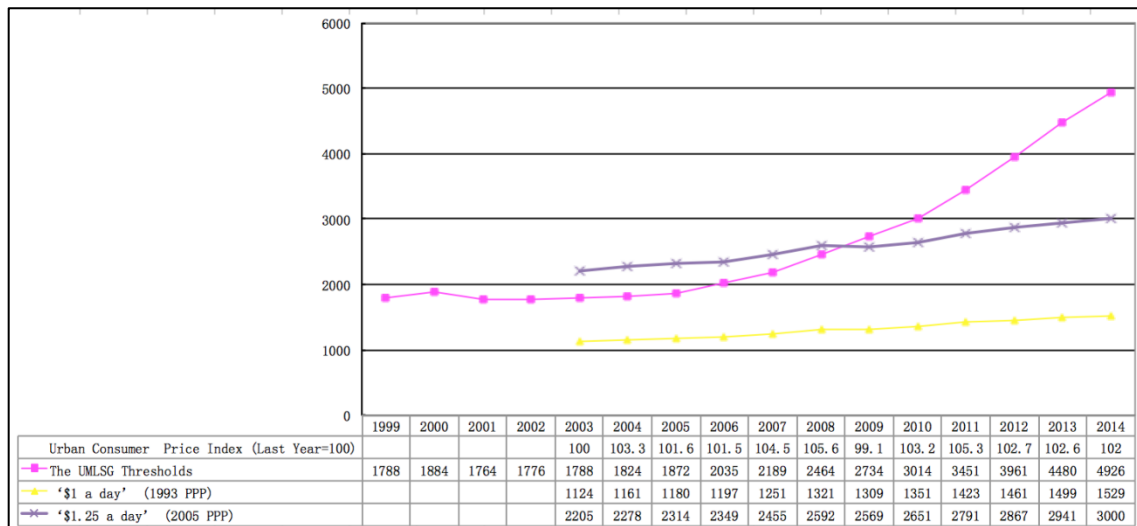
17 The first comparison is drawn from the WB’s absolute standards of ‘\$1.08 a day’ (1993
18 Power Purchasing Parities) (PPP) and ‘\$1.25 a day’ (2005 PPP), which were calculated
19 based on the aggregation of the poverty lines in the poorest countries in the world
20 (Ravallion et al., 2008; 1991). Since 2008, the absolute standard of ‘\$1.08 a day’ (1993
21 PPP) has been equivalent to the poverty line which the Chinese authorities have used
22 to calculate rural poverty. However, this universal poverty line for rural areas is not

1 adopted in urban areas, based on the assumption by the authorities that people living in
 2 cities should have a higher living standard than the global absolute standard. Diagram
 3 1 seems to support this assumption because the UMLSS thresholds have far exceeded
 4 the level of ‘\$1.08 a day’ (1993 PPP) ever since its institution in 1999.

5
 6 However, the global absolute standard would be comparable to the UMLSS thresholds
 7 if the updated standard of \$1.25 a day (2005 PPP) is included in the analysis. In fact, it
 8 was not until 2009 that the UMLSS threshold (2,734 yuan) became higher than the
 9 global absolute standard. Even by 2014, the level of the UMLSS threshold, at 4,926
 10 yuan, was only 1.64 times as much as the ‘\$1.25 a day’ standard (3,000 yuan).

11

12 Diagram 1: Comparison of the UMLSS Thresholds to the WB Standards



13

14 Note: 1) According to the WB (2009: 5), the ‘\$1.08 a day’ is equivalent to 1,124 yuan in 2003.

15 2) The value of ‘\$1.25 a day’ (2005 PPP) at 2003 prices was calculated as follows: \$1.25 x 4.09 (2005 PPP)

16 (WB, 2009: 5) x 365 (days) x 0.934 (Rural Consumer Price Index during 2003-2005) (National Bureau of

17 Statistics, various years) x 1.265 (Urban-Rural Cost of Living Differential in 2003) (WB, 2009: 5) = 2,205

1 yuan.

2 3) Both values of ‘\$1.08 a day’ and ‘\$1.25 a day’ in 2003 have been increased in line with the urban Consumer
3 Price Index during 2003-2014.

4

5 In short, the ‘minimum living standard’ of the UMLSS (especially in the first ten years
6 of its development) was probably no more than the same level of the poorest countries
7 in the world. In terms of China’s economic power, it is quite unreasonable to place
8 China in the poorest group of fifteen countries from which the WB derived the ‘\$1.25
9 a day’ standard (Ravallion et al., 2008). For example, in 2009 the per-capita Gross
10 Domestic Product of China (current prices) ranked 98 out of 183 countries; while Chad
11 and Tajikistan – two of those fifteen poorest countries which came close to China in
12 per-capita Gross Domestic Product – ranked 150 and 151 in the table (International
13 Monetary Fund, 2010).

14

15 *Comparison with the CBN Standards*

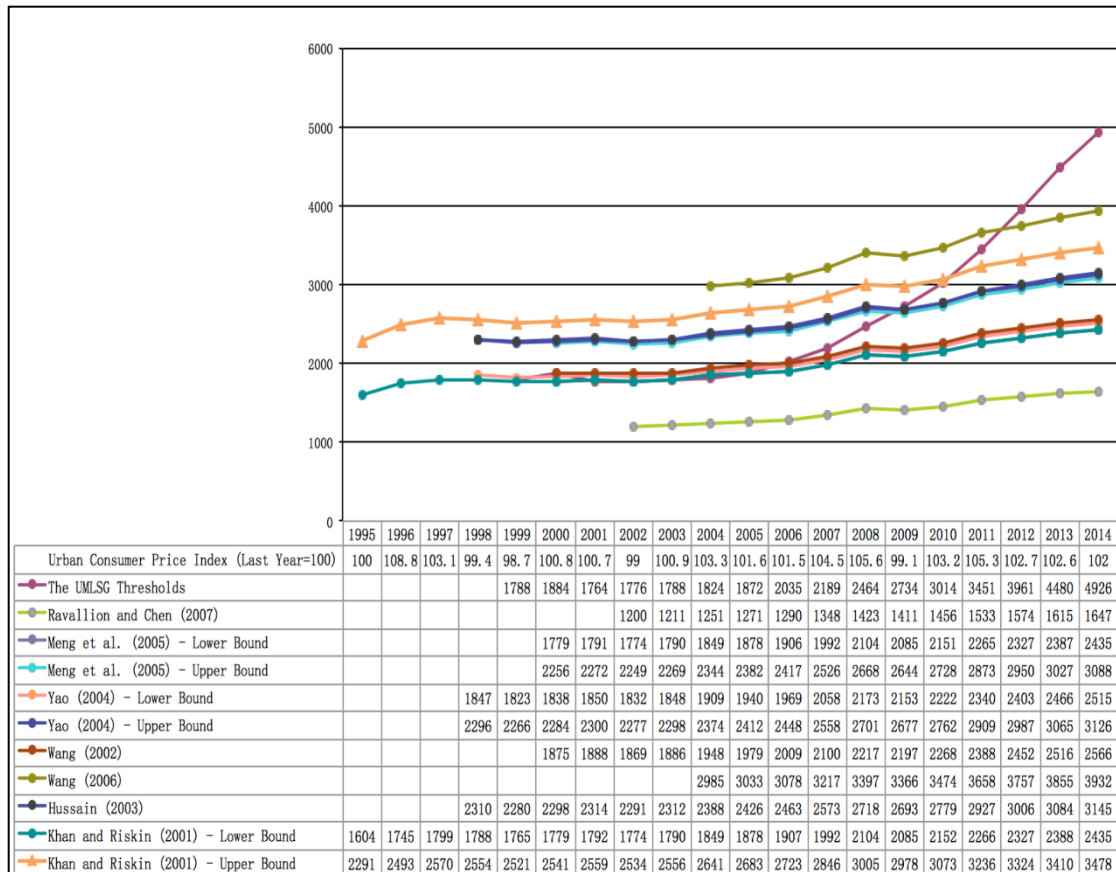
16 The other indicator for comparison refers to the poverty lines produced by the CBN
17 method. These poverty lines consist of food costs (which are calculated by the nutrition
18 requirement and its price index) and non-food costs (which usually generate two
19 bounds). The lower bound refers to the non-food costs spent by those families whose
20 whole expenditure is equal to the food poverty line, while the upper bound is about the
21 non-food expenses spent by those families whose food expenditure is equal to the food
22 poverty line (Ravallion, 1998).

1

2 As shown in Diagram 2, all the UMLSS thresholds were higher than Ravallion and
3 Chen's (2007) predictions in various years. In 2006, they started to rise above the
4 thresholds of Wang (2002), Yao – Lower Bound (2004), Khan & Riskin – Lower Bound
5 (2001) and Meng et al. – Lower Bound (2005), all of which once shared similar levels
6 with each other. In 2009, the UMLSS threshold reached the levels of another group
7 aggregated by the thresholds of Hussain (2003), Yao – Upper Bound (2004) and Meng
8 et al. – Upper Bound (2005). Finally, the UMLSS threshold caught up with Khan &
9 Riskin – Upper Bound (2001) in 2010 and it marginally exceeded the threshold of Wang
10 (2006) in 2012, both of which were the highest standards amongst the poverty lines
11 used for reference.

12

13 Diagram 2: Comparison of the UMLSS Thresholds with the CBN Standards



1

2

3

4

5

6

7

8

9

10

11

12

Note: All the CBN standards have been increased in line with the urban Consumer Price Index during 1995-2014.

Since the UMLSS thresholds in 1999-2012 shared similar levels with the poverty lines produced by the CBN method, the ‘minimum’ extent of UMLSS thresholds can be indicated by the characteristics of these CBN standards. The first attribute of the ‘minimum living standard’ of UMLSS thresholds relates to the extremely low amount of nutritional intake. The illustrated poverty lines based on the CBN method all adopted an amount of 2,100 kilo calories/day for calculating food costs. According to the World Health Organization et al. (2004), this amount can only support a 12-year old boy or a 15-year old girl for light physical activity. Moreover, this amount of nutrition intake indicates that the living conditions of UMLSS beneficiaries are even worse than that of

1 the prisoners in China, whose nutritional intake was set at 3,343 kilo calories/day
2 (Wang, 1998).

3

4 Secondly, the levels of UMLSS thresholds seriously lag behind the average living
5 standard in terms of food costs. The CBN method requires the use of a price index to
6 multiply the nutritional intake and thus estimate food costs. The illustrated studies
7 usually adopted the price indexes of the lowest-income group, such as the poorest 15-
8 25% for Ravallion & Chen (2007) or the poorest 20% for Meng et al. (2005) and
9 Hussain (2003). By contrast, it was the average price index that was employed by
10 Orshansky's (1965) pioneering study of estimating poverty in the United States, which
11 was based on the rationale that food consumption of poor people should be measured
12 in accordance with a normal standard.

13

14 Thirdly, the UMLSS thresholds severely underestimate the actual non-food costs of
15 beneficiaries. Engel's Co-efficient represents the proportion of food costs within the
16 whole expenditure. During 1999-2006, the identical levels of the UMLSS thresholds to
17 Yao – Lower Bound (2004), Meng et al. – Lower Bound (2005), Khan & Riskin –
18 Lower Bound (2001) and Wang (2002) indicated that they should have shared the same
19 Engel's Coefficients, which were 75%, 55% or 74%. During 2009-2010, the Engel's
20 Coefficients of the UMLSS thresholds could have been lower, because the figures from
21 Khan & Riskin – Upper Bound (2001) and Yao – Upper Bound (2004) were 55% and
22 61%. In 2012, the UMLSS threshold caught up with Wang's (2006) standard, for which

1 the Engel's Coefficient was 54%, the lowest figure amongst the poverty lines used for
2 reference.

3

4 Ironically, the official statistics recorded that the poorest 5% of urban residents
5 (approximately the proportion of the UMLSS beneficiaries in the urban population) had
6 spent less than these proportions of their budget on food. Their Engel's Coefficients
7 dropped slightly from 52.73% to 46.79% during 1999-2012 (National Bureau of
8 Statistics, various years), which were much lower than the estimates of 54%-75%
9 derived from the CBN studies as illustrated. This suggests that the UMLSS
10 beneficiaries had probably been squeezing the expenditure on food in order to cover
11 non-food costs.

12

13 **Qualitative Data on the Level of UMLSS**

14 The findings from the two international measurements have demonstrated that the level
15 of UMLSS was actually very low that only offered a minimal amount of support for
16 poor people. Based on interview data from welfare officers and UMLSS recipients, this
17 section will explore the life experiences of those who were living on public assistance
18 and analyse why they could not leave the benefit system.

19

20 The research site of this study was in Guangzhou and the fieldwork was conducted from
21 June to September 2010 when the monthly UMLSS was 410 yuan, the third highest
22 level in the 36 central cities in China. This means that the life experiences of struggling

1 for subsistence at the relatively higher standard of threshold for Guangzhou are very
2 likely to be found in other cities with much lower. There were two categories of
3 respondents, including 12 UMLSS recipients and 8 welfare workers. Among the
4 welfare workers, 5 were from street offices (SO) and 3 from residents' committees (RC).
5 In China, SOs are the lowest level government agency that are responsible for
6 administrating UMLSS applications. RCs are semi-official neighborhood organisations,
7 which have long been treated as the government's foot-soldier, helping various
8 government agencies to provide a wide range of public services such as community
9 health education, neighborhood safety, national birth control, and, over the past twenty
10 years, assisting UMLSS applications before sending all relevant materials to the RCs.
11 The workers of the SOs are also expected to visits UMLSS applicants to investigate
12 their applications.

13

14 In China, welfare claimants are suspicious to the authority and are unlikely to openly
15 express their views on the UMLSS for fear of upsetting government officials. In order
16 to reduce the resistance of the respondents and also gathered data that could truly
17 illustrate the actual experiences of poor people, this study adopted a 'snowball'
18 approach; respondents were therefore recruited through one of the author's private
19 connections as well as referred by some of the respondents. All stakeholders, including
20 5 workers from RCs and 3 workers from SOs, were referred to this study by the author's
21 former colleague who had close contacts with government officials because of research
22 studies.

1

2 In-depth interview was adopted to gather concrete information on the living conditions
3 of welfare recipients and the views of the stakeholders on why did some poor people
4 have to rely on the UMLSS. NVivo 8.0 was used for coding the texts and categorising
5 the themes such as ‘living conditions’, ‘UMLSS assistance’, ‘impressions of
6 beneficiaries’ and ‘leaving the UMLSG’. All the participants are anonymised in the
7 following reports.

8

9 When asked about the adequacy of benefits, the welfare officers admitted that the
10 UMLSS threshold was far from sufficient for subsistence: ‘410 yuan [the UMLSS
11 threshold in 2010] is definitely not enough!’ (Ms. Fan, Mr. Shen, Ms. Mo and Mr. Gan).
12 Beneficiaries living on the UMLSS ‘must find every means to survive’ (Ms. Pan), such
13 as searching for the lowest prices, buying the minimal amount of food or slowing down
14 consumption.

15

16 Four claimants had tried different means to reduce food bills such as buying cheap food
17 in another area, getting reduced products just before the closing of stores and cooking
18 several meals in a single time. Three examples are as follows:

19

20 Vegetables are usually sold at 3.5 yuan/500 grams. I can only afford an amount
21 worth 1 yuan. And I have to cook them separately for several days (Ms. Shu).

22

1 In order to save fuel, I cook lunch and supper at the same time. My tip for saving
2 on food is to buy a whole chicken and cut it into small pieces. By doing this, I can
3 eat the chicken for a month (Ms. Zhou).

4

5 I cook two meals at a time and I will finish the leftovers the next morning. In order
6 to save more money on meals, I ride a bicycle to a market in another district, which
7 takes me 1.5 hours (Mr. Zhao).

8

9 The UMLSS claimants also found it difficult to pay for utilities bills. Some of them
10 even did not use basic household appliances such as microwave, air conditioner and
11 electric shower. The following two respondents described how they reduced electricity
12 consumption in their daily life:

13

14 You may notice that there is a television and an air conditioner in the apartment.
15 My friend gave them to me. But I never turn them on because the electricity bill
16 will be too high for me. (Ms. Xian)

17

18 I just use the cold water for a shower, while my wife and child boil a small pot of
19 hot water. My mother-in-law gave this microwave to us, but we never use it as the
20 electricity will cost too much. (Mr. Zhao)

21

22 The life experiences of beneficiaries further demonstrate how deprived they were of

1 social participation. It is very common for beneficiaries to ‘seldom go out for shopping
2 and have dinner at a restaurant’ (Mr. Li) or ‘never have any social engagements’ (Mr.
3 Wang). For example, Mr. Chen was interested in painting and once considered
4 becoming an apprentice painter. However, he had no choice but gave up this career plan
5 because of financial reason:

6

7 I like going out with my ‘painter’ friend to draw pictures, but I can’t afford any
8 extra costs on brushes and papers, not to mention tuition fees. More importantly,
9 what will other people think when they know an UMLSS beneficiary is just making
10 friends and learning painting!

11

12 In short, the ‘minimum living standard’ of UMLSS thresholds had excluded
13 beneficiaries from the mainstream society in terms of food consumption and social life.
14 Living in a life of social deprivation, one respondent hoped that he could ‘return to
15 mainstream society’ (Mr. Li).

16

17 *‘Trapped’ in the UMLSS*

18 The quantitative and qualitative data presented in previous sections have demonstrated
19 that financial support for UMLSS recipients is too low to cultivate a dependency culture.
20 This leads to a question of why some studies had detected the long-term dependency of
21 beneficiaries (Ci and Lan, 2015; Liu and Lin, 2015; Han and Guo, 2012)? The
22 supplementary welfare provided for the UMLSS beneficiaries, especially health,

1 housing and education services, might explain this phenomenon. With the radical
2 commodification of social services over the past two decades, a lot of people are unable
3 to access basic necessities. It was reported that 23.3% of respondents in cities in 2008
4 did not see a doctor when they were sick for the first two weeks because of financial
5 reasons; while 23.2% received no treatment at all. Similarly, 67.5% of people who
6 should have been hospitalised did not make it; while 52.4% of patients discharged
7 themselves from hospital since they could not afford the medical costs (Ministry of
8 Health, 2009).

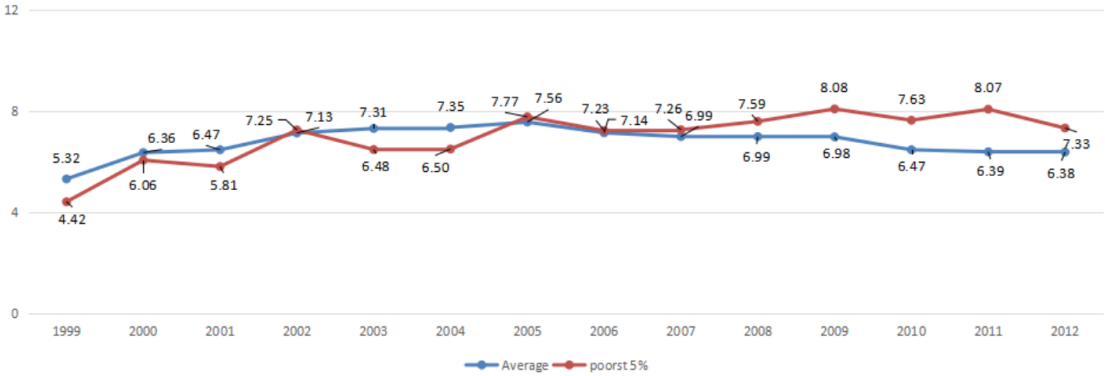
9
10 Regarding housing affordability, the ratio of housing price to income is usually used as
11 an indicator. The estimation by Shen (2012) was 9.1 in 2009 in China, much higher
12 than the figures in the United States (2.9), United Kingdom (5.1) and Australia (6.8).
13 According to Yao et al. (2014), this ratio for Guangdong province (where Guangzhou
14 is the capital city) was 10.1 in 2008, which was significantly higher than the nationwide
15 figure of 7.5. In Shanghai, this ratio was 16.4 for the income group of the bottom 10%,
16 nearly twice as much as for the median income group (Chen et al., 2010).

17
18 It should be stressed that many people claimed for UMLSS because of health reasons.
19 After studying 6,835 households in 77 cities in 2003, Gustafsson and Deng (2011)
20 found that a household head's poor health was one of the main reasons contributing to
21 UMLSS applications. Meanwhile, Chen et al. (2006) compared the living conditions of
22 the UMLSS families and other families in a sample of 76,000 households in 35 largest

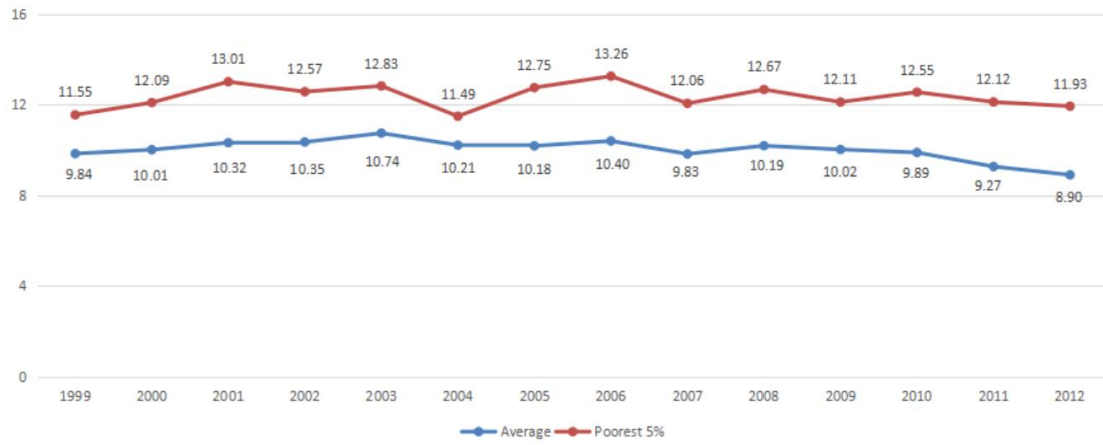
1 cities in 2003-2004 and reported that UMLSS beneficiaries lived in either smaller
 2 dwellings or rental housing. The UMLSS families more likely had members who were
 3 students, disabled or chronic ill patients.

4
 5 Compared with other families, local income households, including UMLSS families,
 6 spent more on medical costs. Except in the periods of 1999-2001 and 2003-2004, the
 7 proportion of medical costs for the poorest 5% residents in cities were higher than the
 8 average figures. This problem was even more serious in housing as the poorest 5%
 9 spent more in housing that the average figures during 1999-2012 (See Diagram 3 & 4).

11 Diagram 3: Proportion of Medical Costs in the Expenditure for the Poorest 5% in Cities (%)



14 Diagram 4: Proportions of Housing Costs for the Poorest 5% in Cities (%)



1
2

3 In order to reduce the welfare burden of poor people, local governments set up various
 4 types of schemes to address their medical, housing, and education needs. UMLSS
 5 beneficiaries are the largest welfare group which can access these services. For example,
 6 UMLSS beneficiaries in Guangzhou can reimburse most of the expenses on
 7 hospitalisation or some special out-patient services. Beneficiaries also can apply for
 8 low-rent apartments which only charge one yuan per square metre. As for education,
 9 their children can be exempted from all fees related to compulsory education and also
 10 can receive subsidies and student loans in higher education. The UMLSS beneficiaries
 11 of our study emphasized that these supplementary benefits had unable them to solve
 12 their basic needs:

13

14 We only need to pay one yuan/square metre for our current apartment. We could
 15 not find such a cheap apartment if we left the UMLSS. (Ms. Zhuo)

16

17 As long as we are recognised as beneficiaries, we can live in this low-rent
 18 apartment. This apartment is what I want. I will feel that my life is better than

1 before if we can live here forever. (Mr. Zhao)

2

3 Due to the situation of my daughter with cerebral palsy, I think I have to rely on
4 the UMLSS for my whole life. She needs regular medical support. Besides, I hope
5 I can succeed in applying for a low-rent apartment very soon, so that I don't need
6 to pay the high rent now. (Ms. Zhao)

7

8 Ironically, welfare measures aiming at solving the basic needs of UMLSS beneficiaries
9 have strengthened their image as 'lazy people' in the eyes of street-level welfare
10 bureaucrats. Mr. Gan, an officer of a RC, was disappointed with the 'greedy'
11 beneficiaries would 'try every means to pursue the UMLSS welfare'.

12

13 Other than benefits, medical aid and low-rent apartments are becoming more and
14 more important. People are greedy. They think that they have 'rights' to these
15 provisions. Instead of self-reliance, they will try every means to pursue the
16 UMLSS welfare that the government is currently providing for them.

17

18 On the other hand, the reluctance of the beneficiaries leave UMLSS can be explained
19 by their difficulties in purchasing basic welfare provisions in the market. This was
20 illustrated from the negative experiences of Ms Xian and Ms Zhang following their
21 leaving of the UMLSS. Having been claiming the UMLSS for more than seven years,
22 Ms Xian's family finally escaped from the UMLSS in early 2010 because she and her

1 husband started to receive pensions about 2,000 yuan per month. She also returned to
2 her original position as an hourly-paid cleaner after retirement that gave her an extra
3 600 yuan per month. Although saying that ‘life is apparently better now’, she was very
4 worried about future accommodation:

5

6 I wish I had understood the policy better before leaving the UMLSS. We sincerely
7 hope that the state can go on helping us. Otherwise, our situation will not become
8 better even though we seem to have more income than before. The rent in the same
9 area is at least 40 yuan per square metre!

10

11 Similarly, Ms. Zhang’s family managed to leave the UMLSS because her husband
12 started to claim his pension with about 2,000 yuan per month. She also worked as a
13 part-time domestic helper with a monthly income of 800 yuan. However, she was
14 regretting their ‘honest’ decision to leave the UMLSS:

15

16 Even with my husband’s pension, I am still feeling stressed about his medical bills.
17 Now we can’t claim reimbursement for all the costs as we did before. We also need
18 to raise money for my daughter’s tuition fee. This apartment is the same size as the
19 previous low-rent apartment, but the price is tripled to 1500 yuan a month. We have
20 been so honest in leaving the UMLSS once our incomes increased. But we may be
21 as poor as before if all these expenses are considered. This means that we actually
22 never get out of poverty.

1

2 By contrast, Mr Chen explicitly stated his unwillingness to leave the UMLSS. Mr Chen
3 was blind in one eye and both his two children were in high school. The only source of
4 income came from his wife, who worked as a casual domestic worker for 800 yuan per
5 month. As he explained:

6

7 The subsidy from the UMLSS doesn't matter. What matters is this low-rent
8 apartment, reimbursement for the treatment to my eye and financial support for
9 the university tuition fees for my children. I know some people will call us 'lazy
10 people', but how can we manage these expenses if we are only earning 800
11 yuan/month in the market?

12

13 The above cases have clearly demonstrated that poor income families in China are kept
14 in the public assistance scheme because of their difficulties in affording housing,
15 medical care and education in the open market. It is only through their UMLSS
16 claimants' status that the basic welfare needs can be met.

17

18 **Conclusion**

19 This study examines whether China's public assistance is too attractive to create welfare
20 dependency and analyses the nature of welfare trap in its public assistance system.

21 The findings from the international measurements on assistance level have confirmed
22 that China's UMLSS assistance thresholds can hardly motivate beneficiaries to 'depend'

1 on its public assistance system. Subordinated to the Chinese government's priorities on
2 economic development, the UMLSS thresholds have been made only the minimal level.
3 As a top official put it, this means the 'minimum needs of the poor population for
4 avoiding hunger and cold' (Duoji, 1997: 253) or 'basic survival conditions for poverty-
5 stricken families' (Zhu, 2000). Compared to the WB standard of '\$1.25 a day', the
6 'minimum living standard' of UMLSS thresholds during 1999-2009 was only
7 equivalent to the poverty lines of the poorest countries in the world. Moreover, the
8 UMLSS thresholds from 1999 to 2012 worked out by using the CBN method showed
9 that the assistance levels could only allow beneficiaries to live on food with cheapest
10 prices, while the non-food costs were not properly included.

11

12 Moreover, the analysis of the subjective experiences of beneficiaries reported in this
13 study shows that their reluctance to leave the UMLSS was associated with supplement
14 benefits that allow them to access basic housing, medical and education services.
15 Paradoxically, this finding echoes previous studies which reported the existence of
16 'welfare dependency' in China (Ci and Lan, 2015; Liu and Lin, 2015). In short, the
17 dependency of UMLSS claimants is an outcome of the marketisation of social
18 services in terms of housing, medical treatments and education following China's
19 economic reforms since the late 1970s. Therefore, the introduction of welfare-to-work
20 measures in recent years can hardly address the 'welfare dependency' of UMLSS
21 beneficiaries if wages are too low to pay for basic welfare services. It is only through
22 effective state interventions to reduce the costs of housing, health and education that

1 can fundamentally tackle the cause of dependency in China.

2

3 **References**

4 Author

5 Barnichon, R. & Figura, A. (2016) 'Declining Desire to Work and Downward Trends
6 in Unemployment and Participation'. *NBER Macroeconomics Annual* 30(1):
7 449-494

8 Bowman, A. & Kearney, R. (2007) *State and Local Government*, 7th ed, Boston:
9 Houghton Mifflin Company.

10 Brezina, T. (2008) 'What Went Wrong in New Orleans? An Examination of the Welfare
11 Dependency Explanation', *Social Problems* 55(1): 23-42.

12 Chen, J., Hao, Q.-J. & Stephens, M. (2010) 'Assessing Housing Affordability in Post-
13 Reform China: A Case Study of Shanghai', *Housing Studies* 25(6): 877-901.

14 Chen, S.-H., Ravallion, M. & Wang Y.-J. (2006) 'Dibao: A Guaranteed Minimum
15 Income in China's Cities?', *Policy Research Working Paper Series*. Washington
16 DC: World Bank.

17 Ci, Q.-Y. & Lan, J. (2015) 'Analysis on 'Welfare' and Anti-Welfare Dependency (in
18 Chinese)', *Wuhan University Journal (Philosophy & Social Sciences)* 68(4):
19 111-119.

20 Corcoran, M., Duncan, G., Gurin, G. & Gurin, P. (1985) 'Myth and Reality: The Causes
21 and Persistence of Poverty', *Journal of Policy Analysis and Management* 4(4):
22 516-536.

- 1 Deng, X.-P. (1980) *Current Situation and Task* (in Chinese).
- 2 <http://cpc.people.com.cn/GB/64184/64186/66677/4493843.html>
- 3 Department for Work & Pensions (2010) *21st Century Welfare*. London: DWP.
- 4 Duoji C.-R. (1997). Actively Establishing the Urban and the Rural Minimum Living
- 5 Standard Guarantee (in Chinese). In: C.-R., Duoji (Eds.), *Research and Practice*
- 6 *of the Civil Affairs Work (Vol. 1)* (pp. 250-256). Beijing: China Social Sciences
- 7 Press.
- 8 Duoji, C.-R. (2001) *Research and Practice of China's Minimum Living Standard*
- 9 *Guarantee Institution* (in Chinese). Beijing: Renmin Press.
- 10 Gao, Q., Yoo, J., Yang, S.-M. & Zhai, F.-H. (2011) 'Welfare Residualism: A
- 11 Comparative Study of the Basic Livelihood Security Systems in China and
- 12 South Korea', *International Journal of Social Welfare* 20(2): 113-124.
- 13 Gao, Q. & Zhai, F.-H. (2012) 'Anti-Poverty Family Policies in China: A Critical
- 14 Evaluation', *Asian Social Work and Policy Review* 6(2): 122-135.
- 15 Gilder, G. (1981)'s *Wealth and Poverty*. New York: Basic Books.
- 16 Gustafsson, B. & Deng, Q.-H. (2011) 'Dibao Receipt and Its Importance for Combating
- 17 Poverty in Urban China', *Poverty & Public Policy* 3(1):1-32.
- 18 Gustafsson, B. & Gang, S. (2013) 'A Comparison of Social Assistance in China and
- 19 Sweden', *China Journal of Social Work* 6(3): 292-310.
- 20 Global Times (2013) *Squeezing the Exaggeration of the UMLSS Welfare* (in Chinese).
- 21 <http://finance.huanqiu.com/comment/2013-07/4129621.html>
- 22 Han, K.-Q. & Guo, Y. (2012) 'The Myth of Welfare Dependency in China: An

- 1 Empirical Study on China's Urban Minimum Living-hood Guarantee Scheme' (in
2 Chinese), *Sociological Studies* (2): 149-167.
- 3 Hancock, L. & Mooney, G. (2013) 'Welfare Ghettos' and the "Broken Society":
4 Territorial Stigmatization in the Contemporary UK', *Housing, Theory and*
5 *Society* 30(1): 46-64.
- 6 Hussain, A. (2003)*Urban Poverty in China: Measurement, Patterns and Policies*.
7 Geneva: International Labour Office.
- 8 International Monetary Fund (2010) *World Economic Outlook Database 2010*.
9 <http://www.imf.org/external/pubs/ft/weo/2010/02/weodata/index.aspx>
- 10 Jordan, G. (2004) 'The Causes of Poverty Cultural vs. Structural: Can There Be a
11 Synthesis?' *Perspectives in Public Affairs* 1: 18-34.
- 12 Khan, A. R. & Riskin, C. (2001)*Inequality and Poverty in China in the Age of*
13 *Globalization*. Oxford: Oxford University Press.
- 14 Liu, L.-C. & Lin, M.-G. (2015)'Does 'Raising Lazy People' Exist?: A Study on
15 Welfare Dependency in the UMLSS' (in Chinese), *Dongyue Tribute* 36(10): 37-
16 42.
- 17 Ministry of Health (2009) *An Analysis Report of National Health Services Survey in*
18 *China 2008*(in Chinese). Beijing: Peking Union Medical College Press.
- 19 Meng, X., Gregory, R. & Wang, Y.-J. (2005)'Poverty, Inequality and Growth in
20 Urban China 1986-2000', *Journal of Comparative Economics* 33(4): 710-729.
- 21 Mitchell, D. (2015). *Dependency, Work and the Growing Welfare State*.
22 http://www.thecommentator.com/article/5796/dependency_work_and_the_gro

1 wing_welfare_state.

2 Murray, C. (1984) *Losing Ground: American Social Policy 1950-1980*. New York:
3 Basic Books.

4 National Bureau of Statistics (various years) *China Statistical Yearbook 2010* (in
5 Chinese). Beijing: China Statistics Press.

6 Ngok, K., Chan, W. K. and Peng, Z. (2011) Workfare in Mainland China: A Reaction
7 to Welfare Dependency?' in C. K. Chan and K. Ngok (eds.) *Welfare Reform in*
8 *East Asia: Towards Workfare?* pp. 17-40. London: Routledge.

9 Orshansky, M. (1965)'Counting the Poor: Another Look at the Poverty Profile'.
10 *Social Security Bulletin* 28(1): 3-29.

11 Ravallion, M. & Chen, S.-H. (2007) 'China's (Uneven) Progress against Poverty',
12 *Journal of Development Economics* 82(1): 1-42.

13 Ravallion, M. (1998). 'Poverty Lines in Theory and Practice', *Living Standards*
14 *Measurement Study Working Paper*. Washington DC: World Bank.

15 Ravallion, M., Chen, S.-H. & Sangraula, P. (2008)'Dollar A Day Revisited', *Policy*
16 *Research Working Paper Series*. Washington DC: World Bank.

17 Ravallion, M., Datt, G. & Van De Walle, D. (1991)'Quantifying Absolute Poverty
18 in the Developing World', *Review of Income and Wealth* 37(4): 345-361.

19 Ringen, S. & Ngok, K. (2013)*What Kind of Welfare State Is Emerging in China?*.
20 United Nations Research Institute for Social Development.

21 Shen, L. (2012)'Are Housing Prices too high in China?', *China Economic Review*
22 23(4): 1206-1210.

- 1 Shildrick, T. & Rucell, J. (2015) *Sociological Perspectives on Poverty Tracy*. York:
2 Joseph Rowntree Foundation.
- 3 Slater, T. (2012) ‘The Myth of “Broken Britain”: Welfare Reform and the Production
4 of Ignorance’, *Antipode* 46(4): 948–969
- 5 State Council (1997) *State Council’s Announcement on Establishing a National
6 Minimum Living System for Urban Residents*. [https:
7 www.mca.gov.cn/article/content/WDB_ZCWJ/2003/22484945.htm](https://www.mca.gov.cn/article/content/WDB_ZCWJ/2003/22484945.htm).
- 8 U.S. Department of Health and Human Services (2014) *Welfare Indicators and Risk
9 Factors: Thirteenth Report to Congress*,
10 [https://aspe.hhs.gov/report/welfare-indicators-and-risk-factors-thirteenth-
11 report-congress](https://aspe.hhs.gov/report/welfare-indicators-and-risk-factors-thirteenth-report-congress)
- 12 Walker, A. & Wong, C. K. (eds.) (2005) *East Asian Welfare Regimes in Transition:
13 From Confucianism to Globalisation*. Bristol: The Policy Press.
- 14 Wang, M.-D. (1998) *The Human Rights Protection of China’s Prisoners* (in Chinese).
15 http://www.humanrights-china.org/cn/zt/qita/zgrqyjh/lslt/t20061025_170892.htm
- 16 Wang, Y.-J. (2002) ‘Assessment and Analysis of Urban Poverty in China’ (in
17 Chinese), *Market and Demographic Analysis* 8(6): 14-18.
- 18 Wang, Y.-J. (2006) ‘Evaluation to Policy Implementation on the UMLSS’ (in
19 Chinese), *Statistical Research*(10): 49-54.
- 20 White, L. (2001) ‘No Exit: Rethinking "Welfare Dependency" from a Different
21 Ground’, *Australian Journal of Social Issues* 36(3): 221-236.
- 22 Whyte, M. K. (2010) *Myth of the Social Volcano: Perceptions of Inequality and*

- 1 *Distributive Injustice in Contemporary China*. Stanford: Stanford University
2 Press.
- 3 World Bank (2009) *From Poor People to Poor People: China's Evolving Poverty*
4 *Reduction Agenda*. Beijing: World Bank.
- 5 World Health Organization et al., (2004) *Human Energy Requirements*.
6 <http://www.fao.org/docrep/007/y5686e/y5686e00.htm>
- 7 Yao, S.-J. (2004) 'Unemployment and Urban Poverty in China: A Case Study of
8 Guangzhou and Tianjin', *Journal of International Development* 16(2): 171-188.
- 9 Yao, S.-J., Luo, D. & Wang, J.-L. (2014) 'Housing Development and Urbanisation in
10 China', *The World Economy* 37(3), 481-500.
- 11 Zhang, H.-M. (2012) 'Discourse Change and Policy Development in Social
12 Assistance in China', *International Journal of Social Welfare* 21(4): 433-442.
- 13 Zhou, F.-H. (2012) 'Selectivity, Welfare Stigma, and the Take-up of Social Welfare:
14 How Do Chinese People Manage Welfare Stigma?', Working Paper of Harvard-
15 Yenching Institute.
- 16 Zhu R.-J. (2000) *To Quickly Improve the System of Social Security and Well Ensure*
17 *the Long-Term Stability of the State* (in Chinese).
18 <http://cpc.people.com.cn/GB/64184/64186/66689/4494504.html>
- 19 Zhu, R.-J. (2002). *To Conduct Well the Work of Re-Employment and Social Security*
20 (in Chinese). <http://cpc.people.com.cn/GB/64184/64186/66690/4494542.html>