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## State Self-earned Income and Welfare Provision in China

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### *Abstract*

Local governments in China in the 1990s relied increasingly on self-earned income, but little is known about the impact of this on the provision of public goods, especially in wealthy urban areas. This paper shows how departments charged with providing welfare and social services to the poor have been supplementing budgetary expenditures with other, self-earned, finance. Based on research in the city of Tianjin, it argues that although self-earned income can increase spending on welfare and social services, increasing reliance on such income, and variation in departmental capacities to generate it, exacerbate already inequitable welfare provision even within this wealthy city. It also creates conflicts of interest and problems for local government spending controls.

### **Introduction**

Since the early 1990s there has been a growing appreciation of the extent to which local governments in China have in the post-Mao period used non-budgetary income to finance government work and administration.<sup>1</sup> Studies of China's fiscal system have noted the increase in local government 'extrabudgetary' and 'self-raised' funds<sup>2</sup>, and several accounts of local government work show the growing importance of income derived from non-budgetary sources, including businesses of various kinds.<sup>3</sup> While acknowledging that self-earned income does provide much-needed finance for local governments<sup>4</sup>, studies have noted the problems it creates by focussing government attention on revenue generation to the detriment of official tasks<sup>5</sup>, and providing opportunities for corruption.<sup>6</sup> However, just as significant is the impact on public goods provision. Park, Rozelle, Wong and Ren have argued that because in a context of fiscal decentralisation and increasing self-reliance there is little or no redistribution of self-earned income, reliance on it is likely to exacerbate existing inequalities in government revenues and expenditures.<sup>7</sup> West and Wong have shown in their comparative study of in Shandong and Guizhou how reliance on self-earned income has amplified disparities in spending on education and health services not only between poorer and richer provinces, but within provinces, between urban and rural sectors, between large and small cities, and across rural counties and townships.<sup>8</sup>

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This paper examines the generation of self-earned income by district and sub-district level departments charged with the provision of welfare and related social services in the wealthy coastal city of Tianjin, and assesses its effects on provision.<sup>9</sup> It differs from earlier studies in its study of the impact of self-reliance on social welfare but also in its focus on one of the richest cities in China, and in its intra-city comparison of district governments. The paper is organised as follows. First, it shows why ‘civil affairs’ departments<sup>10</sup>, the main government providers of welfare, began trying to increase their self-earned income from the 1980s as government spending on civil affairs declined as a share of total spending.<sup>11</sup> It then examines the ways in which these departments have generated their own income and its impact on the provision of welfare. I argue first that the quest for income in the civil affairs system is due to budgetary underfunding that led the Ministry of Civil Affairs to openly encourage those activities in the early 1990s. Second, because budgetary investment in civil affairs work is decentralised to local levels, it varies at those levels, dependant largely on the state of the local economy. Since the local economy is an important influence on district and sub-district level departments’ capacities to earn their own income, inequalities in self-earned income can exacerbate existing inequalities in budgetary welfare spending across even a wealthy city like Tianjin. At a time of growing inequality and poverty among urban residents, such inequalities in welfare spending are cause for great concern.<sup>12</sup>

This account uses documentary sources to show the budgetary problems of civil affairs departments and their increasing reliance on self-earned income nationally since the mid-1980s, and central government policy. Since, as I will discuss below, data on self-earned income are difficult to obtain and unreliable, I use interviews with officials in civil affairs departments, district governments and neighbourhood offices, and local social scientists in the northern coastal city of Tianjin between 1993 and 1999 to show the effects of reliance on that income. Although systematically comparable figures for self-earned income and the funding of welfare and social services across the sub-municipal districts were not available in Tianjin, the interviews did produce a clear picture of the growing disparities in welfare and social services funding and provision.

### **The Budgetary Underfunding of Welfare and Social Services**

The provision of welfare and social services in China has been handled since 1949 (and indeed before) by ‘civil affairs’ departments.<sup>13</sup> Currently, there is a Ministry of Civil Affairs (MCA) within the central government, and below it a hierarchy of civil affairs bureaux

(CABs) at provincial, city, county, town and urban district levels, and civil affairs sections within rural township governments and urban neighbourhood offices (see Figure 1).<sup>14</sup> In China, the ‘social welfare’ (*shehui fuli*) provided by civil affairs departments has since the 1950s comprised material social relief (*shehui jiuji*), social services (*shehui fuwu*) and social preferential treatment (*shehui youfu*), all of which were eligible to only a narrow segment of the population.<sup>15</sup> Social relief referred to material assistance for those with no work, no source of income and no family, usually elderly or disabled people and orphans, though it was also extended to small numbers of families in extreme poverty.<sup>16</sup> This has been extended in the 1990s, with the creation of ‘minimum living security’ (*zuidi shenghuo baozhang*, MLS) in cities across China, for those whose income falls beneath a certain basic level.<sup>17</sup> Social services were provided to the same group of people, and include residential care, home help, and the provision of leisure and other facilities, such as local health clinics. Social preferential treatment was, and still is, given to dependants of military servicemen, disabled army veterans and their dependants, and the dependants of revolutionary heroes. The narrow scope of welfare provisions by civil affairs departments was partly due to the fact that they were provided within a context of almost guaranteed employment and a system in which most of the urban working population and their dependants were provided with social insurance and other benefits through their work places.

[INSERT FIGURE 1 ABOUT HERE]

Since the mid-1980s, when the urban reforms began, social change, particularly growing income inequalities and the dismantling of the work unit system, has increased the need for welfare and social services, and the scope of civil affairs departments’ work has widened.<sup>18</sup> Although there has been a focus on rural poverty alleviation and on improving support for ex-servicemen and their families (the latter driven by policies to modernise the army), other welfare and social services initiatives, even relatively well-publicised ones such as ‘community services’, have received little investment.<sup>19</sup> Civil affairs departments are widely recognised to be underfunded and ‘poor’.<sup>20</sup> Indeed, despite the introduction of MLS, which in principle substantially extended eligibility for social relief payments, budgetary spending on civil affairs nationally has declined since the early 1980s as a proportion of total government budgetary spending (see Table 1). The average annual share was 1.62% between 1980 and 1984, 1.54% between 1985 and 1989, 1.51% between 1990 and 1994, and 1.49% between 1995 and 1999.<sup>21</sup> Moreover, inflation has reduced spending in real terms. In 1995, government spending on civil affairs work was at 87.2 per cent of the 1990 figure at constant prices.<sup>22</sup> Reports from across the country reinforce the picture of underfunding and shortages

of local government finance for civil affairs work at every level<sup>23</sup>, and the damage this has done to the provision of welfare and social services<sup>24</sup>, particularly material social relief.<sup>25</sup>

[INSERT TABLE 1 ABOUT HERE]

### **Supplementing Budgets with Self-earned Income**

In response to their growing financial problems, the MCA and civil affairs departments at all levels of the system made repeated pleas for more budgetary investment, particularly in the early to mid-1990s.<sup>26</sup> At the same time, the MCA openly encouraged civil affairs departments to find income from alternative, non-budgetary, sources.<sup>27</sup> Although these departments had long had ‘welfare enterprises’, which provided employment for people with disabilities while at the same time generating extrabudgetary funds<sup>28</sup>, in the late 1980s and 1990s these struggled to compete in the market economy.<sup>29</sup> The first concession in the face of budgetary shortages came in 1987 when an exception was made to the prohibition on gambling so that civil affairs bureaux could run lotteries to raise money for spending on welfare, especially provisions for people with disabilities, orphans, and community services.<sup>30</sup> From 1987 to 1995 lottery ticket sales earned 4.18 billion *yuan* nationally, of which 2.64 billion *yuan* had been spent on welfare projects by mid-1996<sup>31</sup>, the equivalent of almost 5 per cent of civil affairs spending over the same period.

From 1992, under the rubric of developing ‘tertiary industry’<sup>32</sup>, the MCA began to encourage a wider variety of methods for generating EBF, or self-earned income.<sup>33</sup> Most of the suggestions for raising income applied to state or local government-run welfare institutions such as homes for the elderly and disabled, and orphanages, which were encouraged to charge fees to some of their residents or ‘customers’, and turn them into businesses.<sup>34</sup> However, the MCA also suggested that civil affairs departments themselves get involved in various new revenue-generating projects, for example by setting up real estate businesses or finance companies to handle ‘welfare capital’ such as rural old age pensions and mutual funds. Even the Ministry itself set up a ‘civil affairs welfare real estate development company’ and created development zones to develop ‘civil affairs economy’ and train people in business management for poor areas.<sup>35</sup> In November 1993, the MCA also encouraged community service centres run by civil affairs departments to provide social services to ‘broaden their scope of service and business ... and transform themselves into economic entities’, charge fees for services and seek foreign investment.<sup>36</sup>

### *Self-Earned Revenues in the Civil Affairs System: the Local Experience*

Civil affairs departments and institutions that handle welfare provision have heeded the MCA's call to seek alternative sources of finance and supplement state budgetary allocations and longstanding forms of extrabudgetary funds (EBF). They have developed the so-called 'civil affairs economy' through lotteries, soliciting donations for the charitable funds they managed, setting up street markets and new businesses, and helping their welfare enterprises and non-profit making institutions set up businesses.<sup>37</sup> They also have derived income from fees for official tasks such as registering marriages and social organisations.<sup>38</sup>

Lotteries were particularly popular. As one Tianjin district civil affairs bureau chief noted, because they need little capital investment, involve little risk, and produce quick profits, lotteries can be one of the best means of generating income.<sup>39</sup> Indeed, for some CABs, lotteries can earn large sums of money and have become an important source of revenue.<sup>40</sup> For example, in one Tianjin district, two recent lottery rounds had earned a total of four million *yuan*. Of this, the district CAB kept 800,000 *yuan*, or one fifth of the takings, the equivalent of more than half of its annual budgetary expenditures.<sup>41</sup> The income was used for a variety of purposes, including to build or renovate welfare homes, homes for the elderly, health and community services centres and welfare enterprises, social relief, helping people with disabilities, and the provision of larger facilities for which budgetary finance was inadequate.<sup>42</sup>

Civil affairs departments have also used other methods to raise income.<sup>43</sup> For some, soliciting donations is, like the lotteries, an easy means of doing this<sup>44</sup>, and the poverty relief and other funds that donations are paid into, as well as pension funds under their control, are often invested to generate further capital.<sup>45</sup> In one place, around 50,000 *yuan* of the proceeds from this kind of reinvestment had been used for 'welfare services', to set up welfare enterprises and a 'people's welfare trade company', and to help three welfare institutions to develop sideline industrial production.<sup>46</sup> Of course, there are also many reports in China of officials pocketing such funds for themselves or losing funds due to poor investment decisions.<sup>47</sup>

In addition to exploiting income under their control, many departments have begun businesses related to the various spheres of civil affairs work.<sup>48</sup> For example, because they are charged with managing marriage registrations, they set up companies to provide extra wedding services. One CAB chief noted that weddings, like funerals and lotteries, were good sources of income because they fell within the sphere of civil affairs work and so other departments could not

compete.<sup>49</sup> Though perhaps less lucrative than some businesses, such activities have nevertheless earned useful sums: one department had made 30,000 *yuan* (about US\$3,750) from this work between 1993 and early 1995.<sup>50</sup>

Civil affairs departments have also been setting up businesses unrelated to their administrative work.<sup>51</sup> The range of such ventures is extremely varied, from factories and commercial ventures to dance halls to hostels.<sup>52</sup> Some departments set up 'civil affairs commercial zones',<sup>53</sup> and have invested in developing street markets, shops, and leisure facilities.<sup>54</sup> In one poor county, the civil affairs department had invested all it could afford in developing a mine and a pig farm, and was planning to raise sheep, cows and rabbits to earn income.<sup>55</sup> While some of these businesses may employ disabled workers and be classified as welfare enterprises, many are referred to as 'tertiary enterprises', a term which usually means they are purely profit-seeking sideline businesses.

#### *Neighbourhood Offices and Self-earned Income*

Neighbourhood offices (NOs) are sub-district government agencies staffed by cadres and in receipt of district budgetary allocations (see Figure 1). An urban district in a large city like Tianjin might contain 15-20 neighbourhood offices, each with a population of 50-80,000 people. Each neighbourhood office contains sections that are subordinate to bureaux within its district government.<sup>56</sup> These offices are the lowest tier of urban state administration, and it is necessary to understand their situation to gain a full picture of civil affairs work because their civil affairs sections carry out much of the actual delivery of urban welfare and social services.<sup>57</sup> These sections distribute social relief on behalf of district civil affairs bureaux, arrange and direct the provision of community services<sup>58</sup>, organise volunteers, and co-ordinate social services. They are often well placed to do this because they are also the departments charged with handling residents' committees, the 'self-governing mass organisations' that actually do much of the community social work. Neighbourhood offices now also provide some of the homes for the elderly and health and recreational facilities for the elderly and disabled. Partly because of the focus on community services and mutual self-help, much of which they handle, and because of increasing poverty, inequality and other social problems, the civil affairs work that neighbourhood offices do has increased in the reform period.<sup>59</sup>

Fieldwork in Tianjin also shows that its NOs were underfunded in the 1990s.<sup>60</sup> Their budgetary allocations declined until they became insufficient not only for their administrative running costs, but even for staff salaries.<sup>61</sup> The shortfalls affected their ability to do their work, including welfare work.<sup>62</sup> Moreover, NOs which often, like civil affairs bureaux, earn

EBF from welfare enterprises, have seen a decline in this source of income and in that from their other collective enterprises, which also often struggle to compete in emergent markets.<sup>63</sup> Documentary information on neighbourhood office finance is not published in China, but interviews in Tianjin revealed that NOs, like CABs, frequently supplement their budgetary allocations with their own self-earned income.<sup>64</sup> They have used similar methods to the CABs to earn income for salaries and running costs, and to fund their work, including welfare and social services.<sup>65</sup> In addition to existing revenues from long-standing sources of EBF, such as welfare and other collective enterprises<sup>66</sup>, NOs are generating new income from local street markets and service sector businesses, including housing and real estate development, trade companies<sup>67</sup>, and, like CABs, from donations and fees.<sup>68</sup> One Chinese civil affairs journal reported that in the civil affairs section of one neighbourhood office in Tianjin had set up a 'civil affairs' street market that both raised funds for the civil affairs departments and provided employment for unemployed and disabled people in the neighbourhood.<sup>69</sup> In addition, NOs also take a share of income raised by the residents' committees within their area, sometimes even requiring residents' committees to generate income.<sup>70</sup> The residents' committees do this by charging fees for community services, running small shops and small-scale businesses and sometimes even gambling halls.<sup>71</sup> Such income has been used to provide welfare facilities such as homes for the elderly, nurseries for children, and to build community services centres and supplement material relief for the needy.<sup>72</sup>

### **Outcomes of Reliance on Self-earned Income**

#### *Differential Earning Capacity and Local Economies*

Official figures indicate that the amounts of extrabudgetary income CABs and NOs are able generate for themselves can vary significantly between provinces.<sup>73</sup> Similarly, fieldwork in Tianjin indicates that there are differences across urban districts and sub-district neighbourhood offices in ability of CABs and NOs to generate non-budgetary income.<sup>74</sup> But what explains these differences? West and Wong have argued with relation to self-earned income for education and health services in rural areas, that such differences are often linked to the performance of the local economy and the presence or absence of rural township and village enterprises (*xiangzhen qiye*).<sup>75</sup>

In Tianjin, officials similarly linked the earning capacity of civil affairs departments and neighbourhood offices primarily to the nature of the local economy. Of course, other factors can be influential. For example, lottery success can be dependent on the presence or absence of competing lotteries or on good advertising<sup>76</sup>, and both lottery and business success may also be linked to the initiative and abilities of officials in these departments and their



willingness to pursue such activities. However, according to the officials themselves, a significant factor determining earning capacity is the economic environment at even the highly localised district and sub-district level: civil affairs departments in districts and neighbourhood offices in the city centre, where property has higher value and there are more commercial opportunities, are better placed than those in poor, residential areas to earn income from a range of activities, from lotteries and charitable donations to business.<sup>77</sup>

Because information on self-earned income is closely guarded by officials against higher levels of government who might want to top-slice it, there is no reliable data to correlate amount of self-earned income with proximity to a good business environment.<sup>78</sup> However, interviews in a number of neighbourhood offices across the city revealed stark contrasts in earning capacity that neighbourhood officials themselves and other observers linked to location.<sup>79</sup> The differences can be particularly sharp in relation to lotteries. In the 1990s, civil affairs bureaux in Tianjin's central urban districts, where there are more shoppers and tourists, held lotteries regularly, sometimes weekly, while those in outlying suburban districts had to limit themselves to one or two per year because they could not sell tickets if they held more.<sup>80</sup> Since, as noted above, the amounts of money earned from lotteries could be very large—one district civil affairs bureau in Tianjin had earned the equivalent of half its annual budgetary income in one round—this could substantially transform the total finance available to district civil affairs departments.<sup>81</sup>

The differences in income from business activities can also be significant and are influenced by the same economic factors. For example, a neighbourhood office in a central, commercial district had two welfare enterprises, thirty factories, restaurants and karaoke bars, and three street markets, which altogether earned over ten million *yuan* per year in profits and taxes, making this the fifth most economically successful neighbourhood in the city.<sup>82</sup> Indeed such was the earning capacity of neighbourhood offices right across this particular district, that none now received any budgetary investment from the district government and were entirely self-reliant.<sup>83</sup> In contrast, a neighbourhood office in a poor, residential district had few revenue-generating opportunities. According to its officials it had no service sector businesses because they were not viable in such a depressed part of town. It was unable even to make money from street markets (though in some parts of the city, markets can earn 80,000 to 100,000 *yuan* per year).<sup>84</sup> Officials in this neighbourhood office were therefore reliant on its failing old collective enterprises and on renting out their office space. Though they had generated some limited income from renovating slum housing there was little capital for new welfare facilities and social services. The neighbourhood could not afford a much-needed

renovation and expansion of its small home for the elderly, had no community services centre, and was obliged to use volunteers and charge fees for many of the services it provided, a practice its leading official criticised as inappropriate.<sup>85</sup>

### *The Exacerbation of Existing Inequalities*

Differences in urban district and sub-district civil affairs department capacities to generate extra-budgetary revenue exacerbate rather than compensate for differences in budgetary revenues and expenditures. Civil affairs budgetary spending is decentralised throughout the system, with less than one per cent financed by the central government.<sup>86</sup> Thus, there are inequalities not only between provinces, but within them. Just as provincial level figures on civil affairs budgetary spending show poorer provinces such as Yunnan and Inner Mongolia lagging behind richer ones like Beijing, Shanghai and Guangdong<sup>87</sup>, so there are differences at sub-provincial and sub-municipal levels. In urban districts, budgetary revenues (like those of rural counties and townships) are a share of locally-collected taxes<sup>88</sup>, and here too, redistribution of such revenues is limited so that districts with higher revenues have higher budgetary expenditures.<sup>89</sup> Perhaps because cities are relatively small in terms of area, with dense populations and integrated transport systems, it is expected that there will be greater centralisation and redistribution within them. However, the self-reliance of districts, many of which have populations as large as 450-700,000 is still substantial. Since a large proportion of government revenue is derived from business taxes, business districts such as Heping district in the centre of Tianjin tend to have the highest revenues, and as a result sometimes almost twice the per capita expenditures of the poorest districts (see Table 2).<sup>90</sup>

[INSERT TABLE 2 ABOUT HERE]

Thus, those district governments with the highest budgetary revenues are precisely those whose departments have the best opportunities for generating self-earned income.<sup>91</sup> Although figures on district level civil affairs expenditure are rarely published, CABs in wealthier districts in Tianjin do receive significantly greater budgetary allocations from their respective district finance departments.<sup>92</sup> For example, one wealthy district bureau reported that it received all the funding that it needed in the form of district budgetary allocations (around 1.2-1.4 million *yuan* per year) and had just built a large community services centre. Contrast this with a middle-income district bureau, which reported that budgetary allocations were insufficient for capital investment in new facilities.<sup>93</sup> Meanwhile, some poor districts, like Hebei, where traditional local industry was in decline, were unable to pay even the full budgetary allocations due to their administrative departments, so that finding investment for

regular civil affairs work, let alone new facilities, was difficult.<sup>94</sup>

To compound these inequalities, lower levels of budgetary funding and fewer opportunities to generate income are increasingly likely to be in sub-municipal districts where poverty is greatest and more people are in need of welfare.<sup>95</sup> As housing markets emerge and income inequalities grow, poorer residents are moving out of the wealthier central urban district of Heping and into the cheaper housing in outlying districts with fewer resources to spend on welfare.<sup>96</sup> Since access to most civil affairs welfare and social services are (unlike health services) based on residence within the administrative jurisdiction of a particular district and neighbourhood office, people cannot obtain them in other parts of the city where provision is better. Social researchers in Tianjin reported that poor people preferred to live in central Heping district because social relief, including extra material relief above the stipulated provisions, and other facilities were better than elsewhere in the city.<sup>97</sup>

However, three factors may reduce the extent to which self-earned revenues exacerbate existing inequalities in district wealth and welfare financing. First, departments which successfully earn their own income often receive little or no budgetary finance. For example, in Tianjin in the mid- to late 1990s, all the neighbourhood offices in wealthy central Heping district were financially independent and received none of their income from the district. In poorer districts, meanwhile, governments seemed to finance where they could: between 1992 and 1994 the fiscal situation had been extremely tight in one Tianjin middle-income district and so four of its NOs had received only 20 per cent of their salaries. However after 1994, when fiscal revenues increased because of the tax reforms that year, the district raised its budgetary allocation and paid 50 per cent of the wage bill. But one poorer district was simply unable to maintain budgetary allocations, and budgetary finance to one of its NOs had steadily declined as a proportion of that NO's spending from 90 per cent in 1992 to 50 per cent in 1993 and 30 per cent in 1996. Even though it had relatively few opportunities to earn income from other sources, this NO had been forced to rely on its own self-generated income to make up the difference.<sup>98</sup> Thus, while reductions in government budgetary funding to high income generating departments can offset some inequalities, given the capacities of some departments to generate revenue and the severe budgetary shortages of others, significant differences may remain.

Second, inequalities may also be offset by municipal government redistribution among the districts and NOs through earmarked grants.<sup>99</sup> For example, in Tianjin the municipal government had allocated 250,000 *yuan* for spending on community services work, and civil

affairs departments were invited to apply for a share of this. Similarly, some of the city's lottery income has been redistributed to the districts and NOs to set up welfare enterprises.<sup>100</sup> However, such grants are often awarded only when there are matching funds for a project, so that this redistributive mechanism still discriminates against the poorest departments.<sup>101</sup> Moreover, these extra *ad hoc* funds are unlikely to provide adequate compensation for consistent underfunding of civil affairs work and salaries. Certainly, provincial level reports argue that differential budgetary investment at lower levels has a detrimental impact on basic civil affairs work.<sup>102</sup>

Third, not all the self-earned income of CABs and NOs is spent on welfare. Particularly where salaries are not being met from local government coffers, self-earned income seems to be used first to pay these (and the pensions of former officials, often a considerable amount). Documentary accounts from across the country indicate that self-earned income is also used for general running costs<sup>103</sup>, to renovate buildings and offices, provide housing for staff, and buy computers,<sup>104</sup> as well as to supplement welfare provision. Indeed large amounts are sometimes spent on improving the working environment of the civil affairs departments themselves. For example one county bureau in Zhejiang had invested 1.6 million *yuan* earned from its economic activities in renovating its offices and fitting them out with computers and new furniture, and 1.5 million *yuan* in building a dormitory building for its staff and supplying them with pagers.<sup>105</sup> Income is also often reinvested in enterprises, in establishing new street markets or in developing business or other revenue-generating capacities.<sup>106</sup> For example, of the one million *yuan* that one neighbourhood office in Tianjin had earned, only a few thousand was given to community service work and most of the rest was ploughed back into business ventures.<sup>107</sup> Although officials in one neighbourhood claimed that 'some of the NO's income from its enterprises is used for services to residents, and to solve their problems'<sup>108</sup>, departments seem most commonly to use their funds to provide welfare facilities that require one-off injections of capital, such as the construction of community services centres and old people's homes.<sup>109</sup> However, wealthy districts in both Tianjin and Shanghai were also reported to spend more on social relief, including one-off payments to the poor for example at Spring Festival, and regular social relief payments to those just above the poverty line and so not eligible for standard MLS payments.<sup>110</sup>

### **Conclusions: Self-earned Income, Welfare Delivery and Urban Inequality**

Studies of government finance in China have noted the growth of extrabudgetary and self-raised finance. This paper shows self-earned finance to now be a significant source of revenue among many civil affairs departments and neighbourhood offices in part because the MCA

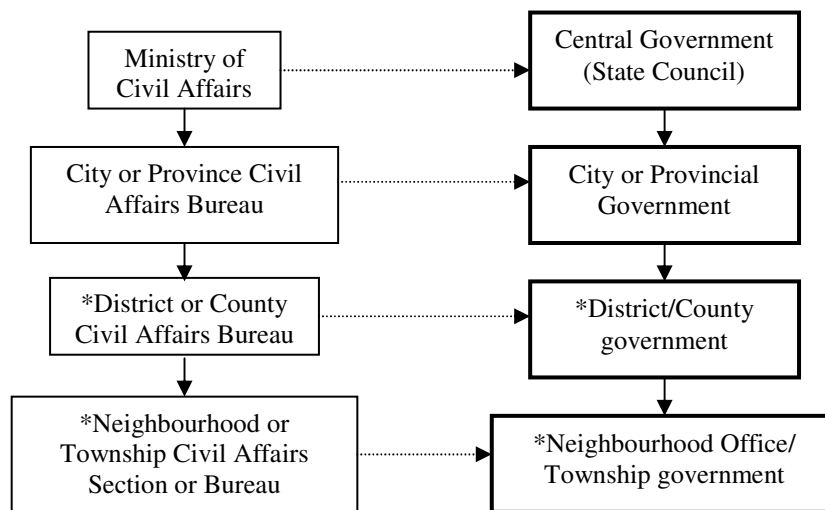
openly encouraged revenue-seeking activities in the early 1990s as budgetary investment declined. Self-earned income clearly provides injections of finance that pay salaries and improve the working environment of civil affairs officials and also supplement spending on capital projects for welfare facilities and social relief payments to the poor. Assuming an inability to shift more budgetary investment over to welfare, it may also allow some improvements in welfare provision that would not otherwise have been possible.<sup>111</sup> (Though it may of course give local governments an excuse for not increasing budgetary allocations.) Where departments are able to generate their own revenues, homes, centres and facilities for disabled people are being built with the proceeds. In the debate over these activities that has taken place in the civil affairs system's journals, some CAB chiefs have therefore argued that developing civil affairs economy has produced positive results.<sup>112</sup>

However, while reliance on self-earned income is improving the situation for some, it is a poor substitute for adequate and well-planned budgetary investment because of the problems it creates. First, it threatens to undermine the administration of service delivery. As other studies have noted, the economic activities of government departments raise questions about the proper limits of government work.<sup>113</sup> Indeed, some CAB officials have themselves argued the principle that civil affairs departments are a part of the government and therefore should not be engage in economic activities<sup>114</sup>, while others have condemned those activities for leading officials to focus their efforts on revenue-generating projects to the detriment of their core tasks.<sup>115</sup> Moreover, reliance on self-earned income weakens state controls over government finance and hence the co-ordination and planning of its work. Although the new revenues have sometimes involved a legitimate expansion of the EBF category to include income from lotteries, new 'tertiary' businesses, and rent on office space, many new revenues are better termed 'extra-system finance' because they fall outside the conventional budgetary and extrabudgetary categories and are less well-monitored.<sup>116</sup> It can therefore be especially difficult to prevent misuse of such finance.<sup>117</sup> Although new measures were introduced in an attempt to gain control from 1995<sup>118</sup>, a Tianjin official noted later that decade that still no-one now knew how much money CABs at each level had, how much they needed, and how much they were really spending. Meanwhile 'civil affairs economy', particularly lotteries and tertiary industry in community services work, continued to be promoted in the late 1990s.<sup>119</sup>

A less obvious problem with increasing reliance on self-earned income is its contribution to inequalities in public services provision. Studies of the fiscal system have argued that reliance on self-earned income can exacerbate inequalities in public services such as education and health between provinces, between urban and rural areas, and across rural areas.<sup>120</sup> This paper

shows the same problems to be present in relation to the provision of civil affairs welfare and social services. It also shows there to be significant differences across urban districts in the city of Tianjin. Even in this wealthy coastal city significant differences in the self-earned income of CABs and NOs can intensify differences between districts in the quantity and quality of welfare and social services provision. Aggregate municipal figures on the economy and government spending hide the fact that here, too, fiscal decentralisation limits redistribution of budgetary resources and an urban district government's spending is tied to its economy. Disparities between urban districts in budgetary revenues and expenditures are then magnified by reliance on income earned from other sources by district and sub-district governments because the same factors that contribute to high budgetary revenues also affect ability to generate self-earned income. Despite the conspicuous consumption of central urban districts and higher average per capita incomes, there is growing inequality within urban populations. Without more intra-city redistribution that takes into account self-earned as well as budgetary finance, and particularly if there is a trend toward the concentration of poor people in self-reliant poor districts, welfare provisions may be least adequate where they are most needed.

**Figure 1: The Civil Affairs Administration**



**Key**

- > Hierarchical control
- .....> Part of

\*Districts and neighbourhood offices are urban administrative units, county and townships are rural administrative units.

**Table 1: Civil Affairs Spending as a Share of Total Government Spending in China, 1980-1999 (%)**

Year	Share of spending	Year	Share of spending
1980	1.44	1990	1.54
1981	1.72	1991	1.67
1982	1.70	1992	1.42
1983	1.69	1993	1.40
1984	1.59	1994	1.50
1985	1.64	1995	1.52
1986	1.51	1996	1.53
1987	1.49	1997	1.44
1988	1.50	1998	1.50
1989	1.57	1999	1.48

Source: Ministry of Civil Affairs, *Statistical Yearbook of Civil Affairs 2000*, p.303.

**Table 2: Tianjin Urban District Government Average Per Capita Revenues and Expenditures, 1995 & 1999 (yuan)**

District	1995		1999	
	<i>Revs</i>	<i>Exps</i>	<i>Revs</i>	<i>Exps</i>
<b>Heping</b>	479	478	850	992
<b>Nankai</b>	175	256	257	478
<b>Hedong</b>	162	277	294	462
<b>Hexi</b>	164	261	299	455
<b>Hebei</b>	172	295	292	438
<b>Hongqiao</b>	128	249	211	424

Source: Tianjin Statistical Bureau, *Tianjin Statistical Yearbook*, 1996, 2000.



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### Endnotes

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<sup>1</sup> This did happen before the reform period, but to a lesser extent given the limited opportunities for earning revenue.

<sup>2</sup> Albert Park et al., "Distributional Consequences of Reforming Local Public Finance in China," *The China Quarterly*, no. 147 (1996); Loraine A. West and Christine P.W. Wong, "Fiscal Decentralization and Growing Regional Disparities in Rural China: Some Evidence in the Provision of Social Services," *Oxford Review of Economic Policy* 11, no. 4 (1995); Christine Wong, Christopher Heady, and Wing T. Woo, *Fiscal Management and Economic Reform in the People's Republic of China* (Hong Kong: Oxford University Press, 1995). In this paper I use 'self-earned income' interchangeably with 'self-earned revenues' to include both the extrabudgetary funds (which are legal and part the fiscal system, but less well controlled and monitored by local governments) and self-raised finance (*zichou zijin*, sometimes called 'extra-system funds', because they are even less well-monitored) of state agencies. For a more detailed description see Park et al., "Distributional Consequences of Reforming Local Public Finance in China"; Wong, Heady, and Woo, *Fiscal Management and Economic Reform in the People's Republic of China* 233-40. There have been attempts to tighten up on such funds since the mid-1990s. See Shaoguang Wang, "China's 1994 Fiscal Reform: An Initial Assessment," *Asian Survey* XXXVIII, no. 9 (1997).

<sup>3</sup> Marc Blecher, "Development State, Entrepreneurial State: The Political Economy of Socialist Reform in Xinji Municipality and Guanghan County," in *The Chinese State in the Era of Economic Reform*, ed. Gordon White (Basingstoke: Macmillan, 1991); Jane Duckett, *The Entrepreneurial State in China*, ed. . (London and New York: Routledge, 1998); Yi-min Lin and Zhanxin Zhang, "Backyard Profit Centers: The Private Assets of Public Agencies," in *Property Rights and Economic Reform in China*, ed. Jean C. Oi and Andrew G. Walder (Stanford: Stanford University Press, 1999); Gordon White, "Basic-Level Local Government and Economic Reform in Urban China," in *The Chinese State in the Era of Economic Reform: The Road to Crisis*, ed. Gordon White (London: Macmillan, 1991); Gordon White, "Corruption and the Transition from Socialism in China," *Journal of Law and Society* 23, no. 1 (1996); Susan H. Whiting, *Power and Wealth in Rural China* (Cambridge: Cambridge University Press, 2001); Guanglei Zhu, *Dangdai Zhongguo Zhengfu Guocheng* (Tianjin: Tianjin renmin chubanshe, 1997).

<sup>4</sup> Argued in particular by Cook in relation to rural welfare provision. Sarah Cook, "Creating Wealth and Welfare: Entrepreneurship and the Developmental State in China," *IDS Bulletin* 30, no. 4 (1999).

<sup>5</sup> Joe C.B. Leung, "Dismantling the 'Iron Rice Bowl': Welfare Reforms in the People's Republic of China," *Journal of Social Policy* 23, no. 3 (1994); Park et al., "Distributional Consequences of Reforming Local Public Finance in China"; Gordon White and Xiaoyuan Shang, "Reform of the System of Social Relief and Social Services in China," in *Reforms in Chinese Social Assistance and Community Services in Comparative Perspective*, ed. Gordon White and Xiaoyuan Shang (Brighton: IDS, University of Sussex, 1996); Wong, Heady, and Woo, *Fiscal Management and Economic Reform in the People's Republic of China*; Linda Wong, "Privatization of Social Welfare in Post-Mao China," *Asian Survey* XXXIV, no. 4 (1994).

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<sup>6</sup> Jane Duckett, "Bureaucrats in Business, Chinese Style: Market Reform and State Entrepreneurialism in the Prc," *World Development* 29, no. 1 (2001); White, "Corruption and the Transition from Socialism in China"; Wong, "Privatization of Social Welfare in Post-Mao China".

<sup>7</sup> Park et al., "Distributional Consequences of Reforming Local Public Finance in China".

<sup>8</sup> West and Wong, "Fiscal Decentralization and Growing Regional Disparities in Rural China: Some Evidence in the Provision of Social Services".

<sup>9</sup> The UNDP categorises Tianjin having 'high development' and ranks it third overall (after Shanghai and Beijing) in terms of both human and economic development indicators for China (1998). See UNDP's website: <http://www.unchina.org/undp/>, July 2001.

<sup>10</sup> 'Civil affairs departments' (*minzheng bumen*) refers to civil affairs bureaux at all levels and to civil affairs sections within other government agencies such as urban neighbourhood offices. See Figure 1.

<sup>11</sup> There have been accounts of welfare institutions, such as homes for the elderly, disabled and orphans, doing business and charging fees for their services White and Shang, "Reform of the System of Social Relief and Social Services in China"; Linda Wong, *Marginalization and Social Welfare in China* (London: Routledge, 1998). But there has been no study of the revenue-generating activities of government departments that provide welfare.

<sup>12</sup> For a recent study of urban poverty and inequality see Xiping Guan, *Zhongguo Chengshi Pinkun Wenti Yanjiu (Research on China's Urban Poverty Problem)* (Changsha: Hunan renmin chubanshe, 1999).

<sup>13</sup> Civil Affairs departments also handle villagers' and residents' committees, develop the urban and rural economy, register marriages, arrange funerals, and mediate disputes, and 'promote stability and unity'. See Ji Xia, Mingchun Rui, and Yunpo Xu, eds., *Jigou Bianzhi Guanli Shouce (a Handbook of the Management of Government Structural Arrangements)* (Beijing: Zhongguo renshi chubanshe, 1989).

<sup>14</sup> Neighbourhood offices (*jiedao banshichu*, sometimes translated literally as 'street offices') are the lowest level of the state bureaucracy in the cities.

<sup>15</sup> Gordon White and Xiaoyuan Shang, "Social Security Reforms in Urban China: A Preliminary Research Report," in *Issues and Answers: Reforming the Social Security System*, ed. Gordon White and Xiaoyuan Shang (Beijing: IDS, University of Sussex, 1996), p. 2.

<sup>16</sup> In 1997, in Tianjin, before the introduction of Minimum Living Security, of an urban population of around 5 million, only 500 households received such relief. Interview, 1997.

<sup>17</sup> Joe C.B. Leung and Hilda S.W. Wong, "The Emergence of a Community-Based Social Assistance Programme in Urban China," *Social Policy and Administration* 33, no. 1 (1999). The actual levels of payment differ between cities. MLS is reported to have been introduced in some 330 cities across China (about half of the total). 1.92 million people were reported to have received relief under this system by early 1998, less than one percent of the urban population. *BBC Summary of World Broadcasts*, 6 March 1998.

<sup>18</sup> Leung, "Dismantling the 'Iron Rice Bowl': Welfare Reforms in the People's Republic of China".

White and Shang, "Reform of the System of Social Relief and Social Services in China".

Wong, *Marginalization and Social Welfare in China; Minzheng yanjiu* (hereafter *MZYJ*), 1995.5, p. 17.

<sup>19</sup> Community services (*shequ fuwu*), one of the most publicised welfare and social services initiatives, usually includes a combination of 'mutual help' among neighbours, the provision of activities centres and other facilities, and assistance for the elderly and disabled. Cecelia L.W. Chan, *The Myth of Neighbourhood Self Help: The Contemporary Chinese Community-Based Welfare System in Guangzhou* (Hong Kong: Hong Kong University Press, 1993). 'Community services' work is seen by civil affairs departments as part of, or a supplement to, the other welfare work they do (Interviews, 1996, 1999), though it often relies largely on unpaid 'volunteer' work.

<sup>20</sup> Wong, *Marginalization and Social Welfare in China; Zhongguo minzheng* (hereafter *ZGMZ*), 1995.1, p. 6. The

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weak position of civil affairs departments is indicated by the fact that their officials in some places receive lower salaries than officials of the same rank in other government departments. *MZYJ*, 1995.6, p. 12.

<sup>21</sup> Ministry of Civil Affairs, *Zhongguo Minzheng Tongji Nianjian 2000 (China Civil Affairs Statistical Yearbook 2000)* (Beijing: no publisher, 2000) 303.

<sup>22</sup> Ministry of Civil Affairs, *Zhongguo Minzheng Tongji Nianjian 1996 (Yearbook of China's Civil Affairs Statistics 1996)* (Beijing: no publisher, 1996) 15.

<sup>23</sup> *MZYJ*, 1995.1, p. 16 and 1995.6, p. 12; *Ibid.*, pp. 149-50, 72, 75-84..

<sup>24</sup> *Ibid.*, pp. 153-4., 172; *MZYJ*, 1993.1, p. 12.

<sup>25</sup> *MZYJ*, 1995, 1. p. 16; *Ibid.*, p. 122.

<sup>26</sup> See in particular, *Ibid.*, pp. 4, 21, 174.

<sup>27</sup> Revenue-earning activities in the MCA system were therefore less 'bottom-up' than they have seemed. See for example Cook, "Creating Wealth and Welfare: Entrepreneurship and the Developmental State in China".

<sup>28</sup> *MZYJ*, 1995.6, pp. 12, 14, 38; Ministry of Civil Affairs, *Zhongguo Minzheng Tongji Nianjian 1996 (Yearbook of China's Civil Affairs Statistics 1996)*, p. 172; *ZGMZ*, 1995.8, pp. 9-10. In the mid-1990s, the EBF of civil affairs departments was said to include (a) submissions from welfare enterprises and other subordinate institutions, (b) donations and aid, and (c) self-raised funds (*zichou zijin*). *Ibid.*, pp. 400-01. However, self-raised funds are sometimes referred to as extra-extra budgetary funds because they are even less well monitored by higher levels of government than are EBF.

<sup>29</sup> *ZGMZ*, 1995.5, p. 4; *MZYJ*, 1995.1, p. 16. A portion of the profits from these enterprises is submitted as EBF to the CABs that run them.

<sup>30</sup> Wong, *Marginalization and Social Welfare in China*, p. 79. China Lottery Commission, 'Youjiang mujuan shehui fuli zijin guanli shiyong banfa' (Measures for the management and use of lottery social welfare funds), in Tianjin Civil Affairs Bureau, *Tianjinshi minzheng fagui xuanbian (Tianjin civil affairs selected laws and regulations)* (1992, no publisher given), pp. 318-22. Income from lotteries *must* be spent on welfare, and is to be used for *extra* provisions, rather than to reduce budgetary spending on welfare. Ministry of Civil Affairs, State Planning Commission, Ministry of Finance, People's Bank of China, Audit Office, China Industrial and Commercial Bank, China Bank of Agriculture, 'Guanyu zuo hao shehui fuli youjiang mujuan gongzuo de lianhe tongzhi' (Joint communique concerning doing social welfare lottery work well), issued in July 1987. *Ibid.*, pp. 302-3.

<sup>31</sup> *Tianjin ribao*, 9 August, 1996. Of this, 650 million *yuan* was invested in welfare enterprises, 250 million in community services, 2.5 million on institutions for the elderly in townships and towns, and 150 million on 'other facilities', and the rest on unspecified 'welfare work'. *ZGMZ*, 1996.2, p. 32.

<sup>32</sup> This term has a formal meaning: the service sector, but in Chinese it is also used informally to mean secondary or sideline business, such as subsidiary businesses set up by existing enterprises. Note that from 1992, many other parts of the government were also actively engaged in these kinds of business activities (see for example Duckett, 1998).

<sup>33</sup> Speech by deputy Civil Affairs Minister, Yan Mingfu, 29 September 1992. Text in Ministry of Civil Affairs, *Minzheng Gongzuo Wenjian Xuanbian 1992 Nian (Selected Documents in Civil Affairs Work 1992)* (Beijing: Zhongguo shehui chubanshe, 1993), pp. 222-36.

<sup>34</sup> See also *MZYJ*, 1995, p. 16. *Ibid.*, p. 234.

<sup>35</sup> *Ibid.*, p. 233.

<sup>36</sup> Ministry of Civil Affairs, 'Notice Concerning the implementation of "Opinions on speeding up community services"', in Ministry of Civil Affairs, ed., *Minzheng Gongzuo Wenjian Xuanbian 1993 (Selected Documents in Civil Affairs Work 1993)* (Beijing: Zhongguo shehui chubanshe, 1994), pp. 198-200.

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- <sup>37</sup> *MZYJ* 1993.1, p.21 & 1994.3, p.16.
- <sup>38</sup> *MZYJ*, 1993.6, p. 19. These fees are likely to be legitimate and be part of departments' EBF, though illegitimate fee-charging is common throughout government in China.
- <sup>39</sup> *MZYJ*, 1995.4, p. 13. They do sometimes have competition: this official did note that the welfare lottery in his locality had had to compete with a 'sports lottery' since 1992.
- <sup>40</sup> Interviews, 1996.
- <sup>41</sup> The rest was given to the district and municipal governments. Interviews, 1996.
- <sup>42</sup> *ZGMZ*, 1996.2, p. 32; Interviews, 1996.
- <sup>43</sup> *MZYJ*, 1995.3, p. 30.
- <sup>44</sup> *MZYJ*, 1993.6, p. 19.
- <sup>45</sup> *MZYJ*, 1995.4, p. 13, 1995.6, pp. 12, 14.
- <sup>46</sup> *MZYJ*, 1995.3, p. 30 & 1995.1, p. 16.
- <sup>47</sup> Foreign Broadcast Information Service, *China Report*, 29 April 1996; *China Daily*, 6 January 1997.
- <sup>48</sup> *ZGMZ*, 1995.2, pp. 38-9; *MZYJ*, 1993.6, p. 9, 1994.1, pp. 28-9, 1993.1, p. 21.
- <sup>49</sup> *ZGMZ*, 1995.1, p. 6.
- <sup>50</sup> *MZYJ*, 1995.3, p. 30.
- <sup>51</sup> *MZYJ*, 1993.6, p. 1.
- <sup>52</sup> *ZGMZ*, 1995.1, p. 7; Interviews, 1996; *MZYJ*, 1993.1, p. 21.
- <sup>53</sup> *ZGMZ*, 1995.1, p. 6.
- <sup>54</sup> *MZYJ*, 1995.4, p. 13.
- <sup>55</sup> *ZGMZ*, 1995.1, pp.7-8.
- <sup>56</sup> In addition to civil affairs sections, they also contain urban management, environment, fire safety, education, birth control and other sections.
- <sup>57</sup> Pusu Yang, "Research Report on the Construction of Basic-Level Government and Basic-Level Mass Self-Governing Organizations in China," in *Social Welfare in China and Report on Social Advance*, ed. Zhengxin Shi and Rong Zhu (Beijing: Shehui kexue wenxian chubanshe, 1998).
- <sup>58</sup> Community services is often defined as part of welfare work (interviews 1997, 1999, and see for example Yong Zhu, "Research Report on Social Welfare System Reforms," in *Social Welfare in China and Report on Social Advance*, ed. Zhengxin Shi and Yong Zhu (Beijing: Shehui kexue wenxian chubanshe, 1998). However in practice it may often consist of primarily revenue-generating activities. See below.
- <sup>59</sup> Interviews, 1997. See also Wong, *Marginalization and Social Welfare in China*; Yang, "Research Report on the Construction of Basic-Level Government and Basic-Level Mass Self-Governing Organizations in China,".
- <sup>60</sup> Interviews 1993, 1996, 1997, 1999 in Tianjin. Ibid. reports this as a widespread phenomenon.
- <sup>61</sup> In some neighbourhoods 80% of wages were paid, in some 50%, and in others none at all. Interviews, 1996. For reports if this elsewhere, see *ZGMZ*, 1996.1, p. 39; *ZGMZ*, 1995.5, pp. 4-5.
- <sup>62</sup> The effects on work, including welfare, were found in interviews, 1996. See also Yang, "Research Report on the Construction of Basic-Level Government and Basic-Level Mass Self-Governing Organizations in China".
- <sup>63</sup> Interviews 1996.
- <sup>64</sup> All of the seven neighbourhood offices I visited and interviewed in earned their own income, and reported that other neighbourhood offices across the city did the same. Documentary sources and the author's interviews in Shanghai support this and indicate that neighbourhood offices in other cities are doing the same Yang, "Research Report on the Construction of Basic-Level Government and Basic-Level Mass Self-Governing Organizations in China".

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- <sup>65</sup> Interviews, 1996, Ibid.
- <sup>66</sup> These collectives are relatively independent, however, and give only management fees to the NOs.
- <sup>67</sup> Interviews, 1996.
- <sup>68</sup> Interviews, 1996; see also Ministry of Civil Affairs, *Zhongguo Minzheng Tongji Nianjian 1996 (Yearbook of China's Civil Affairs Statistics 1996)*, p. 119-21.
- <sup>69</sup> *ZGMZ* 1996.2, p.34.
- <sup>70</sup> Some residents' committees in Tianjin were set quotas of 10,000 *yuan* per year. Interviews, 1997. For reports of the same phenomenon elsewhere, see *ZGMZ*, 1995.1, p. 7.
- <sup>71</sup> Interviews, 1996 & 1997.
- <sup>72</sup> Interview, 1996. See also *ZGMZ* 1997.6, p.24.
- <sup>73</sup> Official MCA figures show sources and amounts of civil affairs EBF to differ greatly between provinces. See for example, Ministry of Civil Affairs, *Zhongguo Minzheng Tongji Nianjian 1996 (Yearbook of China's Civil Affairs Statistics 1996)*, p. 119-21.
- <sup>74</sup> Interviews in Tianjin, 1996, 1999.
- <sup>75</sup> West and Wong, "Fiscal Decentralization and Growing Regional Disparities in Rural China: Some Evidence in the Provision of Social Services".
- <sup>76</sup> *MJYJ*, 1993.6, p. 9, 1995.5, pp. 10-11.
- <sup>77</sup> Interviews with neighbourhood officials, Tianjin, 1996, 1999. See also *MZYJ*, 1993.1, p. 21, 1993.6, p. 9, 1995.1, pp. 6-8. One Tianjin neighbourhood office frequently cited by others as the most successful was said to benefit from preferential policies because the municipal government's offices were located there. Interviews, 1997.
- <sup>78</sup> West and Wong, "Fiscal Decentralization and Growing Regional Disparities in Rural China: Some Evidence in the Provision of Social Services".
- <sup>79</sup> West and Wong have argued, there tends to be greater inequality in the distribution of extra-budgetary than budgetary income. Ibid.
- <sup>80</sup> Interviews, 1996.
- <sup>81</sup> Interviews, 1996. Compare this with the 2000 *yuan* that one urban district in Shuozhou city had raised in an entire year (1993). In many cities lotteries have begun much later, if at all<sup>81</sup>, and in some areas people's standards of living are reportedly too low for lotteries to be viable. *MZYJ*, 1993.6, p. 9.
- <sup>82</sup> Interviews in that neighbourhood office, 1996, confirmed by neighbourhood officials and Tianjin social scientists.
- <sup>83</sup> Interviews, 1996.
- <sup>84</sup> Interview, 1996.
- <sup>85</sup> Interviews, 1996.
- <sup>85</sup> Interview, 1996.
- <sup>86</sup> Ministry of Civil Affairs, *Zhongguo Minzheng Tongji Nianjian 1996 (Yearbook of China's Civil Affairs Statistics 1996)*, p. 347-8.
- <sup>87</sup> Ibid., p. 348.
- <sup>88</sup> They are shared with the municipal government.
- <sup>89</sup> Although most analyses see this low redistribution as the result of reform era fiscal decentralisation, district officials in Tianjin claimed that high earning districts had higher expenditures in the pre-reform period.
- <sup>90</sup> Tianjin Statistical Bureau, *Tianjin Tongji Nianjian 1997 (Statistical Yearbook of Tianjin 1997)* (Beijing: Zhongguo tongji chubanshe, 1997), p. 152-3.
- <sup>91</sup> See also West and Wong, "Fiscal Decentralization and Growing Regional Disparities in Rural China: Some

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Evidence in the Provision of Social Services". One civil affairs bureau has argued that budgetary underfunding creates further disadvantages by reducing the investment available and making departments risk-averse. *ZGMZ*, 1995.1, pp. 7-8.

<sup>92</sup> This was confirmed by a Tianjin-based social scientist, Interview, 1999.

<sup>93</sup> Interviews, 1996.

<sup>94</sup> An official from one poor district stated that his district had only been able to pay 50% of budgetary allocations to some of its departments and had less than other districts for extra projects. On uneven spending on civil affairs within wealthy municipalities such as Beijing, see also *MZYJ*, 1995.1, p. 16 and 1995.6, p. 12; Ministry of Civil Affairs, *Zhongguo Minzheng Tongji Nianjian 1996 (Yearbook of China's Civil Affairs Statistics 1996)*, p. 149-50, 72, 75-84.

<sup>95</sup> *Ibid.*, p. 172; *ZGMZ*, 1995.1, pp. 6-8. One study of poverty in Tianjin in 1996 found that the income of 15.3 per cent of registered residents fell below the city's official poverty line Guan, *Zhongguo Chengshi Pinkun Wenti Yanjiu (Research on China's Urban Poverty Problem)*.

<sup>96</sup> The population of Heping district fell by 9 per cent (or 45,000 people) between 1990-1999 as slum housing in the city centre was redeveloped. Tianjin Statistical Bureau, *Tianjin Tongji Nianjian 1997 (Statistical Yearbook of Tianjin 1997)*; Tianjin statistical bureau, *Tianjin Tongji Nianjian 2000 (Tianjin Statistical Yearbook 2000)* (Beijing: Zhongguo tongji chubanshe, 2000).

<sup>97</sup> Interview, 1999.

<sup>98</sup> Interviews, 1993 & 1996. In 1996, the NO's annual expenditures were 600,000 *yuan* and it received about 200,000 *yuan* from the state.

<sup>99</sup> District per capita spending figures above already include some redistribution by higher levels.

<sup>100</sup> Interview, 1996.

<sup>101</sup> Interviews, 1997.

<sup>102</sup> Ministry of Civil Affairs, *Zhongguo Minzheng Tongji Nianjian 1996 (Yearbook of China's Civil Affairs Statistics 1996)* 171.

<sup>103</sup> Moreover, NO work is wide-ranging and not confined to welfare. Income may therefore also be spent on other tasks.

<sup>104</sup> *ZGMZ*, 1996.2, p. 32.

<sup>105</sup> *ZGMZ*, 1996.2, p. 32.

<sup>106</sup> Interviews 1996 & 1993.

<sup>107</sup> Interviews, 1996.

<sup>108</sup> Interviews, 1996.

<sup>109</sup> As an example, the community services centre and home for the elderly of one NO had been 50% financed by the NO (for example from its street market income), 10% by voluntary contributions, 15% by welfare enterprises, and 25% by other NO enterprises. Interview, 1996.

<sup>110</sup> These households are categorised as 'marginal households' (*bianyuanhu*) and are not eligible for MLS. Interview, 1999 with a Chinese social scientist.

<sup>111</sup> One recent account of 'welfare entrepreneurship' in rural China argues that it provides otherwise scarce investment for welfare provision. Cook, "Creating Wealth and Welfare: Entrepreneurship and the Developmental State in China".

<sup>112</sup> *ZGMZ*, 1995.1, pp. 6&7.

<sup>113</sup> White and Shang, "Reform of the System of Social Relief and Social Services in China", Wong, "Privatization of Social Welfare in Post-Mao China".



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<sup>114</sup> ZGMZ, 5.1995, pp. 4-6; see also 1996.1, p. 39. Interviews, 1996.

<sup>115</sup> ZGMZ, 1996.1, p. 39. White and Shang, "Reform of the System of Social Relief and Social Services in China," Wong, *Marginalization and Social Welfare in China*, p. 82.

<sup>116</sup> As argued by Zhu, *Dangdai Zhongguo Zhengfu Guocheng*. One neighbourhood official reported that the district tries to seize their EBF if they prove successful at earning their own income, increasing incentives to hide it. Interview, 1997.

<sup>117</sup> Ministry of Civil Affairs, 'Guanyu jinyi bu jiaqiang minzheng shiyefei guanli de tongzhi' (Notice concerning further strengthening the management of civil affairs expenditures), Ministry of Civil Affairs, *Zhongguo Minzheng Tongji Nianjian 1996 (Yearbook of China's Civil Affairs Statistics 1996)*, pp. 49-50.

<sup>118</sup> Ibid., pp. 4-7. Notice of the Ministry of Finance, State-owned Assets Management Bureau and the People's Bank of China concerning the promulgation of "Guoyou zichan shouyi shoujiao guanli banfa" (Measures for the management of state assets' benefits and payments), Ibid., pp. 88-90. and 'Guojia guoyou zichan guanli ju guanyu yinfa "Xingzheng shiye danwei guoyou zichan guanli banfa" de tongzhi (State Assets Management Bureau notice concerning the issuance of "Measures for the management of the state assets of administrative and non-profit institutions")', Ibid., pp. 90-6.. See also MZYJ, 1996.1, pp. 4-7 and 1996.2, p. 18. The campaign was not confined to the MCA system. Attempts were also made to tighten up extrabudgetary funds from 1996 Wang, "China's 1994 Fiscal Reform: An Initial Assessment".

<sup>119</sup> Ministry of Civil Affairs, 'Outline of the Development of Civil Affairs Work during the 9th Five Year Plan and Long Term Targets for the Year 2010', Ministry of Civil Affairs, *Zhongguo Minzheng Tongji Nianjian 1996 (Yearbook of China's Civil Affairs Statistics 1996)*, pp. 13-22. See also *Jingji Ribao*, April 1998.

<sup>120</sup> Park et al., "Distributional Consequences of Reforming Local Public Finance in China"; West and Wong, "Fiscal Decentralization and Growing Regional Disparities in Rural China: Some Evidence in the Provision of Social Services".