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Disaggregating the Developing Welfare State: Provincial Social Policy Regimes in China

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Summary. — Local variation in social welfare provision appears in myriad contexts around the world. And yet, our attempts at conceptualizing welfare regimes focus on the national level. In China, local authorities have shaped social policy implementation since economic reforms. In this paper, I answer three questions about subnational variation in social policy provision in China: (1) Have Chinese provinces diverged in their social policy provision?; (2) How do provincial social policy regimes differ from one another?; (3) What explains variation in provincial social policy spending? To answer the first question, I conduct a cluster analysis of provincial social policy spending data. I find that provinces systematically diverge in their social policy priorities. While some provinces invest in education to develop human capital and promote economic growth, others emphasize poverty alleviation. I propose a typology to conceptualize these tendencies. I then test for these divergent approaches using between-effects regression models of provincial social policy spending. Although provincial wealth and needs sometimes play a role in allocations for social policy, I find that economic development strategy and social instability are associated with distinct approaches to social welfare spending. These distinct provincial welfare regimes have implications for the adoption, implementation, and ultimately, effectiveness of social policy in China.

Key words — social policy, welfare states, decentralization, China, Asia

1. INTRODUCTION

Local government shapes social welfare provision around the world. Politics have intervened to produce local variation in the adoption of health insurance exchanges in American states (Haeder & Weimer, 2013), education spending in Mexico (Hecock, 2006), and the distribution of poverty alleviation funding in India (Sadanandan, 2012), to name a few. And yet, despite this local variation, our attempts at conceptualizing welfare regimes focus on the national level (Gough & Wood, 2004; Huber & Stephens, 2005; Martínez Franzoni, 2008; Pribble, 2010; Rudra, 2008). I propose that we shift the level of analysis to the local state to reveal subnational welfare regimes (Snyder, 2001). Using the case of China, where local government has the primary responsibility for funding and implementing social policy (Wong, 2010), I demonstrate that Chinese provinces have diverged in social policy provision, producing subnational welfare regimes that prioritize different types of social policy, either to support economic growth or strengthen social control.

In the context of China's decentralized approach to social policy, the dominant approach in cross-national research of using national means to conceptualize welfare regimes obscures significant variation and falsely implies the existence of an "average" or "typical" province. While a national-level analysis would paint the country in shades of purple, I argue that a closer look reveals red provinces and blue provinces, metaphorically speaking. In China, average provincial spending on education is 16% of the provincial budget, on social welfare and pensions about 13%, and on housing about 3.5% of provincial budget. But no single province spends in this way. Not one province exhibits this "average" behavior. Rather, as per central government directives, local authorities shape social policy priorities according to local conditions, resulting in significant variation in welfare provision. For example, wealthy coastal Shandong spends about 20% of their provincial budget on education, while Tibet spends only 11%. The sparsely-populated northwestern Qinghai spends almost 9% of their provincial budget on subsidized housing, whereas the northeastern municipality of Tianjin[1]—where housing costs are much higher—spends less than 1%. What accounts for this large range? I posit that the provinces have distinct priorities that explain some of this variation in social policy provision. I hypothesize that while some provinces utilize social policy to foster economic growth, others employ policies that support efforts at social control.

But is it necessary to conceive of Chinese provinces as distinct welfare regimes? Differences in social policy spending might simply reflect local needs or an abundance of funds. China is, after all, a large country with ample socio-economic heterogeneity. I consider the needs and wealth hypotheses as possible alternative explanations and find, as the examples from the previous paragraph suggest, that the nature of the variation in spending tells a more complicated story. My analysis of subnational social policy spending reveals that Chinese provinces diverge in their social policy priorities in ways that are not fully explained by wealth and needs. To account for this unexplained variation, I posit that Chinese provinces utilize social policy for one of two major goals: economic growth or social control. While some provinces invest in education to develop human capital and promote economic growth, others emphasize poverty alleviation as a means of social control. I propose a typology to conceptualize these tendencies and test for their prevalence among Chinese provinces. Unpacking these distinct provincial

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"worlds of welfare" (Esping-Andersen, 1990) is crucial for our understanding of social welfare in China as these local tendencies have had implications for the adoption, implementation, and ultimately, the effectiveness of social policy.

In this paper, I answer three questions about subnational variation in China's social policy provision: (1) Have Chinese provinces diverged in their social policy provision? (2) How do provincial social policy regimes differ from one another? (3) What explains variation in provincial social policy spending? The paper proceeds as follows. First, I examine previous research on cross-national variation in social welfare provision and the shortcomings of this research in explaining subnational variation. Next, I use cluster analysis to demonstrate that Chinese provinces have diverged systematically in their approaches to social welfare. Then, I propose a typology for understanding subnational variation in social policy provision. I also test the hypotheses that social policy is utilized by the provinces to either foster economic growth or maintain social control, as proposed by my typology. I test these hypotheses using between-effects models of panel data of provincial social policy spending from 2008 to 2012 and find support for my hypotheses. To conclude, I discuss the implications of this research and propose applications of this approach beyond China. These regional distinctions have implications for both our understanding of welfare regimes and practitioners' approaches to designing and implementing effective social policy interventions in a decentralized context.

2. WELFARE REGIMES, DECENTRALIZATION, AND SOCIAL POLICY: PREVIOUS RESEARCH

I argue that we need a new typology for subnational welfare regimes because previous typologies based on cross-national research fall short when examining subnational variation in social policy provision. Several strains of research have classified welfare regimes in developing countries beyond Esping–Andersen's seminal "worlds of welfare" framework (Esping-Andersen, 1990), which was created to explicate this variation among OECD countries. These new typologies account for several factors present in developing countries that impact social policy provision, such as underdeveloped economic and political institutions (Gough & Wood, 2004), uneven incorporation of marginalized groups (Pribble, 2011), and distinct goals for social policy (Huber & Stephens, 2005; Martínez Franzoni, 2008; Rudra, 2007, 2008).

In East Asia, scholars have observed a tendency toward "productivism" or "developmentalism," where states prioritize economic growth while relegating social policy to a marginal position. This research, however, tends to exclude China and focus on Japan, South Korea, Taiwan, Hong Kong, and Singapore. According to Holliday, in the productivist world of welfare, "social policy is strictly subordinate to the overriding policy objective of economic growth. Everything else flows from this: minimal social rights with extensions linked to productive activity, reinforcement of the position of productive elements in society, and state-market-family relationships directed towards growth" (Holliday, 2000, p. 708).[2] Some scholars have critiqued the productivist framework. Yang claims that "productivist welfare capitalism" sheds some light on the puzzle of Korea's minimalist welfare state, but that it fails to provide a causal mechanism for the evolution of Korea's social safety net (Yang, 2013, pp. 460–461). When seeking to explain social policy in the region after the Asian Financial Crisis, scholars have identified divergence in East Asian approaches to social policy, although they often sustain that productivism or developmentalism is at play in most cases (Aspalter, 2006; Gough, 2004; Holliday, 2000; Holliday & Wilding, 2003; Kwon, 2005; Wilding, 2008).[3] In the South Korean case, scholars have identified distinct phases of the welfare state, and often conclude that the country is moving away from productivism or has done so already (Peng & Wong, 2008; Song, 2003; Wilding, 2008).

Rudra extends the logic of productivism—and its contrasting approach of protective welfare regimes—to explain cross-national divergence in social policy across the developing world (Rudra, 2007, 2008). I build on this previous work, particularly on Rudra's contributions, to advance our understanding of subnational variation in social policy provision. Rudra argues that developing states have diverged systematically, thereby producing three dominant types that reflect distinct social policy goals: productive, protective, and dual welfare states (Rudra, 2007). She argues that productive states use social policy to cultivate human capital, while protective states seek to shield workers from the market through welfare (Rudra, 2008). Specifically, developing countries that pursue an export-oriented industrialization strategy tend to invest in social policy that will improve human capital while keeping the cost of labor low, to attract foreign investors and keep the costs of exports competitive, such as in South Korea. Thus, a "productive" welfare regime tends to invest more heavily in health and education (tertiary or vocational education, in particular) and less in pensions, unemployment insurance, and housing. Health and education spending can positively impact human capital without triggering dramatic increases in the cost of labor. According to Rudra, productive welfare regimes seek to commodify workers, in contrast to Esping–Andersen's model in which OECD countries engaged in varying degrees of decommodification of labor.

By contrast, Rudra's protective welfare regimes emphasize shielding workers from market fluctuations by providing benefits such as subsidized housing, generous pensions, or ample unemployment insurance. "Protective" welfare regimes tend to develop these priorities due to their state-led development strategy. Latin American countries that employed import substitution industrialization (ISI), which was common in that region from the 1950s to 1980s, typify this approach. Formal sector workers in state-owned firms would receive substantial benefits, but only comprised a small proportion of the population, while productive welfare states offered relatively shallow benefits to broad swathes of the population. Dual welfare regimes engage in both productive and protective spending. Rudra excludes China from her analysis because of a lack of comparable data, but the Chinese case would likely be classified as a dual welfare regime if her framework were applied to the national level.

While typologies from Rudra and others significantly advance our understanding of cross-national variation in welfare regimes, this approach is limited in two ways: (1) Rudra acknowledges that there are "dual" welfare regimes that exhibit aspects of both types and (2) the nature of subnational variation is inherently different from cross-national variation. My typology for subnational welfare regimes in China resolves these two challenges. First, by disaggregating national averages of welfare spending, I demonstrate that a "dual" welfare regime can be better understood as a collection of distinct subnational welfare regimes. As provincial governments have different policy priorities, social policy provision may take different forms in different regions. National means obscure these differences and create the false impression that most localities are pursuing most types of social policy most of the time, just to a greater or lesser degree. By contrast, my