



*Policy Implementation in
Reform China
The Case of Retirement Insurance*

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香港亞太研究所

Hong Kong Institute of Asia-Pacific Studies

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Policy Implementation in Reform China

The Case of Retirement Insurance

China endeavoured to initiate a major restructuring of its retirement insurance programmes in its public sector for more than a decade starting from the mid-1980s to the mid-1990s. Among others items on its policy agenda, the main thrust of this restructuring concerned the establishment of the unified management of pension funds, first at the county and urban district levels, and, then, at the provincial and municipal levels. Not only did the introduction of unified management represent a new departure from the 1951 Labour Insurance Programmes, but also a recovery from the enterprise-centred provision of retirement benefit on the basis of the *ad hoc* measure of the 1969 vintage.¹ The new departure also paved the way for a fundamental policy overhaul away from the framework of the centrally planned economy (CPE), and along an orbit toward the direction of a market-oriented economy.²

One does not take for granted, however, that this restructuring of retirement insurance programmes would automatically be successful when it entails some considerable difficulties in the re-allocation of "values" at both the institutional and the societal levels. In concrete terms, the restructuring would bring about changes, for example, in the insurance schemes, new categories and large numbers of subscribers, new schemes of contributions, different coverages and new standards of pension payments as well as the corresponding adjustments in the government policy of revenue and tax exemption. All these would affect the interests of all those who are involved at the individual, collective and institutional levels. The conflict of interests and its resolution in fact dictated the direction and progress of the restructuring of retirement insurance programmes for one decade from the mid-

1980s to the mid-1990s. On the basis of a case study of retirement insurance programmes, this paper is devoted to an analysis of the rivalry of interests among actors in the process of policy implementation in China.

The restructuring of the retirement insurance programmes resulted in a series of policy disputes, power struggles and clashes of interest at the enterprise and bureaucratic levels. It was observed rightly by some Chinese analysts that policy issues were often the vehicle of power struggle and were in turn motivated by the fight for financial resources. Moreover, the ambiguity inherent in the demarcation of responsibilities generated many frictions of interest as well.³ According to Feng Lanrui, a Chinese author, these policy controversies were not only stimulated by a divergence of policy concerns and genuine differences of opinion, but they also involved the fundamental conflicts of interest at the institutional and departmental levels.⁴ The allocation of values might frequently be manifested by an administrative form in the policy arena of retirement insurance. Furthermore, these policy disputes often acquired some political characteristics in the interactions among the institutional actors who were hierarchically positioned and in the competition for control over financial and material resources.

This paper will focus on the salient trend of "politicization" pertaining to the issue area of retirement insurance. The issue area has become increasingly complex, and involves the shifting balance of strength among various clusters of actors during the reform era. The actors who take part in the policy making and implementation in the issue area of retirement insurance are numerous, such as enterprise units, labour unions, local administrations, central party apparatus and central commissions and ministries. They often share jurisdiction over the issue area with a changing boundary. Besides, there has not always been a fixed organizational chart to delineate their responsibilities and to give hints on how they participate in the process of policy making and implementation. Moreover, greater stakes are involved in such spending programmes as the retirement insurance when the ad-

ministrative and financial decentralization warrants the local governments to assume greater responsibility over the issue arena, and to fight for their share of revenue and control over the funding sources.

In conceptual terms, the restructuring of retirement insurance might be parallel to "privatization" in Western countries and thus adds heat to the policy debates. For instance, the attempts to reduce the role of enterprise and government units in the policy area of retirement insurance were associated with the discussions of "socialization" (*shehuihua*) and "load-shedding" (*diaobaofu*).⁵ However the questions remain to be answered: whether social insurance benefits could be allocated through market mechanism and other economic instruments? How could retirement benefits be conceptualized, e.g., as private goods or collective goods? Should retirement benefits be conceptually taken as one form of particularistic interest or universal interest?

This paper will first dwell on some key variables in the process of policy implementation, such as interests, actors and mechanisms and the institutional framework. Then, this paper will further analyse some selected cases of the conflicts of interest at the bureaucratic and societal levels. These cases will, for instance, include the raising of unified management from the county and urban district levels to the municipal and provincial levels, the inter-bureau competition for the control and management of pension funds, and the cases concerning the tension between the bureau in charge and enterprise units pertaining to the collection of contributions to the pension fund and resistance at the enterprise level.

Problem Areas of Policy Implementation

This paper is an investigation of policy implementation in reform China on the basis of selected cases in the policy arena of retirement insurance. In some fundamental ways, theoretical issues which have been raised by pioneer works in the field address the

questions of why there is a considerable gap between policy design and actual policy outcome and what are the main features and problems in the process of policy implementation.⁶ It is assumed in this paper that the successful introduction of a policy depends largely upon three variables: (1) the calculation and fulfilment of interests, (2) the involvement and interaction of actors, the mechanisms of policy implementation and (3) the institutional context. Some preliminary discussion on them will be given below.

This paper deals with the politics of interest at the bureaucratic and societal levels as well as with its bearing upon the process of policy implementation in the context of the CPE. First of all, interest is defined here in terms of actual advantages as well as opportunity for advantages that an actor or a group of actors enjoy. In a concrete sense, interest here refers to, not only the control of financial resources at the level of the state, various government departments, and work units, but also the retirement benefits and entitlements for employees and retirees. Moreover, various institutional actors, such as enterprise units, supervising bureaus, bureaus in charge of retirement insurance policy, and local and central government units, were willingly and unwillingly drawn into the rivalry of interests. Therefore, it is expected that, in the process of implementation, a policy could be translated into outcome with visible modifications, necessary adjustments and unanticipated and, sometimes, uncontrolled consequences.

It is noteworthy that the "interest" of institutional actors should analytically differ from that of individual and collective actors. From the vantage point of the institutional actor, interest pertains to the control, management and disposal of financial resources, the authority and jurisdiction over the collection of contributions from enterprise units, and the discretionary power over revenue and taxation in the issue arena of retirement programmes.

Under the Weberian conceptual requisite of public ownership for official business,⁷ an institutional actor, such as a bureau or an enterprise in the CPE, could secure an "interest" often in terms of

an advantage of more control, greater discretionary power and broader jurisdiction over financial resources so far as it is relevant to policy implementation in a given issue arena. However, institutional actors are not legally free to "own," enjoy, and consume with regard to their claims over welfare, benefits and services of insurance programmes under the legal notion of property rights.

For the individual actors, such as employees and retirees, however, "interest" concerns their share of contribution to the retirement fund, their claims over welfare and retirement benefits at the level of work units, the status of tax exemption and financial subsidies by relevant sources and, above all, the entitlements and benefits that they can enjoy after retirement.

The issue arena of retirement insurance falls into an institutional territory where different types of actors (be they the governmental apparatus, public-funded service unit, enterprise unit, or any public organization) interact with each other extensively. Here the "actor" means an individual (or a group of them) who is in a position to make decisions and take initiatives, and to bear the consequences. In an extended sense, an institutional unit acquires the status of "actor" when it acts in light of calculating its advantages and disadvantages in an organizational setting.

To study the politics of interest in the Chinese case, the work unit poses considerable conceptual and definitional difficulties because of its dual characteristics in the CPE. On the one hand, the work unit (including both the state-owned enterprise (SOE) and the collective based upon the bureau and public-funded service unit) is often taken as an institutional actor in so far as it represents the state to execute the production plan in addition to a number of fiscal, administrative and municipal functions (e.g., household registration, safety clearance records, law and order). From the perspective of *de facto* property rights, the work unit controls, manages and uses material resources strictly for administrative and productive functions. In such a case, these material resources could not be diverted for personal consumption by those who are appointed to conduct official business.

On the other hand, the work unit acquires the status of a collectivity of employees, dependents and, sometimes, retirees who are legally and customarily granted the entitlements and benefits for the purpose of personal consumption. Therefore, in what is taken as "*danwei* socialism," the work unit becomes an entity which claims material benefits and which is responsible for the financial obligations of its choices pertaining to the "allocation of values" within the hierarchy of an administered economy.⁸ In the context of an enterprise unit, for example, the Congress of Staff and Workers and, sometimes, even the enterprise administration serve as the representative of the collectivity of employees when dealing with the issues of welfare, benefits and insurance.⁹

What are the major mechanisms in the allocation of values in the public sector? What are the key characteristics of the interactions among actors of various types in the relationship of interest politics? To answer these questions, this paper argues the thesis that, by and large, the conflict of interests and its resolution hinge not only on administrative decisions, but also on the process of "mutual adjustment" (including bargaining) among actors who are hierarchically positioned.¹⁰ Even for the individual and collective actors, how and to what extent can their voices be heard often depends upon their membership, organizational affiliation and institutional foothold.

China follows a unitary state system rather than a federal system. Nonetheless, the degree of decentralization, the autonomy of local governments and the plurality of institutional actors in China are not less visible than in the United States. Moreover, the structure of the CPE operates with multiple hierarchies rather than with one singular hierarchy in the Weberian style, coupled with enormous scale and considerable organizational complexity. Thus it is apparent that the decision-making and policy implementation are bound to be administrative in nature in spite of room for political exchange. Nonetheless, one should not mistake policy implementation as a political process outside the hierarchical context.

The restructuring of retirement insurance was introduced mainly after the mid-1980s, while several rounds of major institutional changes and adjustments at the level of the State Council were initiated simultaneously including those of 1982 and 1988. By and large, commissions and ministries handled those routinized functions with clear delineation of responsibility, as noted by Michel Oksenberg and Kenneth Lieberthal.¹¹ However, *ad hoc* institutional bodies, which were often called "leadership teams" and committees, were to be created by the Premier from time to time under the pressure to initiate and coordinate those new policies and programmes, such as the retirement insurance.¹²

Under the State Council, both ministries and commissions handle routinized functions of the central government. Commissions enjoy ministerial status, but, headed by senior ministers, State Councillors or Vice-Premiers, they are often inter-ministerial in their coordinating work, for instance, the State Planning Commission or the State Institutional Reform Commission among others.¹³ The tasks that fall under ministerial responsibility are taken as "vertical commands" (*tiao-tiao*). Further down at the next lower echelon, tasks are grouped under "systems" (*xitong*) within a ministry. Local command is often called "horizontal jurisdiction" (*kuai kuai*).¹⁴ During the reform era, the policy making role of the local government has been further strengthened, especially in the area of retirement benefits, owing to the financial decentralization to the local level. This role of government was enhanced in light of the "residential principle" in the delivery of welfare and services.

Like other functional areas, policy making and implementation in the social insurance programmes in general and in retirement insurance in particular fall into the overlapping jurisdictions of several ministries within the governmental hierarchy and departments of the Party structure, for instance, the Ministry of Labour, the Ministry of Personnel, the Ministry of Civil Affairs, the Ministry of Health, China's Federation of Labour Unions and the Organization Department of the Party Central Committee. In addition, about 15 provinces or municipalities have assumed the role and responsibility of unified management over pension funds

as well as the reform of retirement insurance; some 11 "systems," such as railway and postal service, established their own separate programmes of retirement insurance within their jurisdiction of unified management.¹⁵

Therefore, several ministries, local governments and party organizations might have competing jurisdictions over a given policy issue. The conflict might turn acute when the financial stakes increase. On the whole, the rivalry of interests tends to develop along the cleavages which exist between the institutional boundaries of various ministries, local units, bureaus and party organizations. Besides, tension is intensified as institutional actors represent the main depositories of vested interests, for instance, the long established jurisdictions of unified management of the past.

One would theoretically assume that the benefits pertaining to retirement insurance programmes in China are largely allocated through administrative mechanisms, but the political trade-off should assume an increasingly important role in view of the expansion of autonomy at the work unit level, the decentralization of power to local levels, the proliferation of institutional actors, as well as the reduction of the scope of the CPE. Furthermore, the politicization of the issue area was associated with the increasing plurality of actors as well as the greater sum of interests, coupled with the extension of retirement insurance programmes to a great number of enterprises and large populations. Since the mid-1980s, for instance, the retirement insurance programmes were extended to collective-owned enterprises (COEs), contractual workers and workers in enterprises managed and owned by foreign investors.

In this paper, political interest is found manifested both in bureaucratic and power relations among institutional actors who are hierarchically positioned. The clashes take place, not only at the inter-enterprise level, but also between government units. The conflicts of interest take place in the bureaucratic context in the sense that all the features of the Weberian ideal type would theoretically be found relevant, for example, the unity of command,

written communication, impersonality, differentiated incentives and merit principle in recruitment and promotion and perhaps contractual employment.¹⁶ The legal-bureaucratic ideal type is characterized by instrumental rationality, end-means consistency as well as the full control over environmental factors.¹⁷

It goes without saying that public sector management should not be collapsed into an analysis of politics either at the electoral, interest group, partisan or legislative levels. Nonetheless, power relations should be an analytically meaningful variable. Anthony Downs' analysis of power setting of bureaus is very helpful analytically in order to conceptualize the power relations in the organizational arena of public policy making in the case of retirement insurance programmes in China. In terms of the bureaus which are directly in charge, one may readily identify the labour bureau (or the labour ministry at the central level), personnel bureau, civil affairs bureau and the organization department of the party committee at the respective hierarchical levels. As a rule, the bureaus in charge are subject to the direction and advices of their "sovereigns," such as the top leadership of the governments and party secretaries who are either represented by the Vice-Mayor in charge, or parallel to the social insurance committee and the fund management committee at the respective hierarchical levels. Apart from those bureaus in charge, there are "allies" and "rivals," such as the people's congress at the local and municipal levels, the economic planning committee, the reform committee, the finance bureau, the taxation bureau and the banks. In addition, the work units including industrial enterprises, together with their employees, consist of the groups of "regulatees," "beneficiaries" and "sufferers" in Downs' conceptualization.¹⁸ Let us turn to the following passages to have a closer look at the power relations which take place in the recent controversies of retirement insurance in reform China.

Unified Management Expanded to the Provincial Level

The origin of the restructuring of the retirement insurance system can be traced back to as early as the late 1970s and the early 1980s. From 1979 on, there was a need to search for some viable policy design as well as institutional alternatives in order to shoulder the increasing financial burden of pension payment in the midst of the sudden increase of eligible applicants for retirement.¹⁹ Under these circumstances, neither was it feasible to stick to the *ad hoc* arrangement of "the 1969 Measure" which charged the retirement pension payments to the "extra business accounts"; nor was it possible to restore the mechanisms of the unified management made available by the Labour Insurance Programme of 1951 (as amended in 1953).²⁰ "The 1969 Measure" was often taken as a form of "work-unit-centred" provision, which legally permitted industrial enterprises to make use of their own financial resources to disburse the expenditure of retirement pensions. "The 1951 Labour Insurance Regulations" worked as one form of unified management over retirement funds through the organizational apparatus of the All China Federation of Labour Unions.²¹

Starting from 1984, the introduction of the unified management owed considerably to the mutual dependency between the governmental apparatus and the SOEs (and also the COEs) within the structure of the CPE. In what is termed as "bilateral monopoly" by Barry Naughton,²² the industry related bureaus and enterprises shared the monopoly over products and, therefore, revenues in the form of profits and taxes. Both tended to resort to administrative means to distribute revenues so generated for a variety of purposes, including welfare and benefits. Enterprise units had borne the major burden of economic growth at the initial stage of the Republic when the work force had still been young and when the financial obligations of pension payment had still been very small. However, the issue became politicized from the early to mid-1980s when enterprise units were con-

fronted with the mounting, but uneven, financial burdens of pension payments, and when enterprise units in deficit competed for state appropriation to foot their bill of pension payments.²³

In spite of all the difficulties just noted, it is estimated that, from 1984 to the end of 1992, the number of subscribers to the unified management of funds grew to 96,157,300. This included 79,097,300 staff and workers and 17,060,000 retirees or, respectively, 70 per cent of the total of staff and workers and 83 per cent of the total of retirees in the urban sector.²⁴ The trend was on the increase. By 1994, nearly 99 per cent of SOEs throughout the country took part in the unified management of retirement funds at various levels of jurisdiction, with an estimated 72,000,000 staff and workers included. These consisted of 82 per cent of staff and workers and 95 per cent of retirees of SOEs.²⁵

Instead of leaving to the local authorities the control of their own pace and the selection of their own approaches to implementation, the central policy makers pushed, from the 1990s onward, harder than ever before and dictated the policy designs and manners of implementation for the expansion of the scope of unified management to provincial jurisdiction and for the inclusion of an ever larger working population. Unintentionally, this created tensions and conflicts between government units at the local level, between the local and ministerial units, and between different ministries and governmental units, with increasing intensity and saliency. In the process of implementation, new problems emerged in the midst of the extension of retirement benefits to new types of enterprises, for example, leading to delays and difficulties in fulfilling financial obligations by enterprises and the management problems of pension funds, among others.²⁶ Accordingly, new solutions and measures had to be introduced in view of these problems of implementation.

The State Council promulgated a watershed policy paper in 1991, marking an entirely new departure for restructuring retirement insurance. The policy paper on the restructuring of retirement insurance moved away from the framework of the CPE toward a market economy. On the basis of the policy paper, enti-

tled "Decision Concerning the Reform of Retirement Insurance System of Staff and Workers in Enterprises" (abbreviated as "the 1991 Decision"), the central policy makers were ready to manage retirement insurance within a broader jurisdiction and to expand the managerial authorities from the municipal and county levels to the provincial level (also including the three provincial-status cities of Shanghai, Tianjin and Beijing). "The 1991 Decision" aimed to alleviate the tensions derived from inter-enterprise disparity as well as inequality between localities. Also, it intended to strengthen the overall state capacity to absorb the risks related to the ageing cycle of a massive population at the societal level.²⁷

The rapid progress and consolidation of the unified management did not exist merely on paper, but indications are that the unified management was soon in full operation by the early 1990s. Only in the year of 1992, the actual amount of collected retirement funds under unified management reached RMB 37,669 million, including 27,427 million from SOEs under local jurisdiction, 3,630 million from SOEs under ministerial jurisdiction, and 6,612 million from COEs under various local jurisdictions. After deducting all expenditures, the accumulated savings from the unified management for the entire country was 22,285 million. By 1992, moreover, almost all large COEs in 1,700 counties and municipalities throughout China had taken part in the unified management of the retirement fund.²⁸

According to Li Peiyao, Deputy Minister of Labour, the unified management at the provincial level had been carried out in two provinces and three municipalities, namely, Fujian, Jiangxi, Beijing, Shanghai and Tianjin by the middle of 1991. In the meantime, some other provinces were discussing, doing computations and preparing proposals for the implementation of their provincially unified management, for instance, Hebei, Sichuan, Shanxi, Jilin and Gansu, among others. By the end of 1992, about 13 provinces and municipalities had either launched or had been prepared for provincially unified management.²⁹

One should not assume, however, that progress toward provincially unified management was automatic and, therefore, not

underestimate the obstacles and difficulties in the process of its implementation. The difficulties were of several dimensions. First of all, the system of unified management was initially introduced in the context of the CPE at its beginning in 1984. The main task fell on the shoulders of the departments in charge of revenue and public finance and focused on the problems of re-adjustment of the "revenue contract" of respective local units and of the rates of profit and tax at the enterprise level so as to work out the amount of financial resources which could be set aside for the contributions to the retirement fund under provincially unified management. Accordingly, the retirement insurance apparatus at the provincial level could work out precisely the rates of contribution for each employee and each enterprise unit in conjunction with a given programme of provincially unified management. In some specific cases of "efficiency wages" where employees were given proportionally larger bonuses and smaller retirement benefits, it would be necessary to make an adjustment of the rates between the percentage of profits and bonus fund, and to set aside the difference for the needed amounts of contributions to retirement.³⁰

The introduction of unified management was a matter of negotiation between government units and enterprises for some form of financial settlement with regard to the redistribution of revenues, profits and obligations of contributions. In the case of Shanghai, the establishment of unified management in the city required heavy-handed intervention by the municipal government and adjustments of revenue and profit at the urban district and county levels and at the enterprise and corporate levels. The case of Shanghai is representative of an old industrial base with a proportionally higher percentage of old workers than other areas. It is also similar to the situation that other areas will have to confront in the foreseeable future, given that the trend of ageing is not reversible in China. With a large number of pensioners, the question of the "uneven burden" of retirement funds had already been deeply intertwined with the distribution and share of profits among the SOEs in the mid-1980s, when the unified management was introduced.³¹

Shanghai was among the first group of localities to suffer from the deficiency of "work-unit-centred insurance" which had resulted from "the 1969 Measure" to decentralize labour insurance funding to the enterprise level. Consequently in 1984, some of the "systems" or trades had a very high percentage of retirees. For example, among the enterprise units under the jurisdiction of the Textile Industrial Bureau, the percentage of retirees reached 50.3 per cent of the total number of workers, and pension payment amounted to 34.5 per cent of the total wage bill. Whereas in the case of the East China Electric Managing Bureau where the entire work force was relatively young, the number of retirees constituted only 5.8 per cent of the workers employed in the enterprises, and their pension payment was only at 2.7 per cent.³²

The Shanghai municipal government set aside 25.5 per cent of the total wage bill for the retirement fund under unified management which was introduced in October 1986. This retirement fund was to cover some limited, but essential, items of retirement benefits for ordinary workers and to provide retirement benefits plus medical care and other items for contract workers. The task of implementation relied heavily upon the "re-adjustment of economic interests" among enterprise units.³³ The municipal government was successful in handling the cases of five groups of enterprises through persuasion and negotiation as follows:

- Group I: 2,160 enterprise units were required to pay an adjustment tax; an increase of financial burden for 1,222 units; and the heaviest burden fell on 460 units (exceeding 2 per cent of their profits);
- Group II: 2,408 enterprise units escaped the adjustment tax: an increase of financial burden was imposed on 1,318 units and the heaviest burden was passed to 493 units;
- Group III: 58 construction enterprises with a small percentage of retirees (less than 8 per cent) were required to pay RMB 36 million under the unified management;
- Group IV: 300 suburban enterprises with small profits and few retirees;

- Group V: 121 ministerially affiliated enterprises with 290,000 employees and 43,500 retirees; the pension payment consisted of 11.7 per cent of the total wage bill; an increase of financial burden for 92 units but a decrease for 29 units.³⁴

Shanghai's leadership team went through a complicated, but successful, round of negotiations with all relevant enterprises in the five groups. Basically, some reduction of the adjustment tax was conceded to the enterprises which would have to shoulder the heaviest burden in Group I. Again in Group II and Group V, the units which were expected to assume the heaviest burden were given a three-year grace period gradually to adjust to the higher percentages of contributions. In so far as the construction units in Group III were concerned, the enterprises were given 5.5 per cent exemption and permitted to incorporate another 5 per cent into cost accounting and to make it chargeable to their customers. For the suburban enterprises in Group IV, the calculation of the total wage bill was allowed to exclude the contract workers who were hired on a temporary basis, and additionally a three-year grace period was given in order to adjust upward to 25.5 per cent of the total wage bill for their contributions to the retirement fund.³⁵

Shanghai was an exceptional case where a standard scheme of unified management was adopted for one entire metropolitan area with an organizational status of a province. After Zhao Zhiyang, then Premier, authorized the pilot programme on November 27, 1985 during his visit to Shanghai, it took less than one year for the municipal leadership to conclude the necessary negotiations and prepare for the legislation, "Provisional Measures for the Unified Management of Retirement in State-Owned Enterprises in Shanghai." The measures came in force on October 1, 1986 and were executed successfully.³⁶

To establish a provincially unified management system, the policy makers at the provincial level had to work out the unified rates of contribution by the non-SOEs, including COEs and foreign enterprises. In addition, they had to introduce a system of

individual contribution by workers and staff who were under the mode of permanent employment in order to maintain policy consistency with workers and staff who were under the contractual employment mode. The contractual employees had already been required to make contributions on an individual basis starting in 1986 when the legislation on contractual employment was promulgated. It was stated in "the 1991 Decision" that the rates of contribution of the two different groups, namely the permanent workers and contractual workers, should be gradually adjusted and unified; the two separate pension funds should be merged and jointly managed. The concrete measures for the above should be made by respective local governments. It was anticipated that, with the sheer workload and difficulties involved, a provincially unified management system could not be expected to extend easily and quickly to all provinces.³⁷ Also, it engendered considerable resistance from ministries and SOEs under ministerial jurisdiction, a topic to be further discussed in the next section.

Unified Management under Ministerial Jurisdiction

Not all cases of unified management followed the territorial principle as just discussed. By 1991, five retirement pension funds had already been under the management of "systems" along the lines of ministerial jurisdiction. This is because some economic activities were coordinated along functional lines, such as railway, postal, and commercial systems. An opposite tendency under the ministerially administered retirement system was intensified immediately, in the midst of the push for establishing pension funds at the provincial level after "the 1991 Decision." Let us explain the paradox of why the ministerially administered retirement system picked up momentum because of "the 1991 Decision."

During the earlier years of the PRC, the employees of trades had been grouped into separate "systems" of labour insurance. In the case of the Ministry of Commerce, for example, the structure of labour insurance scheme had been established in 1955. By 1983,

the entire system of commerce had embraced eight sub-sections. Throughout the years from 1955 to the early 1980s, the system of commerce had in fact been subjected to a similar kind of redistributive politics: some units or trades had a heavy concentration of retirees and, therefore, a greater financial burden due to their obligations for pension payments; yet other enterprises were reluctant to consider the unified management because of their relatively young work force. Accordingly, the entire "system" had to confront the problem of unified management, entailing disputes among various work units at different stages of development with different needs as well as abilities to contribute.³⁸

Basically, the commercial "system" made an effort to restore the retirement funds in all state-owned commercial enterprises, with the grain industries and the supply and sale cooperatives coming in after 1978. The retirement funds were built on the basis of jurisdictions, such as the county, urban district, corporation at the municipal level, the grain bureau at the municipal level and the cooperative of supply and sale. The contributions from the enterprise units to their respective funds came out of the "non-business account" and other appropriate accounts. The ratio of contribution was fixed in accordance with certain percentages of the actual expenditures for retirement benefits of the preceding year and the total wage bill at the end of the current year. The participating units were only required to remit the surplus of the annual collections after the deduction of the current year's pension payments. The pension funds only covered retirement pension, price subsidies to non-staple foods, and winter fuel allowances to retirees. The other items, such as relief of hardship, funeral expenses, relief to dependents of the deceased and medical care for the retirees, were excluded. The scheme of unified management for the Ministry of Commerce appears to be similar to other "systems" in the economy, with considerable adaptations, of course.³⁹

It would be administratively more complex and less feasible to build a larger jurisdiction of unified management, although a large jurisdiction would have the advantage of scale and risk-

sharing — a functional requisite for an insurance system. Consequently, as the structure of unified management was organized either according to a territorial or a functional principle, there was some difficulty in coordinating a variety of sub-units. For instance, SOEs of “systems” under ministerial jurisdictions, which were more productive and profitable and less burdened by pension payments, tended to be reluctant to take part in the unified management at the local level. Instead, they were more willing to join the unified management along their own ministerial lines. In most cases during the reform era, the adjustments of taxation, revenue and profit remittances were made along the ministerial division of labour. Yet, the unified management became more difficult when it had to be organized territorially. This increased the likelihood of conflicts between ministries and local jurisdictions due to their different policy objectives.⁴⁰

Contrary to the explicit policy statement of “the 1991 Decision,” however, six more were added within two years by 1993 in defiance of the policy of promoting the provincially unified management. In total, there were 11 ministerially managed “systems” of unified management by 1993: the Railway System, the Postal and Communication Service, the Ministry of Irrigation, the China’s Corporation of Construction, the Ministry of Transportation, the Coal Ministry, the People’s Bank of China (including its specialized subsidiary banks and People’s Bank), the China Civil Aviation, the General Corporation of Natural Petroleum Gas, and the General Corporation of Non-ferrous Metallurgy.⁴¹

The immediate factor contributing to the conflicts between local and ministerial jurisdictions was derived from the disparities regarding the financial burdens of the pension funds among governmental units. It was exceedingly difficult for SOEs under a given ministerial jurisdiction to subscribe for their employees to the retirement benefit programmes managed by local governments (including provincial governments). Often local governments were not sensitive to the interests and rights of the enterprises which were affiliated with the trades or “systems” under ministerial jurisdiction. In many instances, the enterprise

units which were affiliated with a given “system” had to make contributions with unjustifiably high and discriminatory rates to the pension funds under the local jurisdiction, for instance, an average of 20 per cent of the standard wage, but some as high as 30 per cent in exceptional cases. Whereas SOEs which were affiliated with local governments were entitled to preferential reductions or even exemptions from their contributions.⁴² Ministerially affiliated SOEs therefore became reluctant to continue their subscriptions with locally managed pensions in view of discriminatory rates. They felt that they “were taken advantage of,” not only by local jurisdictions, but also by locally affiliated SOEs.⁴³

As a consequence, this push for the further expansion of unified management from the county and urban district to the provincial level actually spurred the creation of additional six pension funds under ministerial jurisdiction immediately after “the 1991 Decision.” Most of the ministerially managed SOEs were productive and efficient, offered higher wages and bonuses to their workers and staff, and made substantial contributions to the retirement pension funds which had largely been under the unified management at the county and municipal levels. Starting from “the 1991 Decision,” the upgrading of the unified management from the county and municipal levels to the provincial level provided this group of ministerially affiliated SOEs an opportunity to make a choice regarding whether or not they should continue to subscribe to the locally administered unified management of pension funds.⁴⁴

After 1991, the withdrawal of some ministerially affiliated SOEs from the unified management under local jurisdictions had adverse impacts at the local level, creating a financial crisis for locally managed pension funds in Tianjin. For example, the Tianjin Municipality suffered a deficit in its retirement pension fund for two consecutive years immediately after the withdrawal of ministerially affiliated enterprises, and found itself unable to meet the rates of contribution of the municipally unified management. Consequently, Tianjin had to adopt an emergency measure and raise the rates of contribution at the enterprise level, from 18

per cent of the standard wage to 20 per cent and at the individual level from 2 to 4 per cent. The case of Tianjin was representative of other similar, widely reported incidents.

There were good reasons to follow the residential principle to manage pension funds, such as accessibility and convenience. In line with the residential principle, the elevation of the unified management of pension funds from the county and municipal levels to the provincial level would logically take advantage of the economy of scale and, therefore, create a larger pool of financial resources for the purpose of risk absorption.

Moreover, a provincially unified management of pension funds had the merit of congruence with the endeavour to enhance the inter-enterprise transferability of labour insurance (including retirement benefits) and, thus, improve labour mobility. In light of this, some authors treated the development of ministerially managed pension systems as an intermediary stage of so-called "quasi-socialization." On the one hand, it moved one step forward from an enterprise-centred provision of retirement benefits to a trade-centred system under the ministerial jurisdiction. By doing so, the risks pertaining to the work unit could be spread to and shared by a larger number of the working population beyond the work unit under the jurisdiction of a trade or "system." On the other hand, it tended to minimize the existing disparities between the better-off SOEs and worse-off SOEs and, therefore, to improve the relations among enterprises under different jurisdictions with divergent economic interests across different jurisdictions.⁴⁵

The cleavages between the ministerial and provincial jurisdictions reflected on the economic disparities between the rich and poor SOEs. To put it in another way, the enterprises which were included in a ministerial jurisdiction tended to belong to the category of "rich enterprises," whereas those enterprises which joined a local jurisdiction of pension system were likely to be those units which were "poor," less efficient and more burdensome. If the establishment of provincially managed systems would incorporate those rich SOEs under ministerial affiliation into a provincially unified management, it would aggravate the existing

tension between the rich and poor enterprises, and thus force the former to subsidize the latter. Nonetheless this is in full congruence with the ideal of social insurance of mutual help and mutual dependency regardless of different economic abilities.⁴⁶

It was argued, furthermore, that the separation of ministerially managed pension funds from their local (including provincial) counterparts would reinforce the existing differences among the managerial systems, the rates of contribution and the schemes of benefits cutting across administrative boundaries and, therefore, create difficulties for a further restructuring of pension management in the future. This would result in low transferability of retirement benefits across trades, further reinforce the existing institutional barriers of labour mobility, and perpetuate the fragmentation of the labour market.⁴⁷

It is noteworthy that "the 1991 Decision" had proposed the design of a basic retirement insurance scheme aiming at satisfying the "basic needs" of retirees of the industrial sector. The intended low level of "basic needs" entailed a substantially smaller and affordable amount of required financial contributions than that of other designs (for example, the design treating retirement benefits as a form of supplementary remuneration). This intended low level of contribution, if implemented, would have been able to minimize the disparity among SOEs with different financial ability and, thus, provide room to settle the inequality of contributions by locally affiliated SOEs and their ministerially linked counterparts.⁴⁸ To put it in another way, ministerially affiliated SOEs could have been persuaded to stay with unified managements at the local and/or provincial level had a lower and affordable rate of contributions been adopted by the local and provincial policy makers, since the flexibility of an intended low level of contribution had been recommended by "the 1991 Decision." However, it did not appear that the provincial authorities were sensitive enough to heed the low level of contribution recommended by "the 1991 Decision," the implementation of which also required very difficult coordination with the introduction of supplementary retirement insurance at the enterprise level and indi-

vidual saving retirement insurance. As a consequence, it was not possible to prevent ministerially affiliated "systems" from forming their own arrangements for unified management.

Bureaucratic Rivalry and Vested Interests

Political disputes took place among the supervising bureaucracies in fighting and defending for their vested interests in the functional area of retirement pension. These disputes were often defined by their administrative context. Ever since the 1950s when the managerial structure over retirement benefits had first been established, several ministerial units with their subordinate subdivisions had normally been in charge of the overlapping functional area. With this overlapping jurisdiction, policy making power had often rested upon multiple authorities, coupled with plural leadership, organizational duplication, departmental rivalry, and unnecessary checks and balances.⁴⁹

At least, four units shared among themselves the policy terrain of retirement insurance: the Ministry of Labour in charge of the SOEs sector; the Ministry of Personnel responsible for the state-financed sector of the government apparatus, services, research and educational institutions; the Ministry of Civil Affairs in control of the rural sector; and the People's Insurance Corporation given responsibility over the COEs in addition to the All China Federation of Trade Unions. The foregoing bureaucratic units were mainly policy oriented and not given direct access to the revenue sources of the CPE.

In contrast, there are other enforcement-oriented institutional actors, such as industrial bureaus, local governments and ministerially affiliated "systems," which can nonetheless take hold of financial resources through managerial control over retirement pension funds. In theoretical terms, however, there are some difficulties for these bureaucratic units in diverting financial resources for the purpose of fulfilling their "departmentalist" concerns. The

diversion of retirements funds for inappropriate use can be minimized through institutional checks.

According to a Chinese analyst, the bureaucratic rivalry in the functional area of retirement pension funds was mainly motivated by the desire of the bureaucratic unit involved to manage a large share of funds and to claim financial resources often under the name of "management fees." This was why each ministerial unit tried to establish its own managing machinery and was reluctant to cooperate with other existing functional apparatus.⁵⁰ It became apparent that the expenditure or management fee for retirement funds grew drastically: for instance, it cost RMB 55.3 billion in 1991 (an increase of 38 per cent over 1990), and 80 billion in 1992 (a growth of 23.08 per cent over 1991).⁵¹ Not only were many items of expenditure for managerial functions found unreasonable and irregular, but the use of funds was also lacking supervision and scrutiny. In addition to the pension payments to the staff and workers as well as expenses for official business which might have been justifiable, a sizeable amount had been diverted to questionable accounting items, such as "supplements to the administrative expenses of the bureau," "support to commercial transactions of the office," among others.⁵²

As an illustration of the kind of interests at stake, it was estimated that in 1992, RMB 800,000 million had been set aside as "management fees," which consisted of 2.13 per cent of the total contributions (i.e., 376,690,000 million including a surplus of 5,053 million) of that year. This represented an increase of 23.8 per cent over 1991 and 38 per cent over 1990. Some expenditure items reflected the possible extent of abuses: during the three years from 1989 to 1991, RMB 770 million were spent on fixed assets, including the building of 750 training centres, 4,312,000 square meters of office space, and 3,535,000 square meters of residential space for staff. In addition, the list of acquisitions included 1,180 vehicles, 290 motorcycles, 1,360 micro computers and 1,294 television and video recording sets. It was projected that the expenditure on fixed assets was considered as not sufficient and would exceed about 10,000 million by 1992 and 1993.⁵³

To check the irregular expenditures of management fees, it was proposed to define clearly several roles among the bureaucracy so as to bring about better control in the social insurance programmes. First, the policy role was to be separated from the managerial role so that the government units would not be in charge of implementation and, in the meantime, given control over financial resources. In search for new institutional alternatives in light of the separation of the policy role from the role of implementation, it was proposed to establish an inter-ministerial committee to play a policy role over social insurance. Moreover, it was recommended to entrust law enforcement, supervision and monitoring, as well as coordination and standard-setting to a specialized non-departmental entity to directly manage social insurance.⁵⁴

Secondly, to curtail bureaucratic rivalry, it was suggested that fund management should be differentiated from administrative management. Preferably, either a designated bank, a financial corporation or a legal entity should be given power over fund management, operating independently from government interference in all functional areas, ranging from collection, distribution and payment, to investment and management.⁵⁵ By doing so, government units would not be in conflicting roles by being in charge of both administrative functions and control over financial resources at the same time.

Thirdly, it was suggested that administrative management should be segregated from supervisory functions. It was recommended that at the national level, a supervisory committee should be set up parallel to a management committee, both of which would be under either the State Council or the Standing Committee of the National People's Congress (NPC). Finally, the legislative functions over social insurance should be given to the NPC so as to maintain a broad perspective and avoid narrow "departmentalist" views.⁵⁶

In operational terms, it was recommended by a research report filed by the State Planning Commission to establish three sets of managing bodies in order to improve control over pension

funds: (1) the State Social Insurance Bureau under the State Council, in charge of policy making and administration; (2) the State Social Insurance Management Committee, a non-profit service unit responsible for fund management, including such jobs as the collection of contributions, management of funds and making payments of pensions as legally defined; and (3) the State Social Insurance Supervisory Committee consisting of representatives from various ministries which should perform the supervisory function.⁵⁷

Tensions between the Government and Enterprises

From the 1990s, an endeavour was made to raise the level of unified management from the county and municipal levels to the provincial and ministerial levels. It appears that government units at various levels were quite successful at collecting contributions from the enterprises at the beginning. As an unintended consequence, however, the relationship between the government and enterprises was considerably strained.⁵⁸ Indications were that resistance gradually built up at the enterprise level. Furthermore, in many local jurisdictions, a vicious cycle developed in the sense that the less contributions a local government could collect, the less capable it became to meet the demand for pension payments, and the higher the rate of collection had to be imposed on the enterprises.⁵⁹ Why were such problems created? What were their manifestations, impact and consequences? What were the remedies to them? Let us tackle some of these questions below.

Evidence suggests that government units at respective levels were often overzealous in collecting pension contributions because of a misinterpretation of the principle of reimbursement combined with accumulation. Put forth by "the 1991 Decision," the policy design of basic retirement insurance was to be sustained by an element of accumulation in excess of reimbursement. Yet, "the 1991 Decision" did not spell out, in any quantitative sense, the pace and proportion of accumulation.⁶⁰

According to an analysis by Chinese authors, a balance between reimbursement and accumulation should be properly maintained, and the rate of accumulation should not go beyond the financial capacity of enterprises. Moreover, the accumulated portion had been intended for meeting the financial needs of short term fluctuations regarding the retirement insurance funds for a projected time period in the future. Therefore, the sum of the accumulated fund should not be excessively large. Needless to say, the policy of accumulation should not be considered in isolation from other overall policy priorities by the state. However, in many municipal jurisdictions, the growth of the accumulated portion became an objective in itself, resulting in an excessively large accumulation. For instance, by 1991 the accumulated insurance fund nation-wide reached RMB 16,860 million which could cover the needs of pension payments for more than eight months; and by 1992, the accumulated sum could cover more than ten months of pension payments after deducting all the payments for the year.⁶¹ In many localities, local jurisdictions insisted on following a high accumulation rate, say, 30 per cent of the total wage in contrast to a lower national average of 23 per cent.⁶²

No sooner had the increasing burden of contributions on the enterprise level become apparent, that authors and analysts tried to identify and make a diagnosis of such a tendency. Several factors were found responsible for the strained relationship between governments and enterprises. First, the cases of delinquency in making contributions to the retirement funds became frequent because of the deteriorating economic performance of a number of enterprises, and the increasing reluctance of local governments to bail them out, especially in work stoppages and bankruptcies. Besides, some of the COEs were for the first time brought into the unified management, but not all of them could afford to subscribe to the retirement insurance owing to their financial constraints.⁶³

Secondly, some enterprises did not have a problem in making contributions, but they were not motivated to fulfil their contributions for a number of reasons. Some did not take the contributions

to retirement as part of their responsibility; some others felt that it was not in their interests to make a contribution, especially the enterprises whose employees were relatively young and who could not take advantage of the unified management for a long time to come; still a number of enterprises were reluctant to fulfil their financial obligations because of the lack of trust into the system, e.g., the reported incidents of illegal diversion and misappropriation of retirement funds, the unreliable and ineffective management of funds, and the risk of depreciation of the value of pension funds.⁶⁴

Thirdly, the reluctance to make contributions on time might owe to the high rate of contributions, which was derived from the policy design and implementation as well as from the overall development of social insurance itself. For example, the rate of contributions could not be lowered to a level which would be affordable to all employees for all types of enterprises; retirement insurance could not be fully extended to a sufficiently large population so as to spread risks widely and to create a large financial pool. Thus, with a small number of subscribers to a given retirement fund, each subscriber had to make contributions at a higher rate. Without retirement insurance at the mandatory minimum level, some employees might be forced to subscribe to more expensive retirement insurance with a much higher rate than what they could actually afford. Therefore a multiple tier structure of social insurances would provide options to employees in different income categories.⁶⁵

Such a tendency of a relatively high accumulation rate was criticized as being not very prudent for a variety of reasons. First of all, it channelled the movement of capital in an unreasonable direction, and into non-production sectors, given the situation in China where the efficiency of enterprises was low; investment capital was in shortage; and the capital market was not fully developed. Besides, the mechanisms for the maintenance of the value of the retirement payment was not yet in place. Overall, the cost of investment for the entire economy would increase in view of the reported waste and irregular diversion of retirement funds

as just noted. On the other hand, a considerable number of enterprises, if not all, fell behind in meeting the demand for making contributions to the funds under unified management for a variety of economic reasons.⁶⁶

Not only did the high rate of accumulation defeat the purpose of the design of basic retirement insurance, but it also was counter-productive in the process of policy implementation. It was found in some areas that a percentage of contribution as high as 25 per cent of the total wage was maintained. Consequently, this high accumulation rate imposed an unbearable burden on enterprises already in financial trouble and resulted in a reluctance among efficient enterprises to fulfil their obligation to contribute.⁶⁷ It was reported that in some areas the percentage of fee collection among enterprises reached merely 50 per cent, and in some better areas the percentage reached 70 per cent.⁶⁸ In order to maintain the high rate of accumulation, increases in the rate of collection often created vicious cycles which further aggravated the incidence of refusal and deferment of payments. It was indicated that, for the year 1992, the rate of collection at the national level was 96.3 per cent, with a steady decline to 93.3 per cent in 1993 and to 92.4 per cent in 1994. In fact, there was a decline to 80 per cent or below in some provinces.⁶⁹

Accompanying the overall declining rate of contribution, many types of deviant behaviour by enterprises as well as their staff and workers arose, such as the lack of a sense of responsibility and obligation, false information on the total wage furnished by enterprises in order to contribute less, the manipulation of bank accounts so as to postpone payments or, even, to evade financial responsibility. It was estimated that 30 per cent of the total wage bill was deliberately excluded by enterprise units in their calculation of the rate of contribution to the unified management fund.⁷⁰ In 1994, it was estimated that throughout the country, 50,000 enterprises had overdue contributions to pension funds, for an amount of RMB 5,000 million unpaid.⁷¹

Besides, irregularities were detected, such as the diversion of insurance funds, by as much as an estimated RMB 51,000 million

in 1993 and 64,000 million in 1994 nationally. Also, there was an alarming trend in the increase of expenditures, for instance, to 47,000 million in 1993 (a 46 per cent increase over 1992) and 66,100 million in 1994 (a 41 per cent increase over 1993). Moreover, there were reported cases of deficits in some local and municipal jurisdictions.⁷²

Not only were the high rates of contribution unbearable to some SOEs, but they also became discouraging to some other SOEs which were capable of fulfilling their financial obligations. Consequently, according to Li Poyong, Minister of Labour, one of the most outstanding issues of social insurance concerned the rates of contribution which were steadily in decline, e.g., stayed at 70 per cent in some better jurisdictions, and in exceptional cases, merely at 50 per cent.⁷³ It was not actually feasible, in other words, to make upward adjustments to the rates for this would, not only undermine further the financial capacity of the SOEs, but also result in more incidents of postponement and refusal to pay.

Therefore, Li proposed to adopt a strategy of "extending the scope" in combination with a lower rate of contribution. Taking Tianjin as an illustration, the municipality had been able to control its rate of collection at 19 per cent for the preceding five years and had been able as well to meet the demand of pension payments by incorporating the non-SOEs, non-public-owned enterprises as well as the private sector into the municipal jurisdiction of social insurance. These enterprises and the private sector employed a high percentage of young employees who contributed more, would not reach the age of retirement soon and, thus, did not require pension payments. In many other provinces and municipalities, the strategy of "universalization" was successfully introduced. In some other areas, the strategy of "extending the scope" was implemented in connection with an increase in personal contributions, as in Guangzhou, and the control of the management of expenses, as in Kunming. Of course, Li's vision was still confined to SOEs as well as CPEs, but it was well taken among the Chinese analysts and authors who referred to Li's ideas on the relationship between the scope of managerial jurisdiction and the

rate of contribution, balancing the financial burden among various sectors of the economy as well as balancing the financial burden among the generations.⁷⁴

Conclusion

The foregoing analysis of interest politics concerned policy making and enforcement of retirement insurance in the industrial sector in reform China. It is apparent that each institutional actor had its own definitions and concerns when it calculated its advantages and disadvantages in the bureaucratic context. By and large, the rivalries which took place at the bureaucratic level were motivated by the desire for control as well as for managerial jurisdiction. The conflicts which occurred at the local level and the "systems" level were closely tied to the issues of revenue, taxation and profit remittance. Even at the enterprise level, the staff and workers were motivated by their material concern with claims and rights when they took part in the policy process.

In the case of retirement insurance, it is argued in this paper that the cleavages, tensions and conflicts were largely confined to a bureaucratic framework and dictated by the exercise of administrative power. The entire policy terrain of retirement insurance was and still is divided into "four domains" (*si fang*), namely, the Ministry of Labour, the Ministry of Personnel, the Ministry of Civil Affairs and the People's Insurance Corporation. Since their institutional roles were not well defined, the issue of who had direct control over fund management became a focal point of tension.

The conflict of interests among the institutional actors was entangled with the issues of public finance, i.e., revenue, taxation and profit remittance in the framework of a centrally planned economy. It appears that a system of retirement insurance, which is functionally differentiated from the CPE, has yet to develop. The relationship among bureaucratic units became strained when their policy role was entangled with the management of revenues

and spending programmes. Therefore, the bureaucratic rivalry centred on the fights for maximizing control over financial resources which occurred often at the expense of genuine policy concerns.

For example, the cases of six ministerially administered systems withdrawing from provincial jurisdictions were clearly motivated by the concern of the financial burden, as well as the situation of revenue and spending in the context of the CPE. The construction of provincially unified management involved a series of "mutual adjustments" among administrative jurisdictions on the issues of revenue, spending and taxation. The excessive enthusiasm in collecting contributions from enterprises apparently resulted from the desire for a larger share of financial resources which was again aggravated by the lack of clear guidelines and definitions of policy principle of "accumulation and reimbursement."

Our findings suggest that the solutions to all the cases cited in the preceding passages are characteristically administrative and managerial rather than political. For instance, to control the fight among relevant ministries and bureaus for the control of financial resources, it was recommended to separate their policy making role from their roles of policy implementation, fund management and supervision. To minimize the distortion and deviation at the enterprise level, local governments were urged to set affordable rates of collection and to adhere to the principle of balancing accumulation and reimbursement.

Notes

1. Yan Zhongqin, *Dangdai Zhongguo de zhigong gongzi fuli he shehui boxian* [The Wage and Welfare of Staff and Workers in Contemporary China] (Beijing: Zhongguo shehui kexue chubanshe, 1987), pp. 324-37; Chen Rulong, *Dangdai Zhongguo caizheng* [The Financial Administration of Contem-

- porary China], Vol. two (Beijing: Zhongguo shehui kexue chubanshe, 1988), pp. 208-17.
2. Liu Zhifeng, "Shenhua shehui baozhang tixi gaige" [Deepen the Reform of Insurance System, Establish the Modern Enterprise System], in Guojia jingji tizhi gaige weiyuanhui (ed.), *Shuihui baozhang tizhi gaige* [The Reform of the Social Insurance System] (Beijing: Gaige chubanshe, 1995), pp. 28-53.
 3. Guojia jiweihui shehui fazhan yanjiusuo, shehui fazhanshi yanglao baoxian gaige yanjiu ketizu, "Yanglao baoxian gaige bixu jie jue liangge wenti" [Two Outstanding Problems for the Reform of Retirement Insurance System], *Jingji gaige yu fazhan* [Economic Reform and Development], No. 3 (1995), pp. 65-67.
 4. Feng Lanrui, "Zailun shehui baozhang guanli tizhi de tong yu fen" [Further Discussion on the Unity and Division of the Social Insurance System], *Gaige* [Reform], No. 2 (1996), pp. 69-71.
 5. Here "socialization" means the transfer of functions of welfare and insurance from the work unit to the public organizations at the societal level. This is often mentioned in connection with "load-shedding." For example, see Jiang Xuemao, "Shichang jingji-huhuan jianquan de xiandaihua baozhang tixi," [Market Economy-call for a Solid Modernized Insurance System], *Jingji tizhi gaige* [The Reform of Economic Institution], No. 3 (1994), pp. 121-25; Xiong Xiangqing, "Shihui baoxian zhidu gaige moshi yanjiu" [The Research on the Model of the Reform of Social Insurance], *Qiye daokan* [The Journey of Enterprises] (September 1992), pp. 13-17.
 6. Helen Ingram, "Implementation: A Review and Suggested Framework," in Naomi B. Lynn and Aaron Wildavsky (eds), *Public Administration: The State of the Discipline* (Catham, New Jersey: Chatham House Publications, Inc., 1990), pp. 462-79; Merilee S. Grindle (ed.), *Politics and Policy Implementation in the Third World* (Princeton, New Jersey: Princeton University Press, 1980), pp. 3-34.
 7. In the Weberian ideal type of legal-bureaucratic dominance, the property, which is required for conducting official busi-

- ness, has to be owned publicly: neither do the officials use their own private resources for public purposes; nor do they convert the publicly owned resources for their private consumption. See A. M. Henderson and Talcott Parsons (eds and trans.), *Max Weber: The Theory of Social and Economic Organization* (New York: The Free Press, 1969), pp. 331-32.
8. This author traced the origin of "danwei socialism" to the early 1950s when the Chinese Communist leaders, including both Mao Zedong and Liu Shaoqi, conceptually recognized the work unit, especially SOE, as a collective entity to establish the claims of collective forms of remuneration, welfare and benefits and amenities and services. See Peter Nan-shong Lee, *Industrial Management and Economic Reform in China, 1949-1984* (Hong Kong: Oxford University Press, 1987), pp. 55-60; in fact, the "collective face" of the work unit has become increasingly pronounced in China during the reform era. See Peter Nan-Shong Lee, "The Chinese Industrial State in Historical Perspective: From Totalitarianism to Corporatism," in Brantly Womack (ed.), *Contemporary Chinese Politics in Historical Perspective* (New York: Cambridge University Press, 1991), pp. 153-79.
 9. Fu Yaozu, *Zhongguo gongye jingji zerenzhi gailun* [General Theory on Industrial Economic Responsibility System] (Lanzhou: Gansu renmin chubanshe, 1986), pp. 74-80.
 10. Charles E. Lindblom, *The Intelligence of Democracy: Decision Making Through Mutual Adjustment* (New York: The Free Press, 1965), pp. 3-84.
 11. Kenneth Lieberthal and Michel Oksenberg, *Policy Making in China: Leaders, Structures, and Processes* (Princeton, New Jersey: Princeton University Press, 1988), pp. 63-134.
 12. The Premier possesses power to create *ad hoc* institutional bodies, including "working apparatus" and "non-permanent apparatus." Both forms were employed for carrying out some new and experimental policies and programmes. As a rule, the latter was more often used for new initiatives. See Wong Jinsong, *Zhonghua renmin gongheguo zhengfu yu zhengzhi* [The

- Government and Politics of the People's Republic of China] (Beijing: Zhongyan dangxiao chubanshe, 1994), pp. 88, 91-95.
13. Lieberthal and Oksenberg, *Policy Making in China*, pp. 64-78.
 14. Ibid., pp. 141-45.
 15. Zheng Dingquan and Zhang Zhongjun, "Zhaoli yu yanglao baoxian jizhi de zhunhuan shixing shehui tongchou he geren zhanghu jiehe" [Place Emphasis on the Change of Mechanisms of Retirement Insurance, Carry Out the Integration of Social Unified Management with Personal Accounts], *Jingji yanjiu cankao* [References for Economic Research], No. 198 (December 28, 1994), p. 3.
 16. Henderson and Parsons (eds and trans.), *Max Weber*, pp. 331-32.
 17. Nicos P. Mouzelis, *Organization and Bureaucracy* (Chicago: Aldine Publishing Company, 1967), pp. 38-54.
 18. Anthony Downs, *Inside Bureaucracy* (Boston: Little, Brown and Company, 1967), pp. 49-74.
 19. Fu Huazhong, "Guanyu zhigong tuixiu feiyong shehui tongchou wenti" [The Issue of Social Unified Management of Retirement Pension Fund of Staff and Workers], *Zhongguo laodong kexue* [The Science of Chinese labour], No. 6 (1987), pp. 9-11; Feng Huijuan, "Woguo tuixiu zhigong duiwu de bianhua he tuixiu zhidu de yange" [The Changing Composition of Retired Staff and Workers As Well As the Evolution of the Retirement System], *Zhongguo laodong kexue*, No. 9 (1986), pp. 23-26.
 20. Yan, *The Wage and Welfare of Staff and Workers in Contemporary China*, pp. 323-24; Chen, *The Financial Administration of Contemporary China*, pp. 212-17.
 21. Zhuang Qidong and Li Jianli, "Tantan zhigong tuixiu de baoxian zhidu" [On the Retirement Insurance System of Staff and Workers], in Renmin Ribao Lilunbu (ed.), *Jingji fazhi yu jingji gaige* [Economic Laws and Economic Reform] (Beijing: Jingji kexue chubanshe, 1987), pp. 499-504; Li Wujiu, Zhu Jintang and Wang Tawu, "Guanyu yanglao baoxian zijin shehui tongchou de tantao" [An Analysis of the Social Uni-

- fied Management of Retirement Fund], *Shehui kexue* [Social Science], No. 12 (1985), pp. 48-50.
22. Barry Naughton, "Hierarchy and the Bargaining Economy: Government and Enterprise in the Reform Process," in Kenneth Lieberthal and David M. Lampton (eds), *Bureaucracy, Politics and Decision-Making in Post-Mao China* (Berkeley: University of California Press, 1992), pp. 245-79.
 23. Li, Zhu and Wang, "An Analysis of the Social Unified Management of Retirement Fund," pp. 48-50.
 24. Goujia jiwei renli ziyuan kaifa liyong yanjiusuo shehui fazhan si ketizu, "Guanyu woguo chengzhen yanglao baoxian zhidu gaige ruogan wenti de yanjiu" [Research on Some Problems of Retirement Insurance in Urban China], *Jingji yanjiu cankao*, No. 198 (December 28, 1994), p. 16.
 25. Ibid.
 26. Li Shunxuan, "Guanyu chongjian Zhongguo shehui baozhang zhidu de rougan wenti" [Several Issues Concerning the Re-construction of Social Insurance System in China], *Beijing jiaotong guanli ganbu xueyuan xuebao* [Beijing School for Management Cadres in Transport], No. 2 (1994), pp. 7-13.
 27. "Guowuyuan zuochu guanyu qiye zhigong yanglao baoxian zhidu gaige de jueding" [Decision by the State Council on the Reform of Retirement Insurance System of Staff and Workers of Enterprises], *Xinhua Ribao* [New China Daily], No. 10 (1991), p. 80.
 28. Guojia jiwei, "Research on Some Problems of Retirement Insurance in Urban China," pp. 16-21.
 29. "Laodongbu fubuzhang Li Peiyao da jizhe wen" [Deputy Minister Li Peiyao's Answers to Reporters' Questions], *Zhongguo laodong renshi bao* [China's Labour and Personnel Daily], (July 2, 1991), p. 16.
 30. Guojia jiwei, "Research on Some Problems of Retirement Insurance in Urban China," p. 21; Pan Zhongdi, "Guanyu yanglao baoxian jijin chouji fangshi wenti de tantao" [Discussion on the Methods to Raise Retirement Insurance Fund], *Zhongguo laodong kexue*, No. 3 (1987), pp. 34-37; Hu Fang,

- "Guanyu yanglaojin zhidu de tantao" [Discussion on Retirement Fund System], *Zhongguo laodong kexue*, No. 4 (1988), pp. 31-32.
31. Li, Zhu and Wang, "An Analysis of the Social Unified Management of Retirement Fund," p. 48.
 32. Ibid.
 33. Ibid., pp. 13-14.
 34. Ibid.
 35. Ibid.
 36. Ibid., pp. 14-15.
 37. "Decision by the State Council on the Reform of Retirement Insurance System of Staff and Workers of Enterprises," p. 80; "Deputy Minister Li Peiyao's Answers to Reporters' Questions," p. 16.
 38. "Weishenmo yao tongchou zhifu zhigong tuixiufei?" [Why Is the Unified Management of Retirement Pension Needed?], *Shangye gongzu* [The Task of Commerce], No. 1 (1984) pp. 59-60.
 39. "Shangyebu xitong zhigong tuixiufei shixing tongchou zhifu de zhanxing guiding" [Provisional regulations on the Unified Management of Retirement Pension of Workers and Staff in the System of the Ministry of Commerce], in *Zhongguo shehui kexueyuan faxue yanjiusuo* (ed.), *Zhongguo jingji guanli fagui wenjian huibian, xia* [The Collection of the Documents of Laws and Regulations of Economic Management in China, Vol. II] (Changchun: Jilin renmin chubanshe, 1985), pp. 1366-67.
 40. Pan, "Discussion on the Methods to Raise Retirement Insurance Fund," pp. 34-35.
 41. Zheng and Zhang, "Place Emphasis on the Change of Mechanisms of Retirement Insurance, Carry Out the Integration of Social Unified Management with Personal Accounts," p. 3.
 42. Guojia jiwei, "Research on Some Problems of Retirement Insurance in Urban China," p. 36; Zhang Zhongjun, "Yanglao baoxian: shehui tongchou he geren zhanghu xiang jiehe moshi de xuanze" [Retirement Insurance: The Choices of the

- Models of Integrating Social Unified Management with Personal Accounts], *Gaige yu kaifang* [Reform and Opening-up], No. 4 (1995), pp. 10-11; Laodongbu shehui baoxian si, "Jin yibu shenhua qiye zhigong yanglao baoxian zhidu gaige de chubu shexiang" [Preliminary Ideas on the Further Reform of Retirement Insurance System of Enterprise Staff and Workers], *Laodong neican* [Internal References on Labour], No. 5 (1996), p. 25.
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Policy Implementation in Reform China The Case of Retirement Insurance

Abstract

China has initiated a major restructuring of its retirement insurance programmes since the mid-1980s with the first cohorts of retirees appearing in great numbers. The restructuring has acquired importance because the ever increasing number of retirees has taxed heavily the existing financial resources of the industrial enterprises. In addition, a major overhaul of retirement insurance programmes has been warranted in light of market-oriented and property right-centred reform. This has resulted in some major policy changes on the subject-matter from the mid-1980s to mid-1990s.

This paper is concerned with the process of policy implementation in China during the reform era on the basis of a case study of retirement insurance. The study focuses on the cleavages and conflicts of interest at the institutional, work unit and individual levels in order to account for the progress of as well as obstacles to the successful introduction of new policy programmes. The paper examines the issues and problems pertaining to the expansion of "social unified management" from the county and urban district levels to the provincial level, the tension between the provincial jurisdictions and ministerially administered "systems," the bureaucratic rivalry among ministerial units, and the strain between the local governments and enterprise units. On the whole, the paper argues that institutional actors are largely motivated by the desire for broader jurisdiction, greater managerial power and more financial resources. The resolution of conflicts hinges on administrative decisions as much as on the mutual adjustment of political nature.

改革期間中國的政策執行

退休保險的個案研究

李南雄

（中文摘要）

自從八十年代以來，隨著大批退休人員的出現，中國開始對退休保險進行重大的改革。這改革之所以重要，是因為為數眾多的退休人員使工業企業在財政上不勝負荷。同時，以市場為取向、以產權為中心的經濟改革，又令到這變革更形理所當然，於是就引發了之後十年之間對退休保險問題的許多重大政策變化。

這篇論文以退休政策的執行為重點，並以個案研究的方式進行探討。本論文分析制度、工作單位與個人等層次上的裂痕，試圖解釋引進新政策過程之中的順境與困境。本論文探討的問題包括由縣區級擴大到省級的社會統籌、省級和部級的「系統」之間的矛盾摩擦、各部級主管單位之間的衝突，以及各地方政府與企業之間的緊張關係。

總而言之，本論文認為機構層次的行動者，往往會受到謀求更大的管轄權、管理權限與更多的財政資源所驅使。要解決因此而造成的衝突，既要運用行政手段，又要政治上的相互協調。