

# Social Protection Under Authoritarianism: Health Politics and Policy in China

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## Overview

China's healthcare provision, in the form of social health insurance, has undergone an unprecedented expansion since 1998 without democratization or significant political reform in the country. Within ten years, the population coverage of Chinese social health insurance increased from 8% in 2000 to 88% in 2010. Since 2012, it has reached near-universal coverage—exceeding 95% of the Chinese population. People who were previously excluded from the social welfare system, such as peasants, the urban poor and residents without employment, and rural-to-urban migrants, are now covered by separate social health insurance programs in China. At the same time, accompanying the expansion have been huge differences in health insurance policies across subnational regions and a sharp stratification of healthcare benefits across social groups. Instead of leveling the social playing field, the dramatic changes in social health insurance continue to link welfare benefits to citizens' sociopolitical status, employment and residency. Healthcare equality and affordability problems abound. National polls from the 2000s through 2016 show that *kan bing nan, kan bing gui* (“getting medical care is difficult and expensive”) is still one of the top governance concerns of Chinese population.<sup>1</sup> With the health of 1.3 billion people and the stability of the authoritarian regime at stake, social health insurance has become a political issue in China.

This book explicates the political economy of the transformation of China's social health insurance in the first decade of the 2000s, addressing the puzzling aspects of its expansion and explaining the political logic and distributive outcome thereof. More generally, it seeks to shed light on the following questions regarding social welfare provisions in authoritarian regimes: in the absence of democratic mechanisms, why would authoritarian leaders expand welfare benefits? What are the distributive features and implications of the authoritarian welfare state? How do authoritarian leaders design and enforce social welfare provisions in a multilevel governance setting?

In this book, I argue that expansive social welfare is not necessarily exclusive to democracies; instead, social welfare expansion can be of a result of resilient authoritarianism. But in social welfare expansion, authoritarian leaders face the dilemma of efficiently balancing benefits between elites and the masses to maximize

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<sup>1</sup> *liao hui diao cha* (polls in the time of national meetings of Chinese People's Congress and Political Consultative Conference)  
<http://npc.people.com.cn/GB/410899/410900/index.html>, accessed on 3/9/2018.

the regime's survival prospects. When authoritarian leaders concentrate too many benefits on elites, they become vulnerable not only to unrest from the discontented masses but also to threats from the empowered elites. Yet when authoritarian leaders reduce the privileges of elites and empower the masses by universalizing benefits, they risk betraying the very elites on whom they rely to survive politically. The Chinese authoritarian leaders' solution to this dilemma is to establish an expansive yet stratified social welfare system, perpetuating a particularly privileged provision for the elites while developing an essentially modest provision for the masses.

I develop a theoretical framework that takes into account the political actors in the making of social policy and their incentives and strategies, which are shaped by Chinese authoritarianism and its decentralized multilevel governance system. I uncover that the Chinese authoritarian regime has adopted the "stratified expansion" strategy in social welfare development—maintaining a particularly privileged welfare provision for elites while developing an essentially modest social provision for the masses. In China's authoritarian multilevel governance setting, the stratified expansion of social welfare is implemented through interactions between the central leaders (the Center), who care the most about regime survival and stability, and local leaders who care most about career advancement and thus attempt to meet the Center's expectations but confront distinct constraints in local circumstances such as fiscal stringency and social risk.

Under the conditions of political centralization and fiscal decentralization in China's multilevel governance system, the Center, on one hand, has established and maintained a highly stratified social welfare system to achieve a "divide and rule" situation that privileges elite groups (e.g., party and government officials, state and state-owned-enterprise employees) over others. By doing so, the Center creates multiple social cleavages and forestalls a single overriding point of conflict. On the other hand, the Center has sought to delegate discretionary power to local leaders regarding social welfare expansion in order to accommodate diverse local conditions and needs and to co-opt local leaders into the policy making process. Given the Center's strategy, Chinese local leaders, who owe their political careers to the Center rather than to the general public, proactively provide welfare benefits in a manner that suits the local conditions and needs in their jurisdictions and thus should contribute to social stability—a well-known priority in the Center's assessment, appointment and promotion of local leaders.

My study emphasizes that the local leaders have encountered different constellations of constraints and resources in the making of social policy so that the decentralized implementation of social policy brings about great inter-regional variations in China's welfare benefit distribution. Local leaders may take advantage of the discretion and autonomy granted by the decentralization to pioneer universalistic social welfare reform. Under such circumstances, local expansion of social welfare diverges from or even contradicts the Center's stratified expansion strategy. The dynamics of central-local interactions (e.g., control and evasion of control) stand at the center of the politics of China's authoritarian welfare provision and reflect how delicately the autocrats' distributive dilemma is managed in the subnational context.

## Theoretical Contributions and Relationship to Existing Studies

In the past decade, the study of social welfare in non-democracies has grown in the field of comparative politics (Mares and Carnes 2009; Cammett and Sasmaz 2016). Unlike social policy in democracies—which usually results from the activities of social movements, organized interests, unions, and labor parties—authoritarian policymaking is believed to be largely based on the proactive role of political leaders who may take preventive actions in anticipation of future problems. To minimize potential threats to regime stability, authoritarian leaders must manage relations on two fronts in particular: their relations with elites and with the masses (Svolik 2012; Acemoglu and Robinson 2006; Boix 2003). As threats to regime stability can emerge from either front (Haggard and Kaufman 2016), choosing to distribute rents and goods only to elites or only to the masses is not an optimal strategy from the perspective of authoritarian leaders. Authoritarian leaders must calculatedly distribute resources among the masses and the elites (Magaloni and Kricheli 2010).

My book engages in the study of distributive politics and social welfare in authoritarian regimes and makes three significant contributions to the literature. First, beyond the macro-level association of authoritarian leaders' political strategies and their social policy choices, existing studies (e.g., Bueno de Mesquita et al 2003; Mares and Carnes 2009) do not fully consider the trade-off of balancing social benefits between elites and the masses, a political dilemma that authoritarian leaders constantly encounter and have to resolve in order to maintain regime stability. This book picks up where existing research has left off. Analytically, I develop an argument that directly exposes the trade-off facing authoritarian leaders when allocating welfare benefits among different social groups and diverse subnational regions, and I explain the stratified expansion strategy that authoritarian leaders adopt to resolve the dilemma. Empirically, I test that strategy's implications for authoritarian leaders' distributive behaviors and examine the distributive outcomes thereof in the Chinese authoritarian regime.

Second, the influence of subnational politicians on the design and implementation of welfare programs has been absent in most discussions to date, as existing studies of authoritarian social welfare systems largely focus on policymaking at the regime level. Subnational politicians, however, have a crucial role to play in social welfare provisions under authoritarianism (Diaz-Cayeros et al 2016; Lü 2014). By examining local incentives and choices for social welfare provisions as well as the central-local interactions in the course of Chinese social welfare expansion, this book provides a valuable theorization of policymaking and implementation in an authoritarian regime whose structure is characterized by decentralization and multiple levels of governance.

Third, despite the fact that the institutional design of welfare programs is typically multidimensional, many existing studies of social welfare focus on only one of its dimensions, usually levels of government spending. Levels of welfare spending, however, say little about the *distribution* of welfare benefits, which can be better conceptualized along three different dimensions: generosity, coverage, and

stratification (which I define below). The analysis in this book utilizes and develops the multidimensional conceptualization of welfare distribution to provide a more fine-grained and comprehensive framework for understanding authoritarian leaders' distributive strategies and policy choices in social welfare provisions.

## **Empirical Analysis and Findings**

In this book, I provide empirical evidence for: 1) the formation and development of the stratified expansion strategy of Chinese authoritarian leaders in social welfare provisions and the underlying tension in central-local interactions; 2) the expanded yet stratified distribution of social health insurance benefits as well as its inter-regional variation in China. I conceptualize and examine the distribution of social health insurance benefits in China in three dimensions: coverage, generosity, and stratification. 'Coverage' represents the percentage of the total population that has access to health insurance benefits. 'Generosity' refers to the average level of benefits that health insurance beneficiaries receive. 'Stratification' captures the difference or inequality in levels of health insurance benefits received by different beneficiary groups.

Specifically, I first examine the Chinese regime's stratified expansion strategy in social welfare provision by drawing qualitative evidence from Chinese central leaders' speeches to local and ministerial officials and from party/government meeting memos, and quantitative evidence from the central-to-local fiscal transfers from 1998 to 2009. Then I employ subnational comparative case studies, drawing on 148 field interviews conducted in 16 Chinese provinces from 2009 to 2012, to uncover the local interpretation and implementation of the Center's stratified expansion strategy, especially how local socioeconomic conditions and central-local interactions have influenced local leaders' policy preferences and choices regarding the distribution of social health insurance benefits. I then present in-depth quantitative analyses to examine the distribution of social health insurance benefits across subnational regions and social strata in China: I utilize a provincial-level panel dataset (from 1999 to 2010) to identify the subnational variations in Chinese social health insurance coverage and generosity as well as their correlations with local socioeconomic conditions; I further use both government statistics and individual-level national survey data to demonstrate the stratification pattern of Chinese social health insurance benefits among social groups.

The main empirical findings of the book are threefold. First, the Chinese social health insurance system is highly stratified across three cleavage lines: 1) urban versus rural; 2) labor market insiders versus labor market outsiders; and 3) state versus non-state sectors. These social cleavages, which cross-cut class differences, have been institutionalized in China's social welfare system and were legitimized first by the Center through a bundle of directives, decisions, and circulars, and later by the Social Insurance Law promulgated in 2010. Moreover, the Center made use of fiscal transfers and top-down personnel control to maintain the elite groups' privileged welfare benefits. As a result, urban state-sector formal employees received the lion's

share of the expanded healthcare benefits, and this pattern of stratification in Chinese social health insurance persists across localities and over time.

Second, in contrast to the nationally uniform stratification pattern of social welfare, generosity and coverage of the expanded social health insurance differ dramatically across localities, indicating that local officials chose different models of social welfare expansion according to the specific profile of constraints or resources they encountered in local circumstances. Specifically, local officials in regions with high levels of social risk chose to expand only the coverage of social health insurance (giving more people benefits that remained meager), while local officials in regions with high levels of fiscal revenue enhanced only the generosity of social health insurance benefits (giving certain people more benefits). While officials in regions with high social risk and fiscal prosperity have been pioneers in promoting substantial social health insurance expansion (giving more people more benefits), their counterparts in regions with neither high social risk nor fiscal prosperity tended to defend the status quo—an even more fragmented and inequitable social health insurance system—in their jurisdictions.

Third, the diverse local implementation of social health insurance expansion sometimes conflicts with the Center's most preferred model of social health insurance stratification, which is in favor of the elites. This further compels and constrains the Center to re-enforce the stratification of social health insurance during the expansion. The distribution of healthcare benefits in China in the first decade of the 2000s is thus a dynamic mix of both expansion and stratification with central-local interactions standing at the center of the politics on the supply side of social welfare.

## **Chapter Outline**

The book addresses questions about the political logic, policy design, and distributive outcomes of social health insurance expansion in China in the first decade of the 2000s. It is organized into three sections. The first section (Chapters 1-3) presents my argument about social welfare provision in the authoritarian setting and substantiates it in the context of Chinese political economy. The second section of the book (Chapters 4-5) delves into the analysis of distributive strategies and choices of the Chinese central and local leaders based on qualitative and quantitative data. Here I test the first set of observable implications of the argument, which focus on the central and local leaders' distributive behaviors during China's social health insurance expansion. The third section (Chapters 6-8) turns to the distributive outcomes and implications of China's social health insurance expansion and tests the second set of observable implications of the argument, which focus on the distribution of social health insurance benefits across subnational regions and social strata.

### **Chapter 1**

The opening chapter introduces the puzzle and the key questions motivating this research. It then positions the research within the scholarship of authoritarian

politics, comparative social policy and Chinese political economy. It further explains the argument of the book as well as data and methods employed to test the observable implications thereof. The chapter ends with a roadmap of the book.

## **Chapter 2**

This chapter presents a supply-side theory that explains the distributive logic and characteristics of social welfare provisions in the authoritarian setting and its application in China. The theory takes into account the logic of authoritarian regime survival, multilevel governance, and the multidimensionality of social welfare policy and specifies the main political actors and their interests and strategies in authoritarian social welfare provisions. I argue that social welfare expansion can and does arise in the authoritarian setting; however, it arises not from electoral accountability but from the mandate of preventing social unrest or curbing threats to the regime. Authoritarian leaders, whose basic interest lies in regime survival and stability, use stratifying and expansive social welfare policies to privilege elites and placate the masses. To explain social welfare expansion in the authoritarian yet decentralized setting, it is necessary to disaggregate authoritarian leaders and to examine divergences in policy preferences among different levels of the authoritarian state alongside the factors that shape the interactions between them, ultimately with an eye towards the impact of these divergences and interactions on policy implementation and outcomes. I situate the theory in the context of the Chinese authoritarian regime and generate hypotheses about the distributive behaviors of political leaders and the distributional characteristics of social welfare provisions in the Chinese authoritarian and multilevel governance setting. I also propose a set of conditions, including local fiscal resources and social risks (e.g., population aging, migration, labor market shifts) which predict the likelihood of a divergence between Chinese central and local leaders in policy preferences and choices concerning social welfare distribution in subnational China.

## **Chapter 3**

This chapter draws from secondary literature and materials to review the history and evolution of the social health insurance system in contemporary China (since 1949), providing historical background as well as broad economic context for China's social welfare expansion in the 2000s. I show that throughout the contemporary history of China, social welfare was never considered a basic social right for citizens. Despite dramatic changes in the coverage and generosity of social welfare provisions across different developmental periods in China, the stratification pattern of the Chinese social welfare provision was persistent and has been reinforced during the social welfare expansion between 1998 and 2011.

## **Chapter 4**

This chapter focuses on the Chinese central leaders (the Center) and their distributive strategy and behaviors in social welfare provision. The deliberations and calculations reflected in the central leaders' speeches between 1998 and 2011 show that the stratified expansion of Chinese social welfare was an intentional and carefully orchestrated strategy. Both central leaders and ministerial technocrats, in various internal speeches and communications, revealed the hidden concern about and measures taken to maintain the elites' welfare privileges and benefits during the expansion. Careful readings of the primary materials also suggest that in China's decentralized fiscal system, the Center's fiscal transfers to local governments were an important means to maintain the welfare privileges of elite groups (e.g., civil servants, state-sector employees). This chapter then analyzes the central-to-local fiscal transfers from 1998 to 2009 and finds that the larger the elite groups in a province, the more fiscal transfers the province received from the Center. Both the qualitative and quantitative evidence support my argument about the Center's strategic intention to make a stratified expansion of social welfare in the first decade of the 2000s.

## **Chapter 5**

This chapter focuses on the local leaders' distributive motivations and choices in social welfare provisions. After all, the Center's stratified expansion of health care provision needs to be implemented by local leaders who are motivated to promote economic and social development in their jurisdictions for career advancement. The combination of political centralization and fiscal decentralization allows Chinese local leaders to interpret and specify major policies according to local circumstances, while following the Center's various mandates and directives with local resources and constraints. Drawn from qualitative evidence collected from my fieldwork in China between 2009 and 2012, this chapter not only demonstrates the regional variation in local policy choices and responses to the Center's directive of stratified expansion of social health insurance, but also provides nuances and examples of the local calculations and trade-offs in implementing the health insurance expansion. The causes for the regional differences in local implementation of social health insurance expansion are not only the regional disparities of socioeconomic conditions and resources, but also the contradiction or dilemma embedded in the Chinese authoritarian regime's distributive strategy of providing an expansive provision of basic benefits to the masses while maintaining the welfare hierarchy or privilege for the elites.

## **Chapter 6**

This chapter investigates the coverage and generosity dimensions of Chinese social health insurance in the first decade of the 2000s, with a focus on regional (i.e., cross-provincial) variation, using a cross-sectional and time-series research design. First, cluster analysis provides evidence for the existence of four regional models of social health insurance in China: 1) giving more people more benefits (high

generosity and coverage); 2) giving certain social groups more benefits (high generosity and low coverage); 3) giving more people benefits but with a meager provision (low generosity and high coverage); and 4) giving only certain social groups meager benefits (low generosity and coverage). Second, cross-section time-series regression analysis shows significant statistical correlations between local conditions and choices of social health insurance model, specifically, associations between local social risk and social health insurance coverage, and between local fiscal resources and social health insurance generosity. Finally, the chapter draws on my fieldwork between 2009 and 2012 to make detailed inter-regional comparisons and intra-regional studies in order to reconstruct the mechanism linking local socioeconomic conditions to social health insurance models—that is, local leaders’ policy preferences and choices for allocating social health insurance benefits in their jurisdictions. The three empirical analyses combined provide a political economy explanation of the subnational variations in the generosity and coverage dimensions of Chinese social health insurance in the expansion era.

## **Chapter 7**

This chapter examines the stratification dimension of Chinese social health insurance in the first decade of the 2000s. Based on quantitative analyses of individual-level national survey data, it examines the variation of social welfare benefits across social strata, addressing who has received what benefits, when, and how, as a result of China’s social health insurance expansion between the years of 2003 and 2011. I show that social health insurance expansion did significantly broaden Chinese citizens’ access to basic healthcare. However, the expansion, which entails health insurance fragmentation and increasing benefit disparities, not only reinforced existing social cleavages such as the rural-urban divide, but also generated new divisions within both rural and urban groups. In particular, Chinese social health insurance after expansion is highly stratified across three cleavage lines: 1) urban versus rural; 2) labor market insiders versus outsiders; and 3) state versus private sectors. These multiple social cleavages are interwoven in such a way as to fragment society and privilege elite groups over others without fracturing society along a single, deep class line.

## **Chapter 8**

This concluding chapter summarizes the main findings of the book and discusses their implications for both China’s social welfare development and its authoritarianism. The dramatic expansion of social welfare in China and its remarkable subnational variation demonstrate that the Chinese authoritarian regime is willing to make efforts to accommodate diverse local conditions and social needs in social policy as long as the elites’ welfare privileges are maintained. However, the remarkably different social entitlements across social strata and geographic units present a dilemma underlying the Chinese authoritarian regime’s stratified expansion

strategy for social welfare provision: the stratified and inequitable social welfare distribution may ultimately undermine the intended outcome of social stability. The enlarged gaps and inequalities in social welfare benefits across regions and social groups may invite more public grievances, thereby presenting a threat to the stability of the Chinese authoritarian regime in the long run. After a speculative note on the prospect of China's ongoing healthcare reform, the book concludes with a discussion of the conditions for applying the stratified expansion argument of authoritarian welfare provisions beyond the Chinese case.